

2.3.5 Housing Conditions and Urban Structure

Mersin City itself lies along the Mediterranean Coast (Figure 2-10). Mersin is a comparatively newly developed city. Its CBD is located in the western part of Akdeniz District, where most public institutions and major business enterprises, e.g., banks, are located. Small retail shops can be found in the northern part of the CBD.

Surrounding this centre, is dwelling areas, with different characters. In the eastern most districts like Gundogdu, and Gunes are *gecekond* areas, with two or three storeyed houses with poor construction materials. Population density is said to be around 100 to 200 per hectare. Not like in Istanbul or Ankara, *Kecekond* areas are keeping quite good housing standards. *Gecekond* development movement is surrounding the city centre with anti-clock wise motions. At present northward motion through Cavuslu can be observed with rapid actions. A west bound motion like in Limonluk and Menten. In these area is just starting their construction. In these *Gecekond* areas have not enough, but indispensable public services, e.g., power supply, drinking water system, sewerage system, and also garbage collection. Prominent housing development can be observed in the western part of the city, e.g., Palmiye, Barbaros. The high rise new apartments are now the most attractive housing areas with people with the highest income level.

In Mersin, the new housing projects are undertaken by the Greater Municipality. They are located in Toroslar District and in Guneykent sub-district . This project is targeting 800 ha area, with 10,104 housings, i.e., about 50,000 new population. The Greater Municipality is aiming at the project would create north bound development axis.

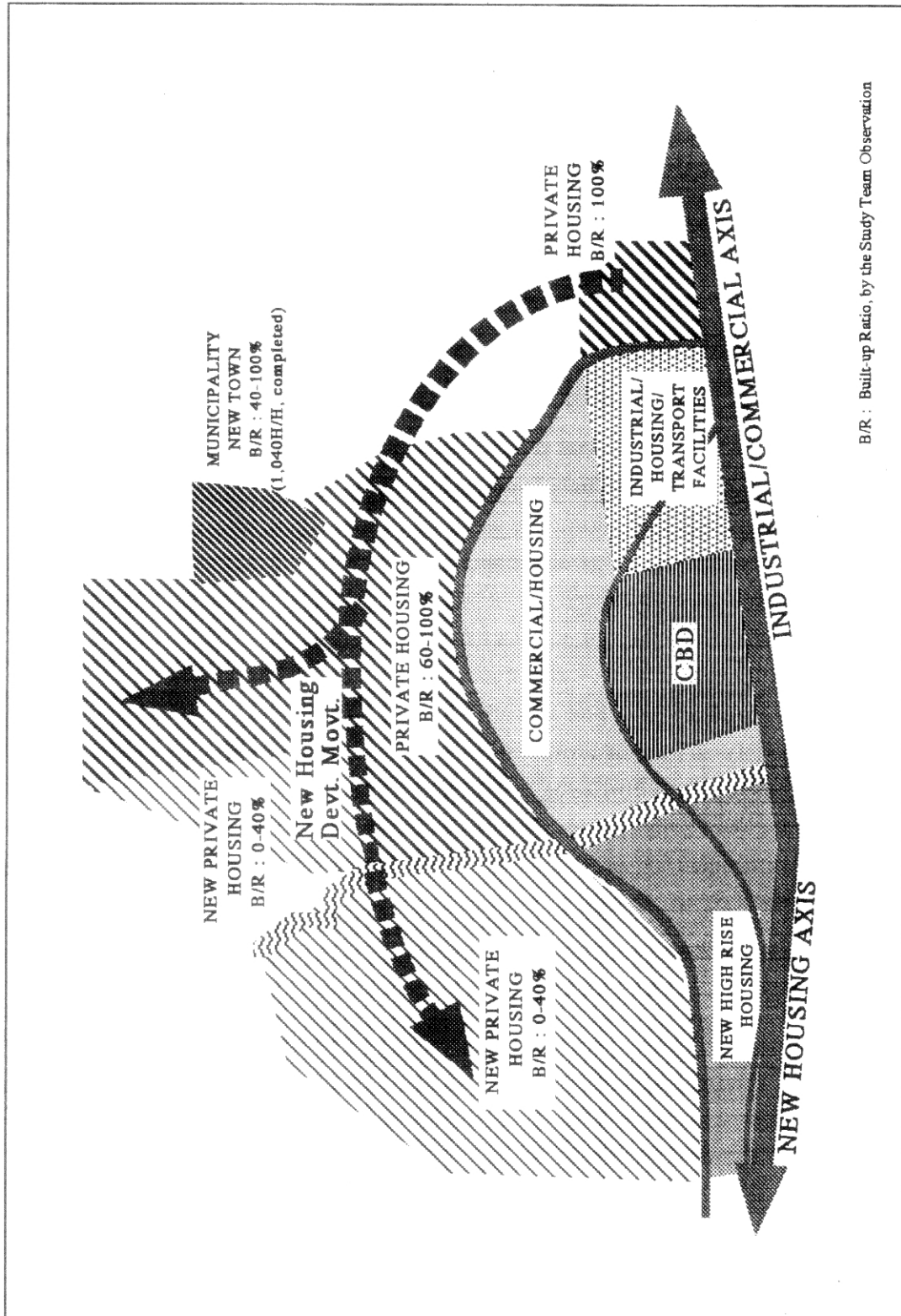


Figure 2-10: Schematic Urban Structure and Development Trend in Mersin GM

2.3.6 Economic Conditions

a. Regional Economy

Comparing industrial structure of Icel Province with that of Turkey on the whole, agricultural real estate services and import duties sectors are given considerable weight. However, not only the share but also the value in constant price in agricultural sector within the Gross Regional Domestic Product (GRDP) has reduced. However, the share of commercial, transportation and communication sectors within GRDP have increased.

Table 2-24: Changes in the Industrial Structure of Icel Province

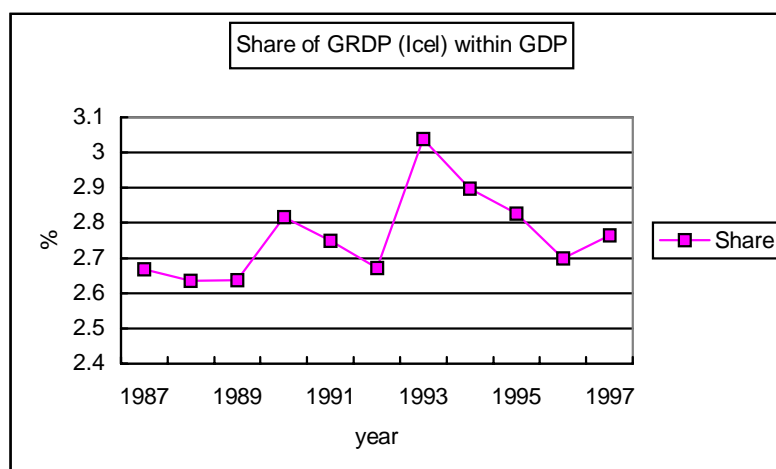
unit: billion TL in 1987 price

Sector	1991		1996		1996/91
	Value	%	Value	%	
Agriculture	469.8	20.1	448.1	17.0	0.954
Industry	612.5	26.1	675.7	25.6	1.103
Construction	137.4	5.9	155.9	5.9	1.135
Trade	444.1	19.0	563.3	21.3	1.268
Transportation & communication	249.8	10.7	323.9	12.2	1.297
Financial institutions	25.4	1.1	23.3	0.8	0.917
Real estate services	132.9	5.7	150.9	5.7	1.135
Business & personal services	55.0	2.3	62.8	2.4	1.142
Imputed bank service charge*	-7.1	-0.3	-6.3	-0.2	0.887
Government services	77.7	3.3	94.2	3.6	1.212
Private non-profit institutions	10.0	0.4	8.4	0.3	0.840
Import duties	133.0	5.7	142.5	5.4	1.071
GRDP	2,340.5	100.0	2,642.7	100.0	1.129

Note: * evaluated charges without actual transactions.

Source: Economic and Social Indices (Icel) 1997, SSI

The share of the GRDP of Icel Province in the GDP ranged around $2.8 \pm 0.2\%$, although it slightly increased in 1997.



Sources: Gross Domestic Product by Province, SSI
Economic and Social Indices (Icel) 1997, SSI

Figure 2-11: Share of GRDP (Icel) in the GDP

According to the data published by SSI, GRDP per capita in Icel Province was 534.0 million TL (equivalent to US\$ 2,960) in 1997 which reached 1.15 times of average national level in Turkey of 461.5 million TL (equivalent to US\$ 2,550).

b. Taxation System and Utilities Charging System

b.1 National Taxation

The sources of national tax revenue in Turkey depend on income tax, taxes on goods and services as shown in Table 2-25.

Table 2-25: Changes in Tax Revenues

Category	unit: billion TL			
	1995	1996	1997	1997/95
Tax on income	435,865	865,321	1,896,789	4.352
Tax on property	24,440	18,720	35,539	1.454
Tax on goods & services	430,431	975,369	1,989,830	4.623
Tax on foreign trade	194,647	386,992	827,097	4.249
Others	32	2,018	1,196	37.375
Total	1,085,415	2,248,420	4,750,451	4.377

Source: Monthly Bulletin of Statistics August 1998, SSI

The following are pointed out as the major problems of Turkish taxation system.

- The ratio of tax revenues within GNP is lower than the other OECD countries.
- There are unfair burden sharing of tax among economic sectors.
- The gaps between tax return and actual amount of tax paid are big.

b.1.1 Income Tax

The income tax is levied on income gained through commercial activities or provision of labour regardless of whether they are companies or individuals. The ratio of the tax revenues is approximately 4:1, gaining more from tax on income gained through provision of labour. The income tax rate in 1998 is shown in Table 2-26.

Table 2-26: Income Tax Rate

Range of income	Value of income tax
-1,000,000,000 TL	Income × 20%
-2,000,000,000 TL	200,000,000 + (Income exceeding 1,000,000,000 TL) × 25%
-4,000,000,000 TL	450,000,000 + (Income exceeding 2,000,000,000 TL) × 30%
-8,000,000,000 TL	1,050,000,000 + (Income exceeding 4,000,000,000 TL) × 35%
-16,000,000,000 TL	2,450,000,000 + (Income exceeding 8,000,000,000 TL) × 40%
16,000,000,000 TL-	5,650,000,000 + (Income exceeding 16,000,000,000 TL) × 45%

Source: Adana Tax Office

Due to the effects of inflation, tax rate is scheduled to lower. Lowest range is set to be below 2,000,000,000 with tax rate of 15% while highest range to be more than 50,000,000,000 with tax rate of 40%. The reason for lowering the tax rates is said to earn popularity in the next general election.

Income tax rate on income gained through commercial activities will increase to 30% in 1999 from 25% in 1998.

b.1.2 Taxes on Goods and Services

Taxes on goods and services consist of domestic value added tax (VAT), petroleum consumption tax and others. Although the rate of VAT is 15% in general, according to the characteristics of goods, different rates are applied. For instance, 1% for agricultural products, 8% for groceries and 23% for luxuries.

b.1.3 Foreign Trade Tax

Tax on foreign trade consists of custom duties and value added tax on imports. The ratio of these taxes are approximately 1:3.

b.2 Local Tax

Local tax is classified into municipality tax, municipality duty and other fees.

b.2.1 Municipality Tax

Municipality tax includes cleansing tax, property tax, electricity and gas consumption tax, advertisement tax and amusement tax. The revenues from cleansing tax and property tax account for approximately 70 to 80% of the municipality tax revenues.

b.2.2 Municipality Duty

The municipality duty includes urban development duty and duty for building construction permit.

b.2.3 Other Fees

The other fees include the revenues and profits obtained from enterprises managed by municipalities and various fines such as arrears.

b.3 Utilities Charging System

Public utilities are charged and billed in proportion to their consumption amount. The users pay these charges at the offices of utilities enterprise in cash or through money transfer from their bank accounts.

b.3.1 Water Supply

Since the water supply services are managed by the water supply enterprise of respective city, the charging system varies. The charges of waste water are jointly collected. The tariff for water of Mersin water supply enterprise is shown in Table 2-27.

Table 2-27: Water Supply Tariff in Mersin

		unit: TL/m ³			
		Water supply	Wastewater	VAT	Total
Household	0 - 20 m ³	104,000	22,800	19,020	145,820
	20 m ³ -	156,000	34,200	28,530	218,730
Commercial		182,000	38,000	33,000	253,000

Source: Mersin Water supply enterprise

b.3.2 Electricity

Distribution service of electricity is managed by a state enterprise. The tariff on electricity is shown in Table 2-28.

Table 2-28: Tariff on Electricity

Category	Total
Household	24,182 TL/kW
Commercial	29,700 TL/kW

Source: Turkish Electricity Distribution Corporation

c. Financial Condition

c.1 Overview of Local Finance

The source of revenues of municipality for current expenditure is a general budget allocated from national taxes depending on the size of the population. In greater municipalities, a certain proportion of national tax collected in that provincial center is additionally allocated. Moreover, property tax, which used to be one of national taxes, is now collected by municipalities in order to establish their financial base. As for capital budget, it is subsidised by the central government.

c.2 Yenisehir District Municipality

c.2.1 Changes of Yenisehir DM Budget

The changes of actual revenues and actual expenditures of Yenisehir DM are shown in Table 2-17. Although the expenditures exceeded the revenues until 1996, the balance turned to plus in 1997.

Table 2-29: Changes in the Balance of Yenisehir DM

	unit: million TL				
	1994	1995	1996	1997	1998
Budget	60,047	180,000	571,678	872,267	2,218,983
Total Revenue (A)	45,020	153,876	342,268	756,980	1,500,544
Total Expenditure (B)	51,886	160,173	372,577	692,051	1,744,929
Balance (A-B)	- 6,866	- 6,297	- 30,309	64,929	-244,385
Exchange rate (US\$1 to TL)	35,200	50,803	97,306	180,655	284,480
Balance (A-B) in US\$ (US\$1,000)	- 195	- 124	- 311	359	-81,708

Source: Financial Department of Yenisehir DM

The actual revenue in 1998 was about 1.5 trillion TL, and was about two third of the budget. The actual expenditure was 1.7 trillion TL, and was about 80% of the budget. As a result, the balance was red by 244 billion TL in 1998.

The total amount of 1999 budget is 2.5 times of that of 1998.

The breakdown of the revenues in 1997 is shown in Table 2-18. The general budget allocated from national taxes was only 36% of total revenues, though the budget expected to be more than 50%.

As for the breakdown of revenue in 1999, the general budget from national taxes stays as major revenue resource of municipality, though the shares of non-tax revenues is expected to increase.

Table 2-30: Actual Revenues of Yenisehir DM (1998)

unit: %

		1998		1999
		Budget	Actual	Budget
Tax Revenue	General Budget from National Taxes	54.0	36.2	46.6
	Municipality Taxes	23.7	25.4	16.2
	Municipality Duties	4.7	8.2	5.0
Non-tax Revenue		13.9	22.7	23.1
Aids & Fund		3.7	7.5	9.1
Total		100.0	100.0	100.0

Source: Revenue and Expenditure Department of Yenisehir DM

c.3 Toroslar District Municipality

c.3.1 Changes of Toroslar DM Budget

The changes of actual revenues and actual expenditures of Toroslar DM are shown in Table 2-19. Although the balance turned to plus in 1996, expenditures exceeded revenues again in 1997 and 1998.

Table 2-31: Changes in the Balance of Toroslar DM

unit: million TL

	1994	1995	1996	1997	1998
Budget	-	220,000	313,422	850,000	2,300,000
Total Revenue (A)	47,281	177,505	367,439	991,069	1,807,211
Total Expenditure (B)	50,023	199,178	355,127	1,075,910	2,049,686
Balance (A-B)	- 2,739	- 21,673	12,312	-84,841	-242,475
Exchange rate (US\$ 1 to TL)	35,200	50,803	97,306	180,655	284,480
Balance (A-B) in US\$ (US\$1,000)	- 78	- 427	127	-470	- 853

Source: Financial Department of Toroslar DM

The actual revenue in 1998 was about 1.8 trillion TL, and was about 80% of the budget. The actual expenditure was 2.0 trillion TL, and was about 90% of the budget. As a result, the balance was red by 242 billion TL in 1998.

The total amount of 1999 budget is 2.2 times of that of 1998.

The breakdown of the revenues is shown in the following table.

The general budget allocated from national taxes was 53% of total revenues. The municipality tax revenues increased to be around 13% of total municipality revenues, but it is not expected to get more share in the 1999 budget.

As for the breakdown of revenue in 1999, the general budget from national taxes stays as major revenue resource of municipality, though the shares of aids and fund is expected to increase.

Table 2-32: Revenues of Toroslar DM

		1998		1999
		Budget	Actual	Budget
Tax Revenue	General Budget from National Taxes	53.6	52.6	43.7
	Municipality Taxes	10.1	13.4	8.6
	Municipality Duties	1.2	1.3	1.3
Non-tax Revenue		25.4	30.3	36.2
Aids & Fund		9.7	2.4	10.2
Total		100.0	100.0	100.0

Source: Financial Department of Toroslar DM

c.4 Akdeniz District Municipality

The changes of actual revenues and actual expenditures of Akdeniz DM are shown in Table 2-33. The expenditures exceeded the revenues again in 1998, though the balance turned to plus in 1997.

Table 2-33: Changes in the Balance of Akdeniz DM

	1994	1995	1996	1997	1998
Budget	83,484	422,120	530,878	1,349,562	2,004,616
Total Revenue (A)	75,110	263,856	515,612	1,294,365	2,478,058
Total Expenditure (B)	91,257	369,869	562,282	1,281,224	3,168,911
Balance (A-B)	-16,147	-106,013	-46,670	13,141	-690,853
Exchange Rate (US\$1 to TL)	35,200	50,803	97,306	180,655	284,480
Balance (A-B) in US\$ (US\$1,000)	-459	-2,087	-480	73	-2,428

Source: Financial Department of Akdeniz DM

The actual revenue in 1998 was about 2.5 trillion TL, and was 1.9 times of that of 1997, which was 1.3 trillion TL. The actual expenditure was 3.2 trillion TL, and was 2.5 times of that of 1997, which was 1.3 trillion TL. As a result, the balance was red by 691 billion TL in 1998.

The total amount of 1999 budget is 3.3 times of that of 1998.

The general budget allocated from national taxes went up to more than 60% of total revenues, though it is not expected to get more in the 1999 budget. The municipality tax revenues increased to be around 22% of total municipality revenues.

As for the breakdown of revenue in 1999, the general budget from national taxes stays as major revenue resource of municipality, though the shares of aids and fund is expected to increase.

Table 2-34: Revenue of Akdeniz DM

		1998		1999
		Budget	Actual	Budget
Tax Revenue	General Budget from National Taxes	62.5	62.5	48.5
	Municipality Taxes	15.8	22.1	13.2
	Municipality Duties	2.5	2.8	2.5
Non-tax Revenue		17.2	11.2	18.4
Aids & Fund		2.0	1.4	17.4
Total		100.0	100.0	100.0

unit: %

Source: Financial Department of Akdeniz DM

c.5 Mersin Greater Municipality

The changes of actual revenues and actual expenditures are shown in Table 2-23. The balance has turned to minus in 1998, though those were plus from 1995 to 1997.

Table 2-35: Changes in the Balance of Mersin GM

	1994	1995	1996	1997	1998
Budget	1,754,264	2,584,000	5,500,000	7,300,000	14,400,000
Total Revenue (A)	1,210,295	1,710,501	2,803,233	5,454,660	8,292,764
Total Expenditure (B)	1,494,659	1,385,661	2,383,624	4,887,552	9,857,644
Balance (A-B)	-284,364	324,840	419,609	567,108	-1,564,880
Exchange Rate (US\$1 to TL)	35,200	50,803	97,306	180,655	284,480
Balance (A-B) in US\$ (US\$1,000)	-8,079	6,394	4,312	3,139	-5,501

unit: million TL

Source: Financial Department of Mersin GM

The actual revenue in 1998 was about 8.3 trillion TL, and was less than 60% of the budget. The actual expenditure was 9.9 trillion TL, and two third of the budget. As a result, the balance was red by 1.6 trillion TL in 1998.

The total amount of 1999 budget is 1.6 times of that of 1998. The revenue of aids and fund is expected to increase by more than 1,000 times of 1998 budget.

Considering the fall of the value of Turkish Lira to US\$, the value of the municipality budget in 1999 will be shrunk from that of 1998.

The breakdown of actual revenues in 1998 is shown in Table 2-24. The general budget allocated from national taxes went up to about 80% of total revenues, though the budget expected to be less than 70%.

As for the breakdown of revenue in 1999, the general budget from national taxes stays as major revenue resource of municipality, though the shares of the non-tax revenues is expected to increase.

Table 2-36: Revenues of Mersin GM

unit: %

		1998		1999
		Budget	Actual	Budget
Tax Revenue	General Budget from National Taxes	69.5	78.3	62.9
	Municipality Taxes	2.2	2.8	2.4
	Municipality Duties	0.9	1.1	0.5
Non-tax Revenue		18.2	16.0	31.2
Aids & Fund		9.2	1.8	3.0
Total		100.0	100.0	100.0

Source: Financial Department of Mersin GM