

## Regional & Local Gov't Credit Rating

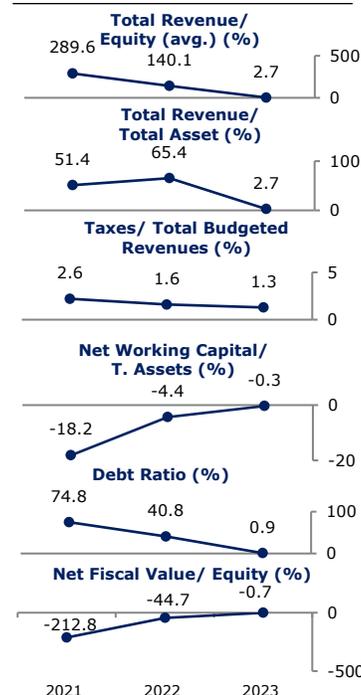
New  Update

**Sector:** Subnational Administrations-Municipalities  
**Publishing Date:** 30.12.2024  
**Team Leader**  
 Alperen Adanir  
 +90 212 352 56 73  
[alperen.adanir@jcrer.com.tr](mailto:alperen.adanir@jcrer.com.tr)

**Senior Analyst**  
 Derya Atalay Nemli  
 +90 212 352 56 73  
[derya.nemli@jcrer.com.tr](mailto:derya.nemli@jcrer.com.tr)

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	Stable	-
	International LC ICR	BB	-
System Support	International LC ICR Outlooks	Stable	-
	System Support	1	-
	ISRs (Issue Specific Rating Profile)	National ISR	-
International FC ISR		-	-
International LC ISR		-	-
Sovereign*	Foreign Currency	BB	-
	Local Currency	(Stable) BB	-
	Local Currency	(Stable) BB	-

\* Assigned by JCR on May 10, 2024



## Adana Büyükşehir Belediyesi (ABB – The Metropolitan Municipality of Adana)

JCR Eurasia Rating, has evaluated the "Adana Büyükşehir Belediyesi" in the investment grade category with very high credit quality 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 assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Türkiye.

**Adana Büyükşehir Belediyesi** (hereinafter 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 2023, the total population of Adana was 2.3 million, the seventh most populous province of Türkiye and has a surface area of 13,844 km<sup>2</sup>. The MMA is administered by a council of 79 members. The distribution of seats in the current council is shared amongst the CHP (58.2%), MHP (19%), Ak Party (16.5%), İP (2.5%), YRP (2.5%), and DP (1.3%). The council legislated a total of 254 acts in 74 different meetings in 2023.

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

- | Strengths   | Constraints   |
|---|---|
| <ul style="list-style-type: none"> <li>High share of tax revenues transferred from the central government to metropolitan municipalities, which is secured by law,</li> <li>Downward trend in financial liabilities over the analyzed periods,</li> <li>Satisfactory equity level together with maintained positive operating results in FY2023,</li> <li>Contribution of the ongoing efforts to increase the Municipality's own revenues and growth projection in own revenues,</li> <li>Continuation of transportation investments, which is expected to relieve the traffic problem of the city,</li> <li>Efforts carried out within the scope of supporting local development in rural areas as a province that plays an important role in agricultural production across the country,</li> <li>Numerous festivals and carnivals enhance the city's recognition and boost local economic activity.</li> </ul> | <ul style="list-style-type: none"> <li>Municipalities' own revenue generation capacity still remains below the adequate level in relation to the business volume due to the fact that the sources of income of the municipalities are limited by law,</li> <li>Adverse impact of the earthquake in the region on budget expenditures in FY2023,</li> <li>Inadequate level of liquidity ratios would be a significant source of risk in case of deterioration in the cash conversion cycle,</li> <li>High level of tangible assets among total assets reduces the flexibility of the balance sheet,</li> <li>Share of migrants under temporary protection status in the city put pressure on municipal services per capita.</li> </ul> |

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).