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THE POLICY AND
INSTITUTIONAL
FRAMEWORK FOR
HOUSING IN TURKEY

SEPTEMBER 1985

THE POLICY AND INSTITUTIONAL FRAMEWORK
FOR HOUSING IN TURKEY

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Currency Equivalents:

AUG 1985	Turkish Lira (TL)	530	=	US \$1.00
JAN 1985	"	"	"	450 = "
OCT 1985	"	"	"	215 = "

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I. INTRODUCTION

This study originated from initial contacts between Government of Turkey representatives at Habitat's annual meeting in 1984 and a representative from AID's Office of Housing and Urban Programs (PRE/H). The result was a request for AID to send someone to Turkey to discuss the possibilities of a Housing Guaranty Program. These discussions took place in early December 1984.

The primary point of contact was Vahit Erdem, Director of the Housing Development and Public Participation Agency (HDPPA), then less than one year old. HDPPA's functions include the operation of a government housing fund and a public participation fund. Agreement was reached that the next step in AID's process would be a Shelter Sector Assessment. Subsequently, Mr. Erdem gave indications that such an approach would be acceptable.

Mr. Erdem visited the US in May 1985 through the auspices of USIA and while in the US held further discussions with PRE/H. He indicated that in addition to proceeding with the study he was also interested in developing a training program for his staff and in receiving technical assistance in setting up a computerized planning, financial and accounting system. With revenues for HDPPA's housing fund projected at a rate of some \$500 million per year, training and technical assistance are crucial. The availability of PRE/H's methodology on estimating housing needs was proposed as something that would be very useful in planning/programming the use of the housing fund.

Consequently it was agreed that the study would concentrate on the policy/institutional aspects of the government's housing program, focussing on the operation of the Housing Development Fund. An assessment of housing needs in Turkey was also undertaken as part of this study. In addition to contributing to the study, the housing needs analysis was carried out with the intent of laying a foundation for a future housing needs assessment study that would be conducted by professionals in Turkey.

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Adequate time was not available in preparing this analysis to resolve many issues that arose in assembling the data for the study. Significant revisions to these data can be expected when the results of the census scheduled for October 1985 are available and as many of the working estimates in this analysis are refined. At this stage, the analysis of housing affordability and required investment levels should be viewed as provisional. One objective was to identify professionals in Turkey who would be active in developing long term planning strategies in the housing sector. These professionals would be trained to use the AID Housing Needs Assessment methodology.

The training and technology transfer components of the work had three main goals that would be served by conducting a preliminary housing needs study. These were: (1) expose professionals in Turkey's housing sector to the methodology; (2) to the extent possible, develop the data necessary for applying the housing needs methodology; and (3) demonstrate the use of the methodology and its ability to serve the needs of professionals who would be involved in housing planning activities. These goals were met by conducting two seminars at the Housing Development and Public Participation Administration on the preliminary housing needs analysis. A summary of the analysis is contained in Section VIII and a detailed treatment of the work in a separate volume.

In summary, the major factors which have shaped the scope of this report are:

1. The primary client and point of contact in Turkey was the HDPPA's Housing Development Fund. That organization's programs are aimed at addressing Turkey's urban housing needs.
2. This emphasis by the HDF on urban housing reflects the GOT's own political interests.
3. The World Bank has undertaken three major studies within the past two years which are relevant to the housing sector in Turkey.

- a. An Urban Sector Review in 1983
- b. A Financial Sector Study in 1983
- c. A Housing Finance Sector Study in 1984/85.

This study did not attempt to duplicate World Bank work but incorporates by reference and, in some cases, updates. The above three studies should be read, however, for a complete picture of the urban, housing and finance sectors in Turkey.

No attempt was made to deal with rural housing. The emphasis has been on government housing policy and the impact of government's political priorities on housing, institutional analysis and the analysis of housing outputs relative to government policy and the institutional framework. The study also touches on the issue of privatization in a concluding section.

II. SUMMARY OF FINDINGS

The current government in Turkey made housing a major plank on its platform in the 1983 election campaign and is attempting to carry through on its commitments. That is, housing remains a high priority of government.

To achieve its goals the government created the Housing Development and Public Participation Agency (HDPPA) in 1984. The HDPPA includes the Housing Development Fund (HDF) which generates revenues through earmarked taxes, primarily on spirits, tobacco, imported goods, foreign travel and electricity which are outside the normal government budgetary process. Revenues are expected to run at an annual rate of \$500 million.

The HDF is expected to provide a major stimulus to the economy in general and, by specific stimulus to the building materials industry, strengthen that industry to compete in Middle East markets. The Fund's programs are aimed at middle and upper middle income families in urban areas because these are the people presumed to have been affected most adversely

by an inflation rate still running between 40-50%. There is a feeling that dealing with the housing problem at the above income levels will free-up housing at lower income levels and also impact favorably on rental levels which will also benefit lower income families.

The above constitutes the major thrust of government housing policy; a massive approach to financing formal urban middle income housing with a "trickle-down" effect for the lower income.

The pace of urbanization in Turkey has been rapidly moving from about 20% of the population in 1950 to almost 50% of Turkey's 1984 population of about 50 million living in cities over 20,000. About one third of this urban population lives in the three cities of Istanbul, Ankara and Izmir. The result has been a concomitant rapid proliferation of illegal housing areas known as gecekondu. As much as 70% of the housing in Ankara, 50% in Istanbul and 20% in Izmir is in gecekondu areas.

This housing is not squatter housing as is known in many parts of the world but is of generally good construction but built without permit and without infrastructure. The problem is in putting the infrastructure in at a later date and the government established a Gecekondu Fund some years ago to finance it. Financing has been limited to date but the Fund and its functions have been transferred to the HDPPA and may be able to tap some of the resources of that agency.

The HDF has assumed the obligations of a previous government program to finance housing on a large scale and much of its expenditures to date have been to complete this financing. Its new programs are primarily aimed at financing housing in designated "mass housing areas" which are part of municipalities' approved urban plans.

Most new legal urban housing being built in Turkey today is being developed by building cooperatives, some is being built by developers and some by individuals. All are eligible under HDF programs. Eligible houses can go up to 150 sq. meters with subsidized interest rates varying from 15%

to 35% depending on size of the unit within designated mass housing areas and loan amounts varying for TL 1,750,000 to TL 3,250,000 depending on size. In the best of circumstances this would require a down payment of 25-50%.

Most Turks aspire to own their own home but middle income families feel very strongly that 100 sq. meters is the size of a home that they must have. In today's urban Turkey this would generally mean an apartment of 3 bedrooms in a five storey walk-up. Families will rent or stay with their parents until they can afford such a unit. There is great resistance to housing at less than this size.

There are no developers operating at present in the US style with projects where the houses are sold by model and where the developer takes the risk. For the most part families with some common interest organize a building cooperative which undertakes the role of a developer and is disbanded on completion. This requires substantial up-front money by the family.

The only banking institution that can lend for housing in Turkey today is the Emlak Kredi Bank, a deposit-taking commercial bank wholly owned by government. To date HDF's financing is being done through this institution on a loan basis. The EKB will make both construction loans and individual mortgage loans on the basis of funds advanced on a loan basis from HDF. HDF's intent is to interest a wide range of other commercial banks which will participate in the program.

After one and a half years of operation the HDF still appears to be understaffed. As stated above its operations to date have consisted in large part of financing programs begun under a previous law. If it is to handle a \$500 million per year level of lending it will have to expand its staff and fill all positions as soon as possible. As part of this, the Director of the HDPPA has indicated to AID his interest in developing a training program at all levels in his organization. He is also interested in computerizing his financial accounting and reporting and has requested assistance to this end.

There is a need for expansion of the housing finance system. The World Bank has identified the lack of a broadly-based housing finance system as a major problem in the provision of housing. The creation of the Housing Development Fund could have a major impact on broadening out the system.

As stated above HDF will make loans to participating banks for both construction lending and to on-lend for mortgages in accordance with HDF's criteria. The banks will then repay HDF. As the procedures are now set forth, the participating bank would be the owner of the mortgages.

But the program could be structured so that the long term mortgage loans could be sold to HDF and the banks could receive a fee for originating and servicing these loans. The HDF in this case would be the owner of the mortgages and it would be acting as a secondary financing facility.

The next step in this process could be for HDF to package its loans and sell them to other investors, either as packages of loans or as mortgage-backed securities. To do this the loans would have to carry an interest rate that bore some relationship to the market and the loans would have to be of sufficient quality to interest investors.

The other area where the HDF can have a major impact on the housing finance system is in introducing other banks into the mortgage lending process. Up until now, the government programs providing financing for housing have all gone through the EKB. The HDF is actively seeking other participants in its program and is negotiating the rate at which it could lend, in effect, the spread it would allow the participating bank between its lending rate and the rate the bank could charge for the mortgage loans. The interest on the part of banks other than EKB, however, has been spotty at best.

The spread currently being discussed with EKB is between 2 and 3%. While high by US standards; that is, to originate and service mortgages where there is little risk, the intermediation costs of Turkish banks are considered very high. This matter has been identified in previous World Bank financial sector reports as a problem.

In any event, active promotion of the participation of other banks by HDF can only serve to add some competition which should result in some benefits in terms of cost and services.

In addition to expanded participation by the banks, the possibility and need for new institutions in housing finance needs to be considered. As it now stands EKB is the only institution where individuals can go for long term mortgage loans with the exception of the Social Security Fund. Even if additional banks participate in the HDF program and the government were to permit them to lend for housing it is unlikely that they would engage in mortgage lending with resources they have raised through deposits.

What possibility, then, exists for new institutions? EKB, with its 300 branches, has pretty broad coverage in the country. It is certainly regarded as "the housing bank". Whether people identify with the EKB is a different matter. With its limited resources (the HDF program may alter this) demand appears to clearly outstrip supply even with high down payments.

Some sort of mutual housing finance organization along the lines of a savings and loan association or building society might have some potential if people were willing to save at a lower rate of interest with the possibility of getting a loan eventually which they could afford. Even if people were prepared to save at a lower rate there would still be the issue, however, of where the additional long term funds were coming from since presumably all savers would be seeking to finance a house. The HDF is, obviously, a possibility and as long as it was prepared to make available long term funds at a subsidized rate such an endeavor might get off the ground. If inflation were ultimately to come down then this type of an institution could be able to operate.

Turkey is currently going through the process of decentralizing urban development functions from the central government to municipalities. This includes responsibilities for assembling "mass housing" areas. Except for the large municipalities, most of the municipalities do not have the

capability to carry out these functions. Although it was beyond the scope of this study, it would appear that a program of technical assistance to such municipalities would be in order if they are to share in the financing to be provided by the Housing Development Fund.

III. BACKGROUND ON TURKEY

A. General Background

The Republic of Turkey is a country of some 296,000 square miles lying partly in Europe and partly in Asia. The Bosphorus, the Sea of Marmara and the Dardanelles, known collectively as the Turkish Straits, connect the Black and Mediterranean Seas. The coastal regions, particularly in the south and west, have mild winters but winters are severe in eastern Turkey which is mountainous with a mean elevation of 3,000 feet above sea level. Winters are less severe in the western Anatolian Plateau in the central part of the country where the capital, Ankara, is located.

GNP was an estimated \$54.2 billion in 1982 and the annual growth rate averaged 6% for 1970-79. Agriculture constitutes about 20% of GNP and industry about 25%. State-owned or controlled enterprises account for about half of aggregate industrial production. The oil crisis and heavy external borrowings resulted in an economic crisis which peaked in the winter of 1979-80. Inflation had reached as high as 120%.

The current government has reinforced and expanded an economic reform program worked out with the IMF. However, inflation has remained high and was still 50% in mid 1984 although reportedly down somewhat since then. The central government budget was approximately \$8.7 billion in 1984.

Under the 1982 constitution there is an unicameral 400 member parliament called the Grand National Assembly (GNA) with a strengthened presidency. The executive branch consists of the President, the Prime Minister and a Council of Ministers which is considered the Cabinet. The GNA is chosen through national elections every five years.

At the local level, government consists of 67 provinces but the chief executives of these provinces are appointed by the central government. Local government responsibility really rests with municipalities and villages, the former administered by the Ministry of the Interior and the latter by the Ministry of Village Affairs.

Urban administration and management falls under municipalities of which there are some 1700, around 1000 of which have over 3,000 population. Current policy calls for a significant decentralization of authority to the municipalities and this has major effects on the planning for housing.

Annex A is the most recent Background Notes on Turkey prepared by the Department of State and provides a ready reference to a more detailed treatment of Turkey's background as well as a map of the country.

B. Population and Urbanization

A census is scheduled for October 1985. The estimated population in 1974 was almost 50 million, 85% of Turkish extraction with 12% Kurdish and 98% of the Muslim religion. Ankara has an estimated 2.8 million people. The other major cities are Istanbul with a population of 4.7 million, Izmir on the Aegean Sea coast with almost 2 million and Adana in the southeast with approximately 1.5 million.

Of the total population, the State Planning Organization (SPO) estimates for 1984 place the urban population (those living in cities of 20,000 or more) at 22.7 million or 45.8%. This is up from 34.4% in 1965 when people living in towns of 10,000 were counted as urban. In 1950, it was estimated that only about 20% of the population lived in urban areas.

According to the World Bank, rural to urban migration accounts for about 55 to 60% of the urban growth. SPO estimates that by 1989 over half of the people in Turkey will be living in urban areas of 20,000 or more.

Table 1
 URBAN AND RURAL POPULATION DISTRIBUTION (1965-89)
 (In Millions)

Census Year	Total Population	Urban ^{1/}	Urban %	Rural	Rural %
1965	31.4	10.8/ ^a	34.4	20.6	65.6
1970	35.6	13.7/ ^a	38.5	21.9	61.5
1975	40.3	16.9/ ^a	41.8	23.5	58.2
1980	44.7	19.6/ ^a	43.9	25.1	56.1
1984	49.6	22.7/ ^b	45.8	26.9	54.2
1985	50.9	23.8/ ^b	46.8	27.1	53.2
1986	52.3	25.0/ ^b	47.8	27.3	52.2
1987	53.8	26.3/ ^b	48.9	27.5	51.1
1988	55.3	27.6/ ^b	49.9	27.7	50.1
1989	56.6	28.8/ ^b	50.9	27.8	49.1

Source: State Planning Organization, Fifth Five-Year Development Plan, (1985-89), preliminary, Ankara, 1984.

^{1/} Up through 1980 urban population was based on towns with populations of 10,000 or more. After 1980 it was based on towns with populations of 20,000 or more.

Again, according to the World Bank, about one third of the urban population in 1980 lived in the three largest cities; Istanbul, Ankara and Izmir. This is expected to increase to over 40% by 1989. Otherwise the urban population is distributed among a large network of major cities. The SPO estimates that by 1989 there will be more than 50 cities with populations over 100,000.

IV. THE HOUSING SECTOR

A. The Current Housing Stock and Conditions

Data on the housing sector is limited. The last study specifically relating to housing was in 1966 when there was a sample survey. In October, 1985 the State Statistical Institute will do another sample survey of housing but it will be done independently of the national population census which will also be conducted in October.

The World Bank, in its Urban Sector Review in 1983, estimated the total Turkish housing stock in 1980 at about 7.8 million units and the urban housing stock at 3.4 million units. The Bank's report indicated that housing conditions had improved significantly with the average urban house having increased from 2.3 rooms to 2.86 between 1970 and 1980 while at the same time the urban household had decreased from 5.7 to 5.2 persons. The result was that overcrowding had eased considerably. With regards to utility services, service levels improved considerably from 1970 to 1980 (%):

Table 2

	<u>1970</u>		<u>1980</u>	
	<u>Urban</u>	<u>Overall</u>	<u>Urban</u>	<u>Overall</u>
Private Kitchen	72	54	79	64
Private toilet	80	65	85	70
Private bathroom	58	44	69	49
Running water	66	34	75	51
Electricity	77	40	83	60

Source: World Bank - Urban Sector Review, Oct. 28, 1983

Although there was significant improvement in services, piped water is not available in all those houses with private kitchen, toilet and bathroom and sewerage and sanitation remain very poor.

Most new urban housing in Turkey constructed legally is in the form of apartment buildings. These are usually two, five or ten storey buildings but most are five storey walk ups. The average size of new units has been gradually increasing until it is now around 100 square meters with three bedrooms. (See Section IIIB on the sociological aspects of housing). According to the World Bank in its Urban Sector Review, construction standards are good with 32% all brick and 55% of all construction reinforced concrete frame.

Housing construction is either licensed or unlicensed, the former being housing that has received building and occupancy permits. This means that there is clear title to the land and that the building is in conformance with the municipal plan. More recently, a new definition has been applied; collective housing. This is housing that is built in areas designated as "mass housing areas" by the city and meets certain standards of community facilities as well as infrastructure. It has implications for financing terms by the new Housing Development Fund (see later sections).

Unlicensed housing in urban areas is referred to as gecekonddu housing (See more detailed discussion in next section). It is housing that is constructed without permit on land without infrastructure services and usually on land without clear title. Originally, gecekonddu developments contained housing which applied rural housing development models in construction but a considerable amount of gecekonddu housing today is multistorey apartment buildings.

The World Bank's Urban Sector Review indicates that gecekonddu housing amounted to some one million units in 1980, about 70% of it in Istanbul, Ankara and Izmir. In Ankara estimates place gecekonddu housing at 70% of all housing and in Istanbul and Izmir the figures are 50% and 20% respectively.

In average size there is little difference between gecekonddu housing and formally licensed housing and, in many cases, the quality of construction is very high. It is not at all similar to squatter housing in most parts of the world.

B. The Housing Delivery System

1. Background

Almost all production of housing in Turkey is by the private sector, either through informal means or by construction companies and building contractors. Very little housing is constructed by the public sector. (See the following table which indicates that over 95% of housing is constructed by the private sector).

Table 3: Housing Production

<u>Year</u>	<u>Total Production</u>	<u>Private Sector</u>	<u>%</u>	<u>Cooper- atives</u>	<u>%</u>	<u>Public Sector</u>	<u>%</u>
1975	97,431	88,662	90	7,892	8	877	2
1976	102,110	99,024	90	9,166	9	920	1
1977	119,409	107,065	90	10,917	9	1,427	1
1978	120,615	107,194	89	12,148	10	1,273	1
1979	124,297	108,484	87	13,978	11	1,835	2
1980	139,207	123,789	89	12,056	9	3,362	2
1981	118,778	102,648	86	12,874	11	3,256	3
1982	115,986	94,303	81	15,826	14	4,112	4

Source: State Planning Organization

The table breaks out "cooperative" housing separately. This housing is constructed by "building cooperatives" who actually engage private contractors. There are no housing developers constructing projects for sale as exist in, say, the U.S. The large cooperative unions, however perform some of the functions of a developer without the risk. Much informal or illegal housing is also constructed under contract to private contractors but no breakdown is available.

Following is a more detailed discussion of the housing delivery system.

2. The Informal Housing Sector in Gecekondu Areas

In order to put the gecekondu housing situation in some perspective, certain changes over approximately the past thirty years in the informal housing sector in gecekondu areas are discussed. This description is based on a composite of processes that have taken place in many cities in the country and does not bear resemblance to any one particular location.

The earliest gecekondu settlers of the late 1940s and 1950s were low-income relatively small nuclear families of rural origin. Through networks of friends or relatives they would find a lot that had no prior claimant on which to squat, typically located on public land on the periphery of a city. Since a court order was required for the government to demolish an inhabited building, the goal was to get the house completed at night or overnight (hence the name gecekondu, which literally means 'put up overnight') and move in before the authorities took note of it. This was typically done by engaging a local petty contractor contacted through one's social network of relatives, friends and neighbors. Construction supplies would be purchased locally and the contractor and some friends or relatives would put up the structure, often overnight. Costs of labor and materials were kept to a minimum by the mutual-aid system of labor supply and by obtaining materials on credit or by partially getting them from one's village in advance of the construction. The structure was then improved incrementally as resources permitted. In this early period the plentiful supply of land and housing combined with the informal and often partially non-monetary means of construction kept costs at a minimum. What cash that was needed was usually generated from family wealth or by small loans from family or neighbors.

During the 1960s and particularly after the Gecekondu Law of 1966 it became clear that the government was not as hostile to gecekondu construction as it had been in the past, and less likely to demolish such homes. There was, as a result, less pressure to build at night, and as a result buildings of a higher standard could be constructed. Locally-organized teams of laborers assisting the owner continued to do the building. Materials were more frequently obtained by local suppliers that

had sprung up in the gecekondu areas. Many of these suppliers began to provide easy credit or loans to those who were building. These transactions were almost always carried out on the basis of personal contacts between people who were from the same region or of the same sect or ethnic group or the like.

By the 1970s the situation had begun to change. With the population increase in cities, the movement of middle-income housing sites to the periphery of the city and inflation in general, real estate values began to rise rapidly. Developers and real estate brokers began to operate in these areas leading to considerable land speculation and profits. Typically a real estate broker would buy a tract of land on the outskirts of the city and subdivide it into small unserviced plots which were then sold to those interested in building. There was no legal basis to the boundaries of these plots. They were based solely upon an agreement between the broker and the purchaser. Under such circumstances it was not possible to get a building permit. The home constructed was, therefore, illegal. Usually labor would be recruited through the informal networks described, and materials obtained through the local suppliers. However, inflation had begun to lead to increasing costs of these in addition to the cost of the purchase of the land. The result of this was a greater dependence on family wealth, possibly selling off village land, and an increasing reliance on loans. It became especially difficult for a low-income family to build its own home under such circumstances.

During this period, some of those who had built single-storey typical gecekondu structures on their own land at an earlier time began to tear them down and construct four or five storey apartment buildings in their place. This most commonly took place in gecekondu areas close to the center of the city where land values had rapidly appreciated. The buildings would be built via a very common arrangement with a contractor that would allow the landowner to maximize his initial small investment without investing any further cash in the construction. Usually a 50/50 deal was arranged whereby the landowner would put up the land and the contractor would be responsible for the construction. The number of flats constructed would be divided between them at some agreed upon split.

Construction costs and quality were usually kept to a minimum, and the provision of infrastructure and other services only supplied at a bare minimal level. Such buildings were typically constructed without permits (or even plans) and are the basis for the semi-modern but uniquely underdeveloped look of large parts of Turkish cities since the 1970s. Large numbers of labor intensive small contractors, usually of village origin, appeared on the scene beginning in this period to meet this need for housing. Many of the flats constructed in this way were sold or often rented to those moving into these areas, which increasingly came to resemble the older parts of the city rather than traditional gecekodu neighborhoods.

3. Building Cooperatives

Most new, legal urban housing being constructed in Turkey today is in the form of apartment flats and most of it is being built through building cooperatives. These cooperatives are not cooperatives in the U.S. sense i.e., a cooperative form of ownership. Rather, it is a mechanism by which a group of people get together to build their housing. Once the housing is completed the cooperative disbands. That is, it is strictly a building device. It arises out of the high down payments required to finance a home in Turkey, the rising cost of construction, the difficulty and expense in buying an individual piece of land and the fact that few if any developers are building housing projects where the units are individually sold (see selection below on developers).

What happens is that a group of people, usually having some relationship such as working for the same organization, being in the same union or being from the same profession, get together and form a building cooperative. These building cooperatives are governed by the Law No. 1163, the Cooperatives Act of 1965. Building cooperatives must have, by law, seven members but are usually much larger. Kent Koop, a union of cooperatives (described in more detail below and in Section VII.C., now requires any coop that joins the union to have 200 members. In 1984 the average size was 300 with the largest being 560 and the smallest 40.

The first step is to locate and purchase a block of land for the project. Simultaneously an architect is engaged to design the project. Initial payments by the members fund this phase of the project. Long term funding is sought from the Emiak Kredi Bank, the government's housing finance bank (although this will be broadened under the government's new program). Loans are approved for individual cooperative members, not to the cooperative as a unit. Loans amount to only about 50% of the estimated cost of the unit. However, bank funds do not flow until the project has reached ground level with infrastructure or approximately one quarter the cost of each unit.

After design has been completed and contract documents prepared, bidding takes place and the contract is awarded to a building contractor. After the project is at the ground level stage, the cooperative goes to the government's Housing Development Fund (HDF) for a Certificate of Conformity. Funds are then released by the HDF to the participating bank which makes progress payments against quantities and unit costs.

The disbursements are prorated to the individual members' loan accounts although its not clear exactly how mortgage documents are handled or when long term repayment starts. The cooperative, through its architect, supervises construction. The bank also has an inspector.

Due to high inflation in Turkey, there is an escalation clause on costs contained in the construction contract. Escalation is based on a construction cost index maintained by the Ministry of Public Works and Resettlement. The individual will not actually know the cost of his housing unit until construction is complete.

The Cooperatives Act, as stated above, requires that there be seven members to create a building cooperative. Seven cooperatives can, in turn, form a union of building cooperatives. The leading example of such a union is Kent Koop whose operations are described in more detail in Section VI C.

Since the members of building cooperatives are most often not equipped to deal with the complexities of actually building a housing project, the

cooperative often joins a cooperative union. There are such unions in Ankara (Kent Koop), Istanbul and Izmir and Kent Koop is taking the lead in establishing others. In some cases the cooperatives are assisted by a building contractor to meet the requirements of forming a cooperative and designing the project but this is considered unsatisfactory because of the different interests of the parties.

The union provides a variety of services to the individual cooperative including help in assembling land, designing the project and assisting in the bidding and award of the contract and in supervising construction. The cooperative, through its members, pays dues to the union to carry out these services. Thus, the union in many ways plays the role of a developer but does not take any risks. It provides its services at cost of the cooperatives.

4. Civil Service Housing

Because of the relatively low civil service pay scale many central government ministries provide housing for their employees. State Economic Enterprises (SEE), government-owned corporations, also provide employee housing. The type of housing appears to be similar to most new housing being constructed generally. That is, 100 square meter units in apartment buildings.

Although there is supposed to be a study indicating how much government housing there is and how it is distributed among the various ministries, the team was unable to obtain this information. All budgets for government ministries come through the SPO for approval and this includes housing but housing is often buried in other line items. In the case of SEE's, SPO's approval is more in the case of permission.

In most cases, ministries contract with a building contractor to build a specific number of units just as building cooperatives do. In fact, in those cases where civil servants are not provided government housing, they often form a building cooperative like any other employee group. In some recent cases, ministries have bought entire buildings being constructed by developers.

In summary, the practice of providing housing for employees by government ministries is prevalent; the actual numbers of such units was not available.

5. Private Developers

There are very few private Turkish developers operating in the US pattern. That is, a project where houses are sold at a firm price from models as the project progresses and where the developer is at risk if costs get out of hand or the houses do not sell.

In Turkey there are private builders but they contract to build for individual building cooperatives in the manner described above and are protected by escalation clauses in the contract. Where you do have a large developer operating and it has assembled a large tract of land, cooperatives are still formed with the assistance of the developer and the developer risks very little up front, i.e., land and some site infrastructure.

One other form of private development takes place and it is also geared to minimize the risk and the high cost of land and financing. That is, the builder and the holder of a small parcel of land work out an agreement whereby the builder builds an apartment building on the land and the original landholder gets a percentage of the units in the building in exchange for making the land available. The units are then sold or rented by the original landholder and builder respectively. A similar operation occurs in gecekondu areas as previously described.

An interview was conducted with one of the large developers whose operations could be considered typical, although few in numbers. To put the role of the private developer in some perspective it is useful to trace some history of the housing market in Turkey as well as the availability of finance because this bears on the operations of a developer.

Fifteen years ago the only source of funds for housing was personal credits from the EKB and also the Social Security Fund. At that time, 70% of the cost of a 100 sq. meters unit could be covered by the loan

which was based on the EKB's standard terms of 30% down payment and 20 years to repay.

There were three approaches to housing development at that time. One was to build an apartment building. This could be either by buying a lot to build on or, as described above, by making an arrangement with the owner of a lot to build on the lot in exchange for some portion of the apartments. If the contractor had its own financing, this approach would not require any other arrangements.

The second approach was to do a project with the help of EKB financing. However, this meant meeting EKB's requirements, e.g. units not to exceed one hundred sq. meters net. In addition, all buyers would have to obtain EKB loans. The third approach and the one most widely used at the time, was to get Social Security Fund (SSK) financing for the project. This was more complicated. First, at least 20 families had to form a coop. The size of the unit couldn't exceed 100 sq. meters gross (this doesn't mean the common areas but it does include more than the covered area, e.g. balconies).

However, it was difficult for individuals to put together a coop, handle arrangements, make agreements etc. What the developer did was buy (or owned) the lot, designed the building and put the coop together through advertising. This approach saved the individual from bureaucracy, time, etc. Flats in such projects were assigned by lottery. Things generally worked very well under this system. With regard to financing; the borrower got a 70% loan from SSK or EKB. To facilitate the down payment, the developer often provided, say, 15% of the purchase price in the form of a 2 or 3 year loan. The program basically served the middle class up.

But inflation changed things. Despite some adjustments by EKB, SSK made no changes and the loans were inadequate. At that time business in the Middle East was booming and contractors got out of the housing business and did work abroad.

Following this, government civil service housing projects provided a market for private developers. Government agencies would purchase an entire apartment building for their employees. The developer

who was interviewed had land, put together projects and made proposals to a government agency to build a project.

All land (or most) is privately owned; that is, that which is for sale. A large developer such as the one interviewed buys land and develops it, preferably land adjacent to developed land on the outskirts of the city which is zoned for housing. The developer finances and builds infrastructure. For example, the developer interviewed is now developing a project of 2000 units located 17 kms. from Ankara. The land was acquired 10 years ago from one family in a village. It was zoned as a housing development area after a long three year process through the municipality. The developer then got the approval of the old Ministry of Reconstruction and Settlement.

Since, there was no infrastructure on the land, the developer had to dig wells and install a sewerage treatment plant (it will recycle water for agriculture). Financing for this phase is with working capital loans from a commercial bank. Commercial banks, other than EKB, cannot make housing loans and therefore, do not make construction loans with a mortgage. Thus, only large well capitalized developers can obtain the financing needed for the initial phases of a project. It is also why projects are done with the individual putting up most of the money as construction proceeds. It is also why the number of private developers is limited.

The development work on the project described has currently been underway for about six years with the first block of housing units now being completed. The project will include apartment units of 100-115 square meters in high rise buildings which will sell for about TL 12 million, town houses of the same size to sell in the TL 17 million range and "country" houses of 125 sq. meters which will be more expensive.

To show how financing affects this market the maximum loan through the EKB from HDF sources in TL 3.25 million (even less on a direct EKB loan). Thus, the buyer of a TL 12 million unit would need almost TL 9 million as a down payment. As it has in the past, the developer may finance a small part of the purchase price on a short term basis. Such housing is

clearly not aimed at even middle income families and, as long as the down payment is there, potential borrowers, no matter how high their income, can avail themselves of HDF low interest loans. The large developers that are operating appear to see a sufficient market here to target their efforts on this.

The developer interviewed provided several other examples of business available to such a developer although these examples are really as a contractual builder, not a developer. In one example, the pension fund of a large commercial bank is investing in a 158 unit luxury (350 sq. meters) apartment building for rental. Monthly rentals will be TL 650,000 (or the maximum loan that the Social Security Fund will now make for a house). The second example involves a contract with the Emlak Kredi Bank's development subsidiary for an apartment project of 500 units in Istanbul. The largest unit will be 100 sq. meters but the selling price will be at least TL 15 million.

The feeling is that more developers (building contractors) will enter the market, particularly since Middle East work has dried up to a large extent. This may well force developers to start looking at a lower cost market. Until then, there will be a continuing use of the building cooperative device where the cooperative has control over the design of the project and eliminates the developer mark-up. As mentioned, the cooperatives are joining a union of cooperatives such as Kent Koop which will play part of the role of the developer.

C. The Sociological Significance of Housing

Owning a home has a different meaning for families in Turkey than it does for those in the United States or western Europe. Turks do not readily think of their homes as commodities that can be bought and sold in response to changing needs as one moves through the various stages of the domestic cycle. For the average urban Turk, a home is something that is bought for

life. It is not just for oneself, but for one's family. It is something that one expects to hand down to one's children. When such a person finally does purchase a home, the first thing he says, almost in a ritualistic manner is, "I hope to God I will never have to sell this house".

Social life is much more family-oriented and entertainment less public in Turkey than in the United States, and the home is the focal point for a great many social activities. Though the great majority of households are both relatively small and nuclear in structure in cities in Turkey (and becoming increasingly so), it is very common for relatives to live in close proximity to each other and to socialize very frequently, for guests to visit and stay over for considerable periods of time, and for elderly parents to move in with their married children in their later years. When urban Turks think about the way they will be using their homes, particularly about the size home they would like to purchase, they keep many of these factors in mind. Since they believe that they are buying the one home they will keep for the rest of their life and that they will pass it on to their children, they attempt to obtain the maximum size necessary for their full life-cycle needs.

A three bedroom 100 sq. meters flat seems to be the agreed-upon minimum standard that builders have been building in recent years to respond to this kind of market. Though gecekondus are smaller on the average (about 65 sq. meters), traditionally their size could be adjusted incrementally to meet changing household needs, something not possible in an apartment flat. The appropriate size home for an urban Turkish family is an issue that has been debated in major public and private institutions and in the press. Though some argue for smaller flats given the decreasing affordability of larger ones for many families, most of the opinion seems to lean toward larger units.

The maximum size unit that could be funded under the 1981 Mass Housing Law was 100 sq. meters. There was much criticism of that. It was raised to 150 sq. meters under the 1984 law with only relatively minor disincentives for the larger units. Major contractors considering entering the housing market in Turkey have in recent newspaper article announced that a unit of

80-100 sq. meters is ideally suited to the Turkish family. The basis for that statement is not clear but builders currently seem to have fixed on 100 sq. meters as the de facto solution to the problem. At a large housing project presently under construction by a number of cooperatives on the outskirts of Ankara, approximately 85% of all units are 100 sq. meters; the remaining 15% are 35 sq. meters. Private developers claim that there is no demand for smaller units.

The Fifth Five Year Plan is, however, critical of increasing unit sizes (which rose from 90 sq. meters in 1970 to over 100 sq. meters in recent years), yet the construction of large homes is not effectively discouraged through the lending policy of the new Housing Development Fund established under the 1984 Mass Housing Law. In the final analysis it may be market forces that bear the greatest weight as high costs per unit negatively affect affordability and eventually lead to adjustments in tastes of people in Turkey.

D. Changes in the Housing Market

The period from the early 1960s to the late 1970s witnessed significant investments in real estate and housing in Turkey despite the encouragement of investment in other sectors by the State Planning Organization. Low interest rates, a weak capital market, and a lack of confidence in the banking system in general supported older and deeply-rooted tendencies of people to invest in land and housing. This was true for the middle-classes as well as for the newly arrived rural migrants to the cities. The proportion of the total population in urban areas jumped from 18.5 percent in 1950 to 46 percent in 1984. However, by the late 1970s the housing market had begun to deteriorate. Between 1978 and 1982 total investments in housing in the country dropped from 432.6 billion TL to 270.4 billion TL (Developments Preceding the Fifth Five year Plan, SPO: Ankara, 1985, Table 439, p. 434).

During those years a policy of significantly higher interest rates began to draw an appreciable flow of investments from the housing sector into banks and other investment institutions. At the same time high and

rapidly increasing rates of inflation resulted in construction costs that were prohibitive and unpredictable. The cost of housing began to exceed the means of many families, and increased the trend toward rental housing in Turkey, which rose from about 20% of all families in 1970 to 35% in 1980. The high rate of inflation and a decreasing supply of housing to meet the rapid pace of urbanization also led to increasingly unmanageable rents (and heating costs) for those on low or fixed incomes in the cities. In the gecekondu housing areas on the peripheries of the cities, the late 1970s saw increasing land speculation, the end result of which drove land costs up and reduced the option of cheap plots for all but the most inaccessible sites. These events, combined with the skyrocketing costs of construction materials, considerably increased the cost of building a gecekondu home. The result was to transform a larger percentage of lower-income urbanities into tenants rather than home-owners.

Despite the many factors that are relevant in forecasting housing demand, including demographic variables, income, employment, the availability of credit, and the price of housing, lack of data have forced the State Planning Organization to base its housing demand projections almost exclusively upon demographic factors. SPO determines an annual "need" for housing by estimating the growth in the number of urban families, the average household size and the annual number of housing replacement units that will be required. For the Fifth Five-Year Plan (1985-89), the parameters used by the SPO are an urban family base of 22.7 million in 1984 and an average household size of 4.56 person. In addition, 1.67% of the urban housing stock existing in 1984 (or roughly 100,000 units) is assumed to be replaced annually over the Fifth Plan Period.

Over the next five years, Turkey's housing sector is faced with a serious problem of building enough housing to accommodate the country's growing population and urbanization rates (estimated at 2.3% and 4.3%, respectively). By 1989 it is expected that 51% of the population will be living in urban areas of 20,000 or larger. The Fifth Plan anticipates that nearly 2 million new dwelling units will be required, but only 1.2 million units will be built legally with adequate infrastructure. Much of the 800,000 unit shortage in legal housing will be met by the construction of

informal housing not conforming to building codes. In view of past experience, the Fifth Plan's estimate of a shortage of legally-built housing appears to be generally in line with what has occurred in the past and, consequently, the number of informal, illegal housing units estimated to be built in the next five years is considerable.

Table 4 details the historical supply and demand for housing under four previous five-year plans covering two decades. Under the First Plan Period (1963-67), the "excess" demand for housing, based on demographic need and replacement housing required, was either 137,000 or 293,000, depending upon whether building permits or occupancy permits issued are considered the supply of legal housing coming onto the market in that year. By the end of the Fourth Plan Period (1978-83) the excess demand had grown to 305,000 or 738,000 units, respectively. New building permits and occupancy permits are a proxy for the supply of new housing that conforms to building codes and have public infrastructure such as water, sewerage, paved streets, etc. The difference between permits issued and the "need" for housing was covered by a large but unknown amount of new housing construction that did not conform to building codes. Clearly, on the basis of demographic need, Turkey's shortage of legal housing has been getting worse over the years.

Another indicator of the lagging supply of housing in Turkey is given in Table 5. Over the past six years, the annual addition to residential floor area has been virtually constant although the nominal value of residential construction has increased almost three fold. Of three cities surveyed, Istanbul, Ankara and Izmir, only Istanbul experienced a sharp decline in the annual addition to residential floor area which probably indicates a substantial increase in illegal building. In 1983, the average size for a house in the formal sector was nearly 74 square meters and cost approximately TL 1.36 million. In 1984, the same size house is estimated to cost about TL 2.96 million.

Over the 1984-88 period (which is one year earlier than the Fifth Plan Period (1985-89) the SPO estimated that 492,000 housing units will be required for Ankara, Istanbul and Izmir (see Table 6). Although these three cities had 21% of the nation's population, according to the 1980

Table 4 SUPPLY AND DEMAND FOR HOUSING UNDER PREVIOUS FIVE-YEAR PLANS

Year	Building Permits Issued (1)	Occupancy Permits issued (2)	Housing Need (3)	Unsatisfied "Need" (3)-(1)	Unsatisfied "Need" (3)-(2)
1963	58,748	N.A.	95,936	37,188	N.A.
1964	60,754	14,343	100,000	39,246	85,657
1965	80,461	32,614	105,000	24,539	72,368
1966	91,138	40,973	110,000	18,862	69,027
1967	<u>99,373</u>	<u>50,282</u>	<u>116,611</u>	<u>17,238</u>	<u>66,329</u>
Total First Plan Period	390,474	138,212	527,547	137,073	293,381
1968	110,263	62,910	112,800	2,537	49,890
1969	132,066	65,216	145,500	13,434	80,284
1970	154,825	71,589	155,400	575	83,811
1971	150,357	72,816	166,000	15,643	93,184
1972	<u>165,983</u>	<u>88,231</u>	<u>177,000</u>	<u>11,017</u>	<u>88,769</u>
Total Second Plan Period	713,494	360,762	756,700	43,206	395,938
1973	194,918	96,163	184,000	-10,918	87,837
1974	161,047	84,199	202,000	40,953	117,801
1975	181,685	97,431	213,000	31,315	115,569
1976	224,583	102,110	231,000	6,417	128,890
1977	<u>216,128</u>	<u>119,409</u>	<u>244,000</u>	<u>27,872</u>	<u>124,591</u>
Total Third Plan Period	978,361	499,213	1,074,000	95,639	574,688
1978	237,097	120,615	232,050	-5,047	111,435
1979	252,846	124,297	192,641	-60,205	68,344
1980	203,989	139,207	230,460	26,471	91,253
1981	144,394	118,778	250,143	105,749	131,365
1982	160,078	115,986	269,544	109,466	153,558
1983	<u>168,789</u>	<u>115,508</u>	<u>297,677</u>	<u>128,888</u>	<u>182,169</u>
Total Fourth Period Plan	<u>1,167,193</u>	<u>734,391</u>	<u>1,472,515</u>	<u>305,322</u>	<u>738,124</u>

Source: State Planning Organization.

Table 5

Area and Value of New Residential Construction¹

<u>Total Country</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984²</u>
Floor area (millions of m2)	12.5	13.9	12.1	12.2	12.3	10.8
Value (billions TL)	64.5	116.7	131.8	161.3	228.7	279.3
<u>Ankara</u>						
Floor Area (millions of m2)	1.2	1.2	1.4	1.3	1.3	N.A.
Value (billions of TL)	6.4	11.1	16.6	19.3	27.0	N.A.
<u>Istanbul</u>						
Floor Area (millions of m2)	2.4	2.8	1.1	.94	.86	N.A.
Value (billions of TL)	12.8	25.5	12.9	14.3	17.1	N.A.
<u>Izmir</u>						
Floor Area (millions of m2)	1.2	1.3	1.2	1.2	1.2	N.A.
Value (billions of TL)	6.3	10.3	12.7	15.1	22.2	N.A.

¹According to Occupancy permits.

²First eight months annualized.

Source: State Statistical Institute, preliminary data.

Table 6

Estimated Demand for Urban Housing Units in Three Principal Cities
Over Fifth Five-Year Plan (1984-88)

<u>Year</u>	<u>Estimated Housing Demand, Ankara</u>	<u>Estimated Housing Demand, Istanbul</u>	<u>Estimated Housing Demand, Ismir</u>	<u>Total</u>
1984	21,197	53,813	14,843	89,853
1985	22,069	56,374	15,518	93,961
1986	22,976	58,922	16,223	98,121
1987	23,920	61,632	16,961	102,513
1988	<u>24,902</u>	<u>64,466</u>	<u>17,733</u>	<u>107,101</u>
Total	115,064	295,207	87,278	491,549

Source: SPO, Commission of Housing Experts, Housing Demand - Sub-Commission Report, Fifth Five-Year Plan, October, 1983, Ankara.

census, they will require 25% of the estimated need for housing over the 1984-88 period. The relatively greater need for housing in the these three cities, especially in Istanbul and Izmir, seems to be based on faster population growth rates and on higher population densities than prevail elsewhere in the country.¹

An important ingredient in housing demand is Turkish society's apparent high preference for homeownership. The latest data available on home tenure show a national average of 81% of the nearly 7 million households in the 1975 census were recorded as "not paying rent" which implies a high degree of homeownership. Moreover, the percentage of "not paying rent" rose with family size from 72% for households with four or less persons, 85% for household size between 5 and 8 individuals, and 93% for households with 9 or more members.² Also, not surprisingly, more than 90% of those households recorded as "paying rent" were congregated in the lower one-third of monthly rent values, suggesting that non-homeownership is concentrated among lower incomes.

The percentage of homeownership has probably declined since the 1975 census as household size is declining due to increasing urbanization. Moreover, although new surveys are not available, the 1975 census data also suggest that smaller household size probably means less homeownership due to fewer income earners per family. In 1975, household size was roughly 5.8 persons and almost 42% of all households resided in urban areas (see Tables 6&7). In 1980, Turkey's average household had 5.2 persons and 44% of all families lived in urban areas. In 1984, the State Planning Organization estimates that household size had fallen to about 4.56 persons and nearly 46% of all Turkish households resided in urban areas.

¹ State Institute of Statistics, 1983, Statistical Yearbook of Turkey, Tables 25 & 26.

² SIS, 1983 Statistical Yearbook of Turkey, page 77.

V. THE GOVERNMENTAL FRAMEWORK FOR HOUSING

A. The Political Significance of Housing on Policy

Since the late 1970s housing has become a social and political issue of major proportions in Turkey. The passage of the nation's first mass housing law in 1981, of another mass housing law in 1984 superceding the earlier one, the creation of a Housing Development Fund (HDF) to be administered by a new agency, the Housing Development and Public Participation Administration (HDPPA) in the same year, and the passage of a new planning law in 1985 as well as a major reorganization of most governmental institutions both at the national and local level that deal with planning and housing are among the most visible signs of this issue.

There are two related aspects to the housing problem that were felt with increasing poignancy from the late 1970s on in Turkey. One has to do with a major slump in the housing sector in general during those years, the other with the increasing difficulties that many families in urban areas had begun to experience in providing for their housing needs. The issue reached such proportions that the Motherland Party, the party presently in power in Turkey, made housing a major plank on its platform in the 1983 election campaign. The crisis in housing was perceived as part of the general economic and social malaise that a very broadly-defined "middle-class" (composed of white-collar workers as well as artisans, small shopkeepers and businessmen, skilled workers, etc.) was facing during those years. The Motherland party won the election with its support largely resting on that "middle" class. It is not entirely possible to understand the great emphasis on the needs of the middle-class by the HDPPA if one does not see it within this political context.

On June 10th 1984, the newspaper Gunes quoted the president of the HDPPA as saying, "Our goal is to make the middle class homeowners, not the rich." The demand for housing among that class appears to be very high, as witnessed by the great interest shown in joining the housing cooperatives (which are basically middle-class ventures) throughout the country. Within four days of placing an advertisement in the major national newspapers on

August 28, 1985 the new Buyuk Sehir Cooperative in Istanbul (in reality representing large developer interests) had received applications from approximately 18,000 families for housing. The applications included substantial downpayments. There is a commonly held view, both in and out of government, that the housing problem (other than in relation to infrastructure) of most low-income families in gecekondu (unlicensed) settlement areas has basically been solved by self-help methods, and that these families are by and large fairly well provided for. Further, that the significant provision of housing for middle income families will indeed have a "trickle-down" effect for the lower income people.

Given the inability of the government to significantly reduce inflation (which was 52% in 1984) until recently or unemployment (estimated at 19% at present) since the time of the election, the political import of solving the housing problem has become even greater. The perceived multiplier effects of a revitalized housing sector on employment and on the economy in general are important political components of this issue. In general, the government views housing construction as a major factor in promoting economic development and social welfare.

B. The Development Plans and Housing Policy (1961-1985)

The 1961 Turkish constitution calls for the state to "take appropriate measures to provide housing in accordance with the health needs of poor and low-income families." It was during the first Five Year Plan period (1963-1968) that the state for the first time attempted to view housing within the framework of total national development. In general, however, investment in housing was viewed as economically unproductive and ceilings were placed on housing production. The goal during this period was to produce larger numbers of smaller and less expensive units without increasing actual investments by encouraging the construction of mass (or social, as it was then called) housing either through direct public investment or through loans by the Emlak Kredi Bank (EKB), the government's wholly-owned housing bank, and the Social Security Agency.

The policy was not, however, very effective. During that period the percentage of housing constructed with public investments or loans subject to the social housing regulations did not exceed 10%. Most housing was constructed without public funds and unit size was often quite large. The investment in housing exceeded the ceiling of 20% of total investments that had been set.

The first Five Year Plan set out three major objectives with regard to the gecekondü problem: a) solving tenure problems and upgrading infrastructure in existing gecekondü areas, b) clearance of certain gecekondü areas, and c) gecekondü prevention. The latter had two basic components to it: a) the development of measures to gear urban migration to urban employment opportunities, b) the construction of mass housing as a way of absorbing the demand for new gecekondüs. The Gecekondü Law of 1966 is a product of that thinking.

During the second Five Year Plan (1968-73) period the housing investment ceiling was lowered to 17.9%. At the end of the period, however, investments in housing had reached 20.1%. During the second Five Year Plan period the state saw itself largely in the role of regulator of the housing market and not as an investor. As was true during the first Five Year Plan, it played this role in particular through the provision of mortgage loans by the Emlak Kredi Bank and the Social Security Agency. Policy with regard to gecekondü housing was not radically different than in the first Five Year Plan, with greater emphasis placed on prevention, on self-help, and on solving tenure problems.

The approach during the third Five Year Plan period (1973-1978) resembles that of the first two plans. A ceiling for investments in housing was set at 15.7%, but at the end of the period actual investments were 17.9%. In this plan a greater emphasis was placed upon the need for public resources to be invested in mass housing than had been the case in the previous two plans. It was also during this period that, for the first time in Turkey, provision was to be made for the designation of mass housing areas in urban settlement plans. The third Five Year Plan is largely silent on the topic of gecekondüs.

The fourth Five Year Plan (1978-1983) continues most of the same policies of the earlier plans. In particular, it calls for measures to be taken to prevent land speculation in the cities, for increasing infrastructural investments in gecekondu areas, the development of appropriate technologies for mass housing production and, in general, for the encouragement of investments in mass housing. A number of regulations were passed during this period that have significant implications for housing policy. Among them was an edict of the Council of Ministers with regard to New Urban Settlement Areas (1979) the purpose of which was to provide for a more balanced pattern of human settlement on a nationwide basis. In 1980 an edict was passed entitled, "Principles with Regard to the Implementation of a National Housing Policy." In addition to provisions for gecekondu upgrading, for the greater involvement of the private sector in housing, and for the greater involvement of banks in housing mortgage loans, priority was also placed on low cost mass housing.

The fifth Five Year Plan (1985-1989) calls for the stimulation of the construction sector and, as a result, of the economy and of employment potentials in general by the diversion of private savings through the banking system into investments in housing and away from what it refers to as non-productive forms of consumption and investments in other sectors. It calls for a Mass Housing Fund to provide advantageous lending conditions to those in low and middle-income groups and, hence, to increase the stock of housing and decrease the tendency to build low quality unlicensed structures that have characterized the sector in recent years. Again, special emphasis is placed on the allocation of funds for mass housing projects on developed land in designated mass housing settlement areas and on the provision of infrastructure for an upgrading of gecekondu areas.

C. The Legal Framework for Housing

1. Background

The political and economic instability that characterized the fourth plan period precluded the implementation of many of the policies set forth by the Plan. It was, however, during this period that the Mass

Housing Law No. 2487 of 1981 was passed. The provisions of the law reflect the culmination of efforts to deal with many of the issues that had been of concern since the early 1960s. In particular the law attempted to stimulate investments in housing, resuscitate the housing sector, and increase the supply of housing. The emphasis in the law was on mass housing for low and middle-income groups to be financed by revenues amounting to 5% of the annual government expenditure budget. Thus, efforts were beginning to be consolidated in order to deal with the perceived housing need and the depressed housing sector.

The constitution of 1982 places a greater burden on the state in relation to housing than had the 1961 constitution and, for the first time in Turkey, specifically mandates a role for the state vis-a-vis mass housing. Under a section entitled, "The Right to Shelter," it calls for the "state to take such measures as are seen fit to meet the need for housing within the framework of a plan that takes into consideration the particularities of cities and their environments. In addition, it should support efforts for mass housing." However, whereas the 1961 constitution makes it incumbent upon the state to make provisions for housing for the poor and lower-income groups, the 1982 constitution does not give priority to any income group or social class.

2. The Mass Housing Law of 1984

Mass Housing Law No. 2985 of 3.17.1984 supercedes the Mass Housing Law No. 2487 of 1981. The new law differs significantly from the old one in terms of its administration, its financing, and in many of its objectives. The old law was administered directly under the MPWR; the new law has an autonomous administration tied to the Prime Ministry. The old law was financed with 5% of the annual government expenditure budget; the new law is financed through extra-budgetary revenues. Under the old law loans were only provided to cooperatives, unions of cooperatives, and social security institutions, whereas under the new law they will also be given to private developers and to individuals. The old law restricted the size of units to 100m²; the new law raises that limit to 150m². The old law did not have the expected impact largely because the treasury transferred only a small percentage of the revenues committed to the fund.

Among the objectives of the 1984 law are the following: meeting Turkey's housing needs, the determination of principles for those undertaking housing construction, the development of appropriate technologies for Turkey's housing needs, and the establishment of a "Mass Housing Fund" (the Housing Development Fund) to finance the efforts of the state with regard to housing. The objectives of the law are broadly stated and do not identify clearly the main thrust of the activities of the HDF at present.

The revenues for the HDF come from a specified percentage of taxes on alcoholic and non-alcoholic beverages, tobacco products, petroleum products, and from funds collected from goods imported by the State Monopolies, from a tax paid by all Turkish citizens when exiting from the country, from a percentage of the price of electricity consumed, from loan repayments, and from other sources.

The mechanisms for the administration of the law are specified in the Regulations for the Implementation of the Mass Housing Law dated April 28, 1985. Details are contained in the Section on the HDF.

3. Tax Exemption Law

Law No. 2982 of February 24, 1984, The Law Concerning Exemptions from Taxes and Fees for Housing Construction and Investments in Priority Development Regions:

The objectives of this law are a) to encourage the construction of housing and b) to encourage investments in priority development regions by exempting those investments from construction, real estate and other specified taxes and municipal fees. These exemptions are to be in effect until the end of the calendar year 1988.

4. The Planning Law of 1985:

The Planning Law No. 3194 is dated May 9, 1985. It supercedes Planning Law No. 6785 of 1957. The objective of the law is very broadly stated as, "ensuring that settlement areas and any construction in them be

developed in a planned manner and in accordance with scientific, health, and environmental conditions." The law applies to all land-use plans and construction of all public and private buildings throughout the country, with certain exceptions indicated. Probably the major features distinguishing the 1985 law from its 1957 predecessor is the devolution of major planning functions and in particular certification of plans to local authorities.

The new law distinguishes between broad regional plans and all other regional and city land-use plans. The former are the responsibility of the State Planning Organization, the latter of municipalities within their boundaries and of the provincial authorities in areas that fall outside of municipal boundaries. Both municipalities and provincial authorities must prepare such plans or commission them to be prepared. Municipal plans must be certified by the municipal council, and plans prepared by provincial authorities by the governor of the province.

Certification by the MPWR is not called for, but one copy of all such plans must be sent to the ministry. Despite the considerable devolution of authority with regard to planning functions to local authorities in Turkey, the MPWR retains significant prerogatives with regard to planning. It may, when it deems necessary, prepare plans to make changes in plans, have plans prepared, or prepare them in conjunction with local authorities for the construction of public buildings, in relations to national disasters, mass housing projects, the Gecekondu Law, in metropolitan areas consisting of more than one municipality, and in areas intersected by transportation routes or that contain airports. All such plans are only to be certified by the MPWR, and local authorities are required by law to implement them.

The new law goes into effect six months from the date of its passage. The regulations pertaining to the Planning Law must be produced within that six month period. Until they are made available, many details with respect to the implementation of the law remain unclear. The law appears to reflect conflicting tendencies in Turkey today: a genuine effort at decentralization of authority and at the same time a felt need for

central governmental control. Given the real problems that many medium-sized and smaller cities will no doubt face with regard to their planning functions, it remains to be seen how these conflicting tendencies will be manifest after November 10th once the law goes into effect.

5. Gecekondu Laws:

At present state and local governmental gecekondu activities are under the jurisdiction of Gecekondu Law No. 775 dating from 1966. The President of the HDPPA indicated that discussions were presently taking place in Ankara with regard to the possibility of a new gecekondu law. Details of those discussions are not available at present. A major emphasis of the law was on the improvement of existing gecekondu areas. The law covers the whole range of informal construction from gecekondu to houses built on legally owned land but without a construction permit.

Among the major provisions of the law are the following: 1) the upgrading of gecekondu areas by a) supplying loans to homeowners for renovations and b) for improving infrastructure and services; 2) the clearance of gecekondu areas where upgrading costs are prohibitive; 3) a policy geared toward preventing the formation of new gecekondu by: a) constructing apartments for low-income households on long-term low interest mortgages; b) construction of so-called 'core houses' with loans for completion; c) the allocation of serviced sites and prepared building projects, and; d) the provision of housing lots and loans to cooperatives.

The law provides for the identification by municipalities (with the assistance of the MPWR) of gecekondu areas and their classification into two categories: areas selected for upgrading, and areas selected for clearing. The law also makes provision for the acquisition of land by municipalities for housing purposes. They can do so either by acquiring treasury lands free of charge, by purchasing foundation (vakif) lands, or by purchasing or expropriating private lands. For the purchase or expropriation of private lands permission from the MPWR is required. All such lands acquired by the municipalities can only be used for housing purposes. These can be declared as gecekondu prevention zones for the

purpose of building new housing, however, only after the approval of the MPWR.

Criteria were also set up for determining priorities for households obtaining land for housing. The major criteria were "low income" and not owning land suitable for housing in any city. A Gecekondu Fund was set up under the law for the financing of these activities. More recently the management of the Gecekondu Fund has been transferred to the HDPPA. It still is dependent upon earmarked funds from general government revenues, though it appears that it may in the future be allocated some of the extra-budgetary revenues generated by the HDPPA.

Two recent laws, No. 2805 of 1983, The Construction and Gecekondu Amnesty Law, and No. 2981 of 1984, The Law Concerning Procedures for Structures Not Constructed in Accordance with Gecekondu Regulations, provide for an amnesty for all unlicensed housing completed prior to June 2, 1981 upon application. The objective of the law is to provide title-deeds and certificates of occupancy to gecekondu homeowners as a first step toward upgrading those areas. The laws also make provisions for the upgrading of gecekondu areas, for the preparation of plans for upgrading, and for the implementation of these. The Planning Department of the Municipality of Ankara is, for example, now actively engaged in the process of mapping those areas and preparing the plans for them.

D. The Major Governmental Institutions Concerned with Housing

1. Introduction

A major process of reorganization of governmental institutions concerned with planning and housing in Turkey is presently in progress. While the broad outlines of these changes are discernable at this time the specifics of the organizational changes and of institutional lines of authority and responsibility have not as yet been all clarified. In general the process involves the divestment of most functions related to planning and housing from the Ministry of Public Works and Resettlement and the

reallocation of certain of them to the new Housing Development and Public Participation Administration and others to local authorities. The parameters of some of these changes will not be clear until the regulations for the Planning Law No. 3194 of June 9, 1985 are published and until the pending Municipal Law is passed.

2. Central Governmental Institutions

a. The State Planning Organization (SPO)

It was the SPO in the early 1960s that first placed the housing question within the framework of national developmental issues in Turkey. The SPO has since that time had the responsibility for identifying the major issues with regard to housing within that general framework, for evaluating the annual need for housing, and for determining developmental priorities and investment goals with regard to housing. It publishes these in sections on housing in the five year development plans as well as in other papers and publications.

From an SPO organizational perspective housing is dealt with in a Housing Sector Section under the Social Planning Department. In recent years it appears as if the role of the SPO in actually generating policy of the housing sector has been minimal. After the passage of the Mass Housing Law of 1984 that role appears to have passed in a de facto manner to the Housing Development and Public Participation Council (see below) created as a financial policy-making body and as an overseer of the Housing Development Fund (HDF) and/or to an ad hoc group of individuals at a ministerial level.

No doubt the SPO will continue to publish statements on the housing sector and housing policy. However, its actual role in the determination of policy in that sector vis-a-vis the Housing Development and Public Participation Council and others in the future remains unclear.

b. The Ministry of Public Works and Resettlement (MPWR)

The Ministry of Public Works and Resettlement was created in 1983 by the amalgamation of the Ministry of Reconstruction and Resettlement (MRR) and the Ministry of Public Works. The MPWR continued the responsibilities of the old MRR for public sector programs in housing until the organization of the Housing Development and Public Participation Administration (HDPPA) in 1984. It did so largely through five general directorates, the two primary ones being the General Directorate for Housing and the General Directorate for Planning and Construction.

The Mass Housing Law of 1981 was administered entirely under the auspices of the MRR. Under the further reorganization of the MPWR following the establishment of the HDPPA in 1984, all general directorates concerned with housing other than the General Directorate for Technical Research and Implementation was created in their place. It appears that all ongoing ministerial housing programs that were managed under the General Directorate for Housing are now administered under the Office of Housing which is attached to that general directorate. Most planning activities have been devolved to local authorities under the auspices of Planning Law No. 3194. However, the ministry does maintain the right to override all local authorities and prepare and certify city and regional plans under certain specified circumstances.

An office of the General Directorate for Technical Research and Implementation concerned with certain planning issues is also in the process of being organized, though its lines of responsibility will not be clear until after the publication of the regulations for Planning Law No. 3194. At present the Office of Housing is managing certain gecekondu programs which apparently will be shifted to municipalities in the future. It is also involved in administrative functions relating to certain long-standing low-income public housing projects, certain cooperative housing projects, and sales of public housing, all of which, it appears, will be phased out in the near future. It is unclear what the future role of the Office of Housing will be, and if indeed it will exist at all.

The MPWR retains control, however, over three other agencies, all of which function relatively autonomously and all of which play a role in the housing sector. One is the Emlak Kredi Bank (EKB), a wholly-government-owned commercial bank which is the only institution authorized to make housing loans. EKB is described under Section VII B in detail.

The Iller Bank (Bank of the Provinces) was established in 1945 and functions as a financial intermediary to transfer funds from the Treasury to municipalities, to carry out infrastructure projects primarily in energy, water supply and sewerage and to provide loans to municipalities to finance activities for cities of up to 250,000 population. Five percent of central government revenues are transferred to Iller Bank which in turn passes 80% on to the municipalities. The remainder is kept by Iller Bank. Iller Bank also generates funds by borrowing from the central government and through receipt of share capital contributions by municipalities. Iller's Bank's loan activity totalled TL 7.6 billion in 1981 but its direct investments in infrastructure totalled TL 25.5 billion.

The Land Office, another autonomous agency of the MRR established in 1969, is intended as a regulator rather than an investor in urban land. Its capital is TL 3 billion (replenished by TL 0.5 billion of government funds annually) but slow inventory turnover and pricing policies have occasioned major financing problems. Its activities have been limited to small areas for public housing projects, tourism, and the government's industrial estates program. Since it became operational in 1971, the Land Office has acquired 11,852 hectares and has sold 3,382 (29%); the housing sector has accounted for 34% of land purchases and only 14% of sales. Its original objective was to prevent land speculation but its rapidly declining purchasing power may make it ineffective. It could play a useful role in the purchase of land on behalf of government but it has not yet achieved this potential.

c. The Housing Development and Public participation
Administration (HDPPA)

The Housing Development and Public Participation Administration was created under Law No. 2983 (1.29.1984), The Law Concerning the Encouragement of Savings and the Acceleration of Public Investments. At the same time a Housing Development and Public Participation Board was created, the members of which are appointed by the Prime Minister who serves as its chairman. The members of the Board consist of the Ministers of State, Finance and Customs, Public Works and Resettlement, Transportation, Agriculture, Forestry and Village Affairs, Industry and Trade, Energy and Natural Resources, Labor and Social Welfare, and Culture and Tourism. Undersecretaries of the Ministries of Finance and Customs, Public Works and Resettlement, Treasury and Foreign Trade, and the State Planning Organization, as well as the Governor of the Central Bank are to attend the Board meetings. The Housing Development and Public Participation Administration has been designated as the secretariat for the Board.

The functions of the Housing Development and Public Participation Administration are stated in the law as follows:

- a) To ensure the speedy implementation of decisions of the Board,
- b) To manage the Housing Development and Public Participation Funds,
- c) to ensure, when deemed necessary, that various types of research activities and projects be commissioned on a contractual basis,
- d) To undertake all other duties as stipulated by law and in accordance with other regulations.

In an addendum to Law No. 2983 (Law No. 3188, 5.1.1985) the administrative cadres of the HDPPA were specified. The salary ceilings of employees of the HDPPA are to be determined by the Council of Ministers. This presumably was done in order to be able to pay higher salaries and attract better qualified personnel than would be possible under the very low standard Turkish civil service scale.

The administration of the Housing Development Fund is one of the prime functions of the HDPPA. The administrative structure of the HDPPA as it particularly applies to the HDF is covered in Section VII A.

d. The Building Research Unit of the Scientific and Technical Research Council of Turkey

The Building Research Institute is a government-financed institution which is engaged in carrying out research and development work in building and construction to meet the needs of government, industry, and the public at large. It was founded in 1970 and has its main offices in Ankara. The Institute maintains four research units and supporting office services. The main sources of income for the Institute are the annual allocations from government funds, publication sales, and commissioned research and development work.

The four research units of the Institute are a) The Environmental Systems Research Unit, b) The Structural Systems Research Unit, c) The Building Planning Research Unit, and d) The Building Construction Research Unit. At the present time the Institute is engaged in four research projects pertaining to housing commissioned by the Housing Development and Public Participation Administration: a) the development of project criteria, b) the determination of the relationship between housing types and costs, c) the investigation of forms of management for housing maintenance, and d) the analysis of appropriate technologies. Since the HDPPA does not have a qualified research staff of its own, it appears likely that it will continue to commission needed research in the future with the Institute.

3. Local Government Institutions

A major process of decentralization is taking place in Turkey at the present time. Governmental functions in many areas, but particularly with regard to planning and housing, are being devolved to local authorities. In Turkey local authorities consist both of municipalities and local provincial administrations (as well as subdivisions of these).

a. Municipalities

Municipalities in Turkey operate under the jurisdiction of a Municipalities Law No. 1580 of 1930 (as extended by Law No. 5656 of 1950) that specifies the functions, the administrative structure, and the sources of revenue for them throughout the nation. In a society with a highly centralized administrative tradition, central authorities have, until very recently, maintained numerous controls over municipalities and have limited their autonomy. The recent move toward decentralization is a significant departure from that tradition.

Under Law No. 2972, The Law Concerning the Administrative Structure of Metropolitan Municipalities (1.18.1984), the three major metropolitan areas of Istanbul, Ankara, and Izmir were granted an administrative structure different than that of other municipalities in the country. In addition, they were granted the right to certify and implement their own land-use plans without obtaining the approval of the MPWR. In effect, this has meant transferring the Metropolitan Planning Bureaus located in these cities from the jurisdiction of the MPWR to the municipalities.

In Istanbul, for example, the former director of the Metropolitan Planning Bureau is presently the head of the Planning Department of the municipality, which is the successor to the Metropolitan Planning Bureau. In Ankara the municipality is now engaged in the process of preparing plans for the upgrading of gecekondu areas on 21,000 hectares of land.

Under Planning Law No. 3194 of 1985 (which is to go into effect on November 10, 1985) all municipalities are to prepare their own city land-use plans or to commission such plans. Such plans would become effective solely upon approval of the municipal council. In the past, though municipalities had the right to prepare their own land-use plans (with the certification of the MPWR) few had sufficient qualified personnel or resources to do so. In effect, then, either those plans were prepared directly by the General Directorate of Planning and Construction of the MPWR or by its various organs such as the Metropolitan Planning Bureaus, or by the Iller Bank, a government-owned bank providing financing of infrastructure for municipalities.

The major metropolises now have the qualified cadres of the Metropolitan Planning Bureaus under their jurisdiction to prepare their own city plans. The smaller and medium-sized cities in the country may, however, be faced with a serious problem in this respect after November 10th. In general, municipalities are faced with severe shortages of qualified personnel. Only 7 percent of all municipal employees in the country have university degrees; 36 percent have junior and senior high school diplomas; and 57 percent have primary school degrees (Developments Prior to the Fifth Five Year Plan, 1972-1983, SPO: Ankara 1985, p. 439). The planning law makes provision for municipalities to contract out their land-use plans, though the details of those procedures will not be known until the regulations are made available. Final responsibility for certification of all plans will, however, rest with the municipal councils. Most officials in Turkey questioned about this expressed serious doubts about the ability of smaller municipalities to carry out these functions adequately.

Though municipalities in Turkey have had the right to construct low-cost housing either for rent or for sale to residents within their jurisdiction, they have been severely limited in doing so largely by financial constraints. Since the 1950s a major role played by municipalities with regard to housing has been in relation to the purchase, sale, and regulation of land within their jurisdiction and the provision of infrastructure. They were also given a number of important responsibilities under the Gecekondu Law of 1966 (No. 775), particularly in relation to the determination of gecekondu areas, the provision of land for housing for those in need, the provision of infrastructure in gecekondu areas, and the management of a Municipalities Gecekondu Fund. In general, one of the major roles that municipalities played in relation to housing up until the present has been in the issuance of building permits and certificates of occupancy. The reorganization of housing activities within the MPWR and the upcoming Municipalities Law will no doubt significantly alter, and almost certainly augment, the role of municipalities with regard to housing. However, the lines of those developments are not yet clear at this point.

Among the most successful activities of municipalities in Turkey with regard to housing in recent years are the joint ventures set up between municipalities and building cooperatives or unions of cooperatives for the purpose of constructing mass housing projects. The first of these, with Kent-Koop, was begun in Ankara in 1979 and involved the expropriation of land by the municipality for a site to be called Batikent (see Section VII C for a more detailed description of Kent-Koop). Under the initiative of Kent-Koop a similar project (called Egekent) has begun in Izmir.

Under the umbrella of a World Bank-funded urban and regional development project, the municipalities of Adana, Mersin, and Tarsus in the Cukurova region along the southeastern Mediterranean coast have become engaged in major housing development projects. In some cases the initiation of the projects predates the beginning of the World Bank project. This is true, for example, of a large housing cooperative for civil servants set up in Adana (the fourth largest city in the country). The land for the project has been acquired and construction of the foundations is in process. The cooperative expects to apply to the HDF for credit for construction once the foundations have been completed.

More recently, other municipalities in various parts of the country have also begun to develop mass housing projects, though on a somewhat smaller scale. Given the greater autonomy that municipalities will acquire with regard to planning activities after November 10, 1985 and the expected reorganization under the upcoming Municipalities Law, it is highly likely that even more municipalities will venture into housing development projects of this sort in the future.

b. Local Provincial Authorities

Turkey is divided into 67 provinces each headed by a governor appointed by Ankara. Provincial planning and construction departments under the jurisdiction of the governor are the local level outposts of the MPWR. Planning Law No. 3194 of 1985 only specifies that planning functions in areas outside of the jurisdiction of municipalities in a particular province be the responsibility of the office of the governor. It is presumed that

such activities will take place under the auspices of the provincial planning and construction departments or their equivalents.

However, it is not yet clear what form provincial-level organization will take in this regard and what its connection with the ministry will be. Presumably such departments will continue to be directly linked to the MPWR. These developments will not be clear until the reorganization of the planning office of the MPWR has been completed and the Planning Law regulations have been published. Other activities of provincial authorities with regard to housing have yet to be ascertained.

VI. THE PROVISION OF HOUSING FINANCE

A. The Existing Housing Finance System

The World Bank, in its Urban Sector Review of October, 1983, identified the lack of a broadly-based housing finance system as one of the five major problem areas confronting the issue of low cost housing and the finance of such housing.

The banking sector in Turkey consists of 48 banks generally known as deposit money banks. Eleven are government banks created by special laws, twenty four are private Turkish banks and thirteen are foreign banks. As can be assumed from their general designation, these banks raise most of their resources through deposits although this is less true of the foreign banks.

Most of the banks engage in standard commercial banking activities with the specialized government banks emphasizing the areas for which they were created. The only bank which is permitted to make loans for the purpose of financing housing with resources that it has raised on the market is the Turkish Emlak Kredit Bankasi (EKB), the Real Estate Credit Bank of Turkey, which is a deposit-taking institution. Thus of the total mortgage credits outstanding in the Turkish banking system at the end of 1983 of TL 69.6 billion, TL 61.9 billion, or 88.9%, was held by the EKB. Almost all of the remainder was held by two other banks, one private and one government, and

related to special "blocked accounts" which had to be used for specific purposes.

Furthermore, there are no other specialized banks or housing finance institutions, such as savings and loan associations or building societies which provide long term housing finance. Nor are there cooperatives in the form of credit unions which extend financing for housing.

The only other institution where an individual or family can go to obtain some financing for housing in the Sosyal Sigortalar Kurumu (SSK), the Workers' Social Security Fund. There are also pension funds for the civil service and the military but they don't extend housing loans. Some private companies, including some of the banks, have their own pensions. To what extent these pension funds or even the companies themselves provide housing credits is not known although it can be assumed that the banks, at least, provide some assistance to employees in financing housing.

No published figures as to investments of the SSK were obtained but according to available information there was approximately TL 17 billion outstanding as of late 1984. Total mortgages outstanding at EKB had increased to TL 147.7 billion as of December 31, 1984. This would put institutional mortgage financing by late 1984 on the order of, say, TL 173 billion, if one assumes the same amount held in blocked accounts at the other two commercial banks, with EKB holding slightly more than 85% and the SSK almost 10%.

What doesn't show up in these figures is the financing provided by various government ministries for civil servant housing. The State Planning Office estimated that some 12,000 units will have been constructed in 1984 at a cost of approximately TL 27 billion financed from ministry budgets.

Finally, the other major aspect of financing which doesn't show up in institutional statistics relates to the informal housing that is built, housing that is constructed illegally without proper government approvals and, therefore, without adequate infrastructure.

The exclusion of housing credits from those credits which can be extended by banks includes construction financing of residential housing. However, banks are apparently prepared to extend short term credits to customers they feel are credit worthy without a detailed examination of what the financing is for. Nor does the credit reporting system of the Central Bank pick up the details of short term commercial credit. It is assumed, therefore, that a significant amount of short term credit is extended to developers for financing "gecekondu" housing in the major cities. As reported earlier, well over half of the people in Ankara live in illegal housing and half of them rent. The financing for some of this housing comes from the developer, either short term from a bank loan or from his own resources.

To complete the financing picture, loans from the EKB require significant down payments except for those loans using government resources. Thus, a significant portion of the housing finance in Turkey actually comes through the down payments, or up-front payments, of individuals.

B. Capital Markets

Up until now the capital market in Turkey has been practically non-existent. But with the creation of the Capital Markets Board (CMB) which reports to the Undersecretary of Trade and Treasury, legislation passed in 1982 and new regulations completed in October 1984, it is hoped that the Istanbul Stock Exchange will again function starting in 1985. The intent is for trading in equities and bonds, private and government.

Banks can underwrite securities at present. As members of the stock exchange they will also be able to buy and sell securities. Currently, insurance companies (which are private in Turkey) and pension funds are regulated so they can only buy government bonds.

The CMB is looking at the possibility of profit sharing bonds which might be available in 1985 as well as working on the idea of mortgage-backed bonds. Further pursuit of this idea, perhaps in conjunction with the new

Housing Development Fund, would appear worthwhile. Although there is no proposed cut-off of resource flow to the HDF, this could insure that HDF could eventually become self-sustaining without the provision of tax revenues (see section on HDF).

C. Provision of Government Financing for Housing

The government has a variety of housing programs which up to now have been financed through the EKB for which the EKB is paid a fee to originate and service the mortgages. In fact, the percentage of EKB's outstanding mortgages which have been financed from government resources stood at 78.4% as of December 31, 1984 and have increased dramatically since the end of 1981.

Table 7

	EKB Percentage of Outstanding Mortgages				
	end 1981	end 1982	end 1983	6/30/84	12/31/84
From Gov't Resources	53.0	60.8	65.9	68.3	78.4
From other Resources	47.0	39.2	34.1	31.7	21.6

These programs were primarily funded through the Ministry of Reconstruction and Resettlement through 1983. The major program was the 1981 Mass Housing Law which was to generate funds by setting aside 5% of government revenues. The Treasury failed to transfer to the fund anything close to the amount available under the law, however, and the program did not reach its potential. Nevertheless, as can be seen from the above table EKB's mortgages utilizing government resources went steadily up from 1981 on and in absolute terms reached TL 18.8 billion at the end of 1982 from TL 9.5 billion in 1981. By the end of 1983 mortgages outstanding from government resources had increased to TL 40.8 billion and by the end of 1984 had jumped to TL 115.8 billion. While a portion of this increase is due to inflation the absolute increase is nevertheless of major proportions.

Summary descriptions of the various programs are contained in the Section on the EKB except for the Mass Housing Law which is covered in more detail under the Housing Development Fund.

In March 1984 Mass Housing Law #2985 was passed which superceded the 1981 law. This law created the Housing Development Fund (HDF) with resources to be raised through earmarked taxes on certain items such as tobacco and liquor. The resources projected to be generated by the HDF will be substantial; on the order of TL 22 billion per month (or close to \$500 million annually at an exchange rate of 530).

The Fund is modifying the types of programs it will finance but it is also financing through the EKB all of the projects already started under the previous Mass Housing Law. In fact this provides for most of the large jump in EKB's outstanding mortgages utilizing government resources from TL 40.8 billion at the end of 1983 to TL 115.8 billion by December 31, 1984.

While EKB has been designated as the intermediary in the allocation of housing credits by the Fund under programs started under the old Mass Housing Law, the Fund intends to negotiate with other banks, both government and private, for participation in the program.

A detailed treatment of the HDF is contained in Section VII A.

D. Supervision, Regulation and Interest Rates

Supervision and auditing of the banks is carried out by the Treasury. The Treasury Department was formerly part of the Ministry of Finance but was separated out in December 1983. It comes under the Undersecretary for Treasury and Foreign Trade in the Prime Minister's Office. The Central Bank receives bank reports and ensures compliance with regulations regarding lending activities.

The Council of Ministers sets the interest rates on deposits but banks are free to set the interest rates they charge on loans other than loans utilizing preferential credits. There is a Money and Credit Council which advises the Council of Ministers. It is headed by the Deputy Prime Minister and includes the Governor of the Central Bank, the head of the State Planning Organization, the Undersecretary for Treasury and Foreign Trade and others.

Deposit rates, except for demand deposits which pay 5%, are mainly positive i.e., slightly above the current inflation rate. Shorter term deposits pay slightly more than longer term deposits because of the government's judgement that inflation will decline. At the end of 1984, 3 month accounts were at 53% p.a., 6 month accounts were 52% and one year accounts were 45%. These rates were to be re-set in August of 1985 at slightly lower rates to reflect the gradual decrease in inflation.

The Resource Utilization Support Fund (RUSF) subsidizes preferential credits provided by the banking system. These include credits for exports, agriculture, small scale industries and housing. The Fund is financed by an assessment against the banks of a part of the interest income from regular loans. The RUSF is kept in an account in the Central Bank and administered in accordance with governing decrees. Commercial loans to borrowers on a non-subsidized basis e.g. short term working capital loans, are made at a rate that can be between 70% and 90%.

In theory EKB is free to set its mortgage rates (on funds it generates itself) but in practice it is not. The rates are, in fact, set by the Council of Ministers because of the political importance of housing. Thus, for its basic housing loans utilizing resources it has raised itself, EKB charges the borrower 21% and gets an additional 9% from the RUSF. This is still below its cost of money, however. A more detailed treatment is provided in the section on the EKB.

There are a variety of interest rates on the various government programs. In these cases EKB gets a fee and the rate does not bear any relation to the cost of funds. Annexes B and C contain a list of the various rates. The Housing Development Fund has established its own rates and these are set forth in the section covering the HDF.

The rates charged by the Social Security Fund also bear no relation to the cost of funds. These rates are also discussed in the section on that fund.

For individuals or families borrowing money on the informal market the rate in 1984 was about 4% per month or a compounded rate of about 60% per annum. The team did not ascertain the term of such loans but they are undoubtedly short term.

E. Sosyal Sigortalar Kurumu

As stated above, SSK is the Workers' Social Security Fund. There is another pension fund, Emleki Sandige, that covers the civil service and the military. Emleke Sandige provides some personal loans but invests primarily in government bonds and real estate. It owns the major hotels in Ankara and Izmir as well as the Hilton in Istanbul.

The SSK has been making housing loans for 25 years. Through the end of 1984 it has provided credits to 4416 cooperatives containing 227,106 housing units. The total for financing amounted to TL 72.9 billion. SSK presently has commitments to finance 464 coops with 38,865 units currently being constructed. A person must be a contributor to the SSK to be eligible for a loan.

In the past an SSK loan covered most of the cost of the house. But this is no longer so and SSK now offers two types of credits. For houses up to 85 sq. meters, the repayment period is 18 years, from 85-100 sq. meters (the maximum) it's only 14 years. The maximum loan is TL 900,000. For the first TL 600,000, the interest rate is 8%, for the next TL 300,000 the rate is 15%. At one time SSK developed some of its own projects but no longer. However, of the total 227,000 units financed to date by SSK, only 10,000 were developed directly by SSK. All loans are made for cooperative projects.

SSK makes payments for health, child care, job-related injuries and old age pensions. Contributions come from both employers and employees. The fund now amounts to TL 1/2 trillion; one third of the population is covered. The SSK has about 50,000 employees.

Of the TL 72.9 billion in housing loans that have been made, TL 40 billion has been repaid, TL 15 billion is still disbursing and TL 17 billion is outstanding. Most of the Fund's investments are in government bonds

(30%), deposits in banks and real estate investments (about 80 hospitals and commercial buildings where it receives rent).

To get a housing loan from SSK the following conditions apply:

The individual must have paid into the Fund for 5 years, he should not already own a house and he must belong to a cooperative.

The cooperative must have at least 30 member families, it must have land and plot sizes and it must be at maximum utilization. It must also have the approval of the municipality. Cooperatives make applications in the latter part of the calendar year and SSK makes its decisions on loans in March.

The stated reason for SSK's limit of TL 900,000 per loan is to spread around available funds. There is some inconsistency here however. It lends at low rates of interest (up until recently it was only 4%) because housing is a social need. However, the proportion of SSK's resources going to it housing lending program is limited because there is such a low rate of return. Because TL 900,000 covers such a small percentage of today's house cost (an average house cost of TL 3.5 million was cited) fewer and fewer people can afford the down payment.

SSK expects to approve TL 10 billion in 1985 of new housing credits.

VII. MAJOR INSTITUTIONS

A. Housing Development Fund

1. Creation of the Fund

The Housing Development Fund (HDF), also known as the Mass Housing Fund, was created under the Public Housing Law of 1984, No. 2985 which was passed on March 17, 1984. As earlier stated, this law superceded the previous Public Housing Law of 1981 but also assumes obligations for financing incurred under that law i.e., uncompleted projects. The HDF is included organizationally as part of the Housing Development and Public

Participation Administration, (HDPPA), described earlier, whose other major function is to sell revenue sharing bonds in public activities e.g., the Bosphorus Bridge, and stock in State Economic Enterprises that will be sold to the public. The activities of the HDPPA are governed by the Housing Development and Public Participation Board (hereinafter referred to as the Board), the members of which are appointed by the Prime Minister who serves as its chairman.

2. Functions, Policies and Objectives

The law setting up the Housing Development Fund states that the "Fund shall be used for individual and mass housing credits, credit interest subsidies, supply of land for the collective housing area, research, tourism infrastructure, housing infrastructure, schools, police stations, places of worship, health centres, sport stadiums, play-grounds, etc. It will also be used for investments and operational credits and as an incentive for the development of the housing sector.

The procedures for using the Fund shall be determined by rules and regulations prepared by the Board after taking into consideration proposals put forward by the Housing Development and Public Participation Administration. As set forth in the duties and responsibilities of the Board, it shall determine the amounts and terms of mass housing loans, individual loans and purchasers' share accounts. It will also determine the annual financing program of the Fund.

3. Source of Funds and Financial Structure

Revenues to be allocated to the Fund will be raised from earmarked taxes on alcohol and tobacco, imported monopoly goods, petroleum products, and electricity consumption. Revenues will also accrue from a surcharge on foreign travel, a tax on purchase of buildings by foreigners and allocations from the previous public housing law. A more detailed listing is contained in Annex D-2 as well as a projected percentage breakdown by category in Annex D-3.

As now structured, the Fund is not capitalized. Revenues attributed to the Fund will be deposited in an account at the Central Bank and disbursed according to loans that the Fund approves. Repayments of loans will be paid to the Fund's Central Bank account.

Although there is an opportunity cost to the government of the revenues generated by the Fund i.e., these revenues could be used elsewhere for purposes resulting in different benefits, the cost to the Fund of these resources is effectively zero. That is, they are not scheduled for repayment to government at some interest rate nor are they capitalized with the aim of achieving some sort of return.

As long as new revenues are generated new loans can be made. Whether or not the loans are repaid or whether the interest rate charged on the lending activities is positive in terms of inflation will not impact in an adverse way on any balance sheet/profit and loss accounting. (See Section 4 below for a description of types of loans and related interest rates). The problem will come if and when the revenue source is cut off or drastically reduced. There is an impact, of course, which will be there immediately in that the Fund's overall lending level will be determined partly from the repayments it receives.

4. Types of Programs

The financing of housing will be the primary activity of the HDF. It will not engage in lending directly but will make funds available primarily through participating commercial banks. The process is described more fully in the next section.

Funds will be made available for construction loans to developers and for mortgage loans to individuals. Lending activity for individuals is classified essentially into that arising out of building cooperatives and that for individual credits not associated with cooperatives. As described earlier, most formally constructed housing is being built through building cooperatives.

A further classification is made between housing that is in a designated "mass housing area" (also known as "collective housing") and that which is not. A mass housing area must be designated as such by the provincial governor. It must be part of an approved "city plan" which can now be approved at the municipal level.

HDF has a financing "program", i.e. the terms of its loans, which are approved by the Board. Because of inflation and changes in overall interest rates the financing program will be changed each year. The financing program basically relates to the size of the unit and whether it is located in an approved mass or collective housing area. There is a limit on the size of a unit that can be financed by HDF of 150 sq. meters.

The lending terms within the financing program are different depending on whether the development to be financed is within or outside of a collective housing area. A collective housing zone is considered a "preferred development area" and has infrastructure and social facilities. If the project is not in such an area the developer must develop school(s), small shopping centers, recreation areas, etc. Interest rates and repayment terms favor the collective housing areas because that's what the government wants to encourage.

The current financing program is shown in the table below.

Table 8

Size of Unit	Maximum Loan	Collective Housing Area		Outside Collective Housing Area	
		<u>Interest</u>	<u>Term</u>	<u>Interest</u>	<u>Term</u>
up to 60m ²	1,750,000	15	15	20	15
61 - 80 m ²	2,250,000	20	15	25	15
81 - 100m ²	2,750,000	25	15	30	15
101- 150m ²	3,250,000	35	10	40	10

For construction financing, within collective housing areas, HDF will finance 50% of the estimated cost of the housing and the plot development costs. This will be in the form of a loan from the participating bank to

the developer, currently set at 35% for 3 years but compounded and paid in a lump sum at the completion and sale of the project (say, an estimated 3 yrs.) Although it has not been finally settled yet the bank will pay HDF 32% on its loan, thus giving it a spread of 2% or 3%.

HDF will make a grant to the municipality for the off-site infrastructure and social costs. It intends to charge each house buyer a surcharge that would result in the recovery of 10% of these costs but it is not clear how this will be collected. For instance, it could be included in the house price and remitted by the developer.

For developers outside of collective housing areas HDF will lend for 40% of the estimated housing and plot development costs at a rate of 40% for three years.

For the house buyer the down payment will work something like this. Using the example of a 60 sq. meter house and a loan of 1,750,000 TL, the buyer will have to pay a 500,000 TL down payment of which 25% (125,000) is paid to the bank initially and the remainder is paid according to the sales agreement between buyer and developer.

There are three alternative repayment schemes on mortgages offered under HDF financing. The first is for a fixed rate level monthly payment over the mortgage term. The second repayment scheme is a graduated monthly payment mortgage increasing at a rate of 10% per year. The third is a monthly payment based on a percentage of the minimum wage. Payments are based on the interest rates and repayment periods for collective and non-collective housing areas set forth above.

The following tables set forth the basic repayment schedules:

Table 9
Fixed Rate Level Payment

Sq. Meters Size Unit	Max Loan Amount	Collective Housing		Outside Coll. Hous.	
		Int Rate/Term	Install.	Int Rate/Term	Install.
up to 60	1,750,000	15 - 15	23,200	20 - 15	28,300
61 - 80	2,250,000	20 - 15	+ 8,100	25 - 15	+ 9,600
81 - 100	2,750,000	25 - 15	+ 9,600	30 - 15	+11,000
101 - 150	3,,250,000	35 - 10	+13,000	40 - 10	+14,400

Table 10
Graduated Payment

up to 60	1,750,000	15 - 15	13,900	20 - 15	17,000
61 - 80	2,250,000	20 - 15	+ 4,800	25 - 15	+ 5,700
81 - 100	2,750,000	25 - 15	+ 5,700	30 - 15	+ 6,600
101 - 150	3,250,000	35 - 10	+ 9,100	40 - 10	+ 10,000

Table 11
Pymt. as Percent of Min. Wage

Loan Amt.	Within Mass Housing Area		Outside Mass Housing Area	
	Int Rate	Pymt Percent	Int Rate	Pymt Percent
1,750,000	15	40	20	45
2,250,000	20	50	25	60
2,750,000	25	65	30	80
3,250,000	35	85	35	100

Although no figures were available, officials of the HDF indicated that the majority of borrowers were opting for repayments based on a percentage of the minimum wage.

The old cooperative program, which the HDF is committed to finish, provides long term loans for 14% for 15 years. The construction loan to the

cooperative is for 9% up front each time there is a draw which is capitalized and repaid at the end. HDF indicates that the effective rate of interest is about 30%. The Emlak Kredit Bankasi which makes the construction loans keeps the original deposit at no interest which is the bank's compensation. There is an average two year construction period on these projects.

It is clear that the terms for the new program encourage smaller units presumably at less cost and presumably benefitting lower income families. But with an interest rate of 25% for houses up to 100sq. meters, an inflation still over 40% and no income limitations, the program is clearly beneficial to higher income families.

5. Procedures

The law setting up the HDF provides a framework; the more detailed rules and regulations are prepared by the Housing Development Directorate (HDD). The HDD is still in the process of completing these procedures and this has caused some problems.

In all cases, the Fund will provide loans to the participating banks who will on-lend to borrowers, either individuals or developers. Under its individual credit program the Fund provides financing to the participating banks for eligible loans but does not get involved at all in reviewing these loans.

For projects involving a developer, a building cooperative or a union of cooperatives, the developer/cooperative/union should come to see the HDF to receive initial reactions before getting into detailed preparation of the project. Before formally submitting a project to the HDF the developer must have it approved by the municipality.

HDF will look at the "quality" of a project. Even though a project is cleared by a municipality it could still contain housing units that are too large or have construction standards that are too high. HDF will have guidelines but not strict standards. The municipality will look at the

project for conformance with building codes, land use plans, etc. The HDF will also look at the developer's capability, financial backing, reputation and the construction system.

After HDF approves a project, it will issue a Certificate of Conformity which the developer will take to the participating bank. The bank will review the proposal and decide whether to make the loan. This is an important point because HDF staff stressed that if the developer goes broke the bank is at risk. HDF must still be repaid.

That is, after the bank approves a loan to a developer there will be an additional loan agreement between HDF and the bank so that the bank can draw down and on-lend as the developer needs money. HDF intends to provide financing for projects that are relatively simple and replicable; that is, model projects.

The minimum cost of a 100 sq. meter unit at Kent Koop's Batikent project is TL 4,275,000, with low cost land provided by the municipality. Design and supervision costs are part of the dues paid by the cooperative members to Kent Koop. Even in this case the purchaser would have to make a 25% down payment (TL 1,050,000 because the maximum loan for a 100 sq. meter unit is TL 3,250,000). In other cases the cost of a 100 sq. meter unit would run higher and could be much higher. Even by 1984 prices TL 6 million for a 100 sq. meter unit was not considered excessive.

It is eventually up to the participating bank to review the individual loan applications of the cooperative members or the purchasers of units from a developer. The bank will make the mortgage loan in the first instance and it will be responsible for repaying the HDF for the long term financing it extends to the bank.

A flow chart indicating the process is contained in Annex D-11 although it should be mentioned again that HDF is still finalizing its procedures.

6. Organization, Administration and Staffing

a. General

As stated above, the HDF is organizationally part of the HDPPA. HDPPA itself is composed of three major organizational units each headed by a Deputy Director; (1) Housing Development, (2) Public Participation and, (3) Personnel, Treasury and Operations. Annex D-1 contains organizational charts and brief functional statements.

The HDPPA is directly under the Prime Ministry. In addition to the Housing Development Fund and the Public Participation Fund, it administers or will administer two other funds, the Development Support Fund and the Gecekondu Fund.

The Deputy Director for Housing Development has two departments; the Housing Credits Department and the Mass Housing Projects Department. The Deputy Director for Personnel, Treasury and Operations provides administrative, financial and training services to the two operating funds. Several special positions, legal and a medical doctor for the staff, report directly to the Director of HDPPA.

The administrative cadres of the HDPPA were specified in an addendum to Law No. 2983 (Law No. 3188, 5.1.1985) . The salary ceilings of employees of the HDPPA are to be determined by the Board. This presumably was done in order to be able to pay higher salaries and attract better qualified personnel than would be possible under the very low standard Turkish civil service scale.

The law specifies that there will be 230 people in HDPPA. There are now 71 people on the rolls. But, for instance, as of August 1985, the heads of the two departments in the Housing Development Directorate hadn't been named. In summary, the 71 people currently in HDPPA in August 1985 include the Director, 3 Deputy Directors, 18 in the Housing Development Directorate, 13 in the Public Participation Directorate and 36 in Administrative Directorate.

b. Housing Development Directorate

The Housing Development Directorate is responsible for administering the Housing Development Fund. As stated above, the Housing Department Directorate has two departments, Housing Credits and Mass Housing Projects. The Housing Credits Department deals with transfers of money from the Central Bank to participating commercial banks and orders to the participating banks, the latter including funds for individual credits. Substantive work on project appraisal is done by the Mass Housing Projects Department (MHPD).

The functional activities of the MHPD fall into three areas:

- Cooperative Projects - This area includes both the old projects started under the previous mass housing law and the new projects. Most of the disbursements under the HDF to date have been for the old coop projects. However, disbursements are now starting on new projects.

- Mass housing projects by private developers.

- Investment and Management Projects - The HDF provides loans for investments to produce industrial housing (prefab) and housing materials. That is, financing for plant and equipment. But it must be related to a housing project and therefore, must be for a related investment by a developer.

The Housing Development Directorate's 18 people, in addition to the Deputy Director in charge, are composed of the following:

Architects - 5
City Planners - 2
Civil Engineers - 2
Economists - 3
Cartographer - 1
Demographer - 1
Environmental Engineer - 1
Geologist/Engineer - 1

People in Turkey are often identified by their degrees, not by their functions. The above group has not yet been assigned specifically to one of the two departments. For instance, one senior architect and one economist are working on the preparation of all protocols, regulations, procedures and by-laws relating to the operation of the HDF. The other two economists are working on matters pertaining to the Housing Credits Department. That is, professionally they are economists but they are working on finances. The environmental engineer and the demographer, both young professionals, appear to be research assistants doing special research. This should all be considered bearing in mind that the participating bank handles project and borrower appraisal.

The administrative functions pertaining to the Housing Development Directorate are carried out by staff of the Administrative Directorate. This includes secretaries (but see below).

For the old cooperative projects which were started under the Mass Housing Law of 1981 there is no evaluation. The borrower is just coming in for credits to finish. The Housing Credits Department handles this. A new project application first goes to the Administrative Directorate where it's logged-in. It's then sent to HDD where it's assigned to a team which includes a civil engineer, an architect and the cartographer. Final project recommendations to the Director of HDPPA are made by a "Commission" of five senior people as follows: a planner, two architects, one of the economists and one of the civil engineers.

To carry out research activities in areas of interest to the Fund, it has contracted out to the Building Research Unit described earlier. Studies are underway in four areas: project criteria; relationship between housing types and costs; various forms of management for the maintenance of housing projects; and appropriate building technology.

7. Operations To Date

As with its procedures and regulations, the HDF's accounting and financial systems are still in a stage of development. The team was provided with a set of the latest financial reports through July 19, 1985.

The revenues and expenditures for the fund since its inception in April 1984 are as follows:

Table 12
TL (millions)

Revenues		Expenditures	
Tobacco/Spirits	52,499	Old Coop. Program	96,297
Petroleum Products	47,172	Individual Credits	37,500
Funds from other Laws	24,127	Coops In Mass Housing	732
Imported Goods	22,366	Coops Outside Mass Housing	1,460
Foreign Travel	12,623	Tourism Credit	3,375
Imports with Waiver	3,139	Land Expropriations	549
Foreign Pur. of Bldgs	341	Transfer to Dev. Sup. Fund	5,000
Payment Penalties	107	Research Expend.	21
	<hr/>	Administration	<u>1,220</u>
	162,374		146,154
	<hr/>	Unexpended	<u>16,220</u>
	162,374		162,374

This indicates that over the first fifteen months (assuming no lag in reporting) the Fund has taken in an average of TL 10.8 billion per month. At an exchange rate of TL 530 to \$1 this translates into annual revenues of some \$245 million. However, when one subtracts the revenues collected during the first seven months of TL 54 billion, a start-up period, the average monthly revenues for the next eight months average TL 13.5 billion. This is equivalent to an annual rate in dollars of \$306 million. While a substantial amount, this is still well under the figure of \$500 million that is used when discussing the eventual annual revenues of the Fund. It is assumed that the system is still not capturing all taxes or there has been a significant over estimate. However, in an absolute sense the Fund is generating major revenues which it must program.

On the expenditure side, 65.8% of expenditures to date have gone to provide credits for cooperative projects started under the previous mass housing law. Through the Fund's first seven months, however, the figure was

87.9% so disbursements for these old projects are coming more in line with the Fund's own projections for 1985 of 45%. (See Annex D-4 for projected percentage breakdown of disbursements).

Individual credits also take up a large percentage of disbursements at 25.7% which is also higher than projected by 5.7%. Thus, it can be seen from the table above that to date there have been few disbursements under the new program for cooperatives and nothing shows up for developers within or outside of the mass housing areas.

There have been 79 Certificates of Conformity issued to building cooperatives under the new law for 4,764 units and a total loan amount of TL 13.1 billion. For developers, there have been only 3 Certificates issued for 331 units amounting to TL 910 million. Thus, the program appears to be starting somewhat slowly with the bulk of the disbursements to date (over 90%) going to clear the backlog of the old program. It should be noted that the interest rate on the old cooperative program was only 14%.

Administrative charges, including expenditures for contract research, amount to less than 1% of disbursements, which appears very low. Among other things this probably reflects understaffing and the fact that the processing of disbursements for old projects can be accomplished very easily.

Annex D-6 contains the revenues and expenditures for all of the Funds i.e., Housing Development, Public Participation and Development Support, that are under the HDPPA. There is no balance sheet accounting, at least that is printed out, which would indicate assets in the form of outstanding loans. Presumably all loans made by the Fund to date would represent outstanding amounts since repayments would not have started. But certain expenditures are for operative expenses and would not be assets.

In addition, the Fund has assumed some TL 26 billion owed under the old cooperative program where some repayments including interest must be beginning. Similarly, there are some additional civil service loans for housing that were assumed by the Fund. These figures were not made available to the team nor were they in any published reports. One problem

is that the Fund doesn't have any liabilities or capital account the way things have been set up to date; just income.

To put the financial figures into some perspective, the Fund has now extended credit to 2,667 old cooperative projects involving 162,273 housing units and financing for individual credits amounting to another 29,771 units. For new projects, building cooperative projects amount to 106 and developers only three with the total number of units at 6990. This, of course, is consistent with the financial figures; most of disbursements so far have gone to finance units in the old program.

HDF has not developed an information system that enables one to ascertain either the size or total cost of units being financed and, as described in the section on the Emlah Credit Bank, income is not considered when processing a loan application. However, the average loan can be ascertained from the figures provided. These are shown in the Table below:

	Units	Table 13	
		(million TL) Tot. Credit	(TL) Av. Loan
Old Coop. Program	162,273	235,817	1,453,211
New Coop. (outside MHA)	1,895	1,766	932,137
New Coop. (MHA)	4,764	13,127	2,755,500
Dev. Hous. (MHA)	331	910	2,750,000

Every source that the team talked to said that 100 sq. meters was the accepted norm that every family aspired to. Under the HDF's financing program the maximum loan for a unit of 100 sq. meters is TL 2,750,000. The above figures would indicate that, at least for projects in mass housing areas, this is what is happening. Given income levels, units larger than 100 sq. meters with a larger loan run into affordability problems.

Tables providing further background to the above are contained in Annexes D 7-10.

8. Conclusions

The conclusions set forth below are based on a relatively short visit to Turkey with a small team that also worked with other insitutions. They must be read in that light and also with the understanding that some are impressionistic and not based on a detailed study of the HDF.

With the political commitment that the government has made to provide more housing, with the importance it attaches to housing as a multiplier of economic activity, with the huge resources that will flow into the HDF and with the consideration of the government's housing activities in the HDPPA, HDPPA is in a powerful position to influence housing policy.

It is recognized, however, that determination of policy with regard to housing will be closely held at top echelons of government. Nevertheless, HDPPA will be looked to to provide policy guidance and the Director of HDPPA will be in a position to provide this.

To do this, however, the Housing Development Directorate of HDD must be staffed with people having the expertise to take the lead on policy. This points up what appears to be a problem with the HDD so far. That is, staffing is proceeding very slowly.

HDD appears to be clearly understaffed to take on its expanding role. There is no head for either of the two departments under the HDD; the Housing Credits Department or the Mass Housing Projects Department. The 18 current staff of HDD perform functions related to both departments. In the authorized level of positions for the HDPPA as a whole, it is not clear how many will ultimately be allocated to HDD. Nor is there a detailed functional breakdown of positions eventually to be established in HDD. What is available is a list of positions by degree level.

The need for additional staff is recognized by the Director and he indicated a specific recruitment drive was being mounted. However, it would appear that the needs for different skills and skill levels needs to be more specifically defined. This applies not only to operations but to

the type of people needed for policy work and to carry out the research functions that are necessary to support both policy and operations.

Right now HDPPA has contracted out four research projects to the Building Research Unit (BRU) as described earlier. To do this effectively, however, the organization needs people knowledgeable about the areas of research that are needed. One organizational change which the Director should consider is to add a Policy and Research Department in the HDD. While the BRU appears to be an excellent institution, outside contracts need to be carefully handled. A Policy and Research Department would also be the focal point for developing policy positions for HDPPA in housing.

One manifestation of the lack of staff is that the procedures of the HDF are still being developed. This in turn has led to some uncertainty at the municipal level and with developers as to the exact procedures. It also appears that the detailed working procedures with participating banks have still to be completed. While this is to be expected for an organization only about a year and half old with huge resources to move, it also identifies an area that needs priority attention. Most of the resources of the Fund to date have gone to finance old projects already in the mill. These will run out and the development of new projects must proceed if the Fund is to succeed. This will require that procedures and regulations be finalized.

With regard to financial aspects, the current staff of HDD appears to be more focussed on project work rather than financial systems. While it may be that the Administrative Directorate will do all of the HDD's financial work it would seem that there is scope to expand the type of accounting and reporting that the Fund will need.

This raises the question of the financial structure of the Fund. As stated earlier, it would appear that the Fund needs to capitalize itself and restructure its finances. Income from operations i.e., interest on loans, will soon start to flow. This needs to be separated out from the huge revenues that are flowing in from taxes which are really capitalization. For the reasons outlined in the earlier section, it is recommended that the Fund set up its accounts as a regular banking operation would.

Also, on the financial side, the Fund needs to look at the long term nature of its operations and the role it will play. Right now it is actively involved in the initial review of projects before providing a certificate of conformity which the developer/cooperative can take to a participating bank. The Fund then provides financing in the form of loans to those banks to be used for both construction financing and long term mortgages and, as understood, loans to banks (so far the EKB) for the individual credit program as well.

Several alternatives can be considered. One is that the Fund get completely out of the project review process. It would establish very careful criteria of what kind of loans it would finance. It could then buy mortgage loans from participating banks which met the qualifications with the bank retaining the servicing function. Thus, the Fund would become a secondary financing facility. At some point it could package these loans for re-sale to investors or issue mortgage-backed securities to the same market. This is particularly important if the flow of earmarked funds was to be cut-off or significantly reduced at some time in the future. There are other alternatives, all of which would require further study.

If the function of project development becomes a problem e.g., that developers and smaller municipalities need help in preparing projects meeting the Fund's criteria, the Fund could establish a small highly qualified staff to provide technical assistance to the developers/municipalities in assembling projects. This would be different from the project review/appraisal process however.

Finally, there is the question of interest subsidies and the market to be served by the Fund. It seems to be generally recognized that the Fund is aimed at a middle and upper middle income clientele. Certainly there are no income restrictions, the maximum size house that can be financed is quite large at 150 sq. meters, given the cost of construction and the maximum loan, a substantial payment on the part of the borrower is required and the interest rates being charged are very favorable.

The World Bank has made strong arguments in its recent study of the housing finance sector of the need to get interest rates on the Fund's lending program in line with inflation, particularly to avoid giving a windfall to higher income families, and they do not need to be repeated. It is also acknowledged that middle income families are perceived in Turkey to have suffered heavily under recent inflation. It would seem, however, that the activities of the Fund could be targetted more effectively at a broader income range. The interest rate on loans clearly favors smaller units but there is no income test nor is there any program promoting smaller units or loans to lower income families. This is a problem that needs to be addressed if the Fund is to adequately serve all income levels in Turkey on a balanced basis.

The final point concerns training. The Director of HDPPA stated very strongly his feeling that HDPPA needed to mount a major training program. He felt that this should embrace all approaches; long term training perhaps out of the country for selected staff, short term specialized training abroad, short term training in the form of workshops and seminars in Turkey, the provision of advisors who could help establish better operating systems and procedures. In the latter regard, a member of this team introduced the methodology developed by AID for projecting the housing needs for a country. Such a methodology would appear to be very useful to the HDPPA as it programs the activities of the Fund and it is hoped that further work will be done on adapting the methodology to Turkey.

As to a detailed program of training from individuals this was beyond the scope of this study at this time. As a first step, the HDPPA needs to finalize its organization with regard to the HDD and the Fund (some recommendations were suggested above), clearly delineate a staffing pattern by functional positions and finish hiring the key people. In the meantime, selected training could be commenced depending on the Director's priorities. The analysis of the Fund in this section points out the areas that could be addressed.

While the comments above may appear overly critical and presumptuous in many cases given the short time in Turkey, it is hoped that they be viewed constructively. It should be noted that the reaction among

all people that the team interviewed was universally favorable to the Fund's activities so far; that substantial money was flowing and that the Fund represented a real departure from bureaucratic delays. As the Fund moves to higher levels of financing it needs to maintain this reputation.

B. Emlak Kredi Bank

A. Background

Emlak Kredi Bankasi (Real Estate Credit Bank of Turkey - EKB) is a state-owned joint stock company established in 1946. At that time it took over all of the assets and liabilities of the Emlak ve Eytam Bankasi (Property and Orphan's Bank) which had been established in 1926. EKB is one of the eleven government banks founded by special laws and, along with thirteen foreign banks and twenty four private commercial banks, constitutes the banking sector. It is considered a deposit money bank and raises the bulk of its resources from deposits.

EKB was established to provide housing and housing construction credits and, in fact, is the only bank which, by law, is able to provide credits for housing. It also, however, can provide commercial and agricultural credits and a large part of its portfolio consists of short term commercial credits. The EKB operates in accordance with Turkish banking and commercial codes and is also subject to the decree which governs State Economic Enterprises. The functions of the EKB set forth by decree are contained in Annex E-1.

EKB is a large institution with TL 533.6 billion (about \$1,240 million at that time) in assets as of Dec. 31, 1984 with a staff of around 6300 and 300 branches.

The balance sheet and profit and loss statement for 1983 and 1984 are contained in Annexes E-3 and E-4.

2. Capitalization

The authorized capital of the EKB is TL 20 billion, 55% of it in A shares and 45% of it in B shares. All of the A shares are allocated to the Ministry of Public Works and Resettlement (MPWR) and almost all (99.5%) of the B shares to the Ministry of Finance. Most of the remaining B shares are allocated to the Civil Service Pension Fund and token amounts to the National Insurance Company, Is Bank and Sumerbank.

The paid-in capital as of 9/30/84 amounted to TL 10.5 billion with MPWR contributing most of its allocation of TL 11 billion of A shares and all of the token allocations of B shares paid. This leaves the MOF with the largest part of the un-paid capital.

3. Lending Activity

Although it is set up as the only bank in Turkey that can provide loans for housing, EKB also engages in commercial lending, construction lending and a small amount of agricultural lending. In addition to housing loans utilizing its own resources EKB originates and services housing loans from resources provided under several government programs. The following table indicates the distribution of lending activity by EKB among the major categories of loans. Mortgage loan levels related to the bank's own resources are separated from those utilizing government resources,

Table 14
Loans Outstanding
(millions of TL)

	12-31-81	12-31-82	12-31-83	12-31-84
Commercial Credits	22,355	37,207	57,304	64,429
Construction Credits	8,224	15,577	15,862	NA
Mortgage Credits (EKB resources)	8,397	12,152	21,103	31,909
Mortgage Credits (government programs)	9,481	18,885	40,813	115,770

Source: EKB Publications. Agricultural credits are included in commercial credits. Construction credits are mostly for contractors operating overseas and are included in "other assets" on the balance sheet.

As can be seen from the above table, commercial credits increased by 66.4% from 1981 to 1982 and another 54% from 1982 to 1983 while mortgage credits utilizing the bank's own resources grew by 44.7% from 1981 to 1982 and increased by 73.7% from 1982 to 1983. By the end of 1984, commercial credits outstanding had grown to TL 64.4 billion, up only 12.4% from the end of 1983 while mortgage credits had increased by 51.2% to TL 31.9 billion with the absolute gap closing slightly. Mortgage credits represented only 22.4% of outstanding loans at the end of 1983 using the bank's own resources. Comparable figures aren't available through the end of 1984 but would have been higher.

On the other hand, mortgage credits outstanding utilizing government resources have increased dramatically from TL 9.5 billion at the end of 1981 to TL 18.9 billion in 1982, TL 40.8 billion at the end of 1983 and TL 115.8 billion at the end of 1984. This represents annual rates of increase of 98.9%, 115.9% and 183.7% respectively.

What this reflects is a substantial and increasing flow of resources for housing from the government with the huge increase in 1984 reflecting the creation of the new mass housing fund. There is also a tendency for EKB to increase the percentage of its own resources into housing against more profitable commercial lending although the increase is not major. The interest rate on short term commercial loans is on the order of 70% while EKB is able to charge only 21% on housing loans with its own resources. Even with an additional 9% from the government's Interest Rate Rebate Fund EKB loses substantially on its mortgage lending activity with its average cost of funds around 40%. Government programs pay EKB a negotiated spread to originate and service these loans.

In addition, the substantially increased level of mortgage lending from government sources will clearly put some strain on the absorptive capacity of the EKB mortgage lending, servicing and accounting operations. In a

review of workload with the head of EKB's accounting department, it was stated that the lending generated by the Housing Development Fund will double the workload of EKB with a substantial effect on accounting alone. At present, all records relative to the lending activities of the 300 branches are submitted to headquarters by hand. What is needed is a system wide accounting design utilizing an expanded computer capability. The Director of the HDPPA has expressed interest in receiving technical assistance to this end.

4. EKB Mortgage Lending Programs

The standard mortgage loans made by the EKB are fixed rate, a low maximum loan (TL 2 million) relatively short term (fifteen years) with a subsidized interest rate to the borrower. However, there are a variety of interest rates and terms associated with the various government programs.

There are several points worth noting relative to the mortgage lending by EKB. The first is that with the increasing cost of housing relative to wages and the maximum loan set at a low level, the down payment (or up-front costs) to buy a house becomes prohibitive for lower income families. For a house of, say, 80 square meters costing TL 3,200,000 the down payment would be TL 1,200,000 or almost 40%. The arrangement followed by most families is to associate with a building cooperative whereby a certain amount is paid up front and additional payments are made during the construction period.

The second point is that the EKB does not consider income in appraising an application for a mortgage. With an inflationary economy and the high down payments required, the investment that a family has in its house relative to payments is so great that there are very seldom foreclosures. The lending institution, on the other hand, obviously has a substantial coverage of its risk. Therefore, it is assumed that any person able to come up with the initial costs of a house will not apply for a mortgage loan unless he can handle the payments. Although EKB did not provide any statistics on delinquencies, they were stated to be practically non-existent, less than 1% overall.

There is also a tendency for people to pay off their loans early if at all possible; for instance, if a lump sum pension payment is received. The average life of a mortgage was said to be five years although no statistical reports on this were made available. From a financial standpoint, paying off a mortgage with an interest rate considerably below the inflation rate would not make sense but in Turkey there is a very strong feeling to be free of debt.

A brief description of EKB's various mortgage lending programs utilizing its own resources is provided below. (also see Annex E-6). By far the greater part of its lending activity for housing, as shown earlier, is from government resources. That program is described under the section on the Housing Development Fund.

Building Savings Credits

These are loans to finance the purchase of collective housing by people who currently do not own such property and who must have opened a savings account at the bank with the aim of purchasing such property. The Building Savings System has been operated by EKB since 1951 and has been revised several times in order to keep up with changing conditions. The current guidelines provide for a minimum loan of TL 1,000,000 and a maximum loan of TL 2,000,000. Within these limits, it must be disbursed in increments of TL 500,000.

In order for a person who opens a building savings account to be eligible for a housing credit, the person must wait for one year following the date on which the account was opened, must have accumulated 25% of the amount to be borrowed in their account, and must meet certain eligibility criteria. This type of credit has a term of 15 years and an interest rate of 21%.

Credits Given to Turkish Workers Abroad:

These are loans to Turkish citizens who work abroad and are processed in accordance with the Building Savings System. The loans may be made for TL 2,000,000, TL 2,500,000, or TL 3,000,000. Depending on the size of the loan, 15,000, 20,000, or 25,000 Deutsch Mark or equivalent in other foreign

currency, must be presented and their equivalents in Turkish Lira must be deposited in "Overseas Blocked Housing Accounts." The loan can be made one year after the account has been opened.

If the loan is to be for collective housing, the term is 15 years and if the loan is to be for construction or purchase of completed buildings, the term of the credit is 10 years. The interest rate is 21%.

Housing Credits for Retired Civil Servants

These are loans to civil servants who retire after completing government service and who are covered by the government Retirees' Fund. They must deposit the premiums they receive from this fund in a "Retiree Housing Savings Account" at EKB and must wait for one year following the date on which the account was opened. The amount of the loan is double the amount of the retiree premium to be deposited and it has a term of 20 years with an interest rate of 12%.

Credits Given to Co-operatives

These are loans to organizations and building co-operatives which intend to build collective housing for their members. If the member currently does not own another property and if the housing to be built by the co-operative is collective housing, then the term of the credit is 15 years and an interest rate of 25% is applied. The maximum loan amount is TL 1,000,000.

If the member owns another property or the housing to be built by the co-operative is not social housing, then the term of the loan is 10 years. An interest rate of 40% will be charged with the provision that the individual member pays an interest differential totaling 10% of the total interest due. The credit ceiling is TL 750,000.

Housing Credits

These are credits other than building savings credits, and are given to persons who apply for credits in parts of the country where the building savings system is not available. The loans are made to persons who currently do not own property, and no waiting period is involved.

The total area of the housing to be financed must not be greater than 100 M², there must not be a residence permit on the date on which the loan is applied for or if it has been issued, it must bear an issue date of no longer than a year prior to application for the loan. The term of the loan is 15 years, the interest rate is 25% and the maximum credit is TL 1,000,000.

Credits for Construction and Repairs

These are loans to persons who aren't already receiving housing credit and who wish to complete a building under construction. The term of this type of loan is 10 years. An interest differential of 10% will be charged on top of the 40% annual interest rate and the maximum loan amount is TL 500,000.

Credits for Completed Buildings

These are loans for buildings that do not qualify as buildings under construction; the term is three years. A 10% interest differential will be charged on top of an annual interest of 40%. This type of credit differs from other types of credit in that interest capitalization is carried out quarterly. The maximum loan amount is TL 300,000.

Credits for Prevention of Slum Development

These are loans from bank sources for the completion of housing being built on land donated by the Ministry of Infrastructure and Construction or by municipalities in areas designed for prevention of the development of slums in accordance with the Slum Law #775.

- For "low income" families, the term of the loan is 15 years with an interest of 12% and a maximum loan of TL 400,000.
- For loans to building co-operatives formed by "low income" families, the term of the loan is 10 years, the interest rate is 12% and the maximum loan amount is TL 600,000 per member.

The following table provides a break-down of the outstanding balances of the various categories of housing loans from 1981 up until June 30, 1984.

Table 15
Real Property Credit from EKB Sources
(million TL)

	12-31-81	12-31-82	12-31-83	12-31-84
Housing Credits	7,245	10,995	19,509	22,838
Misc. Credits (other than Housing)	747	723	1,092	842
Bldg. Savings Credits	<u>399</u>	<u>428</u>	<u>482</u>	<u>1,234</u>
	8,392	12,146	21,084	24,914

Real Property Credit from Outside Resources
(million TL)

Turkish Workers Abroad	1	1	2	1
Loans due to Disasters	3,827	4,334	5,426	5,873
Slum Fund	3,664	4,697	5,420	5,551
Housing Purchase & Use Fund	1,947	2,992	3,496	3,543
Public Housing Fund	-	6,581	21,242	31,952
Negotiated Credits	<u>46</u>	<u>283</u>	<u>5,246</u>	<u>6,496</u>
	9,486	18,890	40,832	53,688

5. Resource Mobilization

As a deposit money bank, EKB raises the bulk of its resources through deposits and thus competes with all of the other banks for these deposits. It appears to compete successfully and at the end of 1983 EKB ranked seventh among the 42 banks in Turkey in total deposits. At that time it had deposits of TL 136.2 billion out of total deposits in the system of TL 3,386.7 billion or 4% of the total. Almost 25% of the deposits were held by the government owned agricultural bank.

Very little money is going into term deposits of longer than six months because of the uncertainty concerning the direction of the economy. Of the bank's TL 136.2 billion of deposits at the end of 1983, 51.2% or TL 69.7 billion was in fixed term deposits and the remainder in demand deposits. However, at that time fixed term deposits with withdrawal on notice were permitted and by September 30, 1984 when total deposits had grown to TL 194.2 billion, fixed term deposits had risen to TL 130.3 billion or 67% of the total. Of the TL 130.3 billion total in fixed term deposits, TL 99.4 billion were one and three month deposits with an early withdrawal notice allowed indicating the popularity of this type of deposit. Total deposits had grown to TL 235.4 billion by the end of 1984 but no breakdown was obtained.

As to sources of deposits, commercial deposits accounted for 20.5% of the total as of September 30, 1984, government sources constituted 13.8% and individual savings made up 64.3% of the total. Various other deposits constituted the remainder. Annex E-6 gives a breakdown of deposits by type.

As stated above, EKB seems to be competing successfully with other banks for deposits. From 1979 to 1983 its growth in deposits has significantly outstripped the banking system in total. With deposit rates set by the government, competition has to be on services and coverage. It is possible that the demand for housing finance is so great that individuals will save at EKB with the hope of eventually obtaining a mortgage loan.

As discussed in the lending programs section above, the building savings program, including the program for Turkish workers abroad, and the retirees' credit program require deposits in blocked accounts in order to participate. Such blocked accounts, however amounted to only TL 2.2 billion at the end of 1983.

Of more significance to the bank, however, in its lending operations, is its acting as intermediary for a variety of government programs. At the end of 1983 the total funds available to the bank for lending for such sources including the blocked funds mentioned above amounted to TL 51.4 billion. This was up from TL 20.4 billion in 1982. Of more importance, it

had jumped to TL 130.6 billion by December 31, 1984 indicating the rapid increase in government programs. A breakdown of the "funds" category for 1982 and 1983 is contained in Annex E-5.

Finally, EKB is the only deposit money bank which has also raised money through the issuance of bonds. To date the bank has issued eighteen sets of savings bonds totalling TL 18.8 billion. As of December 31, 1984 outstanding bonds amounted to TL 7.2 billion.

There were two issues amounting to TL 10 billion in 1983. The first one of TL 5 million was for a one year term paying 34% compounded quarterly and the second issue of TL 5 million was for a twenty year term but readily convertible to cash and paying 20%. Both issues were sold out.

However, although the bank had previously had a ceiling on issuance of bonds of four times authorized capital it has now been restricted so that bonds outstanding cannot exceed paid-in capital. This would appear to limit significantly the bank's capacity to raise resources through bonds.

6. Organization and Personnel

The organization chart of the bank is set forth in Annex E-2. The bank has a general manager, five assistant general managers and several department heads who report directly to the GM. The current GM was appointed in early November 1984 after being in an acting capacity for three months. He has been with the bank for 25 years serving in a variety of positions.

Three of the AGM's cover the major line responsibilities of deposits, credits and construction as well as other functions and the other two are staff related dealing with training and accounting. Departments reporting directly to the GM include personnel and planning and research.

The bank has 300 branches with good coverage throughout the country; somewhere around half of the branches located in communities on the order of 50,000 or under. The bank's program for opening new branches is reviewed periodically and locations that are not deemed profitable are dropped.

The increase of the bank's branches by years is shown below:

Table 16

Years	Total # of Branches	# of Branches Opened during year
1979	238	22
1980	260	22
1981	287	27
1982	292	5
1983	299	7
November 1984	300	1

Despite the growth in the bank's operations, there has not been a significant change in the number of personnel employed with the exception of 1982 when a 440 person security staff was hired to comply with government regulations.

A breakdown of the number of personnel employed by the bank and the bank's personnel expenditures have been given by years in the table on the next page:

Table 17

Year	Number of Personnel	Personnel Expenditures (Thousand TL)
1979	5229	920,310
1980	5267	1,428,061
1981	5465	1,810,166
1982	6134	2,585,342
1983	6227	3,398,387
1984 (thru Sept.)	6317	2,997,336

Although 62 new branches were opened from 1980 to the end of 1984 only about 650 new employees were hired other than the security staff. The average number of employees working at a bank branch nationwide is 22.4; the

average number working at private banks is 23.9 while EKB employs 20.8 employees on the average at its branches.

The average monthly expenditure on personnel salaries at EKB was TL 45,479 in 1983, for all banks it was TL 207, 394. This highlights a problem. As a government bank EKB's salaries are controlled. This makes it more difficult to compete with private banks for good people.

A general breakdown of personnel by headquarters and branches and by type of personnel at June 30, 1984 is given below:

Table 18

<u>Classification</u>	<u>Headquarters</u>	<u>Branches</u>	<u>Total</u>
General Admin. Services	568	4339	4907
Technical Services	44	109	153
Health Services	10	1	11
Training Services	4	-	4
Legal Services	8	21	29
Auxiliary Services	<u>260</u>	<u>932</u>	<u>1192</u>
Total	894	5402	6296
Workers			<u>53</u>
			6349

7. Building Construction by the Bank

The banks regulations permit it to engage in building housing as well as providing housing credits. The bank gives priority to "collective" housing construction and builds all the necessary infrastructure, roads, railroads, bridges and schools needed to service its housing projects. In cases where the bank is building on high priced land which it owns in large urban areas, it ensures that the construction is in keeping with current city planning codes and fits in with the building style of the area in which it is located. The revenue obtained from the sale of such expensive buildings is channeled into construction of collective housing.

Construction activities are carried out by two departments under an Assistant General Manager. The Real Estate Department is in charge of land purchase and the Construction and Technical Projects Department carries out project studies, design and supervises construction. The Construction Department maintains site offices in the areas where major projects are underway. The bank generally utilizes construction companies in which it has a participation but projects are open to outside contractors.

Despite the decline in the construction and housing sector in the past several years, the bank has been carrying out construction projects at a growing rate. The bank's 1984 program called for construction of 1,200 units and in 1983, 2915 units were completed. The number of housing units built by the bank from the date it was established to November 1984 was 23,006. It had four projects totalling almost 14,000 units planned for 1985.

The bank has also begun undertaking government building projects as well its own projects. The first example of such a project is a 2020 unit army housing project along with the necessary infrastructure. The target completion date for this project was 8/30/85. In addition, the first stage of a civil servants' housing project, coordinated by the Ministry of Public Works and Resettlement (MPWR), is under construction on a site belonging to the bank. This project will consist of 800 units and the initial stage of the project including 180 units was started in August 1983. A 400 unit housing project for Members of Parliament was started in October 1984.

Aside from these projects, 1500 units of rental housing are to be built in 31 different locations with funds from the Slum Fund of MPWR along with a 2,679 unit project for earthquake victims in the Erzurum/Kars area.

8. Conclusions

The short time in Turkey that was available to the team and the complexity of a bank as large and diverse as the EKB make it difficult to reach any firm conclusion on its activities. The World Bank has identified high transaction costs as a problem in the banking sector and there is no reason to conclude that EKB does not suffer from the same problem with its large number of branches scattered all over the country.

The Housing Development Fund is expected to generate some TL 265 billion in revenues per year. To date, almost all of its resources have gone through the EKB. Although HDF is attempting to interest other banks in its program its success so far has been limited. From 1983 to 1984 EKB's mortgage credits using government resources outstanding grew from TL 40.8 billion to TL 115.8 billion, an increase of 183.8% and TL 75 billion.

If one assumes the amount being paid off on outstanding government financed mortgages at this time is small, then the TL 75 billion represents a close approximation of new mortgages. If one assumes the average mortgage is, say, TL 3 million, then this represents some 25,000 loans. If EKB were to handle even one half of HDF's projected revenues (HDF may not achieve a level of lending equalling its revenues), this would be a loan level of TL 125 billion or some 41,000 loans, probably not possible right away.

One EKB official said that EKB expected its workload to double and that this couldn't be handled from an accounting standpoint. From a loan processing standpoint it would also appear to be difficult even if EKB felt it could continue with its practice of not considering income of the borrower as a lending criterion.

From the accounting standpoint alone it would appear that EKB could use substantial outside assistance. Loan disbursements and collections, for instance, are processed manually at the branch level and sent in to the head office in Ankara for inclusion in the accounting system. The need for a completely computerized system was expressed strongly by the head of the EKB's accounting department but there are no consulting firms in Turkey to assist in this kind of system design.

The Director of the HDF also indicated his view that if EKB was to play the part that HDF required to implement its program, EKB would need assistance on system design.

C. Building Cooperatives Unions

1. Introduction

As described earlier, building cooperatives account for a large share of new housing construction in urban areas of Turkey. Yet the members of these cooperatives are most often not equipped to deal with the complexities of building a housing project. In some cases the cooperatives are assisted by a building contractor to meet the requirements of a cooperative but this is considered unsatisfactory by some because of the different interests of the parties.

The alternative is for a cooperative to join a union of cooperatives to obtain the assistance and services it needs. As described in Section VII B, seven cooperatives can "form" a union of cooperatives and seven unions can form a national union. There is no national union of cooperatives in Turkey as yet but there are several regional unions. The two major unions are Kent Koop serving the Ankara region and Konutbirlik serving Istanbul. Their activities are described below.

2. Union of Housing Cooperatives in Bakkent (Kent Koop)

Kent Koop was established in October 1979 with seven cooperatives as members. It now has 108 members with 26,000 families. The member cooperatives are of two types: (1) "homogenous" which includes coops made up of members of a particular trade union, graduates of a particular faculty or school or from the same employer; and (2) "heterogenous" which are coops established by Kent Koop from among diverse individuals. Kent Koop's average size coop has 300 members; the largest is 560, the smallest is 40. Coops must now have at least 200 members to belong to Kent Koop.

The General Assembly (GA) is the highest decision making body in Kent Koop. The GA is composed of three delegates per member cooperative. Thus, it now has 324 delegates from the membership plus one from the Municipality of Ankara for a total of 325. The GA meets once a year. There is an eleven member Board of Directors elected every four years by the GA. There is an Executive Board of five members.

The operating head of Kent Koop is the General Coordinator appointed by the Board. There are also Administrative and Technical Coordinators reporting to the General Coordinator and a Legal Advisor and Research Department. Kent Koop's operating funds are generated by member dues. Current dues are TL 50,000 per person to join; that is, a 200 member coop would pay TL 10 million to join Kent Koop, and TL 250 per month per person thereafter.

Kent Koop's projects are located in an area of approximately 1000 hectares north of Ankara known as Batikent. It assists its member coops in all phases of a project. Its Technical Department designs the project and it has an Installation Division which prepares construction bids. It assists the member coop in the bidding and award process following standard rules and regulations. There are now 14,800 units under construction among Kent Koop's members of which 8,000 will be completed by the end of 1985.

Kent Koop supervises the projects of its member coops after award of the contract. When a project is complete it is turned over to the cooperative. Who gets what home is determined by lottery according to cooperative law.

During a typical construction phase of three years the individual member of the coop pays toward the cost of the house, (1 year during preparation of the project; 2 years during the actual construction period). Example: TL 200,000 up front, then, say, monthly payments of TL 15,000. At 6 and 12 month intervals a larger payment of approximately TL 100,000 is made. The idea is that the member must cover 50% of the cost.

Then remaining 50% of the cost will be financed from the National Housing Development Fund through EKB or one of the other participating banks. From 1981 up to 1984 the financing was done under the first Public Housing Law (1981). Before that the cooperatives utilized the SSK. But there were significant delays in availability of funding under the 1981 Public Housing Law and the backlog is being made-up by the HDF.

During the construction phase the individual pays to the cooperative and the cooperatives pays to Kent Koop. After construction is complete the individual member receives a mortgage loan from EKB and repayments are made directly to EKB. The cooperative is disbanded.

There are generally three kinds of houses in coop projects; 2 storey, 5 storey and 10 storey. Two storey units have 4-8 apartments. People prefer the five storey units because they are a little cheaper. Kent Koop is revising the Batikent project to eliminate the ten storey units. Most units are 100 square meters (a few are 85 square meters) and cost about TL 4 million but land costs are minimal because of allocation from the municipality.

To better serve its members Kent Koop has established several subsidiary companies which operate at a profit. It owns 99.9% of a construction-production-marketing firm called KENTAS and a 50% share of a company called ESKAS which utilizes prefabricated technology. Both companies can bid on Kent Koop supervised projects but must compete with other builders. Together they have undertaken construction of some 4500 units.

Kent Koop has also established KENTKUR (the Project Consulting Co.) whose purpose is to assist local governments in preparing urban development plans and feasibility studies for new projects. Kent Koop, working with KENTKUR, has helped the city of Izmir organize 42 coops in a union called Egekoop and also helped with the design of a project area calling for 10,000 units.

Finally, Kent Koop runs building cooperative training programs, organizes seminars, publishes books and reports on housing and has established a documentation center. It is exploring the possibility of establishing a savings bank. In summary, it has played part of the role of a developer but with many additional activities.

C. Konutbirlik

Konutbirlik (KB) is an umbrella organization of building coops located in the Istanbul area similar to Kent Koop which also charges dues to its members. After a project is completed, the relationship ceases. KB is probably a looser organization than Kent Koop and does not have as much personal contact with its members.

KB has no arrangement with the Municipality of Istanbul such as Kent Koop had with expropriated land allocation in Batikent. KB's projects are scattered throughout the Istanbul area. KB looks for land, then forms a cooperative to build the project. These are heterogeneous coops made up of diverse members. (as opposed to the general practice with Kent Koop now). Right now KB's major goal is to locate a large enough parcel of land on which to construct 6 - 10,000 units.

KB is 14 years old. Its projects currently total 36 with 10,000 units under construction. To date 14,000 units have been completed under its umbrella. Only 10% of KB's project units under construction fall within a designated mass housing area. This is a problem because its members lose out on the more favorable financing. But mass housing areas are too far out of the city with limited transport which is a big problem.

VIII. PRIVITIZATION

The housing sector, from a production standpoint, is carried out by the private sector in Turkey. There is no national housing corporation to carry out government programs nor do any similar organizations exist at the municipal or local level. As described in earlier sections of the report, housing construction is carried out by individual contractors, including illegal gecekondu housing, by building cooperatives working with individual contractors, developers or cooperative unions or by developers doing large scale projects.

The only housing construction that is being carried out by an agency of government is the construction arm of the Emlak Kredi Bank. That bank, as

pointed out earlier, has several projects underway but the total number of units it has built since its establishment is a little less than 25,000, relatively insignificant in the total scheme of things. Thus, production of housing itself is essentially in private hands.

On the financing side it is an entirely different picture, however. The provision of formal housing finance is almost entirely from a variety of government programs or funds or through the Emlak Kredi Bank, a wholly-owned government bank. As has been pointed out the EKB is the only banking institution permitted to make housing loans with its own resources and it does this in conjunction with the government's Resource Utilization Support Fund. That is, government-set interest rates on EKB loans are far below its cost of money and it receives a rebate from the government to compensate for this.

In addition to its own resources, EKB also makes housing loans from a variety of other special government funds, all at highly concessional rates. These direct government funds far exceed the lending level using EKB's own resources. The most important of these funds is the new Housing Development (Mass Housing) Fund which is expected to generate \$500 million dollars per year. As described, the HDF eventually will be utilized through banks other than EKB, as well as EKB, both private and government, at generally highly subsidized rates. The HDF will pay a servicing charge to the banks.

Therefore, in summary, formal housing finance in Turkey is essentially a government operation with production being done by the private sector, either developers, contractors (including gecekondu) or individuals working for the most part through building cooperatives. The production level that is being sustained, or the level which is contemplated through the new HDF given: (1) the high standards that Turkish families appear to insist on; (2) the high current inflation rate, can only be maintained through subsidized interest rates. That is, without the subsidized interest rates, the housing being "demanded" would not be affordable and, hence, production would undoubtedly be curtailed.

What this means is that there appears to be little scope for a formal private housing finance operation in Turkey at this time other than the limited one now envisioned, that is, that private banks will be able to participate in HDF's financing for a negotiated service fee. Otherwise, with short term interest rates at around 50%, a private bank could not currently raise money and lend it out for housing mortgages. Kent Koop has done a study of the possibility of establishing a private savings bank for housing. However, discussions with Kent Koop disclosed that they were counting on borrowing funds externally at external interest rates to provide the resources with the government picking up the foreign exchange obligation.

If the government's program was a very modest one and there was a large backlog of unmet housing finance requirements, then the availability of only market rate funds in any quantity might force people to adjust their expectations and borrow at commercial rates for more modest housing. But the availability of some \$500 million in subsidized housing finance will not make this possible.

There has been some criticism of the efficiency of the EKB. By promoting the participation of other banks, including private ones, in the HDF's programs, you might be able to obtain greater efficiency through competition. At present, HDF has been attempting to interest other banks in the program with limited success.

On the formal side, there might be more scope for action, As pointed out in Section VI D on interest rates, there is an informal credit market which in 1984 was running at 4% per month compounded. Presumably some of this financing went for housing.

If families in gecekondü areas are able to pay the equivalent of 60% p.a. for credit for incremental improvements to their housing, there could be scope for establishing some sort of credit union in these areas. The possibility of this could be worth an independent study in some depth, perhaps working with an organization like Kent Koop.

IX. A PROJECTION OF HOUSING NEEDS UTILIZING AID METHODOLOGY

A. Background

As described in the Introduction to this report a preliminary "housing needs" study was conducted to introduce the methodology to Turkish planners and staff of the Housing Development Fund.

The analysis in this section estimates Turkey's overall housing needs over the next two decades, and further estimates the investment requirements needed to achieve a goal of providing adequate housing for the country's population by the end of that period.

Since the Housing Development Fund (HDF) provides funds for housing development only in the urban areas of Turkey, this analysis concentrates on the urban housing situation. Housing unit production requirements are based on projected rates of population growth and migration, and the requirements needed to maintain and upgrade the existing housing stock. Housing affordability levels and the subsidy requirements needed to provide low-income households with adequate housing are estimated. A comparative analysis of the investment requirements under different financing alternatives offered by the Housing Development Fund is presented, and the amount of indirect subsidies borrowers receive as a result of below-market (negative real) interest rates is estimated.

This study uses the methodology described in Preparing a National Housing Needs Assessment. Based on estimates of the existing housing stock, projections are made of the future housing production requirements necessary to accommodate population growth and eliminate overcrowding, and to replace and upgrade existing units that fail to meet acceptable standards. The investment necessary to meet these projections is estimated from unit construction costs and the number of units required.

Lower income households in the population may not be able to afford the full cost of minimally acceptable housing. The gap between the cost of providing a minimum standard housing and what is affordable by low-income

households is the amount of subsidies necessary to provide the nation with adequate housing. Households that are able to afford more than a minimum standard house are assumed to make housing investments up to the level that they can afford.

At the time of this study, Turkey did not possess a well-developed body of data for estimating housing needs and investment requirements. Data on the existing housing stock date from 1980 and do not provide indications of the condition of the stock, the nature of available infrastructure, or the degree of overcrowding. These characteristics have been estimated from secondary and sometimes impressionistic data for use in the analysis.

Existing household income data, which are necessary to estimate affordability levels, are based on an income and expenditure survey taken in 1978/1979. An income distribution derived from that survey is assumed to hold for the analysis period. Household income levels, however, could not be derived from the survey data. Rather, they are estimated by allocating total national household income using the income distribution pattern derived from the survey. Because of these limitations, this analysis should be viewed as provisional. A national census that is scheduled for October 1985 should provide more current and complete data that can be used to verify and update the findings of this analysis.

B. Summary of Findings

The prospects for providing the population of Turkey with adequate housing over the next two decades are very good. With its moderate rate of population growth and economic projections that indicate rising real household incomes, reaching realistic housing targets should be within Turkey's capability. The key to achieving these goals is ensuring that the resources necessary to provide adequate housing finance are maintained into the future.

Although the higher interest rates that are necessary to do this will mean lower levels of affordability, the total amount of real subsidies that must be provided to borrowers would change very little. Under current financing terms, borrowers receive implicit subsidies through below-market

interest rates. At interest levels that would protect the real value of lendable funds from inflationary erosion, larger direct subsidies would be necessary; they would however, be of a similar magnitude to the indirect subsidies that are generated by below market interest rates.

Although Turkey enjoys a moderate rate of population growth, urban growth rates are high due to rapid rural-to-urban migration. As a result of this, urban areas will account for 70 percent of Turkey's new construction requirements but only half of the country's population. Over the next five years, urban areas will require about 301,000 new dwelling units annually, while rural areas will need only 130,000 new units.

Under the policy now in effect, the maximum loan available from HDPPA for a single dwelling is TL 3.25 million. With this limitation, HDPPA will be able to provide partial financing for approximately one-quarter of the urban requirement for new housing production.

The investment necessary to meet Turkey's annual urban housing requirements depends on the cost of producing standard housing units, household affordability levels, and the number of units that must be produced. Urban housing standards in Turkey are high. Units that Turkish families consider to be desirable have a size of 100 square meters and cost approximately TL 4.275 million (in 1984 prices). On the basis of this standard, and the financing option offered by HDPPA that is most frequently selected by borrowers, an annual housing investment of TL 1,872 billion is required (in 1989) for urban areas alone. In the context of Turkey's economy, this corresponds to an enormous level of investment for urban housing. It would account for 8 percent of gross domestic product and 42 percent of gross fixed capital formation. It is highly unlikely that this level of housing investment could be sustained over an extended period.

Although a more modest standard house that could be produced at a lower cost would reduce housing investment requirements, its impact would be minor. Under the terms of the financing option which sets repayment installments equal to a share of the prevailing minimum wage, affordability levels are high, and a majority of households can afford to purchase more

than the minimum standard dwelling. Because households that can afford more than the minimum standard are assumed to invest up to the maximum that they can afford, the amount of their housing investment will not be changed by adopting a lower standard.

High levels of affordability are attributable to the (estimated average) 20 percent interest rate HDPP currently charges for loans on housing units developed in mass housing areas. With current inflation levels substantially higher than this, real rates of return are negative and provide indirect subsidies to borrowers. These subsidies would amount to TL 379 billion if all borrowers in urban areas had access to housing finance under these terms. Assuming a long-run inflation rate of 25 percent per year, raising interest rates to 26.5 percent, for example, would produce a positive rate of return and eliminate indirect subsidies. Affordability levels would decline with such a change, and additional direct subsidies of TL 305 billion would be required to meet the housing needs of all urban residents. With reduced affordability levels, urban housing investment would decline by more than one quarter to TL 1,367 billion from TL 1,872 billion. This lower level of investment would account for 5.8 percent of GDP and 30.8 percent of gross fixed capital formation.

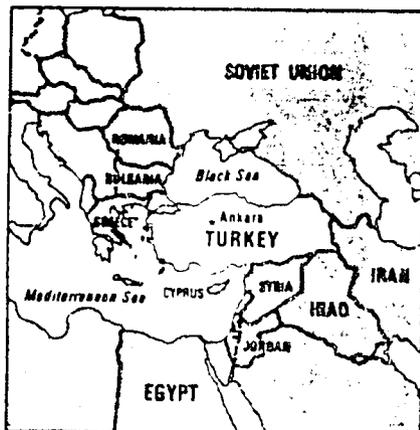
background notes

Turkey



United States Department of State
Bureau of Public Affairs

December 1984



Official Name:
Republic of Turkey

PROFILE

People

Nationality: *Noun*—Turk(s). *Adjective*—Turkish. **Population** (1983 est.): 47.2 million. **Annual growth rate:** 2.1%. **Ethnic groups:** 85% Turkish, 12% Kurdish, 3% other. **Religions:** Muslim (98%), Christian, Jewish. **Languages:** Turkish (official), Kurdish, Arabic. **Education:** *Years compulsory*—6. *Attendance*—95%. *Literacy*—70%. **Health:** *Infant mortality rate*—15.3/1,000. *Life expectancy*—57 yrs. **Work force** (18.1 million): *Agriculture*—61%. *Industry and commerce*—12%. *Services*—27%.

Geography

Area: 766,640 sq. km. (296,000 sq. mi.); slightly larger than Texas. **Cities:** *Capital*—Ankara (pop. 2.8 million). *Other cities*—Istanbul (4.7 million), Izmir (1.98 million), Adana (1.48 million). **Terrain:** Narrow coastal plain surrounds Anatolia; an inland plateau becomes increasingly rugged as it progresses eastward. **Climate:** Moderate in coastal areas, harsher temperatures inland.

Government

Type: Republic. **Independence:** 1923. **Constitution:** November 7, 1982.

Branches: Under the 1982 constitution a unicameral 400-member parliament (the Grand National Assembly) and a strengthened presidency were established. An advisory Presidential Council, consisting of the members of the previous National Security Council, also was established for an interim, 6-year period. The judicial system has been left intact. **Executive**—president (chief of state), prime minister, council of ministers (Cabinet). **Legislative**—Grand National Assembly chosen by national elections at least every 5 years. **Judicial**—Constitutional Court, Court of Cassation, Council of State, High Council of Judges and Prosecutors.

Political parties: Motherland Party (MP), Populist Party (PP), and Nationalist Democracy Party (NDP) currently represented in Parliament; Social Democracy Party (SODEP), Correct Way Party (CWP), Affluence Party are represented in provincial councils and municipalities. A Democratic Left Party (DLP) also has been formed. **Suffrage:** Universal over 21.

Central government budget (1984): \$8.7 billion (3,250 billion Turkish lira).

Defense: 4.8% of 1981 GNP or 17.6% of 1982 budget.

National holiday: Republic Day, October 29.

Flag: White crescent and star on a red field.

Economy

GNP (1982): \$54.2 billion. **Annual growth rate** (1970-79): 6%. **Per capita income:** \$1,000. **Avg. annual inflation rate** (1984 midyear est.): About 50%.

Natural resources: Coal, chromite, copper, boron, oil.

Agriculture (19.3% of GNP): *Products*—cotton, tobacco, cereals, sugar beets, fruit, nuts.

Industry (25.2% of GNP): *Types*—textile, processed foodstuffs, iron and steel, cement, leather goods.

Trade (1983): *Exports*—\$5.7 billion: tobacco, cotton, textiles, cement, raisins, nuts, leather, glass, ceramics. *Imports*—\$9.2 billion: (by value) petroleum, pharmaceuticals and dyes, iron and steel, machinery, plastics and rubber, transport vehicles. *Major partners*—Iraq, FRG, U.S., France, U.K., Italy, Iran, Libya, and Eastern Europe.

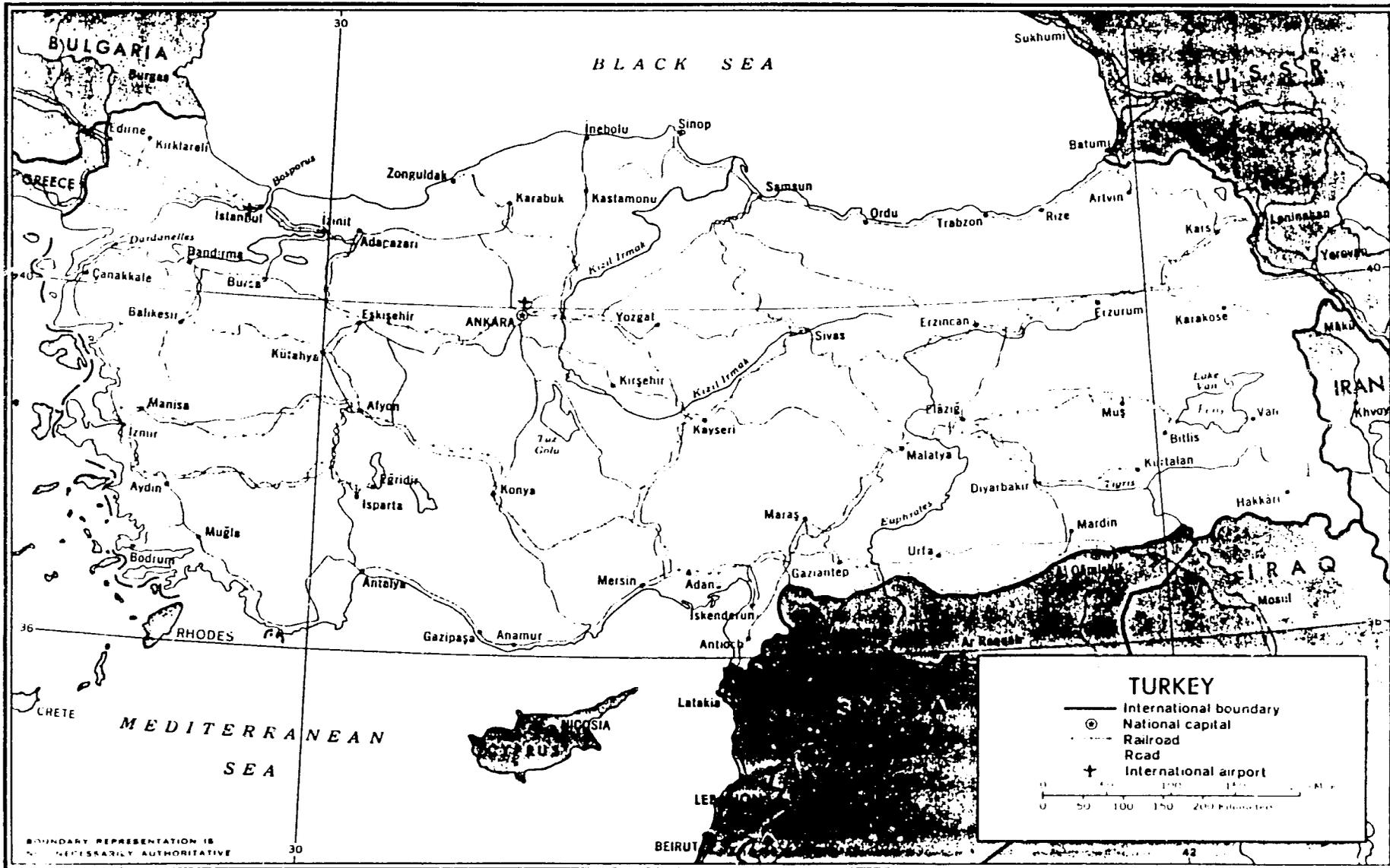
Fiscal year: Calendar year.

Official exchange rate (June 1984): 370 Turkish lira = US\$1.

US aid received (FY 1946-84): \$11 billion. *Economic*—\$3.9 billion; *military*—\$7.1 billion.

Membership in International Organizations

UN, Organization for Economic Cooperation and Development (OECD), INTELSAT, NATO, Islamic Conference Organization, EC associate member, Council of Europe.



BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE

PEOPLE

Urban areas have experienced tremendous growth since 1950 as a result of the movement of villagers to the cities. Squatter dwellings (*gecekondu*) can be seen around the cities' edge, posing a constant challenge to the municipalities to provide essential services. About half of Turkey's population live in urban areas.

Most Turkish Muslims belong to the Sunni sect. The state recognizes no established religion. No legal discrimination is exercised against the small, non-Islamic minorities, which consist mainly of Greeks, Armenians, and Jews.

The Kurds, about 9 million, constitute an ethnic and linguistic but not religious minority. Although an increasing number have migrated to the cities, the traditional home of the Kurds is in poor, remote areas of the east and southeast, which have not kept pace with the economic and social development of most of Turkey.

Culture

Turkish culture comprises modern and traditional—Ottoman and folkloric—elements. Many crafts of the Ottoman period, particularly in architecture, ceramics, and carpet weaving, are honored and practiced today, retaining their varied regional characters.

Modern Turkish cultural life dates from the founding of the republic (1923) and Ataturk's early efforts to Westernize Turkish society. As a result, plastic and visual arts, literature, drama, and classical and contemporary music have flourished. Among the leaders of the modern, Western trends are Avni Arbas (painter), Yasar Kemal (novelist), and Adnan Soygun (composer). Kemal's 1958 novel, *Mehmet, My Hawk*, is Turkey's most popular work of fiction and has been translated into more than a dozen languages.

State support of the arts and cultural activities is extensive and encompasses a national network of theater, orchestra, opera, and ballet companies, university fine arts academies, and various conservatories. Public funds are also used to provide partial support for private theater groups and for major art exhibitions and festivals.

GEOGRAPHY

Turkey lies partly in Europe and partly in Asia. The Bosphorus, the Sea of Marmara, and the Dardanelles, known collectively as the Turkish Straits, connect the Black and Mediterranean Seas.

The coastal areas receive sufficient rainfall to support intensive cultivation. Various crops, ranging from tea in the northeast to tobacco in the west and cotton in the south, are grown on those relatively narrow coastal plains. The coastal regions, particularly in the south and west, enjoy mild winters.

Wheat is the principal crop grown on much of the rolling, inland terrain of the western regions of the Anatolian Plateau, which becomes more mountainous and less productive toward the east.

Winters are severe in eastern Turkey but less harsh in the western Anatolian Plateau. To the southeast, the terrain has a mean elevation of 900 meters (3,000 ft.) above sea level and is treeless, sparsely populated, and crisscrossed by mountain chains. The Tigris and Euphrates Rivers rise in eastern Turkey and flow southward to the Persian Gulf through Iraq and Syria. The largest all-Turkish river is the Kizil Irmak, which flows northward east of Ankara to the Black Sea.

HISTORY

The Republic of Turkey was founded by Mustafa Kemal (later named Ataturk) in 1923 after the collapse of the 600-year-old Ottoman Empire. The empire, which at its peak controlled vast stretches of northern Africa, southeastern Europe, and western Asia, had failed to keep pace with the social and technological developments of Europe. The rise of nationalism impelled several peoples of the empire to seek independence, leading to the empire's fragmentation. This process culminated in the disastrous Ottoman participation in World War I as a German ally. Defeated, shorn of much of its former territory, and partially occupied by forces of the victorious European states, the Ottoman structure was repudiated by Turkish nationalists who rallied under the leadership of Ataturk. After a bitter war against invading Greek forces, the nationalists expelled them from Anatolia. The sultanate and caliphate, the temporal and religious ruling institutions of the old empire, were abolished, and Turkey became a republic.

The new republic concentrated on modernizing and Westernizing the empire's Turkish core—Anatolia and a small part of Thrace. The social, political, linguistic, and economic reforms and attitudes introduced by Ataturk before his death in 1938 formed the ideological base of modern Turkey.

Referred to as Ataturkism, it comprises secularism, nationalism, statism, and turns toward the West for inspiration and support. The meaning, continued validity, and applicability of Ataturkism are the subject of frequent discussion and debate in Turkey's political life.

Turkey did not participate in World War II until shortly before its end, but this brief belligerency enabled it to become a charter member of the United Nations. The difficulties faced by Greece in quelling a communist rebellion and demands by the Soviet Union, shortly after the end of World War II—for Turkey's cession of some of its eastern territory and for military bases in the Turkish Straits—led to the declaration of the Truman doctrine in 1947. Large-scale U.S. military and economic aid began at this time. Turkey joined the North Atlantic Treaty Organization (NATO) in 1952.

The one-party rule—Republican People's Party (RPP)—established by Ataturk in 1923 lasted until the 1950 elections, when the Democrat Party came to power. It ruled from 1950 until May 1960, when growing economic problems and internal political tensions culminated in a military coup. A new constitution was written, and civilian government was reinstated with the convening of the Grand National Assembly (GNA) in October 1961. In addition, the new constitution established a National Security Council (NSC) composed of the chief of the Turkish General Staff and representatives of the army, air force, and navy.

In the October 1961 elections, no party won a majority; however, the RPP was the dominant party in the coalition governments from 1961 to early 1965. In the 1965 elections and again in the 1969 elections, the Justice Party (JP), led by Suleyman Demirel, won a sizable majority of GNA seats and ruled alone.

Disruptions of public order began in 1968 and increased as left- and right-wing extremists took to the streets. In March 1971, dissatisfied with the JP's inability to cope with domestic violence and to institute reforms, the senior military leaders called for JP's replacement by a more effective government.

Demirel's government resigned and was replaced by a succession of "above party" governments, which ruled until the October 1973 general elections. The RPP emerged as the largest party, and its chairman, Bulent Ecevit, became prime minister of a coalition government composed of the RPP and the conservative, religiously oriented National

Salvation Party. Because of differences with his coalition partner, Prime Minister Ecevit resigned in September 1974 and called for early elections. A prolonged government crisis ensued.

From 1975 to 1980, unstable coalition governments ruled, alternately led by Demirel and Ecevit. By the end of 1979, an accelerating decline in the economy, coupled with mounting violence from the extreme left and right, led to increasing instability. Demirel's government imposed an economic stabilization program in early 1980, but, by summer 1980, extremist factional violence was claiming more than 20 victims each day. In addition, a severely divided GNA was unable to elect a new president or to pass other legislation required to cope with the crisis.

On September 12, 1980, the National Security Council, composed of the chief of the Turkish General Staff and representatives of the armed forces, assumed control of the government. The NSC, led by Gen. Kenan Evren, subsequently moved successfully to restore public order. Thousands of terrorists were captured with large caches of weapons and ammunition. While politics were banned and the former political parties dissolved, the NSC initiated a series of steps to restore democratic civilian rule by 1983. These measures included a national referendum on November 7, 1982, which resulted in overwhelming public approval (91%) of a new constitution drawn up by the 160-member Consultative Assembly and modified by the NSC. The referendum simultaneously approved Gen. Evren as president for a 7-year term. A temporary article banning former political party leaders from politics for 10 years also went into effect.

In parliamentary elections held November 6, 1983, three newly established parties competed to fill seats in the Grand National Assembly. The Motherland Party, founded by Turgut Ozal, Deputy Prime Minister between 1980 and 1982, and architect of Turkey's successful economic austerity program under the military government, won an absolute majority of parliamentary seats. The Populist Party came in second, and the Nationalist Democracy Party, third. Turgut Ozal organized a government which took office in December 1983. The Ozal government, the first civilian government since the early 1970s to govern without coalition partners, made economic reform its priority.

In March 1984, The Motherland Party also won a substantial victory, confirming its support from many sectors of Turkish life. In addition to the three parties that had won seats in parliament in November, three newly established parties also participated in these elections. One of the newer parties, the Social Democracy Party, received the second largest vote total.

GOVERNMENT

The 1982 constitution preserves a Democratic, secular, parliamentary form of government with a strengthened presidency. It provides for an independent judiciary and the safeguarding of internationally recognized human rights. These rights, including freedom of thought, expression, assembly, and travel, can be limited in times of emergency and cannot be used to violate the integrity of the state or to impose a system of government based on religion, ethnicity, or the domination of one social class (e.g., Marxism). The constitution forbids torture or ill treatment. Labor rights, including the right to strike, are recognized in the constitution but can be restricted.

Executive powers are shared by the president and prime minister. The president, who has broad powers of appointment and supervision, is chosen by the GNA for a term of 7 years and cannot succeed himself. The prime minister administers the government. The prime minister and the Council of Ministers are responsible to the GNA.

Legislative functions are carried out by the unicameral, 400-member GNA. Election is by proportional representation, but, to participate in the distribution of seats, a party must obtain at least 10% of the votes cast in the province and 10% of the votes cast at the national level. This double 10% threshold is expected to reduce the number of smaller parties represented in parliament as well as the necessity for coalition governments.

Laws passed by the GNA are to be promulgated by the president within 15 days. With the exception of budgetary laws, the president may return a law to the GNA for reconsideration; if the GNA reenacts the law, it is binding. Constitutional amendments require a two-thirds majority for approval. During the first 6 years under the new constitution (until 1989), presidentially vetoed amendments will require a three-quarters majority vote to override; if the president chooses, such amendments may be submitted to a national referendum.

The 1982 constitution preserves the judicial system previously in effect and provides for a system of state security courts to deal with offenses against the integrity of the state. The high court system remains in place with its functional divisions, common in European states, including a Constitutional Court responsible for judicial review of legislation, a Court of Cassation (or Supreme Court of Appeals), a Council of State serving as the high administrative and appeals court, a Court of Accounts, and a Military Court of Appeals. The judiciary is supervised by the High Council of Judges and Prosecutors, appointed by the president.

Principal Government Officials

President of the Republic—Gen. Kenan Evren
Prime Minister—Turgut Ozal
Minister of State and Deputy Prime Minister—Kaya Erdem

Ministers

Foreign Affairs—Vahit Halefoglu
National Defense—Zeki Yavuzturk
Interior—Yildirim Akbulut
Finance and Customs—A. K.

Alptemoçin
Justice—Necat Eldem
Chief, Turkish General Staff—Gen. Necdet Urug
Industry and Trade—Cahit Aral

Ambassador to the United States—Sukru Elekdag
Ambassador to the United Nations—Coskun Kirca

Turkey maintains an embassy in the United States at 1606 - 23d Street NW., Washington, D.C. 20008, and consulates general in Chicago, Los Angeles, and New York.

POLITICAL CONDITIONS

Turkey's body politic is almost evenly divided between those who are conservative and frequently traditional in outlook and those who seek more rapid implementation of the secular, Westernizing, statist philosophy propounded by Ataturk. This fundamental dichotomy underlies the formal party structure and helps to explain the recurrent difficulties that Turkey has experienced since 1950. The forces behind these outlooks are expected to persist under the new political structure.

In the 1960s and 1970s, Turkey's two major parties and several smaller parties participated in frequently changing, often tenuous coalitions. With the advent of the military administration in September 1980, existing political parties were suspended and later abolished.

In 1983, as part of the return to parliamentary government, a political parties law was promulgated. Formation of new political parties was authorized if the founding members were not leaders or members of parliament attached to the pre-1980 political parties.

Prior to the deadline for participation in the 1983 national elections, the establishment of three political parties—the Nationalist Democracy Party, the Motherland Party, and the Populist Party—was authorized. In these elections, the Motherland Party of Turgut Ozal won 45% of the vote, and, through the operation of the threshold proportional representation system, an absolute majority in the 400-member parliament. The formation and participation of three additional parties—the Correct Way Party, the Social Democracy Party, and the Affluence Party—was authorized prior to the local level elections of March 1984, an election in which the Motherland Party also finished first.

In the coming years, there is likely to be continued evolution in political parties in Turkey. New parties may be formed and existing parties may merge or fade away in accordance with their success at the polls.

ECONOMY

Although developing structurally, the agricultural sector remains significant, producing cotton, tobacco, grains, fruits, and vegetables. More than half of the labor force are farmers, and this sector contributes more than one-fifth of the gross domestic product. In addition, a significant portion of industry is involved in processing agricultural products. An important feature of the Turkish economy is the public sector, in which state owned or controlled enterprises account for about half of aggregate industrial production.

The period from the mid-1960s to the mid-1970s was the longest sustained period of economic growth and development in modern Turkish history, and the economy attained annual growth rates of nearly 7%. This growth was financed by external borrowing, improved export performance, and remittances by Turkish workers in Western Europe. Oil price increases after 1973 and the concomitant European recession slowed Turkish growth and revealed major structural deficiencies. Attempts to maintain high domestic growth through external borrowing at increasingly un-

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For information on economic trends, commercial development, production, trade regulations, and tariff rates, contact the International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230 or any Commerce Department district office.

favorable rates led to a financial crisis, with a \$3.4 billion balance-of-payments deficit in 1977 and a severe debt burden. During 1977, the Central Bank, increasingly unable to keep its foreign exchange transfers current, suspended conversion for normal trade transactions and failed to service its debt. In 1978 and 1979, as part of an International Monetary Fund (IMF) standby agreement, the government implemented stabilization programs that later proved inadequate.

The economic crisis worsened in 1979 as oil prices again doubled. Lack of foreign exchange led to severe shortages of all imported goods, including oil. The

economy came to a virtual standstill during the winter of 1979-80. In January 1980, the Demirel government adopted a tough economic reform program, and early that year Turkey negotiated a third, much more stringent standby agreement with the IMF. The reform program, continued by the military after September 1980, planned to improve Turkey's balance of payments, curb inflation, and increase productivity through measures including currency devaluations, export promotion, and restructuring of Turkey's noncompetitive state enterprises. The response of the Turkish economy to the program was generally outstanding. Inflation was cut from 120% to nearly 30%, domestic production was rising again, and exports expanded to record levels.

After coming to power in December 1983, the new Motherland Party government of Turgut Ozal reinforced and expanded the economic reform program. Downward adjustments in the value of the Turkish lira have been made more frequently, in order to enhance the competitiveness of Turkish exports. In order to encourage savings and to restrain money supply growth, real interest rates have been increased. The Ozal administration restructured and combined government agencies and implemented

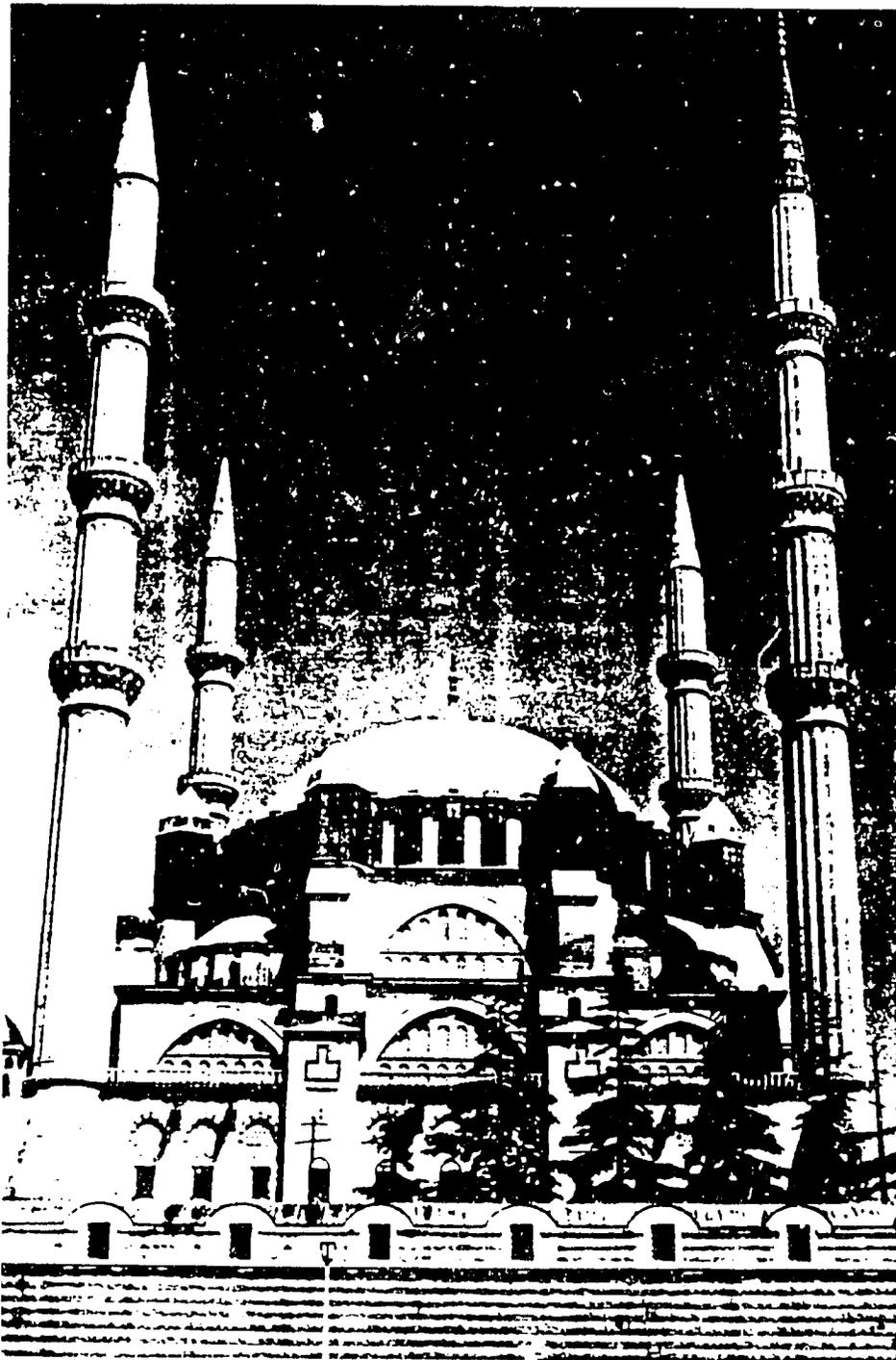
tax reform measures. It also has announced a reform of the State Economic Enterprises, including more realistic pricing and investment policies, and the spin-off of some State Economic Enterprises to the private sector. Indications are that economic activity is up as a result of the government's economic policies, but reflecting the State Economic Enterprises' price increases and the more rapid depreciation of the lira in 1984, inflation also has increased to more than 50% by mid-year.

Turkey is helped in this effort with economic assistance provided by a consortium of Western donor nations, including the United States under the aegis of the Organization for Economic Cooperation and Development (OECD). The United States provided \$295 million in fiscal year 1981, \$300 million in 1982, and has proposed \$350 million for 1983. Turkey signed an agreement of association with the European Economic Community (Common Market) in 1963, providing for free entry of Turkish industrial exports, improved access for Turkish agricultural goods, and industrial investment credits. In turn, Turkey's tariffs will be progressively reduced or curtailed for Common Market products over a 30-year period.

A fundamental Turkish objective is to reduce the gap between its economy and those of Western Europe. Economic development with financial stability is a major domestic goal. Turkey's central economic problem is to increase foreign-exchange earnings to pay for the imports required for development. In addition, much of the industrial sector is still devoted to assembly rather than basic manufacture, is dependent on high-cost imports, and is designed to produce for the protected home market. The industrial sector must become more efficient if Turkey is to sustain economic growth and move toward parity with other European countries.

DEFENSE

With total personnel of more than 700,000, Turkey's Armed Forces are the second largest in NATO. Turkish forces fought alongside Americans in Korea in the UN Command, and Turkey entered NATO in 1952. Two NATO headquarters, Land South East and Sixth Tactical Air Force, are located in Izmir, Turkey. Several thousand U.S. military personnel and their dependents are stationed at installations in Turkey, including a major air base at Incirlik, near Adana; several communications and electronics facilities; and a number of smaller installations. Major U.S. military organizations are the Joint U.S. Military Mission for Aid to Turkey (JUSMMAT) and The U.S. Logistical Group (TUSLOG). Turkey, with a common border with the Soviet Union and control of the straits leading from the Black Sea to the Mediterranean, is the vital eastern anchor of NATO. The Turkish military is undergoing major modernization, with assistance from the United States and other NATO allies.



The Selimiye Mosque in Edirne.

FOREIGN RELATIONS

Besides its relationships with NATO and the European Community, Turkey is a member of the OECD and the Council of Europe. Its primary political, economic, and security ties are with the West. Recently, Turkey's relations with some West European nations have been adversely affected by reports of Turkish human rights violations. During the last several years, Turkey has tried to expand its relations with non-Western countries; for example, in 1976, it became a member of the Islamic Conference Organization, and in 1978, it signed a comprehensive agreement of friendship and cooperation with the Soviet Union.

U.S.-TURKISH RELATIONS

Turkish-U.S. friendship dates to the late 18th century and was officially sealed by a treaty in 1830. The present close relationship began with the agreement of July 12, 1947, which implemented the Truman doctrine. As part of the cooperative effort toward Turkish economic and military self-reliance, the United States has loaned and granted Turkey about \$3.9 billion in economic aid and more than \$7 billion in military assistance.

U.S.-Turkish relations were tested severely in July 1974, when Turkey invoked the 1960 Treaty of Guarantee for Cyprus and sent troops there to protect the Turkish Cypriot community following the overthrow of the Cypriot Government by mainland Greek officers in the Cypriot National Guard. The ensuing fighting on Cyprus led to Turkish occupation of the northern part of the island.

Turkey's use of U.S.-supplied arms during the intervention caused the U.S. Congress to mandate an embargo in 1975 on military shipments to Turkey. Resentment of this action led to a Turkish decision in July 1975 to take over U.S. defense installations, abrogate the 1969 Defense Cooperation Agreement, and suspend indefinitely impor-

tant U.S. military activities. The embargo was relaxed in October 1975, and in March 1976, a new defense agreement was signed, which was not approved by the Congress. In September 1978, the embargo was set aside, and U.S.-Turkish relations improved markedly. Restrictions that Turkey had imposed on U.S. activities in 1975 were lifted in late 1978. In March 1980, the United States and Turkey signed a Defense and Economic Cooperation Agreement that provided a new framework for U.S. military activities in Turkey and committed the United States to a "best effort" in providing defense support to the Turkish Armed Forces. The United States provided foreign military sales and military assistance program funding of \$250 million in FY 1981, \$400 million in FY 1982 and FY 1983, \$715 million in FY 1984, and \$700 million for FY 1985.

Principal U.S. Officials

Ambassador—Robert Strausz-Hupe
Deputy Chief of Mission—Frank G. Trinka
Chief, Joint U.S. Military Mission—Maj. Gen. Elmer D. Pendleton

Counselors

Mutual Security Affairs—Jerome Kahan
Political Affairs—Jay P. Freres
Economic Affairs—Marshall Casse
Administrative Affairs—Phillip J. Walls
Public Affairs Officer (USIS)—Arthur A. Bardos
Defense and Air Attache—Col. Neal Sorensen
Navy Attache—Capt. Robert P. Glover
Army Attache—Col. Robert Shohan

Consuls General

Istanbul—Daniel O. Newberry
Izmir—Beauveau B. Nalle

Consul

Adana—David C. Harr

The U.S. Embassy is located at 110 Ataturk Blvd., Ankara. The Consulate General in Istanbul is at 104-108 Mesrutiyet Caddesi; the Consulate General in Izmir, at 92 Ataturk Caddesi, third floor; and the consulate in Adana, on Ataturk Caddesi. ■

Travel Notes

Customs and currency: A visa is not required of holders of U.S. tourist passports for stays of up to 3 months. Holders of diplomatic or official passports and persons entering for purposes other than tourism or for stays of longer than 3 months should obtain visas from a Turkish Embassy or consulate. Up to 10,000 Turkish lira may be imported. Visitors should declare foreign currency upon entry.

Climate and clothing: Clothing and shoe requirements are about the same as for the eastern U.S. However, Ankara winters are slightly more severe, with more snowfall. Adana's climate has been compared to that of Texas.

Health: Public health standards in the larger cities approach those in the U.S., but care must be taken, especially in rural areas. Tap water is generally potable in Istanbul. Turkish law requires that at least one pharmacy be open in a neighborhood at all times.

Telecommunications: Telephone and telegraph services, domestic and international, are generally dependable. During peak hours, circuits are often overloaded and delays ensue. Ankara is eight time zones ahead of eastern standard time.

Transportation: More than 20 scheduled airlines connect Turkey with all parts of the world. Istanbul and Ankara are the primary international airports. Turkish Airlines and Turkish state railways serve many points in Turkey, Europe, and the Middle East.

Buses and share cabs, although somewhat crowded, provide satisfactory local transportation. Taxis are readily available. Main roads are fairly good in the large centers; secondary roads are generally adequate.

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Editor: Juanita Adams

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Type of Credit	03/31/83	01/01/84	06/15/84
I. Investment Loans / <u>a</u> (Industry-Private Sector)			
-Underdeveloped Regions	29	22	22 / <u>b</u>
-Other Regions	36	22	32 / <u>b</u>
II. ST Export Credits (Industry)	29	35	45
III. Working Capital			
-Underdeveloped Regions	45	50-75 / <u>c</u>	52-75 / <u>c</u>
-Other Regions	52		
IV. Agriculture / <u>a</u>			
-Investments	22	28	28 / <u>b</u>
-ST Credits	20	28	28
-ST (Sales Coop)	20	37	40
-Agroindustry (TCZB)	20-22	28	36-45
V. Tourism			
-Investments	n.a.		20
VI. Housing			
-Investments	25	26	15-45 / <u>d</u>
VII. SEEs			
-Investments (DYB)	21.5	21.5	21.5
VIII. FERIS - 8 years fixed	-	-	33-35/ <u>e</u>

/a Most rates on medium and long term loans are fixed rates for the life of the loans, although TCZB's loans carry a floating rate, which is adjusted on outstanding balances of subloans.

/b Central Bank rediscount rates plus 1-2% commission.

/c Working capital is usually not available at 52%. Through compensatory balance requirements, commercial banks are able to increase considerably the cost to borrowers. Also, rates are charged on a quarterly basis; the annual rate equivalent therefore is much higher (e.g. 62% quarterly = 77% annually). After adding taxes and commission, the effective cost is about 88% p.a.

/d Mortgage rates vary by type and cost of house.

/e Based on a commitment fee of 26%, a front-end fee of 1.5% and a typical TSKB disbursement period.

Source: Financial Sector Report, September 1983, page 17, WORLD BANK

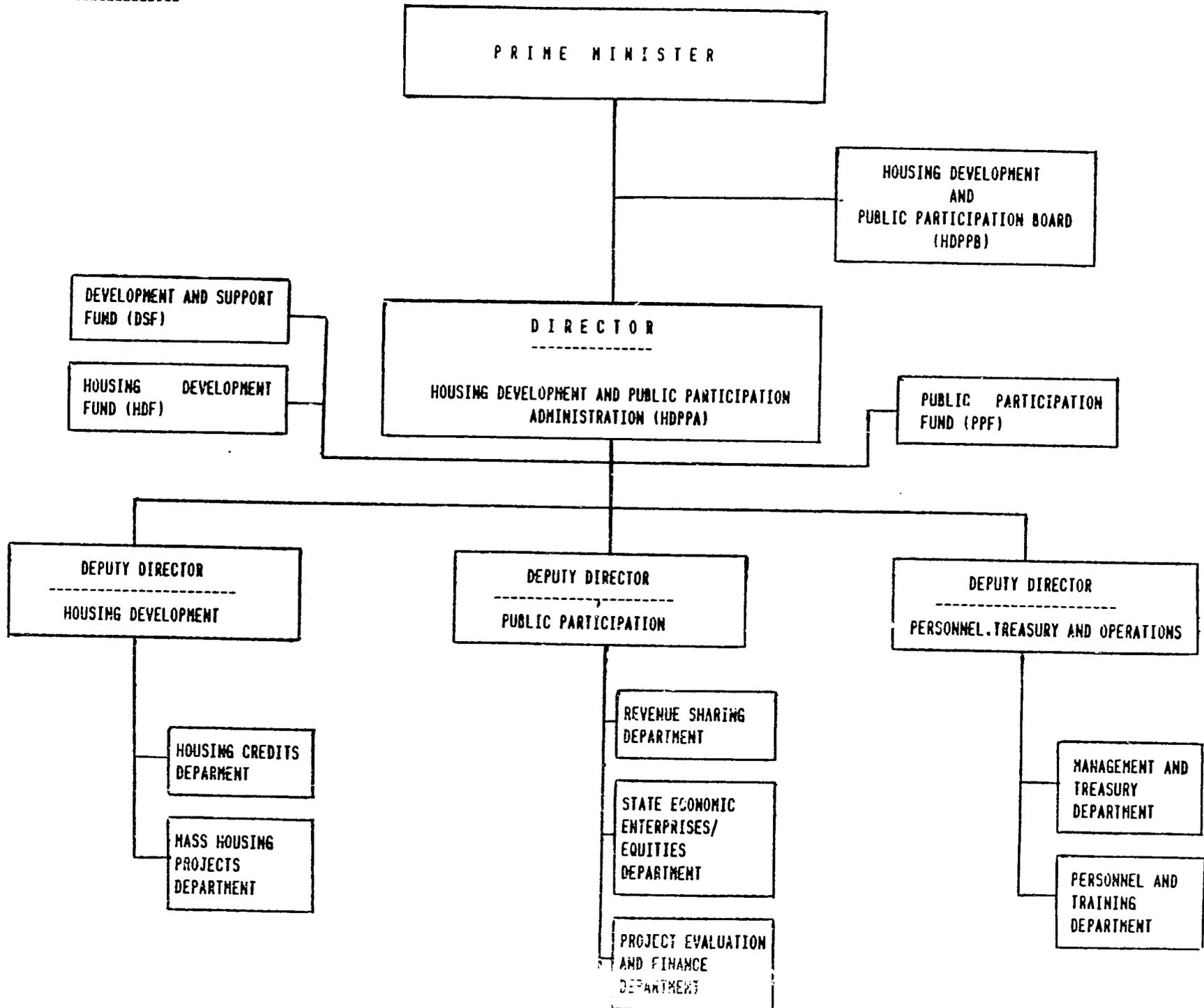
(World Bank Report No. 4450-TU) updated by Bank of Turkey, Central Bank

TURKEY - DEPOSIT INTEREST RATES

	<u>December 1983</u>	<u>June 1984</u>	<u>Sept. 1984</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Demand Deposits	5.00	5.00	5.00
Time Deposits			
- 3-month	49.00	52.00	53.00
- 6-month	47.00	48.00	52.00
- 12-month	45.00	45.00	45.00
Interbank Deposits	Free	Free	Free

PRIME MINISTRY
HOUSING DEVELOPMENT AND PUBLIC PARTICIPATION
ADMINISTRATION

ORGANIZATION CHART :



**HOUSING DEVELOPMENT AND PUBLIC PARTICIPATION
BOARD (HDPP)**

Chairman : Prime Minister

**Members : State Ministers; Ministers of:
Finance and Customs, Public
Works and Settlement, Trans-
portation, Agriculture Forestry
and Village Affairs, Industry
and Trade, Energy and Natural
Resources, Labor and Social
Security, Culture and Tourism.**

The Undersecretaries of Ministries of Finance and Customs and Public Works and Settlement, the Undersecretary of the Treasury and Foreign Trade and the Governor of the Central Bank will also attend the meetings.

The Board's secretarial services are provided by HDPPA.

Duties And Responsibilities of HDPPB:

- * To decide on issuance of Revenue Sharing Bonds (RSB), Corporate Stocks (CS) and to grant Operating Rights (OR);
- * To determine and advertise annual yields of the RSBs;
- * To determine the tolls and tariffs of those infrastructures whose revenues will be sold through RSB issues;
- * To buy back the RSBs in circulation when deemed necessary;
- * To decide on transfers between the Funds;
- * To determine the amounts and terms of Mass Housing Loans, Individual Loans, Purchaser's Share Account;
- * To determine the annual financing program of HDF;

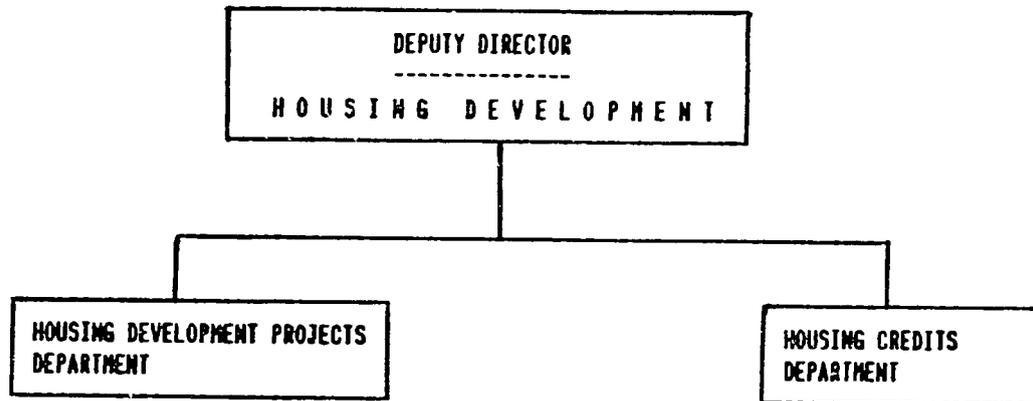
D I R E C T O R

HOUSING DEVELOPMENT AND PUBLIC PARTICIPATION
ADMINISTRATION (HDPPA)

(HDPPA established under Law # 2983, The Law Concerning the Encouragement of Savings and the Acceleration of Public Investments.)

Duties and Responsibilities of HDPPA:

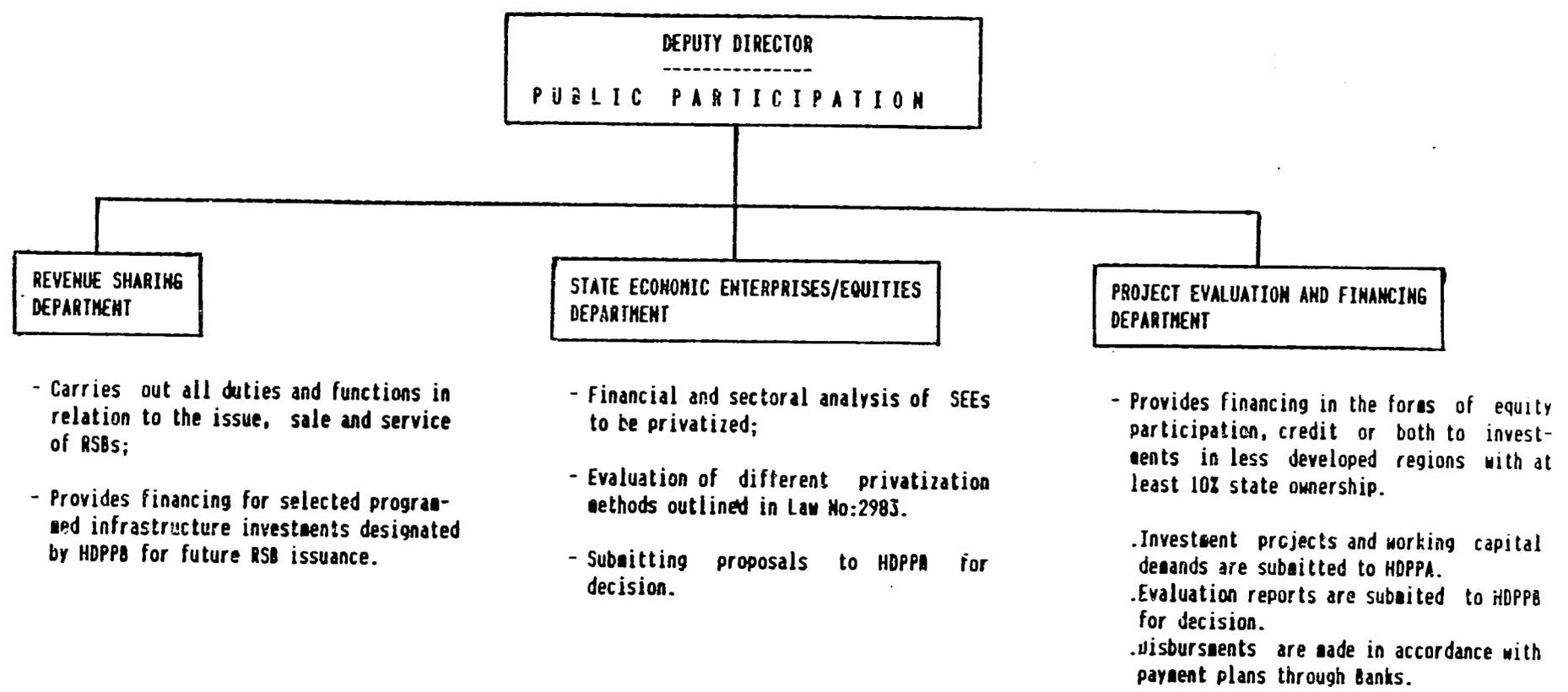
- * Speedy implementation of decisions taken by Housing Development and Public Participation Board (HDPPB);
- * Management of Housing Development (HD) and Public Participation (PP) Funds;
- * Ensuring the realization of all kinds of research, project and contractual works;
- * Carrying out all duties assigned under other Laws and Regulations.

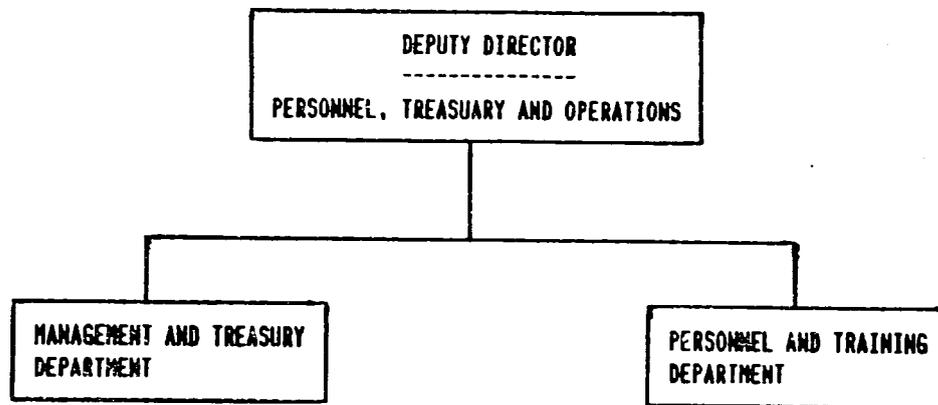


14.

- Project approvals for individual and cooperative housing, infrastructure and social complexes in mass housing zones, tourism infrastructure projects, research and development projects;
- Issuance of Certificates of Conformity upon project approval;
- For investment and working capital credits, housing contractors apply to HDPPA with Incentive Certificates obtained from SPO. If the loan is approved, a Certificate of Conformity is issued.

- Provides financing for individual and cooperative housing in or out of mass housing zones, investment and working capital credits to manufacturers of construction materials;
- Applications for individual and cooperative housing loans in mass housing zones are made to HDPPA, otherwise to the Bank.





- Handles financial matters from one center and speeds up processing and implementation;
- Prepares and administers the budget of the administration;
- Prepares annual reports;
- Arranges purchasing and leasing of buildings land and materials as required;
- Registration of official documents and distribution to the staff;
- Carries out all other administrative functions.

- Carries out works concerning staff planning in the administration;
- Follows up personnel matters in accordance with Laws and Regulations;
- Prepares and puts into force training programs within the country and abroad.

HOUSING DEVELOPMENT FUND (HDF)

(Established with the Central Bank and administered by HDPPA)

Sources of the Fund :

- A maximum of 15% of the tax base for production tax on alcoholic and nonalcoholic beverages, tobacco products, etc;
- Based on the refinery prices of petroleum products, 15% of gasoline price and a maximum 7% of kerosene and fuel oil prices;
- Amounts allocated to HDF by other laws and regulations;
- Maximum of \$100 for each exit from Turkey;
- Loan repayments;
- Funds collected from goods imported by the State Monopolies;
- A maximum of 10% of the sale price of per kWh of electricity consumed;
- Donations and loans extended to HDF.

Uses of the Fund:

- Individual, cooperative housing loans in or out of mass housing zones, investment and working capital loans;
- Interest subsidies on housing loans;
- Purchase of land for housing development;
- Research and development of plans, project standards and norms relevant for housing;
- Tourism infrastructure;
- Necessary infrastructure for mass housing;
- Taxes and dues which must be paid by HDPPA in accordance with the application of the Law;
- Allocation to HDPPA budget (Maximum of 1% of HDF);
- Transfers to PPF.

PUBLIC PARTICIPATION FUND (PPF):

(Established with the Central Bank and administered by HDPPA.)

Sources of the Fund :

- Proceeds from sales of Revenue Sharing Bonds (RSB), Corporate Stocks (CS) and granting of Operating Rights (OR);
- Revenues from the operations of infrastructural installations;
- Transfers from Housing Development Fund.

Uses of the Fund:

- Operating, repair and maintenance expenses of the infrastructural installations for which RSBs are issued;
- A minimum of 10% of PPF is allocated to investments in less developed regions;
- Semiannual income payments to RSB holders;
- Financing of infrastructures and plants which in the future may be included in RSB, CS or OR programmes;
- To buy back the RSBs in circulation when deemed necessary;
- Allocation to HDPPA Budget. (Maximum of 1% of PPF).

Housing Development Fund
Sources of Revenue

- a) Revenues from the sales tax not in excess of % 15 on alcoholic and non-alcoholic items used in the production of alcoholic and non-alcoholic drinks, tobaccos, spirits and all kinds of drinks produced by State Monopoly and others. This amount will be deducted from the sales tax (If however the sales tax does not come up to the amount to be paid to the fund or does not exist, it shall be calculated as described above and will be paid by State Monopoly and other to the Fund).
- b) Revenues obtainable from the taxes to the tune of maximum 15 % on sales price of gasoline, to 7% on sales price of motorin, paraffin and fuel-oil based on the ex-refinery cost of the locally produced or imported petroleum.
- c) Funds raised under the provision of new Laws and decrees for the expansion of Mass-Housing Fund.
- d) The Sur-charge of max.100 LS % in equivalent-Turkish Lira from each trip abroad. In case of North Cyprus Turkish Republic, the surcharge would be half of this amount. (Exemption from this surcharge for all ~~trips~~ trips including Haj pilgrimage will be at the discretion of the Council of Ministers).
- e) Repayments made by borrowers of the credit according to article 3.
- f) Income gathered from the sales of bonds in Turkish or foreign currency guaranteed by the Treasury and issued as a financial for the source Mass-Housing Fund.
(Amount of bonds issued cannot exceed the amount determined under Annual Budget)
- g) Donation and monetary assistance to the fund.
- h) Amount not exceeding 25% of the land value of housing built on Treasury Land.
- i) Credits deposited with the Fund.
- j) Funds obtained from the imports by the State Monopoly.

Council of Ministers is authorized to decrease or increase up to 100% the amounts described in clauses (c), (e), (i).

Prime Ministry
Mass Housing and Public Participation
Administration

I. Projected Revenues of Mass Housing Fund

Sources	Projected Revenues as % of total
1. Tobacco-alcohol and other sprits	26,97
2. Imported monopoly goods	17,16
3. Petroleum products	36,78
4. Import Funds (with other laws and by-laws)	9,81
5. Trips Abroad	7,36
6. Remainder of Public Housing Fund established according to Law no: 2487	—
7. Immovables sold to foreigners	0,092
8. Penalty on payments	0,004
9. Returning of funds	1,85
10. Bond Sales	—
11. Share taken form the Treasuary Land.	0,004
	<u>100.00,-</u>

II. Projected Expenditures of Mass Housing Fund in 1985

<u>Sources</u>	<u>Expenditures (% of total)</u>
1. Old cooperatives and new cooperatives which are outside the Mass Housing Area	45
2. Expropriation of Mass Housing Area	8
3. Credits which will be given to Mass Housing developers	13
. Construction companies, individual developers	
. Cooperatives, Coop. Unions etc.	
4. Credit which will be given to housing developers	2
5. Credit which will be given to Mass Housing buyers	5
6. Individual credit	20
7. Investment and management credit	2
8. Payment for tourism infrastructure	3
9. Payment for research	1
10. Budget of Mass Housing and Public Participation Organization	1
	<hr/> 100

The following are revenue projections and actual amounts collected through mid-November, for 1984:

Source	April-Dec Est	Actual Thru Nov 14
*Alcohol & Tobacco	41.500	6.984
*Imported Cigarettes	16.700	10.485
*Petroleum Products	36.800	17.376
Imported Materials	21.000	14.194
Foreign Travel	15.225	4.865
From Previous Housing Law	.043	-
Tax on Purchase of Building by Foreigners	-	.057
Penalty	-	.039
	<u>131.268</u>	<u>54.003</u>

*These items didn't start until June 15

Of the TL 54 billion that was collected through November 14 outflows have been as follows:

	(TL billion)
Coops (150,000 units)	29.146
Expropriation of land	.348
Loans to Ministry of Tourism for infrastructure (working on a protocol now)	2.132
Individual Credits for Housing	1.400
Overhead Expenditures	<u>.120</u>
	33.146
Additional Distribution for Coops ready to go	<u>8.500</u>
	42.646 (77% of revenues)

PRIME MINISTER
ASS HOUSING AND PUBLIC PARTICIPATION
ADMINISTRATION

FUNDS

19 Temmuz 1985

NATIONAL HOUSING FUND FUN (1000 TL.)				PUBLIC PARTICIPATION FUND (1000 TL.)			
REVENUES		EXPENDITURES		REVENUES		EXPENDITURES	
Tobac & Sprits	52,498,745	Budget Administr.	1,220,000	Bridge RSB	10,000,000	Budget of administ.	500,000
Fueloil	47,172,237	Old Cooperative	21,274,490	Keban R.S.B.	40,000,000	Bridge Maint. & Opr.	600,000
Funds other Laws	24,126,984	-	64,214,465	Bridge income	6,925,113	Keban Maint. & Opr.	751,772
Trips abroad	12,622,862	-	9,127,700	Keban income	7,517,730	Dams	42,517,020
Imports w/ waiver	3,139,025	-	1,680,442	T.B. Interest	1,050,000	Highways	3,490,046
Receivables sold	341,446	Individual Credit	37,500,000	income		Keban Holding	868,000
to foreigners		Tourism Credit	3,375,000			T.B. (14.8.85)	8,000,000
Import monopolycods	22,365,805	Expropriation	540,764			R.S. Partnership	2,200,000
Penalty on payments	107,429	Coop.w/in M.H.A.	732,209			S.H.A Advances	256,976
		Coop.outside M.H.A.	1,460,270			Less Developed	2,650,000
		Develp. & Support.	5,000,000			Regions	
		Expenditures for	21,000				
		research					
TOTAL	162,374,532		146,154,331	TOTAL	65,492,843		62,033,814

DEVELOPMENT AND SUPPORT FUND (1000 TL.)			
REVENUES		EXPENDITURES	
Import Fund	13,663,385	Agr. & Stock Breeding	12,000,000
Transfer from	20,000,000	Food Aid.	3,500,000
other Funds		Tourism Sector	2,500,000
		Municipality	4,090,000
		Expropriation	
		Credit for Dorm.	6,669,079
		Support for S.B.E.	2,500,000
TOTAL	33,663,385		31,259,079

SUMMARY (1000 TL.)			
FUNDS	REVENUES	EXPENDITURES	REMAINDER
MHF	162,374,532	146,154,331	16,220,201
PPF	65,492,843	62,033,814	3,459,029
DSF	33,663,385	31,259,079	2,404,306
TOTAL	261,530,760	239,447,224	22,083,535

RSD Reserve Saving Bond
TB Treasury Bond
S.H.A State Hydraulic

Annex D-6

* Up to 15.7.1985, 15722 person have used individual credit.

37.500.000.000 TL. of total credit was paid by NHF and the rest was paid by real estate co

NUMBER OF HOUSES WHICH RECEIVED CREDIT FROM NHF

	(15.7.1985)	
	NO. OF CONSTRUCTORS	NO. OF HOUSES
1-Old Cooperatives	2,667	162,273
2-Cooperatives outside of the Mass Housing Areas	27	1,895
3-Inside the Mass Housing Areas	82	5,095
a-Cooperatives:	79	4,764
b-Constructors:	3	331
4-Individual Credit		29,771
T O T A L	2,776	199,034

THE OLD COOPERATIVES WHICH HAVE RECEIVED CREDIT ACCORDING TO THE
OLD LAW 2487 AND THAT HAVE TRANSFERRED TO THE ORGANISATION

(15.7.1985)				(1000 TL.)
BY LAW	NO. OF COOP.	NO. OF PARTICIPANTS	TOTAL CREDIT	AMOUNT PAID
OLD COOP.	1,233	65,990	64,594,722	55,691,158
" "	1,434	96,283	169,064,365	61,503,165
" "	27	5,086	2,158,100	1,680,442
T O T A L	2,667	162,273	235,817,187	118,874,765 *

COOPERATIVES WHICH WOULD POSSIBLY RECEIVE CREDIT UNTIL 10.7.1985

OLD COOPERATIVES		TOTAL CREDIT	
NO. OF COOP.	NO. OF PARTICIPANTS	NO. OF COOP.	NO. OF PARTICIPANTS
4,039	272,469	2,667	162,273

* 25.645.468.000.-TL. of total was paid from PHF according to law no.2487 in the previous years.

THE COOPERATIVES RECEIVED CREDIT ACCORDING TO LAW NO.2985
AND BY LAW 85/1

NO. OF COOP.	NO. OF PARTICIPANTS	TOTAL CREDIT	AMOUNT PAID
27	1,395	1,766,400	1,412,240

IMPLEMENTATION WITHIN FRAMEWORK OF LAW NO.2985

	NO. OF CERTIFICATE OF CONFIRMITY	NO. OF HOUSING UNIT WHO WILL RECEIVE CREDIT	TOTAL CREDIT GIVEN	NO. OF COOP. WHO WILL RECEIVE CREDIT	NO. OF HOUSING UNIT GIVEN CREDIT	NO. OF APPLICATIONS WHO STARTED TO BE PAID	NO. OF HOUSING UNIT WHO STARTED TO BE PAID	ORDER IS GIVEN FOR THESE AMOUNT OF CREDIT	AMOUNT OF CREDIT WHICH MUST BE PAID IN 1985	AMOUNT OF CREDIT WHICH MUST BE PAID IN 1986	AMOUNT OF CREDIT WHICH MUST BE PAID IN 1987
1-COOPERATIVES	79	4,764	13,127,200,000	26	1,846	18	1,272	717,782,390	5,969,996,552	3,981,450,620	1,153,502,828
2-CONSTRUCTORS	3	331	910,250,000	1	54	1	54	15,417,456	446,250,000	464,000,000	
TOTAL	82	5,095	14,037,450,000	27	1,900	19	1,326	733,199,846	6,416,246,552	4,445,450,620	1,153,502,828

(1000 TL.)

	NO. OF PRE-PERMISSION	NO. OF HOUSING UNIT	PROJECTED AMOUNT OF CREDIT			TOTAL CREDIT	AMOUNT OF CREDIT WHICH MUST BE PAID IN 1986	AMOUNT OF CREDIT WHICH MUST BE PAID IN 1987
			HOUSING UNIT	TECHNICAL INFRASTRUCTURE	SOCIAL			
3-PRE-PERMISSION	1	2,085	5,733,750	2,161,304	-	7,395,054	-	-

INDIVIDUAL CREDIT

(1000 TL.)

	NO. OF APPLICATION	AMOUNT OF MONEY PAID ON CUSTOMERS SHARE ACCOUNT	THE CREDIT DEMANDED	AMOUNT PAID	REMAINDER
A-AUGUST-SEPTEMBER AND OTHER MONTHS	13,473	-	34,277,915	34,277,915	ERR
B-OCTOBER, NOVEMBER DECEMBER	11,596	4,212,200	29,976,997	6,026,704	23,950,293
C-FOLLOWING 1.2.1985	4,702	2,800,765	11,709,340	-	11,709,340
TOTAL	29,771	7,012,965	75,964,252	40,304,619	ERR

IV. IMPLEMENTATIONS WITHIN THE FRAME WORK OF LAW NO: 2487 and 2985

1. Old Cooperatives which have received credit according to the old law no: 2487 and that have transferred to the organization

Number of coop : 2728
 Number of Participants : 166.413
 Total credit extended = : 244.530.177.000,-TL.

2. New cooperatives who started to receive credit according to law No: 2985

- a) Cooperatives outside the Mass Housing Area:

Number of cooperatives : 27
 Number of participants : 1.895
 Total credit extended : 1.766.400.000,-TL.

- b) Cooperatives inside the Mass Housing Area:

Number of cooperatives : 106
 Number of Participants : 6104
 Total credit extended : 16.940.700.000,-TL.

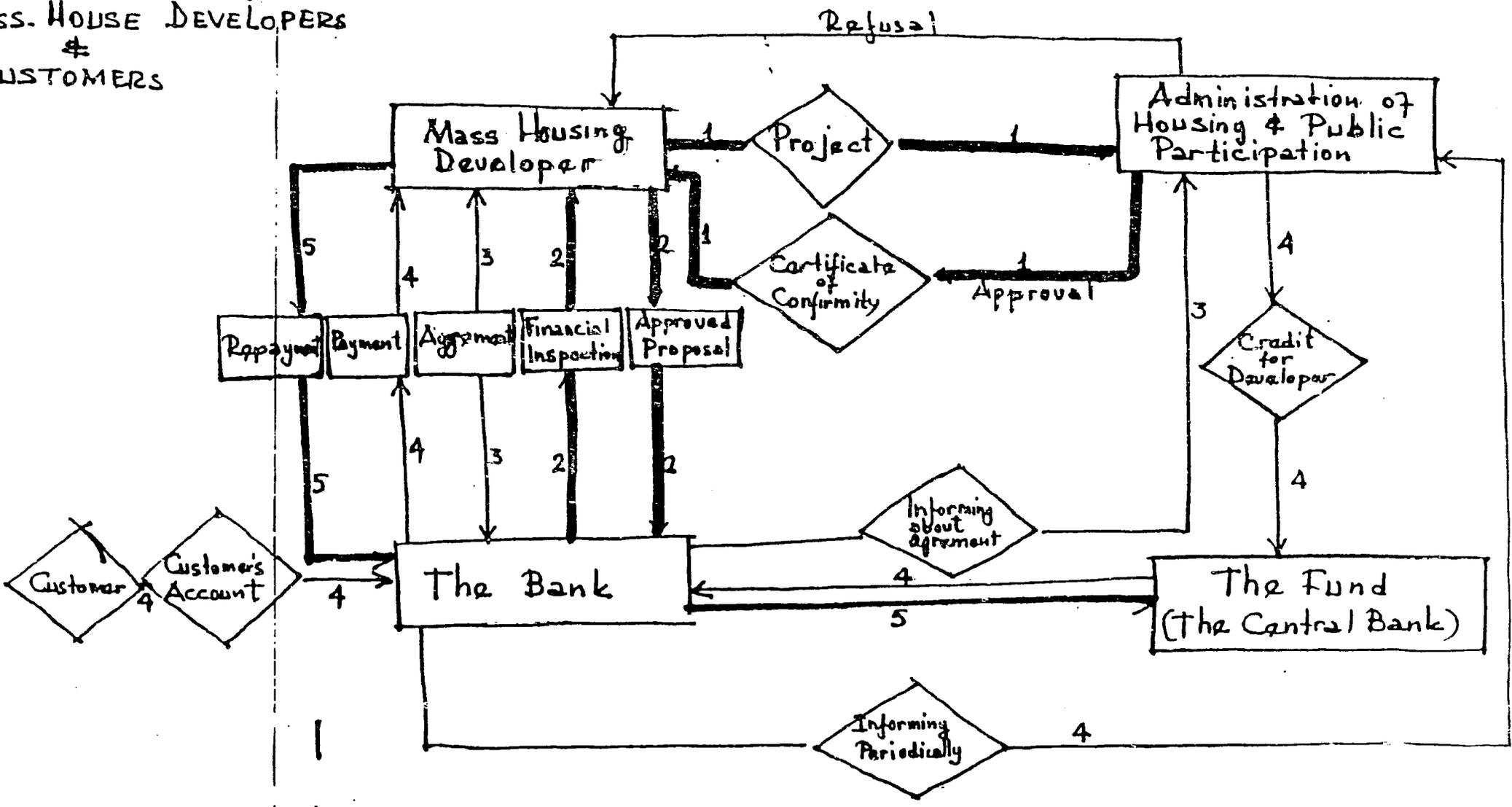
3. Individual Credit

Number of individuals used credit : 16.432
 Amount of credit paid : 42.100.169.000,-TL.

4. Constructors who will build housing units inside the Mass Housing Area

Number of constructor : 3
 Number of housing units : 331
 Total credit extended : 910.250.000,-TL.

FLOW CHART FOR
 MASS. HOUSE DEVELOPERS
 &
 CUSTOMERS



28.

Turkiye Emlak Kredi Bankasi, A.S.

The functions of the Emlak Kredi Bankasi as set forth in Law No. 18570 dated November 19, 1984 are as follows:

The Goals and Activities of the Enterprize:

Article 4- To contribute to the accumulation of savings within the framework of contemporary banking operations, to channel these savings into the relevant areas of the economy, to finance the housing sector, to bring about the accumulation of capital in harmony with the national economy and in keeping with the principles of productivity and profitability and to carry out the functions of a Housing Sector Bank, are the major goals of the Enterprize. The main areas of activity of the Enterprize have been listed below:

- 1- To provide full banking services and to deal in the purchase and sales of property.
- 2- To give mortgage loans to citizens for land and housing -ready built and for the construction of such housing- and to open housing credits.
- 3- To construct buildings on land belonging to the enterprize or to other concerns, within the principles of productivity and profitability, and to make cash or credit sales of these buildings.
- 4- To deal in the purchase and sales of all kinds of real estate and where necessary to deal in providing loans and planning for the sale and/or exchange of land.
- 5- To establish model housing sites, to act as a leader in orderly urbanization and city planning.
- 6- To set up a building and building supplies industry, to deal in such trade and to participate in partnerships dealing with such activity.
- 7- To establish domestic and foreign building savings funds in order to encourage the channeling of savings into investments in the housing sector and to participate in such existing funds along with funds to be established for this purpose.
- 8- To act as a sector bank in order to utilize the enterprize funds in keeping with the goals of the development plans and annual programs and to ensure the effective application of the selective credit policy.
- 9- To act as an insurance agent and to become a partner in insurance agencies.
- 10- To ensure proper utilization of the funds at the disposal of the enterprize by laws, decrees and agreements.
- 11- To carry out other duties given to the enterprize by laws and decrees. The enterprize carries out these duties directly or through its affiliates. The goals and areas of activity of the Enterprize may be changed by Coordination Commission decisions.

**ORGANISATION CHART OF
İYE EMLAK KREDİ BANKASI A.O.
Estate Credit Bank of Turkey - Inc)**

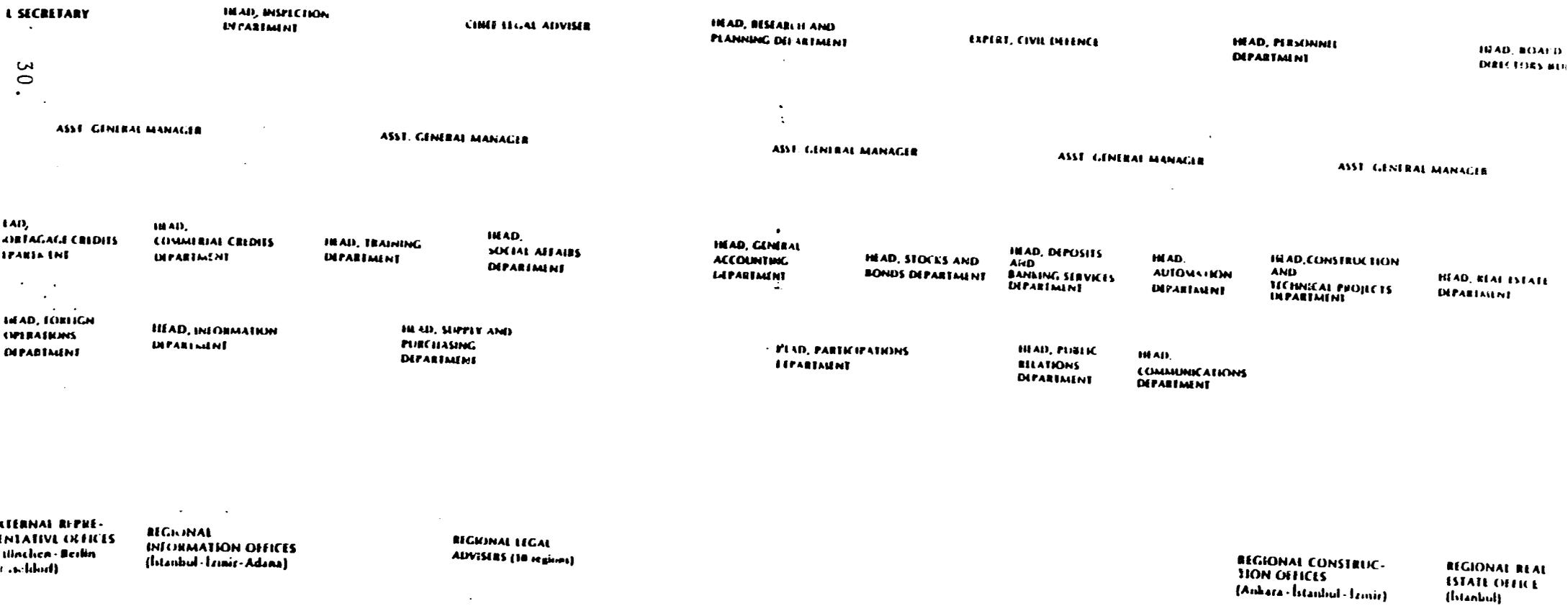
GENERAL ASSEMBLY
BOARD OF DIRECTORS
MANAGEMENT COMMITTEE
GENERAL MANAGER

AUDITORS

- | COUNCILS |
|--------------------------------|
| 1. Coordination |
| 2. Discipline |
| 3. Training |
| 4. Publicity and advertisement |

- | COMMITTEES |
|---------------------------------|
| 1. Reorganisation |
| 2. Evaluation of proposals |
| 3. Purchase - selling - bidding |
| 4. Assignment of dwellings |

Annex E-2



30.

Annex E-3

TÜRKİYE İÇİŞİLERİ BAKANLIĞI A.Ş.'NİN
31.12.1984 TARİHLİ FİNANSMAN ÖZET BİLANÇOSU

	1984	1983		1984	1983
UNPAID CAP.			LIABILITIES		
CASH	13.513.573.241.09	9.899.069.652.24	CAPITAL	20.000.000.000.00	20.000.000.000.00
CENT. BANK	19.441.904.563.44	5.243.601.773.69	RESERVES	9.822.399.864.97	6.529.112.794.60
BANKS	46.571.894.568.21	44.793.525.025.15	PROVISIONS	288.135.678.33	7.372.678.33
SHARES-BOND	25.710.559.235.00	7.805.958.400.00	OUT. BONDS	7.142.165.000.00	12.215.375.000.00
PROVISIONS	46.735.450.458.48	28.598.384.784.36	CENT. BANK	3.852.945.052.90	8.800.790.820.08
CREDITS (INC. SPEC. CRD)	60.153.866.571.92	49.854.429.275.79	PROVISIONS FOR SPEC. ACCTS	7.840.438.256.48	1.190.698.579.50
AG. CREDITS	298.645.413.32	713.964.993.58	BANK	405.224.598.83	410.183.017.21
MORTGAGE CREDITS	147.666.207.582.41	61.915.588.993.61	EXT. LOANS	5.648.799.110.12	5.151.909.582.97
VARIOUS RECEIVABLES	2.273.896.806.69	5.713.998.688.07	FUNDS	130.542.126.286.22	51.375.139.247.00
SPEC. ACCTS. CENT. BANK	1.702.438.384.16	1.142.537.710.09	DEPOSITS	235.399.638.677.42	136.235.742.076.43
LEGAL PROVISIONS	1.624.005.196.20	1.542.938.760.20	EXCH. DEP.	13.996.983.901.14	1.304.325.211.07
PARTICIPATIONS	690.779.750.00	394.516.750.00	PAY. BILLS	403.512.020.32	281.982.523.18
FIXED ASSETS	15.457.852.884.52	10.883.241.004.19	ACCTS PAY.	10.189.352.620.41	9.694.127.710.59
DEFERRED CREDITS	18.953.546.361.69	4.649.079.353.11	UNCLAIMED VALUES	1.342.101.696.82	3.017.256.618.14
OTHER ASSETS	123.206.640.799.93	45.095.471.127.46	OTH. LIAB.	81.735.418.788.49	30.678.412.599.15
CAPITALIZED EXP.	82.487.734.75	68.525.605.20	PROFIT	4.970.524.703.13	810.664.365.60
SUB-TOTAL	533.580.765.815.58	287.705.693.680.96	SUBTOTAL	533.580.765.815.58	287.705.693.680.96
REGULATORY ACCTS	660.147.500.737.81	357.147.939.592.30	RES. ACCTS	660.147.500.737.81	367.147.939.592.30
GRAND TOTAL	1.193.728.266.553.39	654.853.633.273.26	GRAND TOT.	1.193.728.266.553.39	654.853.633.273.26

Annex E-4

TÜRKİYE EMLAK KREDİ BANKASI A.Ş.'NİN
31.12.1984 TARİHLİ KAR VE ZARAR HESABI VAZİYETİ

BORÇLU HESAPLAR	1984	1983	ALACAKLI HESAPLAR	1984	1983
I- PERSONEL MASRAFLARI (PERSONEL EXP.)	4.615.958.680.66	3.398.387.353.48	I-ALINAN PAİZLER INTEREST RECD	57.801.843.946.35	30.868.592.950.35
II- VERGİ VE HARCLAR TAXES AND DUTIES	2.256.555.691.21	4.773.944.540.19	II-ALINAN ÜCRET VE KOMİS. COMMISSIONS & FEES	4.694.092.914.37	2.971.347.764.63
III- DİĞER İŞLETME GİDERLERİ OTHER ADMIN. EXP.	3.163.396.696.98	2.077.116.561.47	III-KAMBIYO KARLARI EXCHANGE PROFITS	10.766.442.692.97	4.372.976.654.26
IV-VERİLEN PAİZLER INTEREST PAID	56.235.971.045.64	27.664.902.655.35	IV-KURULUŞLARIMIZDAN ALINAN KAR PAYI	--	--
V-VERİLEN KOMİSYONLAR	--	--	V-İŞTİRAKLERİMİZDEN ALINAN KAR PAYI	153.565.837.02	30.609.874.05
VI-KAMBIYO KARARLARI EXCHANGE LOSSES	1.281.523.645.34	295.930.354.69	VI-MUHTELİF SELİRLER VE KARLAR PROFITS FROM PARTICIPATIONS	4.822.193.171.51	4.026.432.527.11
VII-İHTİŞANLAR DEPRECIATION	378.991.997.94	200.966.053.85	VII-ZARAR	--	--
VIII-KİRALIKLAR RENTALS	4.399.417.161.92	2.092.555.669.17			
IX-KURULUŞLARIMIZ ZARAR PAYI	--	--			
X-MUHTELİF GİDERLER VE VARİANSES ZARARLAR	935.798.939.40	955.491.836.40			
XI-İB PROFIT	4.970.524.703.13	310.654.366.60			
TOPLAM : TOTAL	78.238.138.562.22	42.269.959.791.20	TOPLAM : TOTAL	78.238.138.562.22	42.269.959.791.20

This is "Funds" item
from the balance sheet

Annex E-5

-5-

(MILLIONS OF TL)

<u>FUNDS</u>	<u>31/12/1982</u>	<u>31/12/1983</u>
Disaster fund	2,671	6,559
The Treasury Workers' Fund	8	1
Workers' Housing Funds	16	23
Slum Fund...Ministry's	434	240
Slum Funds...Municipalities'	388	471
Collective Housing Fund... Ministry's	1,069	920
Football betting fund	229	543
Housing Ownership Fund	402	69
Restoration of Historic Sites Fund	23	225
European Construction Fund	49	21
Other Funds	0	
	5,289	9,075
<u>SECURITY DEPOSITS</u>		
For Workers Housing Credits	108	104
For Negotiated Credits	16	15
For Turkish Workers Abroad	2	2
" SlumFund Credits ...Ministry	4,614	5,110
" Slum Credits... Municipal F.	186	359
Housing Ownership Fund	3,103	3,649
For Negotiated Building Credits	0	5,234
Other deposits for Secured Credits	2	2
For European Construction Fund	288	4,149
Public Housing Fund Credits	6,552	21,494
TOTAL	14,869	40,119
<u>BUILDING SAVINGS BLOCKED ACCOUNTS:</u>		
Building Savings blocked account	140	2,070
Foreign Housing blocked account	31	86
Retirees Housing Blocked Account	0	3
TOTAL	171	2,159
<u>Other Blocked Accounts</u>		
Ministry of Infra-Structure & Construction, Building Savings Blocked acct.	8	0
Slums blocked accounts		
Slums blocked acct...Municipal	002	0
	18	23
TOTAL	26	23
	<u>20,356</u>	<u>51,376</u>

(Million TL)
(MİLYON TL.)

(Development of the bank by types of deposits)

Türlorine Göre Mevduatımızdaki Gelişmeler

(Years) Yıllar	Tasarruf Mev.	Artış Or. (%)	Ticari Mev.	Artış Or. (%)	Resmî Mev.	Artış Or. (%)	Diğer Mev.	Artış Or. (%)	Bank. Mev.	Artış Or. (%)	Top. Mev.	Artış Or. (%)
1979	7.581	39,4	3.733	68,8	3.274	55,5	215	20,7	327	8,4	15.135	47,
1980	11.733	54,3	6.474	73,2	4.755	45,2	415	93,0	662	102,4	24.044	58,
1981	26.522	125,9	10.520	62,5	9.059	90,5	595	43,2	3.061	483,2	50.557	110,
1982	51.326	93,5	17.457	65,9	17.178	89,6	749	25,9	3.737(-)	3,2	90.447	78,
1983	72.641	41,5	23.958	65,9	30.152	75,5	3.144	319,3	1.341(-)	4,1	136.236	50,
1984 (9. Ay) (9 month)	124.935	72,0	39.719	37,2	26.719	(-)11,4	1.580	(-)49,7	1.237(-)	7,7	194.190	42,

(Savings Acct.) (% Increase) (Commercial) (% Inc.) (Government) (% Inc.) (Other Dep.) (% Inc.) (Bank) (MİLYON TL.) (Total) (% Inc)

(Developments By Term of Deposits)

Vade Yapısına Göre Mevduatımızdaki Gelişmeler

(Years) Yıllar	(Fixed Term) Vadeli Mev.	Toplam (% of Total) İçindeki Payı (%)	(Current Dep) Vadesiz Mevduat	(% of Total) Toplam İçindeki Payı (%)
1979	4.505	29,8	10.630	70,2
1980	8.128	33,8	15.916	66,2
1981	23.494	46,5	27.063	53,5
1982	49.149	54,3	41.298	45,7
1983	(x) 69.705	51,2	66.531	48,8
1984 (9. Ay)	(xx) 130.288	67,1	63.902	32,9

(x) 14.563 Milyon liralık 1 ay ve 3 ay ihbarlı mevduat dahildir. (includes 14.563 mil. TL. worth 1 & 3 month dep.)
(xx) 99.397 Milyon liralık 1 ay ve 3 ay ihbarlı mevduat dahildir. (includes 99.397 mil TL. worth of 1 & 3 month deposits, early withdrawal allowed w/notice)

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1
6

<u>KREDİLER</u>	<u>Term</u> <u>V a d e</u>	<u>Interest rate</u> <u>F a i z</u>	<u>Amount</u> <u>M i k t a r</u>	<u>Monthly Installment</u> <u>Aylık Taksit</u>
KONUT KREDİSİ (Housing Credit)	15 Yıl	% 25	1.000.000.-	19.827.-
Bina İnşaatı Kredisi (Bldg. Construction Credit)	10 Yıl	% 40	500.000.-	15.482.-
Hazır Bina Kredisi (Completed Bldgs. Credit)	3 Yıl	% 40	300.000.-	13.578.-
YAPI TASARRUFU KREDİLERİ (Building Savings Credit)	15 Yıl	% 21	2.000.000.-	34.722.-
	15 Yıl	% 21	1.500.000.-	26.042.-
	15 Yıl	% 21	1.000.000.-	17.361.-
EMEKLİLER KONUT TAS.HES. <i>Retired Persons' Housing Savings Fund</i>	20 Yıl	% 12	Yatan paranın iki katı	
YURT DIŞINDAKİ VATANDAŞLARA AÇILAN KONUT KREDİLERİ <i>Housing Credits for Turkish Workers Abroad</i>	15 Yıl	% 21	3.000.000.- 2.500.000.- 2.000.000.-	52.083.- 43.403.- 34.722.-
YURT DIŞINDAKİ VATANDAŞLARA AÇILAN KONUT (DİSİ) KREDİLER <i>Housing Similar to above</i>	10 Yıl	% 21	3.000.000.- 2.500.000.- 2.000.000.-	57.312.- 47.760.- 38.208.-
KOOP.KONUT KREDİLERİ <i>Cooperative Housing Credit</i>	15 Yıl	% 25	1.000.000.-	19.827.-
KOOP.BİNA İNŞ. KREDİLER <i>Construction Cooperative Credits</i>	10 Yıl	% 40	750.000.-	23.222.-
GÜREV ZARARLI KOOP.KONUT KRD. <i>Cooperative Housing Credits</i>	10 Yıl	% 12	600.000.-	8.551.-
GÜREV ZARARLI KONUT KREDİLERİ <i>Housing Credits</i>	15 Yıl	% 12	400.000.-	4.768.-

35.

not
clear

Annex E-7