

Turkey Urbanization Review

Rise of the Anatolian Tigers

Briefing on Key Findings and Recommendations



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Overview

Part I: Turkey's System of Cities – Some Stylized Facts

- Provides a Macro-Perspective of the spatial demographic and economic transformation of Turkey over the past 50 years
- Examines city competitiveness through analysis of firm location and evolving economies of cities within Turkey's System of Cities

Part II: Policies and Institutions that Made a Difference

Part III: The City System in Turkey: A Second Generation Urban Agenda

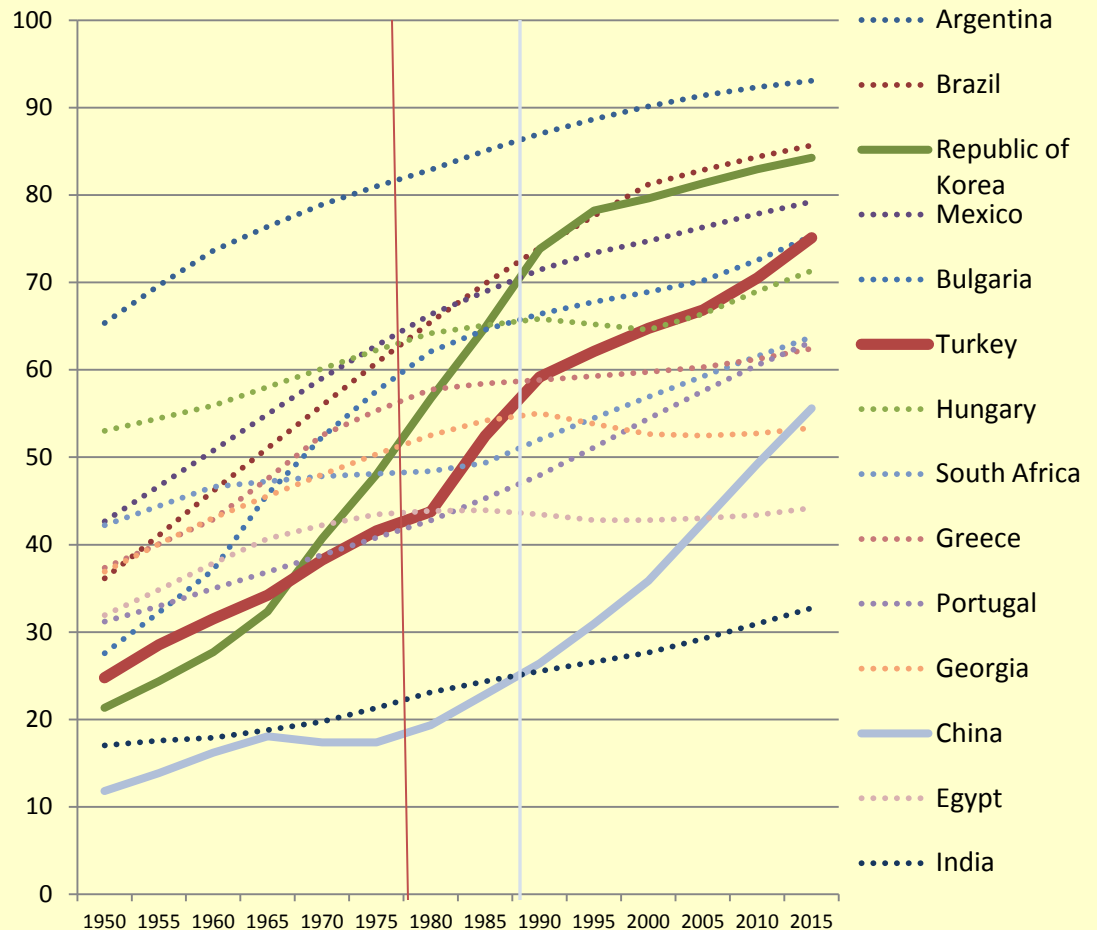
- Provides a micro-perspective of the challenges and opportunities of urbanization at the city level, addressing the following key areas:
 - Urban Transport and Planning
 - Housing Market Analysis
 - Municipal Finance
 - Interagency Coordination

Part I: Turkey's System of Cities – Rapid Urbanization

Turkey's rapid urbanization has transformed the country demographically and economically. Urban population has grown from 25% (1950s) to 75% (today).

Turkey has followed Korea's path; China is catching up; India remains largely behind.

Unprecedented pace of urban growth



Turkey's urbanization enabled major structural shifts in its economy and productivity

Turkey is a high performer

Turkey Snapshot

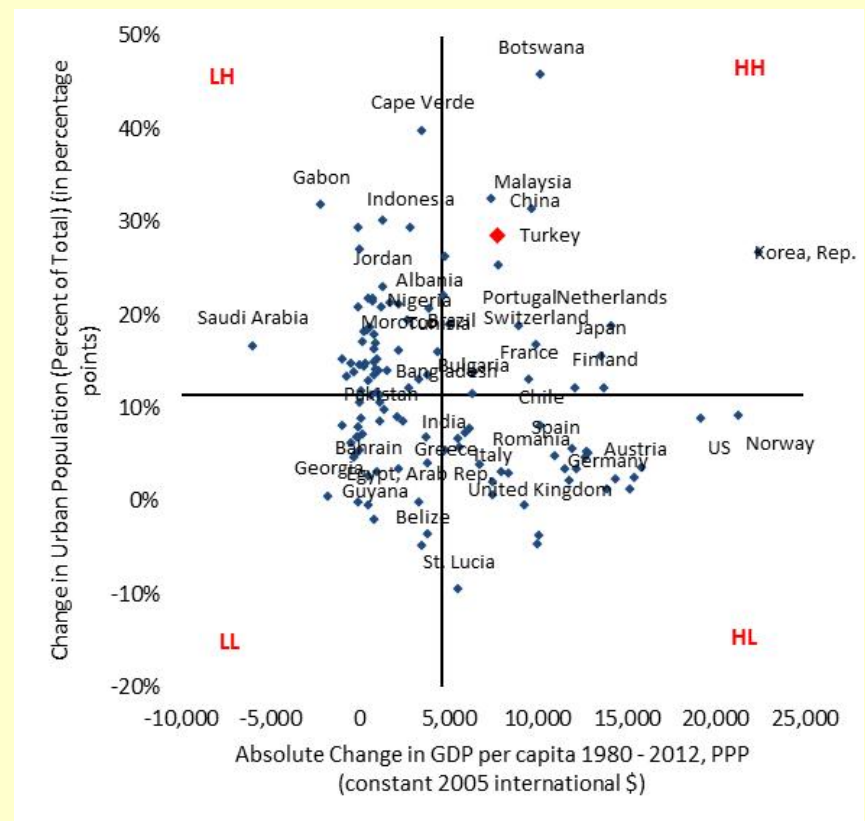
1960 Economic Structure & Output:

- 17.6% industrial share of GDP
- 26.4% services share of GDP
- \$6,000 or \$1,567* per capita GDP

Today:

- 27% industrial share of GDP
- 64% services share of GDP
- \$13,737 or \$10,666* per capita GDP

* PPP-based GDP per capita in constant 2005 international dollars and nominal GDP per capita in current US\$.

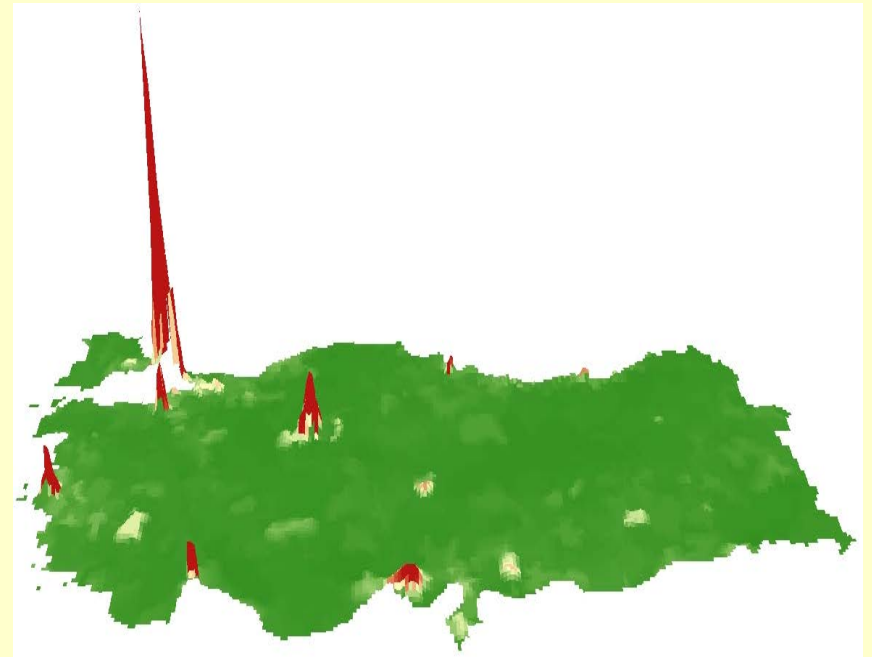


Turkey's System of Cities highlights fluid labor markets

Spatial Concentration of Population

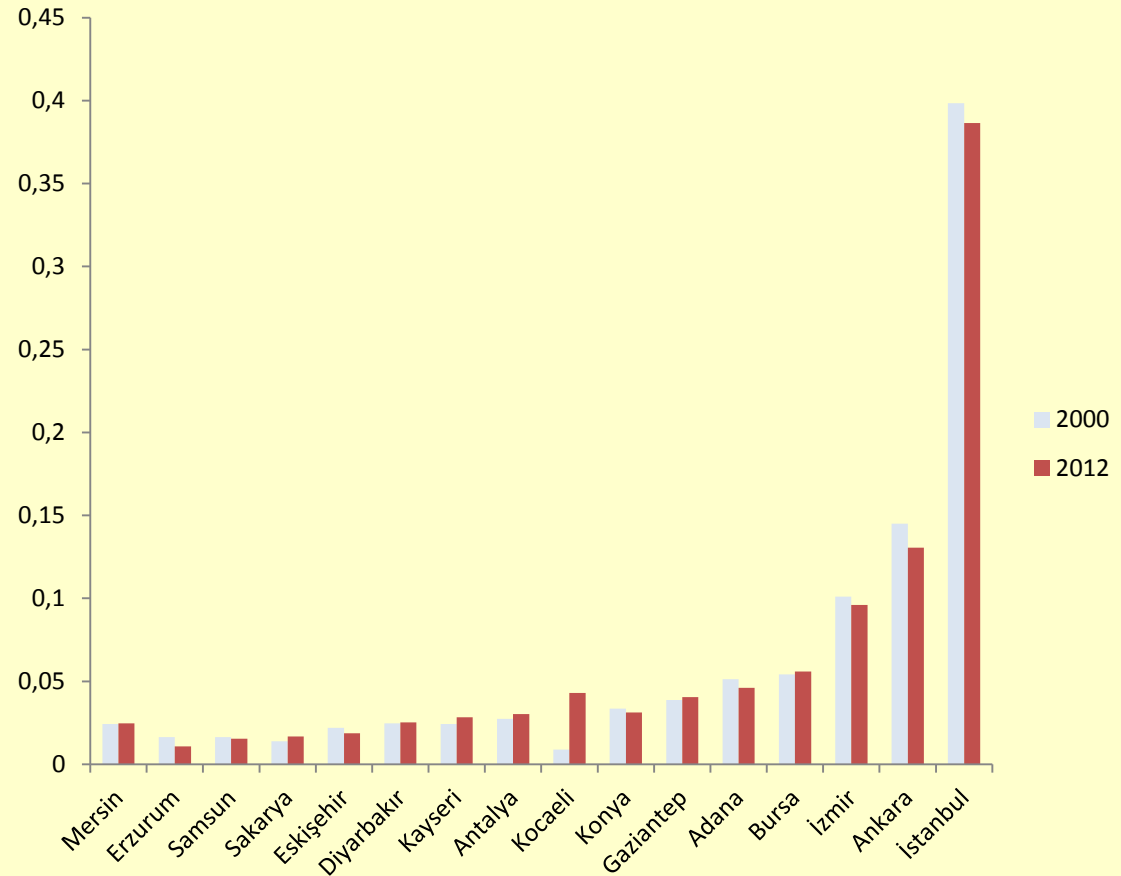
Historically, labor migration has been to cities along coastlines and with market access.

Ankara (public sector intervention) represents the main outlier.



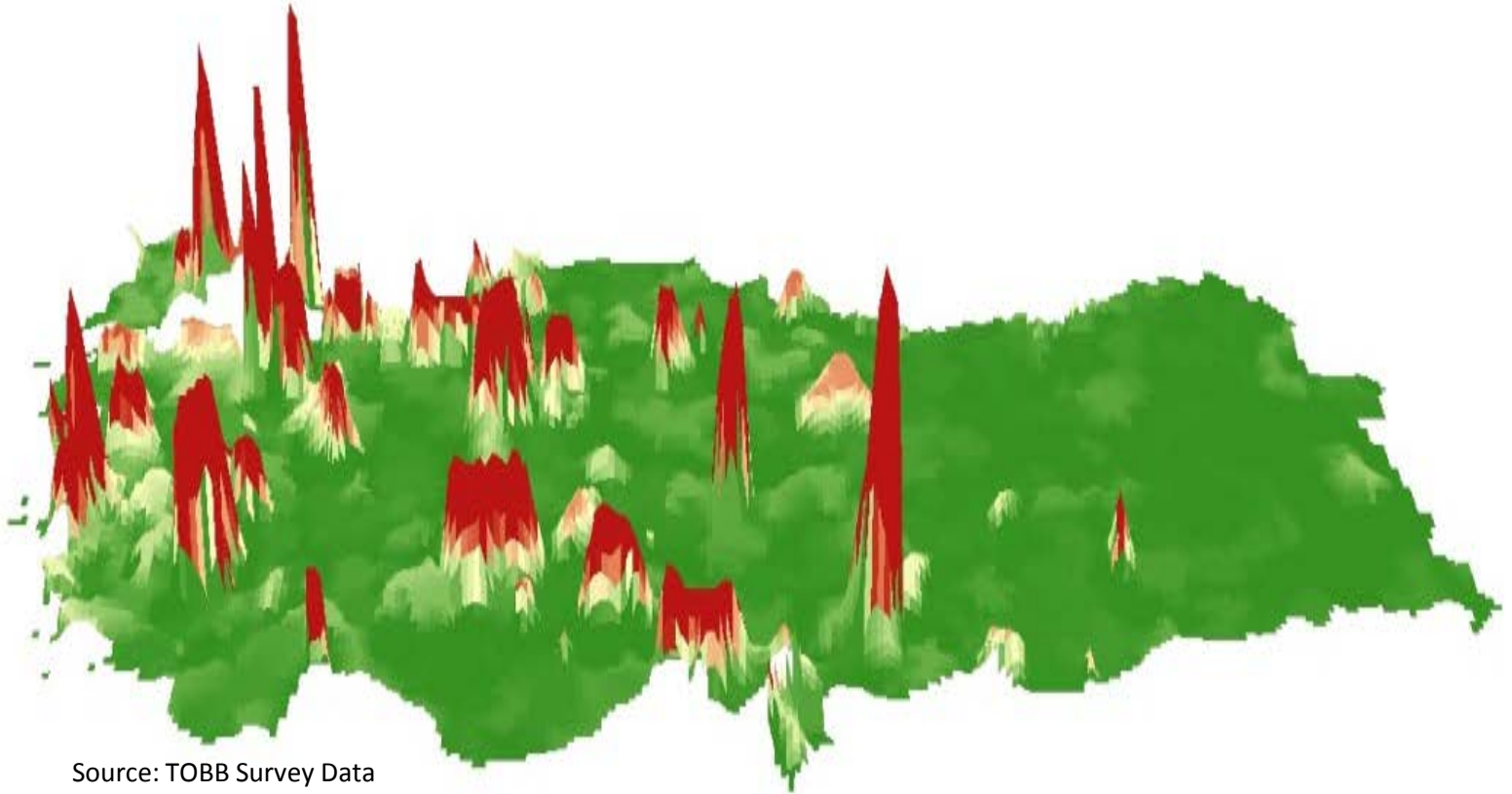
But second-tier cities not far behind

- The demographic rise of the Anatolian Tigers is depicted in this chart.
- Over the last decade, Istanbul, Ankara, and Izmir have seen their share of urban population decline, while cities like Gaziantep, Kocaeli, Kayseri, and Mersin have captured increasing shares.



And recent firm location data seems to align with demographic shifts

Spatial Distribution of Employment (new firms established from 2007-11)



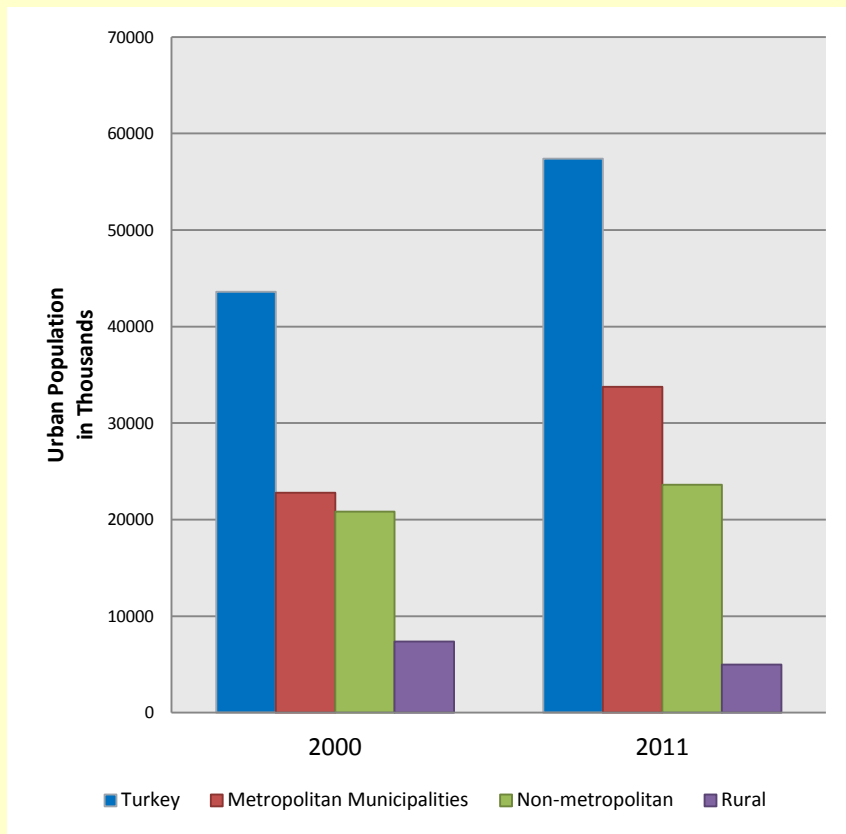
Source: TOBB Survey Data

Part II: Policy Measures that Worked

- ***Letting Markets Work:*** Policies that enabled labor markets to work facilitated agglomeration economies that generated jobs for incoming poor, rural migrants
- ***The Metropolitan Regime:*** The Metropolitan Municipality Law (1984) provided a local administrative regime that could facilitate inter-jurisdictional coordination, allowing planning and investments to operate at the scale and pace of growing city economic footprints
- ***Amnesties Granting Legal Tenure:*** Eight amnesties (1949-90) granted millions of rural migrants security of tenure, followed by regularization and access to services
- ***Housing Market Interventions:*** When incremental housing (cooperatives) could no longer keep pace, passage of the Housing Development and Participation Law (1986) and Housing Development Administration (1990) provided low income housing, finance and accelerated scale in the supply of housing
- ***Strong Regulatory Framework for Municipal Budgeting:*** Maintaining a hard budget constraint on local governments and utilities has instilled fiscal discipline at the local level, generated strong local revenue surplus, budget predictability, and stable local government finances.
- ***Special Programs:*** SUKAP was one program that intervened to help small municipalities sustain services to communities with a low economic base

Metropolitan municipalities have a “metropolitan effect”

Urban Population in Turkey, 2000-2011

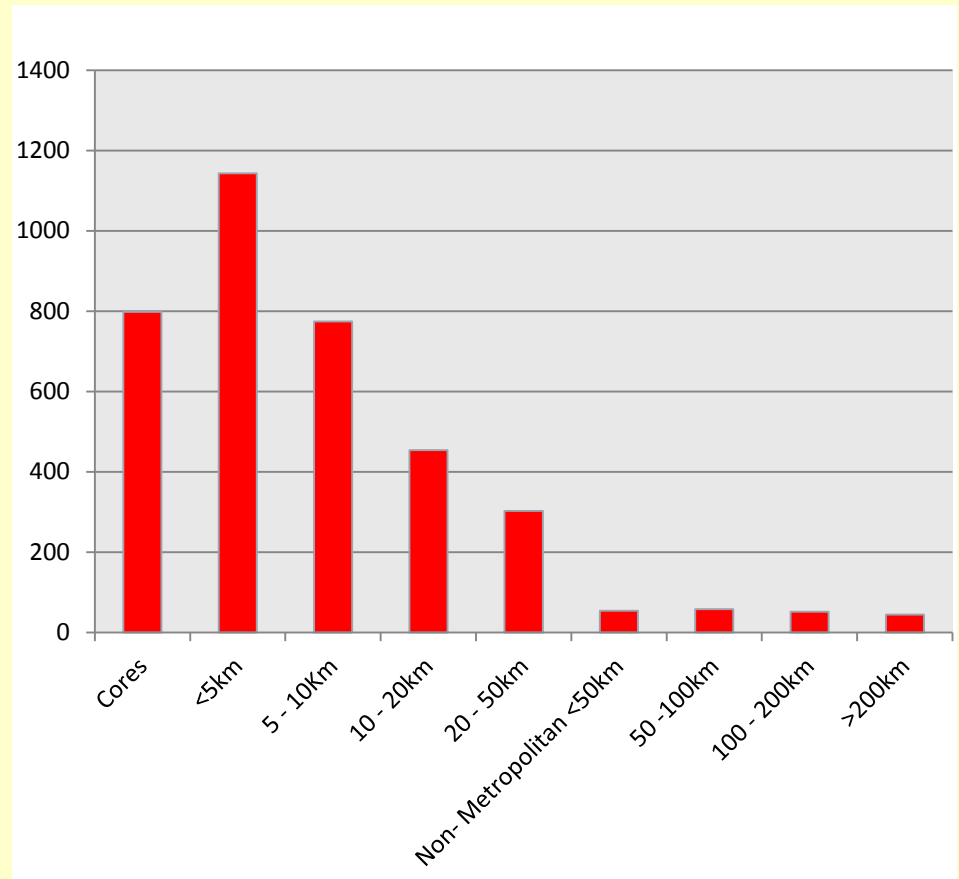


- Population growth dominated by the 16 metropolitan municipalities
 - Rural population declines
 - Non-metropolitan municipalities static
 - Metro Municipality pop growth 3X that of non metropolitan municipalities
 - 48% growth over 11 years, implying a doubling of population in **15 years**

Metropolitan municipalities promote density

Average Density (inhabitant per km²)

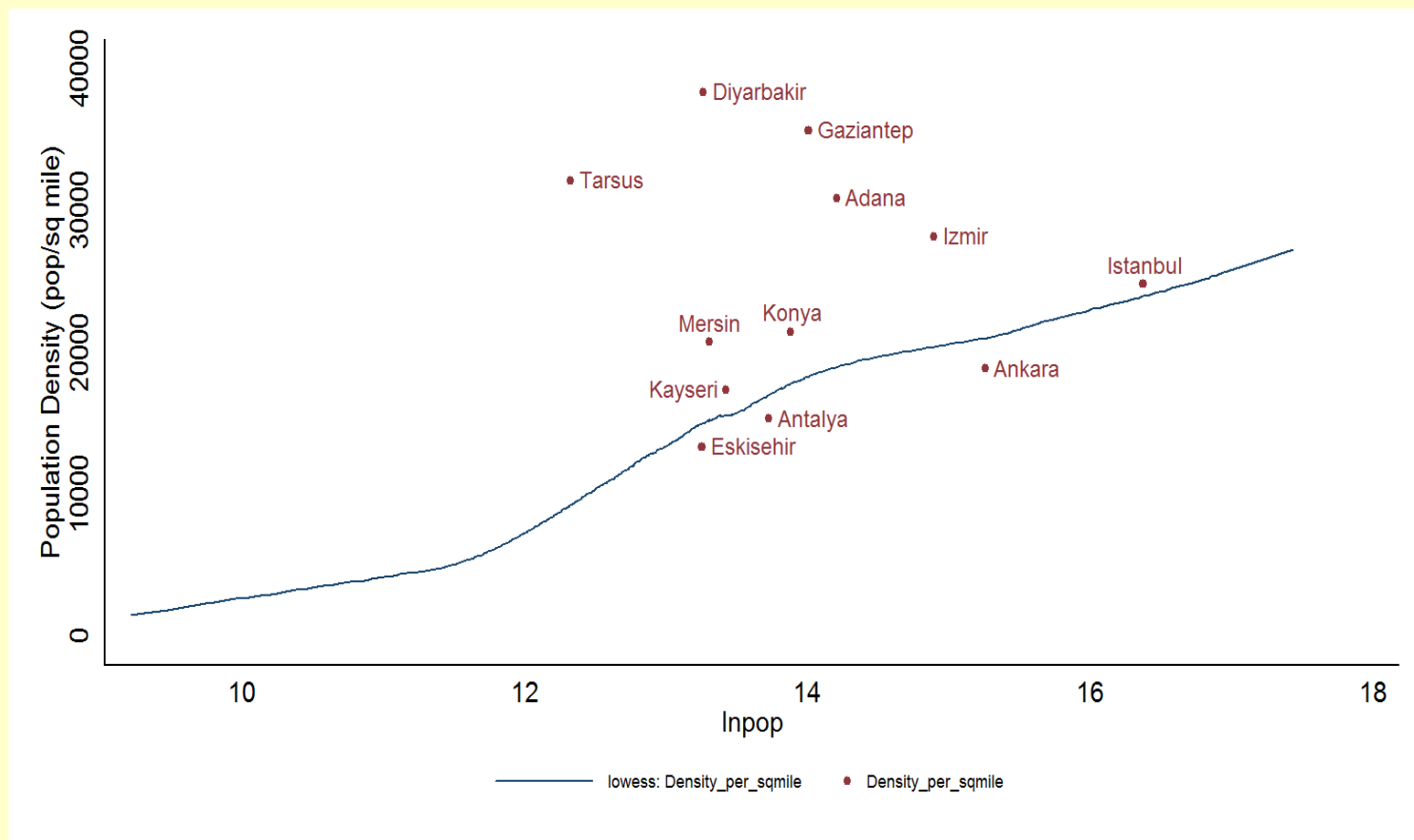
- City cores are densely populated as expected.
- Density is highest within 5 km of the city core and then decreases gradually.
- Interestingly, densities are low in municipalities that are within 50 km of the city center but are not part of the metropolitan administrative unit.



Source: ABPRS, TurkStat and Urbanization Review Team

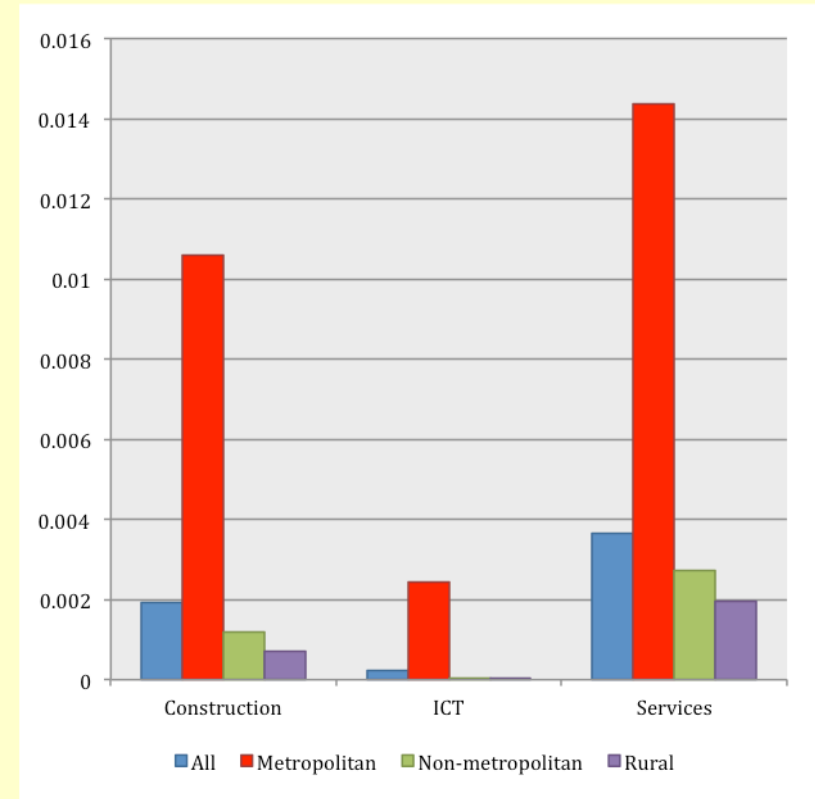
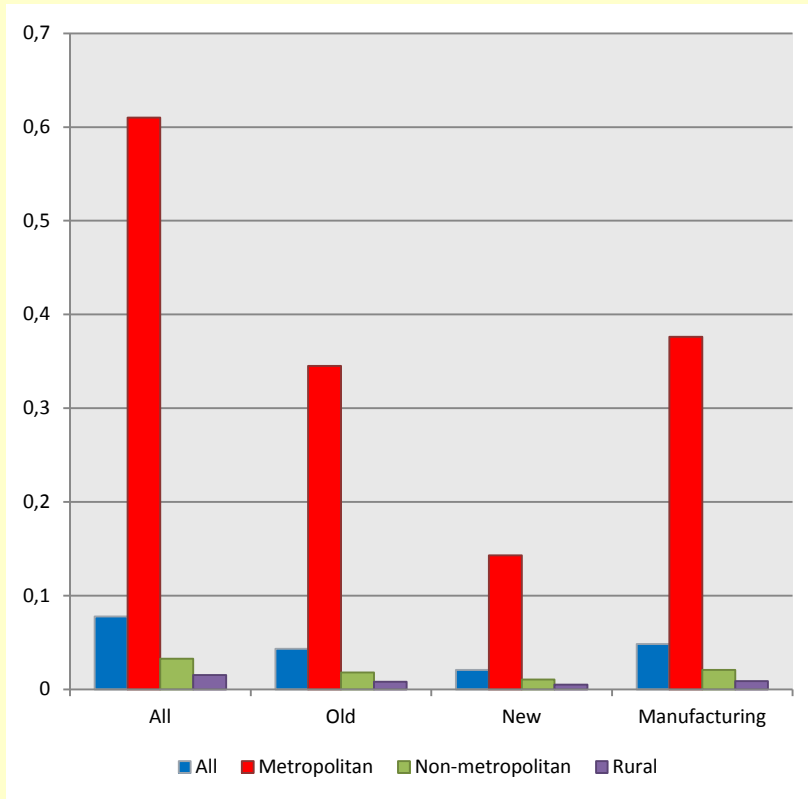
Turkish cities compare well to global comparators

Turkish cities compare well to a panel of 1,500 cities worldwide in achieving urban density



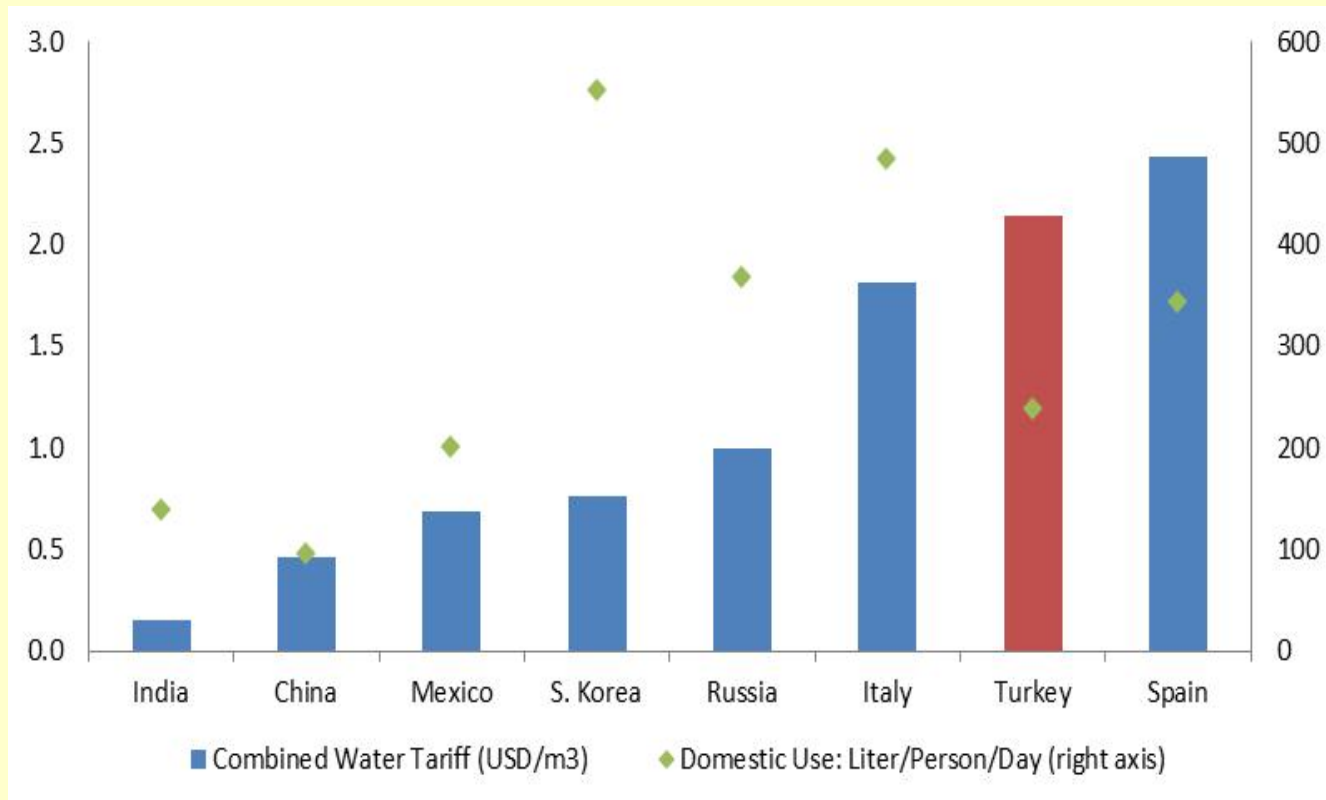
Metropolitan municipalities dominate in attracting firms

Average Number of Firms per Sq. Km



Metropolitan municipality management structures promote efficiency

Turkey fares well on commercial pricing of municipal water, while containing domestic water use due to Metro municipality utilities. Urban Transport system management is a potential area for similar reforms.

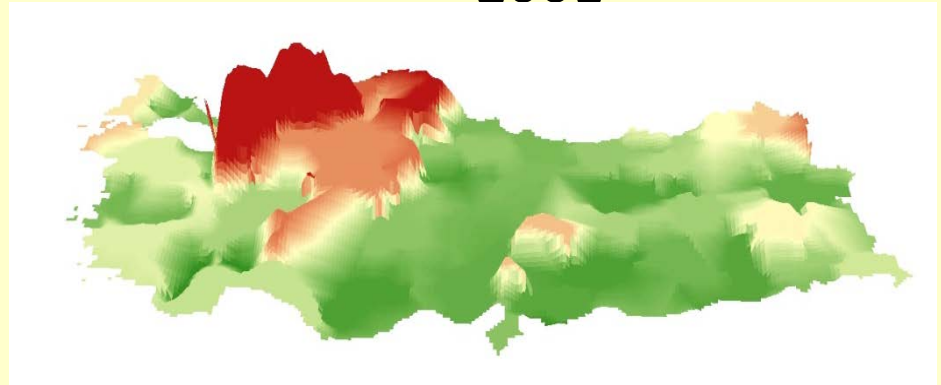


Government Policy Shift: Public Investment in Education Aims at Spatial Equity

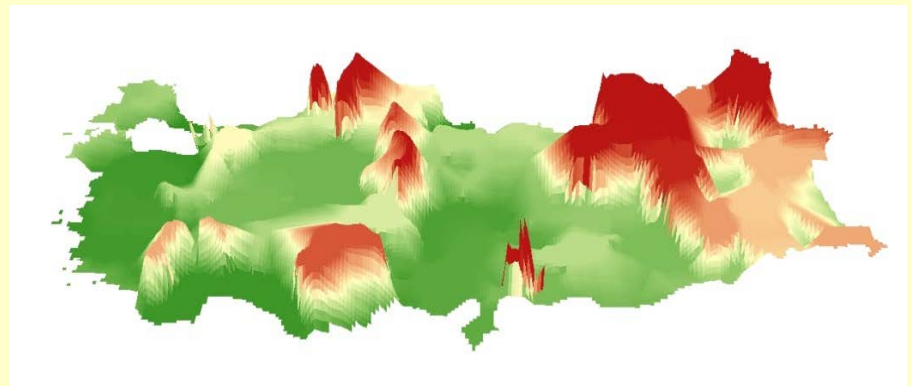
To offset economic gains in the west, GOT shifts resources to support development of human capital in the eastern hinterland.

This shift promotes equity in access to basic education across the nation.

2001



2011



Part III: City System in Turkey

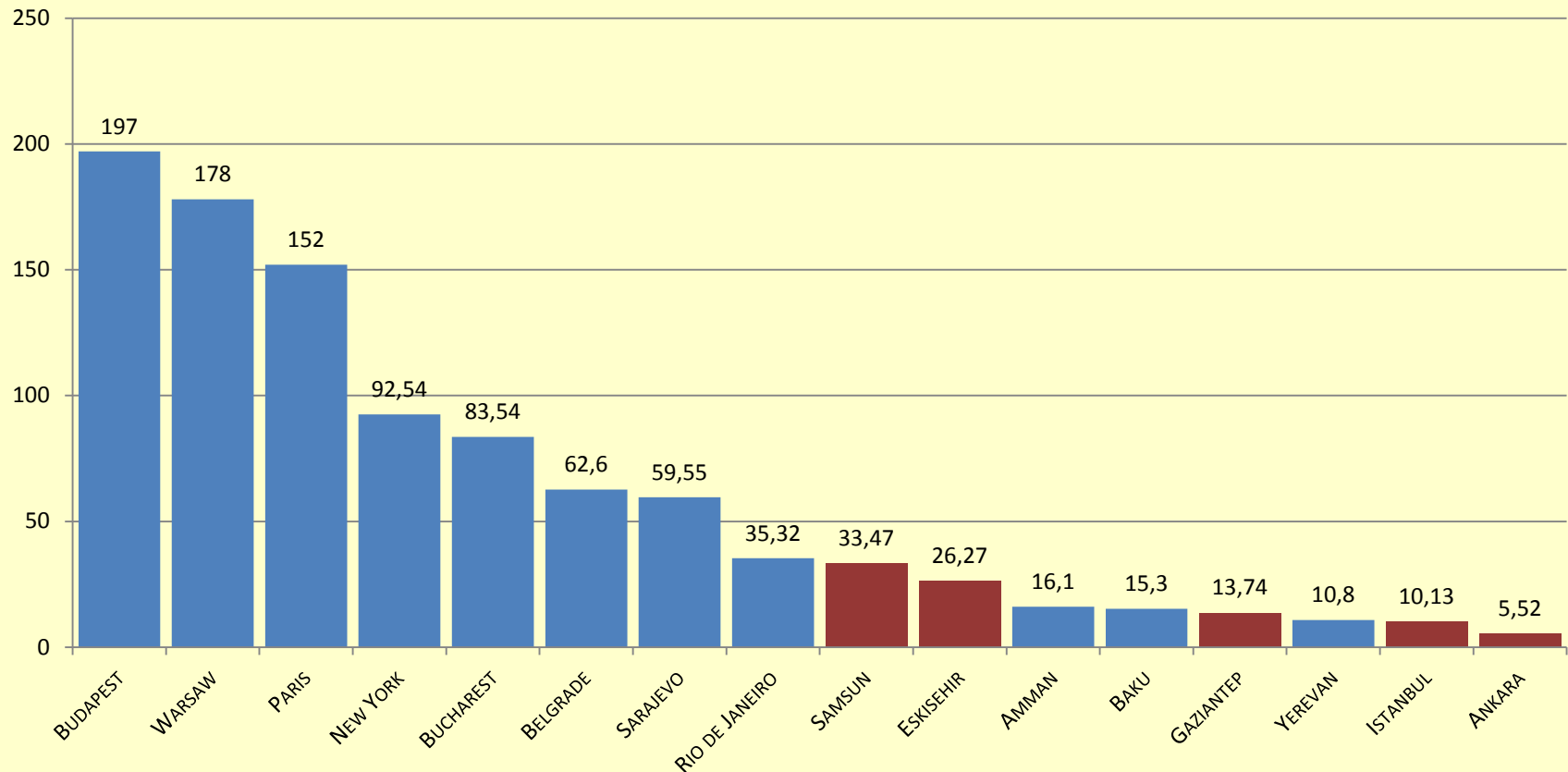
Turkey's Key Challenges and Opportunities in Building Sustainable Cities

Despite important progress made across Turkey's System of Cities, there are significant and critical challenges at the city level, particularly in second-tier metropolitan cities that are still experiencing significant population growth rates of 4% or more annually.

Turkish Cities do not compare well with peer cities in terms of Mass Transit Options

(Meters of High Transit Capacity per Capita)

Motorization rates have increased more than ten-fold in the last 30 years.

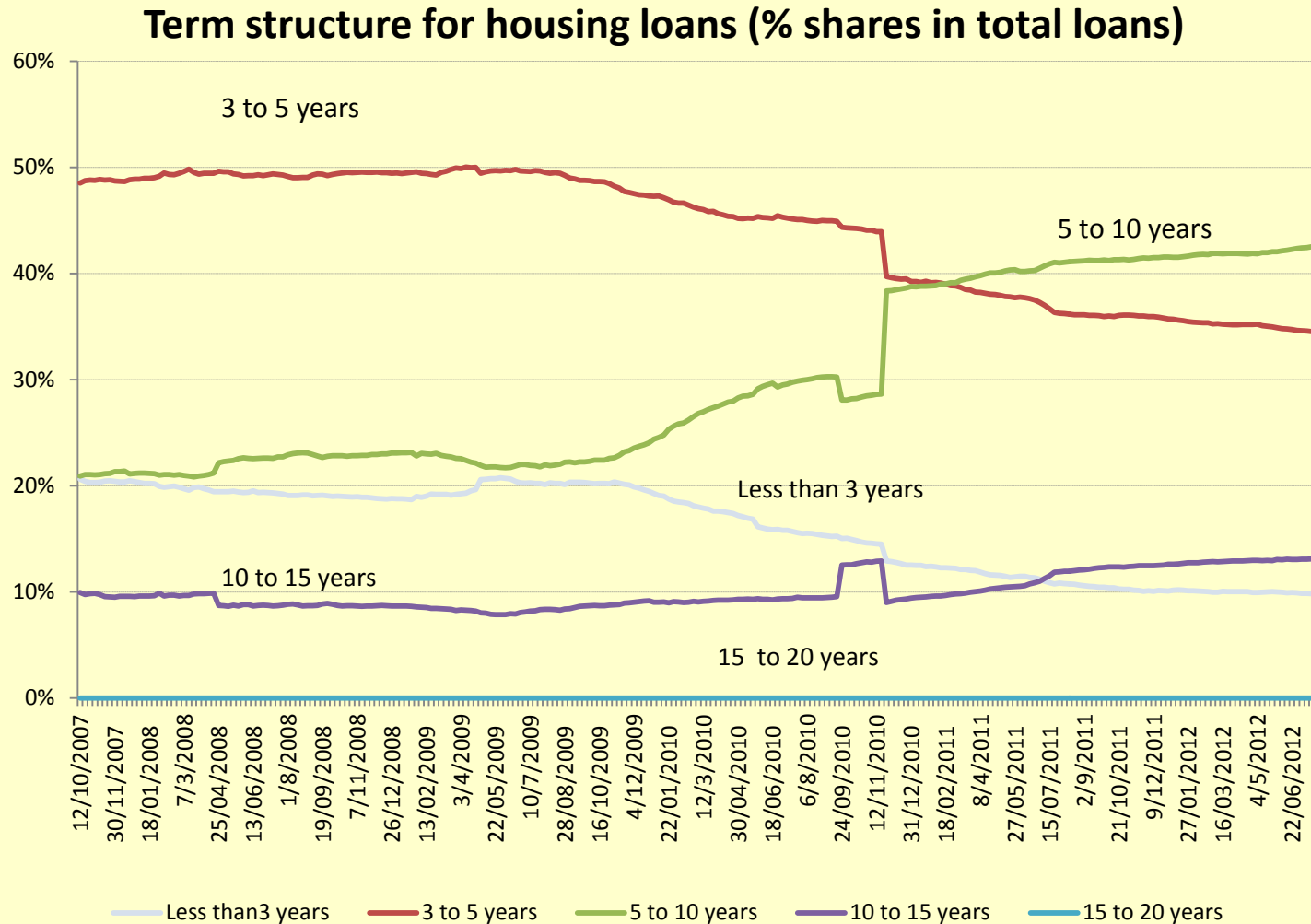


And Urban Planning Weaknesses Highlight Long-term Problems with Management of Growth

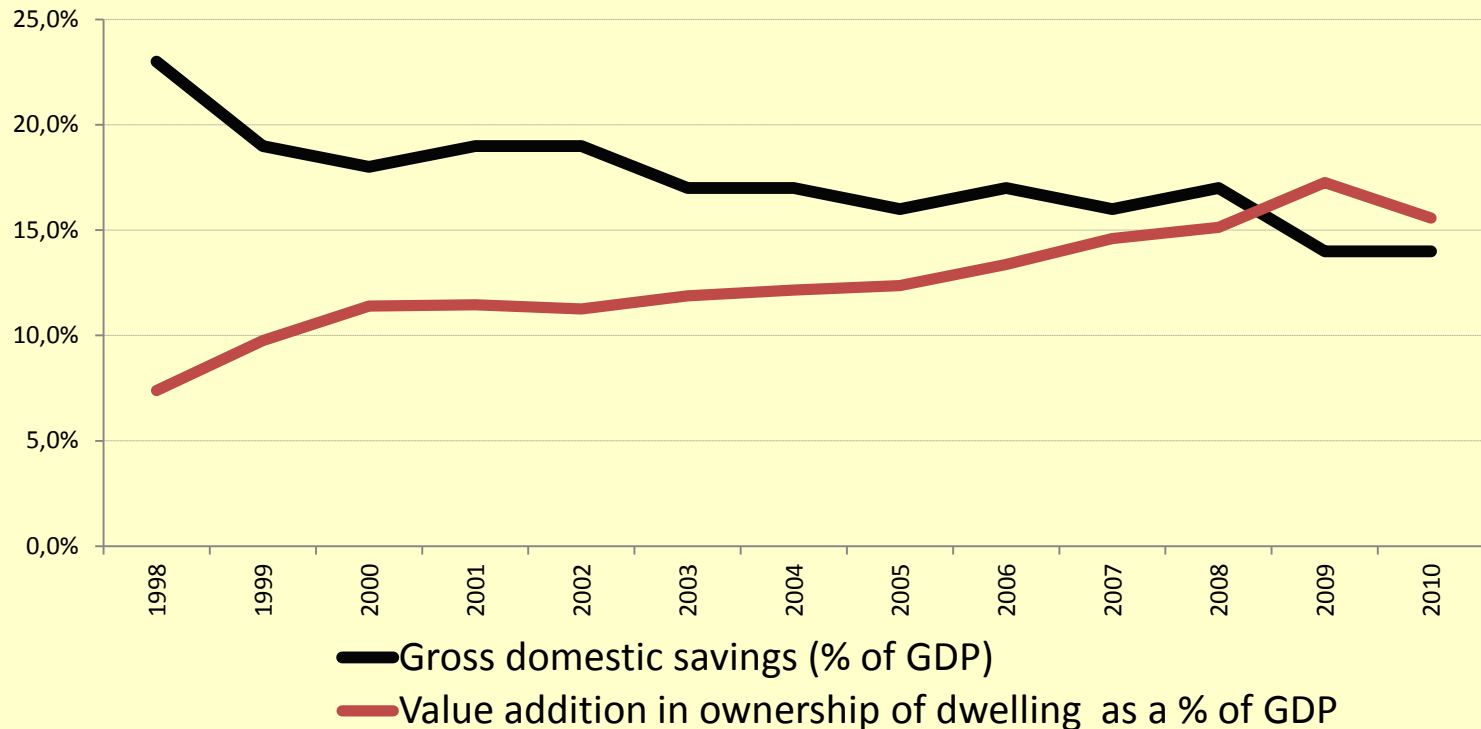
(City Growth East is bifurcated by Military Base)



Housing Demand Side Vulnerabilities



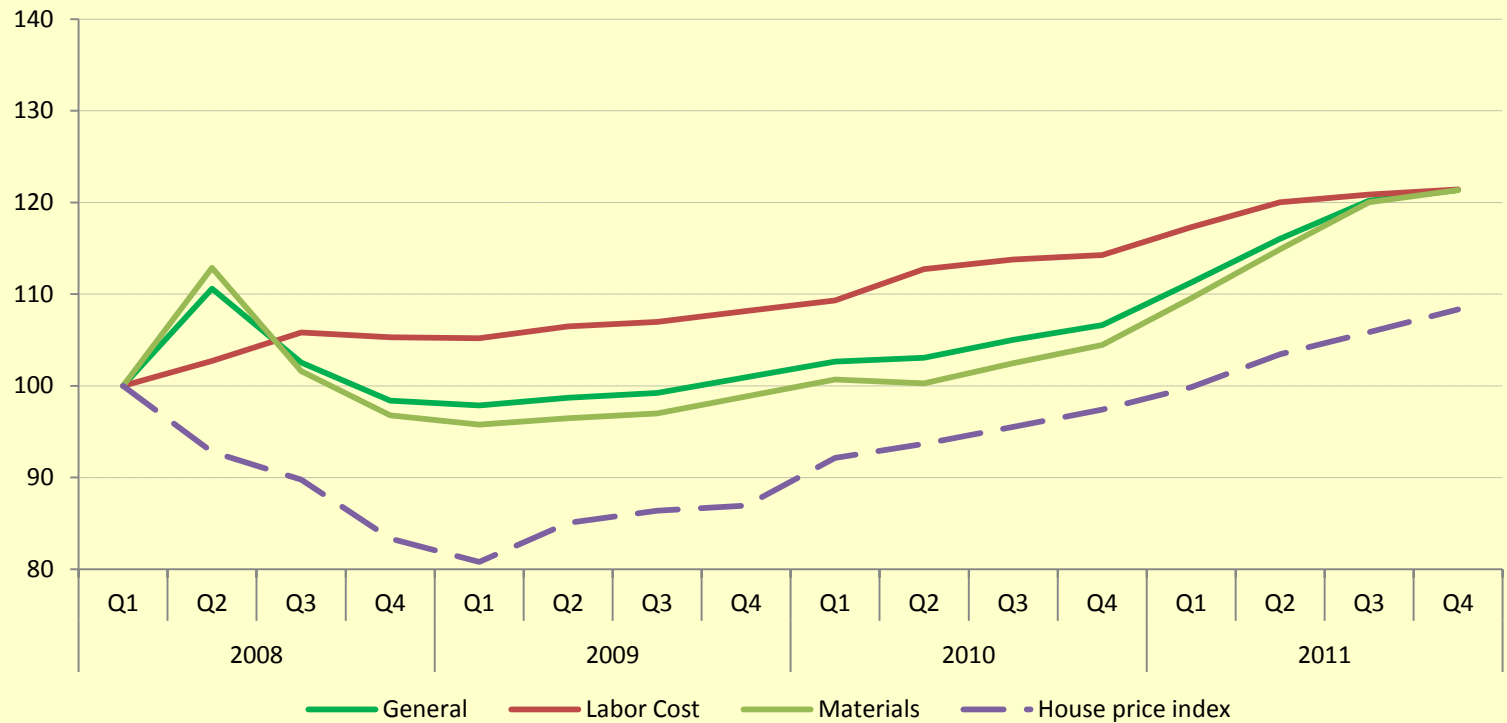
Limited access to housing finance is eroding household savings and reducing options for financial diversification



Source: DDP, World Bank

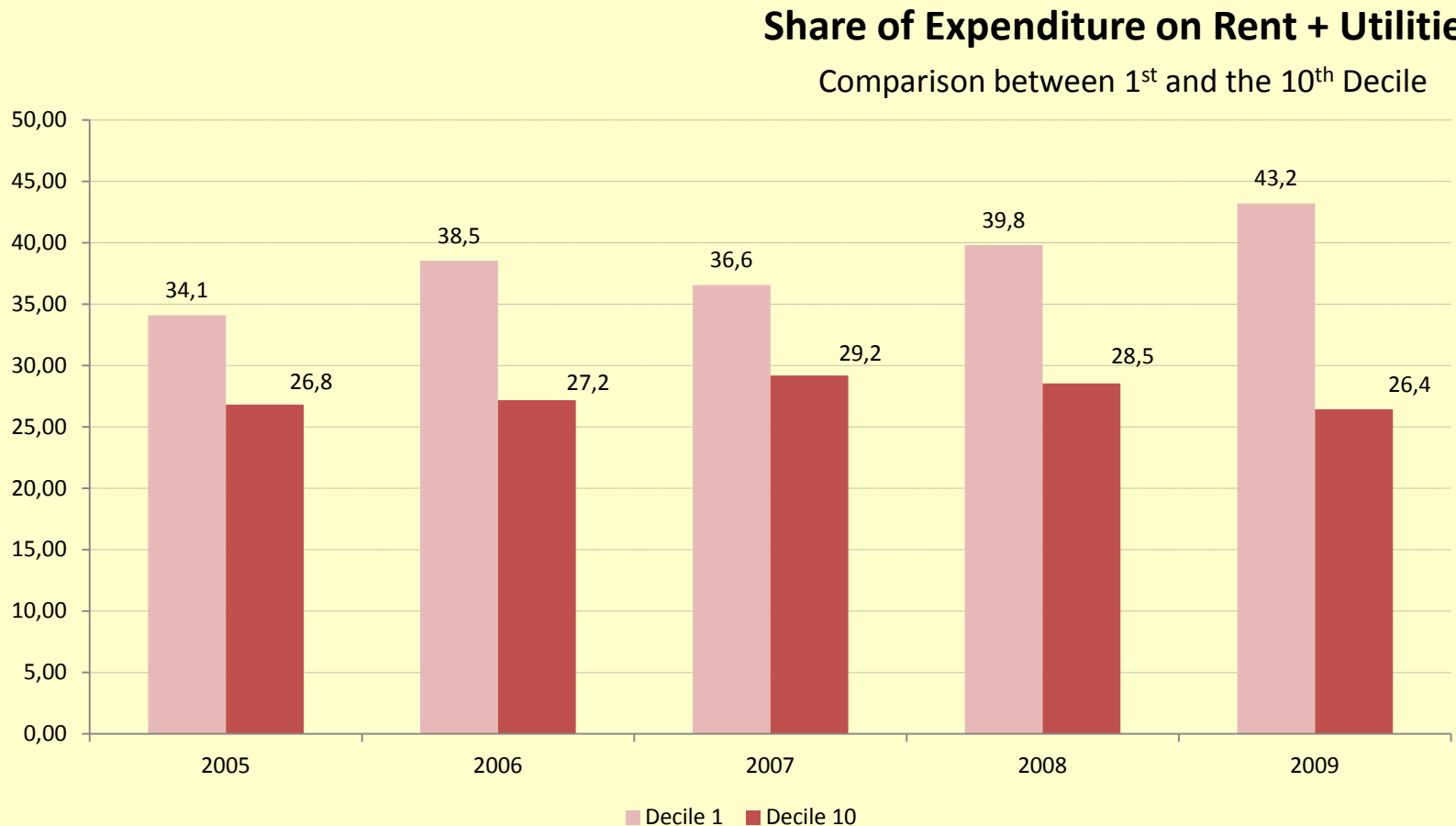
Rising material and labor costs contributing to rising housing costs ...

Higher production cost in recent years made housing less affordable to the poor



Source: Turkish Statistical Institute; GYODER, 2009 and 2011.

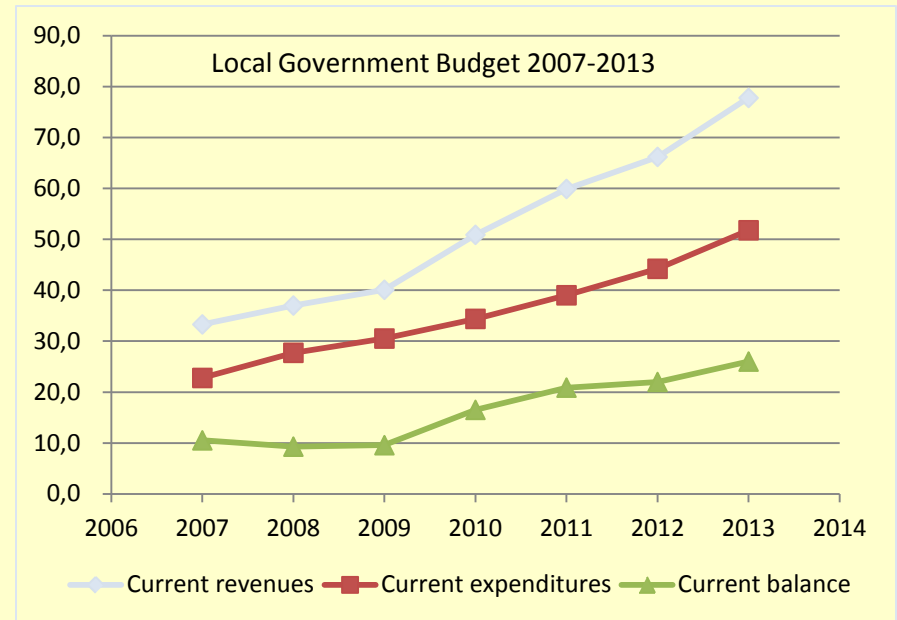
*Together, these factors made housing **less affordable** for the urban poor*



Source: Household Budget Surveys for 2005 to 2009.

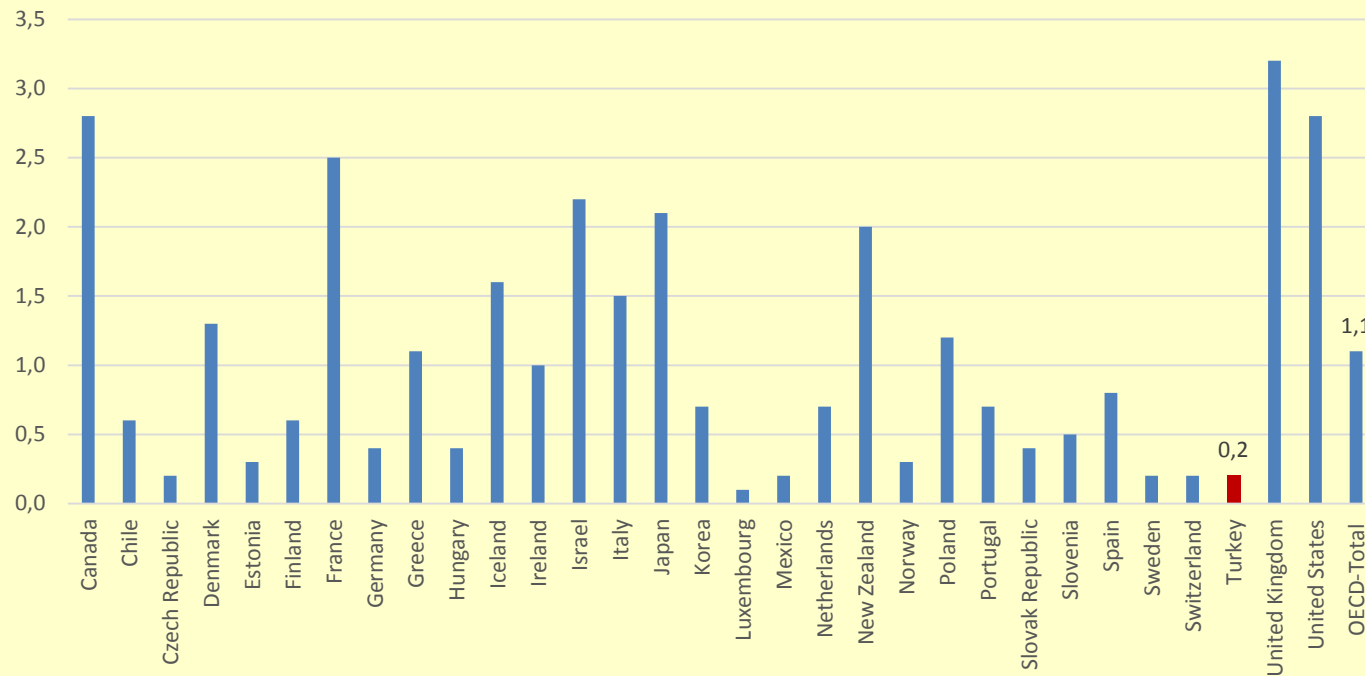
Local Government Budget

- Local Government Sector is financially stable with several years of positive net operating revenues, but
- In keeping expenditures in line with **low revenue yield** cities are under-funding investment needs and not provisioning for future growth



Local Government Budget

- Property tax collection (recurrent taxes on immovable property in 2012) is less than one-fifth the OECD average with limited offsetting alternative revenue sources



Turkey's "Second Generation"

Urban Development Agenda

- **A Focus on Second Tier Cities (mainly new Metropolitan Municipalities)**
 - They are growing the fastest
 - Have new administrative and management responsibilities with less experience (new water utilities, transport authorities)
- **Reviving Urban Planning**
 - Provide best practice international experience in land-use/transport planning with associated links to housing provision, building rural-urban linkages
- **Scaling-up Urban Transport & Expanding Energy Efficiency Options**
 - Shift from overreliance on private vehicles and coordinate private transport services within public transport systems
- **Fostering more participatory engagement with citizens**
 - Urban transformation involves potential economic gains with also potential social costs
- **Promoting increased local own source revenue mobilization**
 - Proposing shift of property tax collection to Metropolitan Municipality Level
- **Establishing Inter-Agency Policy Coordination Mechanisms**
 - Recent formation of Housing Commission is an example of good practice, need solid urban data collection & monitoring system

Some Key Challenges to Be Addressed

Urban and Transport Planning

- Weak city planning mechanisms, tools and outcomes. Metro Municipalities need to push for transit-oriented development (transport planning focused on the backbone of the city transit system linking labor and housing markets with access to commercial areas).
- This should be coupled with broader-based and more comprehensive urban planning (not just structural plans). This would allow for the provisioning for growth in population, adjusting density gradients, curbing uncontrolled expansion and addressing associated land/housing and service needs.

Urban data/information collection and monitoring systems

- There is no systematic collection of urban data at the city level or nationally. This renders monitoring of KENTGES implementation a key challenge. An Urban Data System is an urgent need to better inform policy decision making, implementation and monitoring of KENTGES, and improved outcomes on the ground.

Some Key Challenges to Be Addressed: Contd..

Financial Planning & Budgeting

- Very little budgeting is linked to capital investment planning (e.g. initial problems with metro expansions in Ankara and Izmir) or the ability to answer questions about cost recovery and adequacy of pricing for public systems (full cost pricing), i.e. public transport
- Focus on revenue enhancement by improving local revenue mobilization and introducing new tax instruments, e.g. use of development levies (TIF) to improve value capture of increasing land values
- Strengthen tax administration; improve management of collectibles and arrears; expand access to long-term finance and shift accumulating short-term maturities

Sustainable Cities Project



Core Features:

- Offer ***Policy Instruments*** that link city planning and capital investments to national policy objectives -- Green Growth, National Urban Development Strategy (KENTGES), Energy Efficiency in Buildings Law, Metropolitan Municipality Law using a ***Sustainable Cities Action Plan Framework***
- ***Devote substantial resources to improving territorial planning*** at the provincial and city level (Iller Bank and policy coordination with MOEU, MOD)
- Build city-level and national aggregate ***Urban Information Platform*** to allow monitoring of city development, establishment of baselines, benchmarks and performance targets (MOEU)
- Project will target ***second-tier Metropolitan Municipalities*** where demographic and economic growth is the strongest.
- Promote greater ***energy efficiency, conserve water by reducing NRW losses, expand wastewater treatment, reduce urban congestion, promote financial cost recovery, enhance disaster resilience.***

Sustainable Cities Project



Project Components:

- **Component 1: Sustainable City Planning and Management Systems**
 - Support for Territorial Planning following shift to Metro Municipalities
 - Policy level and framework designed with MOEU, MOD, and Iller Bank
 - Implementation by Metro Municipalities with Iller Bank and World Bank oversight
 - Plan preparation/updates promoting sustainable urban mobility, environmental planning, infrastructure and housing surveys, GIS systems, Capital Investment Planning
- **Component 2: Municipal Investments**
 - Water and sanitation networks and WW treatment systems
 - Urban Transport: Low carbon/green Bus Rapid Transit, Green Wave, Trams and Integrated Bus Routes
 - Solid waste management: Landfills, recycling and methane gas capture
 - Energy Efficiency investments: green municipal buildings, street lighting
- **Component 3: Project Management and Institution Building**
 - Develop Sustainable Cities Diagnostics and Technical Know-How with Iller Bank
 - Support for national Urban Database and city level data collection and monitoring

Thank you!
Teşekkür ederim