Türkiye

Type of state	Unitary
State / regional government level (number)	Special provincial entities (51)[1]
Local general government levels (number)	Metropolitan Municipalities (30) Provincial and District Municipalities (973) Towns (386) Villages (18,195)
Total subnational liabilities, 2020 (state/regional + local)	TRY 212.5 billion, (USD 24 billion eq.)
Local government outstanding liabilities, *% of total subnational, 2020*	Not available
Total subnational liabilities growth, CPI adjusted, 2016 to 2021	25%
Total local government liabilities growth, CPI adjusted, period 2016 to 2020[2]	Not available

Legal & regulatory environment	• Municipalities can borrow domestically and internationally with a variety of instruments • The Turkish subnational fiscal framework provides municipalities with clear revenue and expenditure assignments and reliable unconditional transfers[3] • Regulatory constraints on subnational governments annual borrowing capacity and foreign lending sources[4]
Borrowing readiness	• Low own-source revenue and high dependency on fiscal transfers[5] • Currency mismatch in revenues and financial liabilities of subnational governments negatively impacts their credit strength[6] • Subnational governments' low own-source revenue and expenditure[7], hamper development and external financing ability[8]
Macro credit conditions	• The drop of the Turkish lira (TRY)' s value[9] and record high inflation[10], have increased borrowing costs • There are constraints both on the demand and supply side that hinder the development of a municipal bond market • Türkiye financial development is relatively high[11]

Highlights

- Subnational governments can borrow through a variety of instruments. Infrastructure investments made at the local level are usually financed by operating surplus and borrowing and less from capital revenue.[12] Subnational governments are enabled to issue bonds to finance capital projects.
- While subnational governments are in principle prohibited from having outstanding debt of more than the total of their revenues in the previous year (one and a half times the previous year's revenues for metropolitan municipalities), their debt to revenue increased over the past few years (from 78% in 2016 to 88% in 2021), at the back of continued long-term hard currency borrowing and significant devaluation of the local currency.[13]
- The municipalities are enabled to borrow from any domestic bank. In practice, they borrow mostly from the Bank of Province of Türkiye (Iller Bank) because of the preferential subsidized rates; and borrow from commercial banks often with an Iller Bank guarantee.[14] Metropolitan municipalities often borrow on longer-term from foreign lenders for their capital-intensive infrastructure projects or issue foreign currency denominated debts.
- Debt management regulations are conducive to debt financing, but the combination of permissive rules on debt stock limits, foreign exchange exposure, and low subnational own-source revenue have contributed to systemic risks. [15]

Borrowing legal & regulatory environment

Overview: Türkiye has a two-tier subnational government system, comprised of 81 provincial entities and 1,389 municipal entities. There are also 18,195 villages in Türkiye that are local self-governments recognized in the Constitution and not subordinate to municipalities.[16]

Subnational governments in Türkiye play a limited role in the provision of public services and investment and depend heavily on central government funding. Subnational governments generate 38% of their revenues, with central government transfers in the form of unconditional grants from shared taxes making up the remaining 62% (as of 2020). While the intergovernmental fiscal framework provides stable and predictable finances to the subnational governments, in 2020 subnational expenditures amounted to only about 4.3% of GDP (about 75% less than the average of the 27 European Union countries).[17]

In the past few years, several fiscal reforms have increased subnational government transfer revenues.[18] These recent changes on the one hand strengthened subnational governments by clarifying roles, responsibilities, and reinforcing the financing framework and fiscal rules; on the other hand, these reforms increased subnational governments' dependence on intergovernmental transfers.[19]

***Borrowing framework & process*:** Despite the low level of expenditure responsibility, in recent years, municipal needs such as infrastructure, health care and education services have increased, incentivizing the municipalities to borrow.[20] Subnational governments may borrow domestically from the state-owned Iller Bank,[21] from commercial banks for both current and capital expenditures subject to debt stock and debt service limits. Local administrations can also issue bonds and foreign currency debt from IFIs with the approval of the Treasury.

The Municipality Law (No. No. 5393 - 2005) imposes borrowing limits and restraints on borrowings. The Municipality Law sets the debt ceiling at 150% of the previous year revenues for metropolitan municipalities and 100% for all other municipalities. These debt limits are high by international standards; for instance, EU guidelines suggest a 60% ceiling. The debt ceiling regulations indirectly stipulate that the debt ceiling is calculated by combining the direct debt incurred by the municipality and the debt of the municipality's affiliated entities with a majority, 50%, municipal ownership. Municipal debt borrowing provides for exceptions for certain types of projects. An important exception to the municipal borrowing limit is the financing of major capital-intensive infrastructure projects or high technology initiatives that require Presidential approval. Payment and other obligations to public agencies are also excluded from municipal borrowing limits.

Foreign borrowing from international financial institutions (IFIs) is permitted and requires approval (and often guarantees) by the Ministry of Treasury and Finance (MoTF).[22]

The Municipality Law and the Treasury's Regulation on the Procedures and Principles of the Permission Process of Domestic Market Bond Issuances of Local Governments (No 28234 - 2012) regulate municipal domestic bond issuances. According to Article 4 of Regulation No 28234, municipalities must apply to the General Directorate of Public Finance of the Treasury of Türkiye for the approval of the Ministry of Treasury and Finance (MoTF) together with the documentation and information listed under the Bond Issuance Regulation. For bonds issued to external investors, apart from the regulations required under the Bond Issuance Regulation (N. 28234) (for domestic bond issuances) and External Financing Regulation (from Law on Public Finance and Debt Management N. 4749), the municipalities must follow the general procedures and principles for bond issuances stipulated under the Capital Markets Law and its secondary legislation (N. 6362). Accordingly, the MoTF must provide pre-approval for municipal bond issuances. MoTF repayment guarantee is the most requested form of debt collateral. The Turkish legal system explicitly acknowledges three main types of third-party collateral arrangements for municipal borrowing: (i) MoTF guarantee for external bank loans and bonds issued in international markets, (ii) Ilbank guarantee, and (iii) municipal guarantees to its affiliates. However, the perception of cheaper financing from Ilbank, the banking sector and IFIs serves as a potential disincentive for municipalities to explore the potential benefits and costs related to issuing debt instruments.

There are legal restrictions regarding the total amount of bonds purchased and loans extended to municipalities. The existing legal and regulatory framework limits the total exposures of a single lender to the asset class that includes municipalities (and its subsidiaries) to 25% of total capital. The purchase of bonds and other capital market instruments by banks are classified as loans and are also subject to these limits. In line with the BRSA restrictions, Turkish banks and other Turkish resident qualified investors may not invest in foreign currency denominated municipality bonds in the domestic and offshore capital markets.

***Borrowing restrictions*:**

General restrictions:

- The Debt Law (2002) stipulates that to apply for a Treasury guarantee(for more information see below), subnational governments must pay off any outstanding obligation to the central government and justification for the investments must be provided through feasibility studies.
- Foreign currency borrowing is permitted from IFIs but requires approval of the Ministry of Treasury and Finance (MoTF).

Debt limits:

- The Municipality Law (Law No. 5393) sets the debt stock ceiling at 150% of revenues for metropolitan municipalities and at 100% for all other municipalities.
- Each year, additional consolidated debt of subnational governments cannot exceed 10% of revenues of the previous year. If borrowing is over 10%, it requires approval by the Ministry of Environment, Urbanization and Climate Change (Municipality Law No. 5393).

These debt limitations do not apply to large investment programs or high technology initiatives proposed by the Ministry of Development and approved by the Payment and other obligations to public agencies are also excluded from municipal borrowing limits.

Table 1. Borrowing limits and approval requirements:[23]

Debt as percentage of subnational revenues	*Type of borrowing*	*Approval required from[24]*
Up to 10%	Domestic borrowing	Local Council
10% to 100%	Domestic borrowing	Ministry of Environment, Urbanization and Climate Change
Exceeding 100%	Domestic borrowing (for infrastructure only)	Ministry of Environment, Urbanization and Climate Change
Any amount	Foreign borrowing (for infrastructure only)	Ministry of Treasury and Finance

Borrowing incentives / credit enhancements: In general, creditor protection is limited as there is no municipal insolvency regime in place and the Public Financial Management Law ranks debts in the lowest strata of the payment priorities. Article 34 of Law 5018 requires repayment priority to be given to "taxes, duties, levies, premiums, fund deductions, shares, scheduled payments" before "debts subject to court decision, debts to cause additional burden in case of default such as delay penalty or interest and requested amounts in custody accounts."[25]

However, Iller Bank and the Ministry of Treasury and Finance (MoTF) – by far the biggest lenders to local governments - can intercept[26] up to 40% of central government transfers to pay the debt. Commercial banks increasingly provide liquidity loans to municipalities, but these agreements usually are guaranteed by the Iller Bank, thus they link their loans to the same intercepting mechanism.

The MoTF repayment guarantee is the most requested form of debt collateral. The Turkish legal system explicitly acknowledges three main types of third-party collateral arrangements for municipal borrowing: (i) MoTF guarantee for external bank loans and bonds issued in international markets, (ii) Ilbank guarantee, and (iii) municipal guarantees to its affiliates. However, the perception of cheaper financing from Ilbank, the banking sector and IFIs serves as a potential disincentive for municipalities to explore the potential benefits and costs related to issuing debt instruments.

According to the Law on Public Finance and Debt Management, there are four types of guarantees that the Ministry of Treasury and Finance can provide. These are repayment guarantees,[27] counter–guarantees,[28] investment guarantees,[29] and country guarantees.[30] Treasury investment guarantees have mainly been used in the 1990s for energy power plant projects under Public Private Partnership arrangements. Treasury counter–guarantee and Treasury country guarantees are yet to be used. Treasury repayment guarantee is one of the most used types of guarantees for the servicing of foreign debts obtained by public banks, SOE's, municipalities and their affiliates from foreign financing resources.[31] In 2019 the balance of these guarantees of foreign debt stock stood at USD 14.4 billion, down slightly (3.5% or USD 555 million) from the 2018 balance. [32]

Penalties related to public debt management: According to the Municipality Law (Law No. 5393), if a municipality undertakes a borrowing operation in violation of the limits and procedures included in the law, the relevant local officials shall be subject to the criminal liability under Turkish Criminal Code No. 5237 and may also incur in financial penalties.

Debt management

Aggregate debt levels: In 2020, aggregate Turkish subnational government debt accounted for 3.6% of GDP. For comparison, the average for EU countries was about 13%, or 4 times higher than Türkiye.[33] Around 55% of the outstanding debt was composed of contractual debt (loans and bonds), while other accounts payable amounted to 40% and insurance and pensions agreements to 4.7%. Contractual debt (loans and bonds) was comprised of loans exclusively up until 2019. In 2021, 3.7% of subnational government liabilities were made up of bonds when the Metropolitan Municipality of Istanbul issued a USD 580,000,000 bond - one of the largest local government issuances in the developing world.[34] In 2018,over 95% of the sub-national government debt was held by municipalities, in particular metropolitan municipalities, reflecting the greater infrastructure investment needs of urban jurisdictions.[35] Despite the very small share of municipal bonds, several metropolitan municipalities are rated by international rating agencies.

Lenders and types of instruments: With respect to domestic borrowing, subnational governments mostly borrow from the İller Bank, which was established to meet the financing needs of subnational governments and is the largest lender to municipalities. Subnational governments receive preferential subsidized rates from the Iller Bank; and can borrow from commercial banks at shorter tenors (<5 years) with an Iller Bank guarantee.[36]

Treasury is the second largest lender to sub national governments. The Treasury can service debts (through the intercept of intergovernmental transfers) on behalf of municipalities to avoid public default of those loans. The treasury has also converted some overdue taxes, social security liabilities, and dues to suppliers into Treasury loans to municipalities.[37] This practice allows for the debts to not be annulled and for the municipalities to not be bailed out. At the same time, there are expectations that nonpayment will trigger a new loan with no serious consequences or penalties. As a result, nonpayment of taxes, social security premiums, or electricity bills has become common among municipalities, especially the financially weaker ones. This issue in the debt management system of the Turkish municipality has weakened the confidence of potential creditors and the credibility of the municipal financial reports.[38]

Several large metropolitan municipalities borrow abroad or issue hard currency denominated long-term debts (Istanbul, Ankara, Izmir, Bursa, Antalya, etc.). Many municipalities also borrow from commercial banks in the form of short-term liquidity loans, often guaranteed by the Iller bank. However, most municipalities are not familiar with other debt instruments, so debt management capacities are limited to the simplicity of the Iller bank loans.[39]

Use of Special Purpose Entities and Public-Private Partnerships: Recent aggregate public data regarding subnational government use of Special Purpose Entities is scarce. There is strong evidence that subnational governments in Türkiye tended to borrow heavily through their special purpose entities: according to a 2015 World Bank report, the debt stock to revenue ratio of the municipal affiliated entities reached 259 percent in 2010.[40] This might be problematic because Municipalities are guarantors as main shareholder of the Iller Bank and should account for SPEs liabilities as contingent liabilities.[41] However, it seems that in recent years most of the indebtedness sits directly at the Metropolitan Municipality level, and majority of new debt also comes directly at municipality level.[42]

A recent World Bank policy note argues that while there is potential, PPPs have not been successful at the subnational government level yet in Türkiye.[43] The authors argue that municipal projects are often too small for successful PPP implementation. In principle, PPPs are usually employed for revenue generating projects and municipalities have fewer revenue generating projects in their portfolios because of their limited mandate.

Municipalities have typically used Law 2886 on State Procurement in developing BOTs to avoid additional approvals and limits to some specific projects (i.e. waste management) because there was no clear guidance in PPP law to guide municipal PPPs. However, the Government has recently amended the regulation to introduce municipal PPPs.

Transparency & open data: The Public Financial Management and Control Law (No 5018) promotes transparency and accountability by providing detailed rules for revenue and expenditure management and suggestions for sharing financial reports. According to the Local Administrations Budget and Accounting Regulation (2016), subnational governments follow accrual accounting methods and submit to the subnational government (*muhasebat*) secretariat of the Ministry of Treasury and Finance the budget and other financial reports. Subnational governments are audited by the Court of Accounts which performs an *ex post* external audit. The debt limit regulations combine the direct debt incurred by the municipality and the indirect debt of municipal affiliated entities with majority municipal ownership.[44] However, there are no implementation standards set for such debt consolidation, and municipalities do not consistently combine direct and indirect debt in their accounting leaving possible substantial contingent liabilities hidden. This is a significant issue since municipal special purpose enterprises (SPEs) represent a very substantial share of subnational government assets and provide a considerable share of revenues in many municipalities.[45] The Court of Accounts is in the process of improving it's monitoring of SPEs while conducting their audits.

Subnational governments must prepare annual accountability reports with analysis of results and planned and actual variations with explanation of underlying causes. The budgets of the subnational governments, are submitted to the national parliament, making it possible for all public expenditures (including that of subnational governments) to be monitored. However, there are no specific guidelines on rendering reports accessible to the public. As a result, several Turkish subnational governments do not systematically publish the final accounts, except for large entities such as Istanbul, Izmir, Ankara, Antalya. The Ministry of Finance publishes on its website the aggregate financial reports (for revenues and expenditures) of groups of municipalities (Metropolitan, Non-metro Provincial, T&B municipalities, and many other sub-national entities like SPAs). Liabilities, however, are only released by the Central Bank of Türkiye in aggregate numbers broken down by instrument according to the European System of Accounts 2010.

Official, publicly available statistics on liabilities and borrowing

Item	***Total liabilities***	***Total liabilities breakdown by level of government***	***Sources of borrowing breakdown***	***Borrowing instruments breakdown***
Official source(s)	Central Bank of the Republic of Türkiye	Not reported	Not reported	Central Bank of the Republic of Türkiye
Latest update; (periodicity)	2020, (annual)	N/A	N/A	2020, (annual)

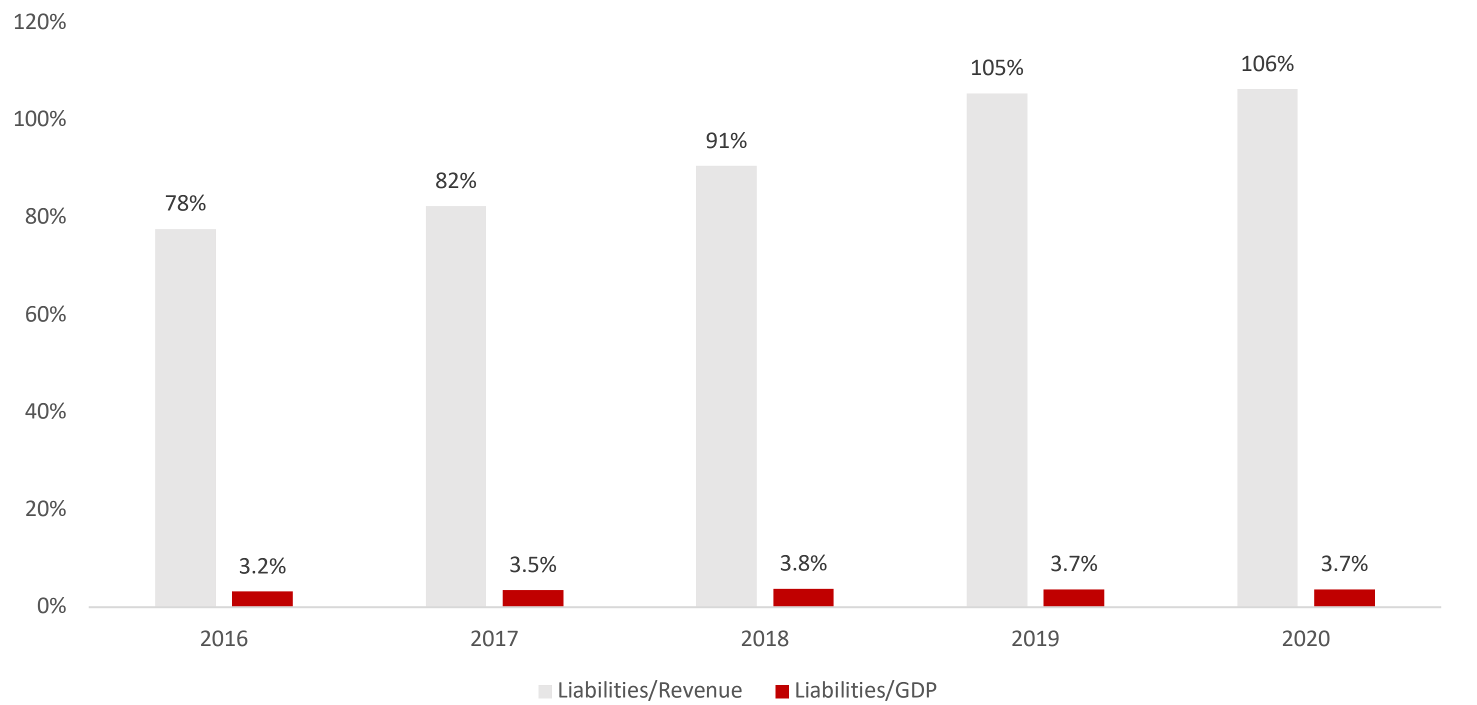
Financial & debt management: As mentioned above, subnational government debt is low, but increasing. Subnational government debt increased in real terms by 30% from 2016 to 2020, exacerbated by the significant Turkish Lira devaluation during the same period (mark to market) value of hard currency denominated debt.[46] Furthermore, subnational government debt has been increasing in relation to total subnational government revenues, which raises the prospect of repayment risk (Figure 1). The ratio of total reported liabilities to revenue grew by almost 30% in the last five years: from 78% in 2016 to 106% in 2020 (above the debt stock limit of 100% imposed by law).[47] However, this is not reflected in the ratio of debt to GDP or subnational debt to total public debt reflecting the fact that subnational revenue is not increasing at the same pace as total public debt, subnational debt, and GDP.

Debt management regulations are liberal and not strictly enforced. Furthermore, debt limits are high by international standards and while regulations stipulate that both municipalities and subordinate entities' debt must be applied towards the limit, there are no implementation rules set for such debt consolidation.[48] Finally, subnational governments have accumulated a large stock of implicit debt not accounted towards the debt ceilings: many subnational governments have accumulated overdue short- and long-term liabilities with public entities (treasury or state-owned enterprises such as utility companies). Every five years, overdue liabilities are converted into formal debt through a reconciliation process. The most recent example included debts totaling TRL 4 billion or about 12% of the municipal sector revenues in 2010.[49] Overdue debts are impacting creditworthiness of some of the Turkish municipalities.[50]

Subnational government borrowing is hampered on both the side of suppliers of credit and of the subnational governments themselves as prospects for investment. Subnational governments, especially smaller and non-creditworthy municipalities, generally present low levels of transparency to potential lenders and have insufficient expertise in structuring bankable projects. The supply of credit is in turn constrained by low levels of domestic savings, a shortage of long-term funds in capital markets and low trust in municipalities.[51]

Several Turkish municipalities have been rated by international rating agencies. Moody's currently has active ratings for the cities of Istanbul and Izmir (both long-term, B3, 2022). In 2022, Fitch has rated 8 municipalities in Türkiye (all long-term, B). Ratings were downgraded since 2020 given the key risk factors of high inflation, debt increase, and in the case of larger metros such as Istanbul, currency risks where there are FX denominated obligations.[52] . Other significant constraints are: limited ability to adjust revenues, expenditure sustainability and liabilities and liquidity robustness and flexibility.

Figure 1: Subnational governments total liabilities ratios to GDP and total subnational governments revenue (2016-2020)



Sources: World Bank and Turkish Central Bank

Subnational government finances: key ratios (2020)				
Level of government	***Total liabilities, % of total revenue***	***Loans, % of total liabilities***	***Debt service, % of total expenditures***	***Operating surplus, % of total revenue***
Local (Municipalities)	Not reported	Not reported	5%	1.6%
All sub-national governments (Provinces + Municipalities)	106%	51%	4%	0.5%

Source: WB CCI-LGDB

Main legal provisions	
Approved lenders:	Government/public banks, private financial institutions, International Financial Institutions.
Instruments:	Loans, bonds, and other debt financing instruments.
Central govt guarantee:	Iller Bank and Treasury can issue guarantees
Revenue intercept(pledge) of government transfers:	Iller Bank and Treasury are authorized to intercept central government transfers (up to 40% of monthly transfers) to amortize debt. Commercial banks increasingly provide loans to municipalities but often request a guarantee from the Iller Bank (linking their loans to the intercept of CG transfers).
Institutions that can hold subnational government financial depository accounts:	Iller Bank.
Insolvency framework:	No local government insolvency framework exists.
Accounting basis:	Accrual[53]. Subnational governments started transitioning from a cash based to an accrual-based accounting method in 2006.
Credit rating requirements for borrowing:	None found, but several cities in Türkiye have been rated by international rating agencies.
Debt stock limit:	150% of revenues for metropolitan municipalities and 100% for all other municipalities, at any given time. 10% of revenue for new annual debt.
Debt service limit:	There is no debt service limit law/regulation.
Reporting of contingent liabilities	Contingent liabilities, including the guarantees and debt assumption commitments provided by the Treasury to subnational governments and SOEs are not reported on government balance sheet, but debt from SOEs and Affiliated entities in over 50% municipal ownership is in principle accounted in total debt stock.
Reporting of Joint Ventures & Public Private Partnerships	Türkiye recently aligned its national accounting standards to IPSAS—particularly IPSAS-32; requirements are being implemented that would classify a large number of its PPPs "on-balance sheet."

Significant legal and regulatory instruments	
Laws	
Metropolitan Municipal Law (MML) (1984)	The MML provides the legal and administrative basis for managing municipalities at a metropolitan scale. Sixteen municipalities were elevated to the status of metropolitan municipality between 1984 and 2012, and in December 2012, an amendment to the Metropolitan Municipality Law created fourteen more, for a total of 30.
Law on Regulating Public Finance and Debt Management N. 4749 (2002)	Sets the procedures and principles related to domestic and external borrowing.
Public Financial Management and Control Law N. 5018 (2003)	Regulates the structure and functioning of subnational government public financial management, preparation and implementation of the public budgets, accounting and reporting of all financial transactions, and financial control in line with the policies and objectives covered in the development plans and programs.
Municipality Law N. 5393 (2005)	Outlines the establishment, organs, administration, duties, powers, responsibilities and working procedures of municipalities. The law also establishes debt stock and borrowing limits.

Capital Market Law N. 6362 (2012)	The purpose of this law is to regulate and supervise capital markets - including subnational government debt securities. The Law regulates the market to correspond with European Union regulations.
Regulations	
Regulation on the Principles and Procedures of Coordination and Execution of Debt and Risk Management N. 24863 (2002)	Sets forth the principles and procedures concerning the coordination and execution of Debt and Risk Management. This Regulation covers the units which oversee debt and risk management.
Regulation on the Principles and Procedures Applicable to the Risk Account N. 25059 (2003)	Outlines the procedures and principles concerning the incomes, management and usage of the risk account to be established at the Central Bank within the context of Treasury Guarantees and for the potential liabilities covered under risk management.
Regulation on Management, Pursuing and Collecting of Treasury Receivables N. 25970 (2005)	Sets forth the procedures and principles concerning the management, pursuing and collecting of Treasury receivables arising from Treasury Guarantees given for external liabilities held by local governments.
Regulation on the Procedures and Principles of the Permission Process of Domestic Market Bond Issuance to be Made by the Local Authorities and their Affiliates and Enterprises within the Scope of the General Government N. 28234 (2012)	Regulates subnational government issuance of bonds in the domestic market and sets forth the procedures and principles for monitoring the financing provided through this means.

Organizational roles and responsibilities:	
National govt. regulatory & process	
Local Councils	Local Council approval is required for any borrowing over 10% of revenue and for any guarantee to be provided by metropolitan municipalities in relation to financial obligations of municipal affiliates/subsidiaries.[54]
Council of Ministers	The Council of Ministers' approval is required for any borrowing above 100% of previous year expenditures and for any foreign borrowing.
The Ministry of Treasury and Finance	The Ministry of Treasury and Finance monitors the debt of local authorities and includes specific references to this item in the Public Debt Management Report, published every month.
Iller Bank	Iller Bank (Bank of Municipalities) is a state-owned bank that provides financial support to municipalities and villages for their construction and reconstruction projects. Iller Bank has several roles and responsibilities: a) transferring allotments from state funds to municipalities, b) loan financing for local investment projects, c) technical assistance for structuring, designing, and implementing municipal investment projects, d) providing training and various forms of capacity building for municipal staff; and, e) supporting strategic planning by sponsoring development of city maps and spatial plans.
Court of Accounts	The Court of Accounts performs an *ex post* external audit. As per Article 68 of Law No. 5018, the purpose of the audit is to monitor the financial activities, decisions and transactions of subnational governments in terms of their compliance with the laws, institutional goals, and objectives and plans, and to report the results within the framework of the accountability of public administrations.
The Capital Market Board (CMB)	The CMB regulates and supervises public companies, listed companies, investment companies, exchanges, and mutual-, closed-end, and pension funds.

Main lenders	
Iller Bank	The IB works like a mutual fund since the municipalities are the main shareholders of the IB and are obliged to invest 2% of central government transfer revenues into the IB on monthly basis. Iller Bank provides preferential loan terms to municipalities offering longer maturity and lower rates than the market. Treasury-backed lending by Development Finance Institutions (EIB, WB, etc.) have been traditionally channeled to financially weaker local governments that do not have the capacity to borrow from the market on a commercial basis through Iller Bank.[55]
The National Treasury	Treasury is the second largest lender to subnational governments. The Treasury steps in and services debts (through local governments transfers intercepts) on behalf of municipalities to avoid public default of those loans.

Sources:

Fitch Ratings, 2015: Fitch Affirms Metropolitan Municipality of Istanbul at 'BBB-'; Outlook Stable Fitch Ratings May 2015

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Kopanyi, M. & Oguz, A.A. 2016. "Local Government Development-Financing and Potential Role of Sukuk and Municipal Bonds" Policy Note World Bank

Kopanyi, M. 2015. "Financing Municipalities" section 5 in Rise of the Anatolian Tigers–Türkiye Urbanization Review (Steve Karam ed.). World Bank, Washington DC

Law No. 6362_Capital Market Law, 12-6-2012
Law No. 6360_Law on Pertaining to the Establishment of the Greater Municipalities and 27 Districts in 14 Provinces, and the Changes in Some Laws and Decrees" , 11/12/2012; (it amends a number of laws including Law 5779 on tax shares transfers);
Law No. 2464_MunicipalRevenues_2010-12-31;
Law No. 5779_ Law on Apportionments from General Budget Tax Revenues to Special provincial Administrations and Municipalities; 2/7/2008
Law No. 5393_Municipal Law 3/7/2005,
Law No. 5302_ Law on Special Provincial Administration, 22/2/2005;
Law No. 5216_Metropolitan Municipalities, 10/7/2004;
Law No. 5018_Public Finance Management and Control Law_24/12/2003
Law No. 4749_Regulating Public Finance and Debt Management, 28/3/2002;

S&P, 2015: Turkish municipal debt to hit historic high amid limited audits, Standard & Poor Report, March 2015;
http://www.todayszaman.com/anasayfa_turkish-municipal-debt-

World Bank. 2015. Türkiye Urbanization Review–The Raise of the Anatolian Tigers; World Bank 2015

Notes:

[1] CCI-LGBD examines borrowing at the local government level. In most countries, this can be broken up into regional governments and local governments. In Türkiye's case, "local governments" includes all municipalities (Metropolitan, Provincial and District), towns and villages.
[2] CPI adjusted numbers with 2016 as base year: www.worldbank.org/en/research/brief/inflation-database
[3] Kopanyi, & Oguz, 2016
[4] IFC, 2022
[5] Kopanyi, & Oguz, 2016
[6] IFC, 2022
[7] Subnational expenditures account for only 5% of GDP, that is about one-third of the average of the 27 European Union countries (World Bank 2015)

[8] Kopanyi and Oguz, 2016
[9] 1 USD = 3 TRY (2016); 1USD = 7 TRY (2020); 1USD = 13.5 TRY (2021)
[10] 15.4% Inflation rate, average consumer prices (Annual percent change)
[11] IMF *Financial Development Index*, 2018
[12] Kopanyi, & Oguz, 2016
[13] IFC, 2022
[14] IFC, 2022
[15] Kopanyi and Oguz, 2016
[16] SNG-WOFI, 2019
[17] World Bank 2015
[18] In 2008 (Law 5779 on Allocations from Tax Revenues under the General Budget to Special Provincial Administrations and Municipalities) and in 2012 following the Local Government Act and Metropolitan Act (Act no. 6360).
[19] SNG-WOFI, 2018
[20] SNG-WOFI, 2018
[21] Iller Bank (Bank of Municipalities) is a state-owned development bank that services Turkish municipalities.
[22] World Bank, 2015
[23] Borrowing in violation of these limits and procedures results in financial liability of the relevant officials.
24 There are several agencies that authorize debt financing: The City council or municipal council approves priority projects, the specific project plans, and the project and debt application. However, the Ministry of Interior, the Ministry of Development, the Public Investment Program (PIP), the Treasury, and in some cases even the Council of Ministers has a say in debt financing to varying degrees. This multilayer decision making seems to reduce both the autonomy and the accountability of the local administrations (World Bank, 2015)
[25] Article 34 of Law 5018
[26] There are very few countries with set formal municipal insolvency procedures (USA, Hungary, South Africa); but also intercept regimes have been tested and eventually banned in Brazil and Argentine due to perverse incentives and inefficiency (Liu-Webb 2011)
[27] "Guarantees given in favor of public economic enterprises, entities that are subject to private law provisions, in which more than fifty percent of the capital is publicly owned, funds, public banks, investment and development banks, metropolitan municipalities, municipalities and their affiliated organizations and other local government organizations, the administrations contained in the schedule No. II/B of the Law No. 5018 for the repayment of foreign debts obtained by these organizations from foreign financing resources". Presidency of the Republic of Türkiye Investment Office, 2021
[28] "Guarantees provided, within the framework of guarantee programs created by any foreign financing source, against the guarantee given by a foreign financing source for the financing facilities to be obtained from international markets in the capacity of the borrower by public economic enterprises, entities that are subject to private law provisions, in which more than fifty percent of the capital is publicly owned, funds, public banks, investment and development banks, metropolitan municipalities, municipalities and their affiliated organizations and other local government organizations, and guarantees provided against a guaranty given from a foreign financing source, within the framework of guarantee programs created by any foreign financing source, in relation to the projects to be realized within the scope of build-operate-transfer, build-operate and transfer of operating rights, and similar financing models, to be limited to Treasury guarantees stipulated in the legislation, and with conditions to be negotiated by the Undersecretariat". Presidency of the Republic of Türkiye Investment Office, 2021

[29] "Guarantees given within the scope of build-operate-transfer, build-operate and transfer of operating rights and similar financing models, based on the provisions of the relevant law and limited to these models". Presidency of the Republic of Türkiye Investment Office, 2021
30 "Guarantees given for the repayment of financing to be provided by foreign countries from any foreign financing source". Presidency of the Republic of Türkiye Investment Office, 2021
[31] Presidency of the Republic of Türkiye Investment Office, 2021
[32] Ministry of Treasury and Finance, 2020
[33] OECD, 2021
[34] In 2022 Istanbul issued a second bond for USD 305,000,000
[35] SNG-WOFI, 2019
[36] IFC, 2022

[37] Overdue debt, largely in the form of suppliers' credit (electricity bills, lease fees, or contractors' invoices), are chronic failings of Turkish municipalities
[38] Kopanyi and Oguz, 2016
[39] Kopanyi and Oguz, 2016
[40] World Bank, 2015, p 114
[41] World Bank, 2015
[42] IFC, 2022
[43] Kopanyi, & Oguz, 2016
[44] Special Provincial Administrations + Municipality + Affiliated entities in over 50% municipal ownership
[45] Kopanyi and Oguz, 2016
[46] IFC, 2022
[47] 150% for metropolitan municipalities.
[48] Kopanyi and Oguz, 2016
[49] The last reconciliation was stipulated in 2010 and some repayments are still ongoing. (Council of Ministers Decree 210/238; Iller bank Annual report 2012);
[50] Kopanyi and Oguz, 2016
[51] Kopanyi and Oguz, 2016
[52] For a example of key ratings drivers for Istanbul, see https://www.fitchratings.com/research/international-public-finance/fitch-affirms-istanbul-metropolitan-municipality-at-b-outlook-negative-04-11-2022
[53] Accrual-based accounting system was established by the Ministry of Finance for all general government sector in 2003 when the Public Financial Management and Control Law (PFMCL) was enacted.
[54] IFC, 2022
[55] IFC, 2022

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