

## Corporate Credit Rating

New  Update

Sector: Subnational  
 Administrations-Municipalities  
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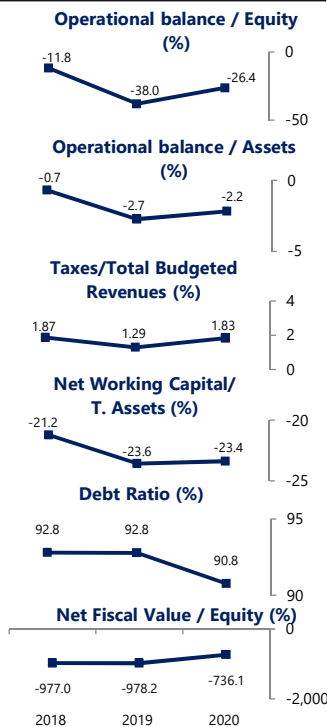
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### RATINGS

		Long Term	Short Term
National	Local Rating	AA- (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC Stable LC Stable	Stable Stable
System Support		1	-
Sovereign*	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	FC Stable LC Stable	- -

\*Assigned by JCR on May 31, 2021



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

JCR Eurasia Rating, has evaluated **Adana Büyükşehir Belediyesi** in investment-level category on the national scales and assigned the ratings on the Long-Term National Scale at **'AA- (Trk)'** with **'Stable'** outlook, and Long-Term International Scale as **'BB'** with **'Stable'** outlook.

**Adana Büyükşehir Belediyesi** (referred to as **'the Municipality'** or **'MMA'**) is one of the 30 metropolitan municipalities of Turkey. 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 5 subsidiaries and an affiliated administration formed under the entity as of reporting date.

The MMA is established by the Law Nr. 3306 in 1986 with two counties, Seyhan and Yüreğir. Boundaries have been extended several times, ultimately its scope of authority is 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 official gazette on 6 December, 2012. Currently, Adana composed by 15 different counties whose 5 of them are central municipalities. As of March 26, 2021, total population of Adana was 2.3 million and the population in central municipalities was 1.8 million.

The MMA is administered by a council of 79 members. The distribution of seats in the current council are shared amongst the MHP (35.4%), AKP (29.1%), CHP (25.3%), IP (7.6%) and SP (2.5%). There are 14 different commissions are formed under the council and the council legislated total of 221 acts in 50 different meetings in 2020.

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

#### Strengths

- High level of fiscal support as secured by law
- Significant recovery in operating result of 2020 coupled with budget surplus expectation in 2021
- Debt structure preserving its resilience to depreciation of Turkish Lira
- Corporate structure coupled with experienced and competent management team
- Various number of festival and carnivals raising recognition of the city as well as contributing to local economic activity
- Transportation master plan and rail system expected to relieve traffic problem of the city
- Wide spectrum of the business areas in Adana
- Ongoing investments in the region which is expected to reduce poverty and unemployment

#### Constraints

- Municipalities' own revenue generation capabilities still remaining below adequate levels
- Significant share of refugees hosted in the city put pressure on quality of municipal services per capita
- Weakening liquidity ratios would be material source of risk in case of deterioration in cash conversion cycle
- High level of illiquid asset's share among total assets

Nearly 100% of the external revenues of the municipalities 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 Turkey. However, all these data, by all means, indicate 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, system support rating for whole municipal system particularly for the MMA is assigned at its high level of (1).