

Regional & Local Gov't Credit Rating

New Update

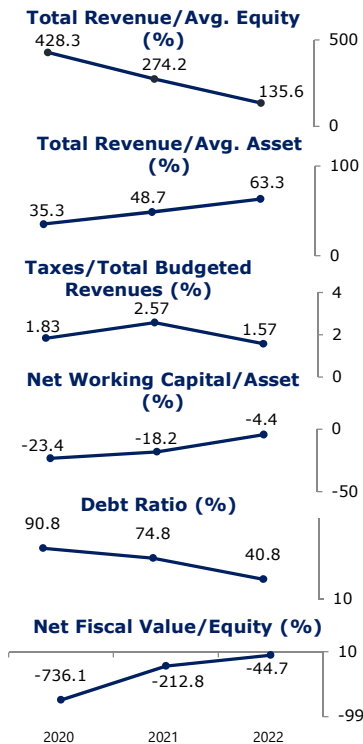
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
System Support		1	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022



Adana Büyükşehir Belediyesi

(ABB – The Metropolitan Municipality of Adana)

JCR Eurasia Rating, has evaluated the "Adana Büyükşehir Belediyesi" in the investment-level category and affirmed the Long-Term National Issuer Credit Rating as 'AA (tr)' and the Short-Term National Issuer Credit Rating as 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Adana Büyükşehir Belediyesi (referred to as 'the Municipality' or 'MMA') is one of the 30 metropolitan municipalities of Türkiye. The MMA's municipal organization and services began operation in 1871 during the Ottoman Empire era. The functions of the Municipality are classified in general under the headings of General Public Services, Security, Economic Affairs, Environmental Services, Settlement Works, and Cultural Services. The MMA has five subsidiaries and an affiliated administration formed under the entity as of the reporting date.

The MMA was established by Law Nr. 3306 in 1986 with two counties, Seyhan and Yüreğir. Boundaries have been extended several times; ultimately, the scope of authority was determined by provincial administrative boundaries in 2012 regarding "The Establishment of Thirteen Metropolitan Municipalities, Twenty-seven County Municipalities with the change in the Decree Laws" published in the official gazette on 6 December 2012. Currently, Adana is composed of 15 counties, 5 of which are central municipalities. As of 2022, the total population of Adana was 2.3 million, the seventh most populous province of Türkiye and has a surface area of 13,844 km². The MMA is administered by a council of 79 members. The distribution of seats in the current council is shared amongst the MHP (35.4%), AKP (29.1%), CHP (25.3%), IP (7.6%), and SP (2.5%). The council legislated a total of 311 acts in 63 different meetings in 2022.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Ensuring a high level of fiscal support through central government budget revenues secured by law,
- Growth in budget surplus and operating profit margins thanks to effective financial management along with corporate structure coupled with an experienced and competent management team,
- Improvement in the equity ratio with suppressed financial liabilities and positive operating results,
- Decreasing trend of external financing needs that lead to a sustainable level of debt ratio as of FYE2022 and reducing FX risk,
- Contribution of the ongoing efforts to increase the Municipality's own revenues and growth projection in own revenues,
- Continuation of investments within the scope of transportation master plan, which is expected to relieve the traffic problem of the city.

Constraints

- Despite an improving trend, the municipalities' own revenue generation capacity still remains below the adequate level in relation to the business volume,
- Migration wave to rural areas due to the earthquake in the region created the need for infrastructure investments in these regions,
- Pressure on liquidity ratios due to short-term liabilities exceeding current assets would be a potential risk in case of deterioration in the cash cycle,
- Notable share of noncurrent assets suppresses the balance sheet flexibility,
- Significant share of refugees hosted in the city put pressure on quality of municipal services per capita.

Considering the aforementioned points, the MMA's Long-Term National Issuer Credit Rating has been affirmed as 'AA (tr)'. Nearly 100% of the municipalities' external revenues consist of contributions obtained from the total tax revenues included in the government budget. The high level of contributions from the government budget within the municipal revenues increases the influence of the financial tutelage of the central government and impedes the establishment and development of the principle of autonomy throughout the country. In addition, the constant changes observed in distribution ratios of shares from the budget tax revenues adversely affect the predictability of the municipal revenues. The issues of insufficiency of municipal revenues, inconsistency of support from the central government, low ratios of own revenues and inability to determine own revenues prevail in Türkiye. However, all these data, by all means, indicate a high level of central systemic support for all of the municipalities and the metropolitan municipalities in particular across the country compared to the world averages. In this respect, the system support rating for whole municipal system particularly for the MMA is affirmed at the highest level of (1).