

TURKEY

UNITARY COUNTRY

MIDDLE EAST AND WEST ASIA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - UPPER MIDDLE INCOME: OECD Local currency - Turkey lira (TRY)

POPULATION AND GEOGRAPHY

AREA: **769 604** km²

POPULATION: **76.619** million inhabitants (2014),
an increase of 1.2% per year (2010-2014)

DENSITY: **100** inhabitants/km²

URBAN POPULATION: **72.9%** of national population

CAPITAL CITY: **Ankara** (6.1% of national population)

Sources: OECD, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **1 502.5** billion (current PPP international dollars)
i.e. 16 610 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.9 %** (2014 vs 2013)

UNEMPLOYMENT RATE: **9.2 %** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **12 765** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **20%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.761** (high), **rank 72**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
1 397	-	81	1 478*
970 PROVINCIAL AND DISTRICT MUNICIPALITIES (BELEDIYELEER) 397 TOWNS 30 METROPOLITAN MUNICIPALITIES AVERAGE MUNICIPAL SIZE: 53 940 INHABITANTS		51 SPECIAL PROVINCIAL ADMINISTRATIONS (İL ÖZEL İDARELERİ) 30 METROPOLITAN MUNICIPALITIES	

*Nb: Metropolitan municipalities are counted twice, as a municipal-level entity and as regional entity.

MAIN FEATURES OF TERRITORIAL ORGANISATION. Local governments are regulated by the 1982 Constitution, followed by a string of laws on sub-national governance in 2004 and 2005. Two main territorial reforms took place recently. In 2008, the Scale reform Act reduced the number of municipalities from 3 225 to 2 950 and in 2012, a new local government reform took place (2012 Local Government Act and new Metropolitan Municipality Act N° 6360). Implemented in March 2014, the Local Government Act further reduced the number of municipalities to 1 396 and established 14 new "metropolitan municipalities" in addition to the existing 16. Since 2014, these entities, which have a two-layer structure (the metropolitan municipality and its constituent district municipalities), are now "provincial metropolitan municipalities" (PMMs) and no longer special provincial administrations (SPAs). As of December 2014, Turkey also comprises 18 362 villages (not dependent on a municipality) which are traditional settlements, but too small for establishing municipal administrations. Besides self-governing SPAs, there is a provincial level representing the deconcentrated state administration, managed by a Governor, appointed by the central government, who keeps a major role as the head of the SPA Executive Committee.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Municipalities competences are urban infrastructure facilities (town planning, water supply and sewage, local transport), geographic information systems, environmental and public health issues, urban traffic, parks and recreation, housing, social and cultural services, economic development and construction and maintenance of schools. Metropolitan municipalities have additional responsibilities such as urban planning, urban police or disaster management. SPA competences are land development, education, agriculture (including reforestation and irrigation), health services, social security, commerce and the economy.

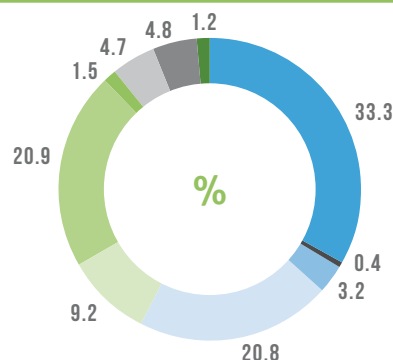
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	4.0%	10.7%	-
CURRENT EXPENDITURE	2.8%	-	69.6%
STAFF EXPENDITURE	0.9%	10.7%	22.9%
INVESTMENT	1.1%	35.9%	26.7%

Turkey ranks among the OECD countries with a low level of decentralisation. SNGs play a minor role in the provision of public services and investment. Spending and investment ratios to GDP and general government are well below the OECD averages.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



Municipalities represent the lion's share of SNG expenditure (67%), special provincial administrations representing 17% and other local actors the remaining part. The three first subnational government expenditure items (excluding general public services) are economic affairs and transport, housing and community amenities (mainly drinking water, housing and community development) and environmental protection (mainly waste and waste water). For the SPAs, general administrative services represent the bulk of their spending, followed by education and economic affairs. Almost 50% of their budget is dedicated to investment. For municipalities, the main budget items are economic affairs, housing and environmental protection, general administrative services representing 35%. Only 28% of municipal budget is dedicated to investment.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	4.2%	-	11.6%
TAX REVENUE	0.6%	2.6%	13.0%
GRANTS AND SUBSIDIES	3.0%	-	70.4%
OTHER REVENUES	0.7%	-	16.6%

SNGs are highly dependent on central government grants and subsidies, especially SPAs which depend almost entirely on central government funding and whose financial resources are very limited (18% of total SNG revenue while municipalities account for 82%). Municipalities have a greater share of own-source revenue.

TAX REVENUE. The primary municipal tax is property tax on land and buildings, providing around 50% of SNG tax revenue (0.4% of GDP), followed by the electricity and gas consumption tax and environmental cleaning tax. There are also minor taxes (publication and advertising tax, entertainment tax, communication tax, etc.). In total, these various taxes on goods and services represent 33% of SNG tax revenue. Municipalities are responsible for collecting property tax but they cannot set the tax rate which is determined by the central government.

GRANTS AND SUBSIDIES. Central government transfers come from different sources: Central Government Budget Agencies, special State programmes and the system of national tax revenue sharing (PIT, CIT and VAT), which is the most important component. It represents around 70% of total central government transfers and 45% of total SNG revenue and of the total collection of the general budget tax revenues, 2.85% is kept for non-metropolitan municipalities, 2.5% for district municipalities within metropolitan municipalities and 1.15% for special provincial administrations. These funds are redistributed according several criteria: population (80%) and a "development index" (20%) for the municipalities. For SPAs: population (50%); surface area (10%); number of villages (10%), rural population (15%) and provincial "development index" (10%). With a new metropolitan act, metropolitan cities now receive a share of these funds.

OTHER REVENUES. SNGs derive around 10% of their income from the sales of goods and services. User charges and tariffs are collected for sewerage, water and road construction and improvement. They also receive revenue from dividends of affiliated local companies, rents and property sales.

OUTSTANDING DEBT

% GDP

% GENERAL GOVERNMENT

OUTSTANDING DEBT (2013)

3.5%

8.7%

Almost 100% of financial outstanding debt comes from loans. SNGs are able to borrow funds under the provisions of Law No. 4749 (regulation on public finance and debt management) to finance investment projects only (golden rule). In addition, there is a series of borrowing limits and procedures. In particular, domestic borrowing is limited to an amount of 10% of previous year's revenues modified with the revaluation rate. Total outstanding debt stock (including external debt) cannot exceed the revaluated amount of the latest annual budget (1.5 times for metropolitan municipalities). Despite the very small share of municipal bonds, most metropolitan municipalities are rated by international rating agencies (e.g. Istanbul, Ankara, Izmir and Bursa).

A joint- study of:



Sources: OECD National Accounts (Government statistics) • OECD (2015 and 2016), Subnational governments in OECD countries: Key data • Akman, C., Akman, E. & Okcu, M. (2015), Reform in Local Governments: What Did the New Municipal Law Bring in Turkey? Global Journal on Humanites & Social Sciences • Zuhâl Önez Çetin (2015) The Transformation of Special Provincial Administration System in Turkey • Kablan A (2013) Financial resources of municipalities in Turkey • S. Ulas Bayraktar, Elise Massicard (2011) La Décentralisation en Turquie. Agence Française de Développement, pp.104, Focales • Council of Europe (2011) Local and regional democracy in Turkey • Ministry of Interior of Turkey (2011) Local authorities in Turkey.