

MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:
INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

Turkey: Etlik Hospital



Overview

The rising demand and cost for health service delivery in Turkey is straining the national health system. In Turkey, health delivery systems are primarily government controlled, with public hospitals accounting for the largest percentage of overall healthcare spending. These public hospitals are as expensive as they are central to national healthcare delivery, and thus it is in the government's best interest to optimize their efficiency and efficacy.

To address these concerns, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), and the Black Sea Trade Development Bank (BSTDB) helped the Etlik project reach financial close in mid-2015. It is among the first hospital PPPs to reach financial close in Turkey and will ultimately create an integrated hospital campus serving the greater Ankara area. Multilateral development bank (MDB) funding was essential to achieving financial close.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

In 2006, inspired by the United Kingdom's Private Finance Initiative (PFI), the Turkish Ministry of Health (MoH) decided to deliver new hospitals through a PPP structure. This marked a shift in policy from pure public provisioning.

The goal of the Turkish Healthcare Sector Transformation was to modernize existing infrastructure through a €12 billion program that would build up to 60 hospitals and add an additional 50,000 beds to the country's bed capacity over time.

To this end, the Government of Turkey (GoT) passed new regulations aimed at making private investment in its healthcare sector easier. The program would meet international standards in terms of quality and number of beds per thousand patients. These PPPs were to be structured as Design-Build-Finance-Lease-Transfer (DBFLT) 3+25 year contracts for facilities management. Clinical services, however, would remain under the purview of the MoH. To date, the first phase of the PPP program has awarded 21 PPP hospital projects.

One major project under this program is the Ankara Etlik Integrated Hospital Campus. A consortium comprised of Astaldi Spa and Türkerler Construction was awarded the 28.5 year concession by the MoH to build an eight hospital complex.

Project Description

Once constructed, the Ankara Etlik Integrated Health Campus will be among the largest in the world with a 3,586 bed facility spanning a total area of one kilometer squared. The campus will consist of six towers and a main structure housing a general hospital and a full suite of specialty hospitals. It is expected that it will take 42 months to complete the entire campus. In addition to its size and importance for the country, the pioneering campus design embraces energy efficient practices.

Multilateral Development Banks' Role

The €1.1 billion project was made possible by:

- An EBRD A loan of €125 million.
- An IFC A loan of €75 million.
- A BSTDB loan of €60 million.
- Remaining funding of €833 million was provided by an array of lenders:
 - German Development Bank (DEG) under an EBRD Parallel Facility.

- Italian export bank, SACE as the export credit agency were involved in the financing of the project.
- Credit Agricole, Banca IMI / Intesa San Paolo, Unicredit, and Deutsche Bank were B Lenders as well as export credit lenders.
- İş Bankası, TSKB, and Akbank were commercial lenders.

The diverse funding structure indicates increasing confidence among various types of lenders in the PPP model of the MoH and the consortium partners, as well as the need for various kinds of financial support for a project of this size.

Sources of Funds	€ million	% of total
Senior Debt	€883.0	79.8%
Tranche A — EBRD A-Loan	€125.0	11.3%
Tranche B — SACE Covered	€125.0	11.3%
Tranche C — BSTDB	€60.0	5.4%
Tranche D — IFC A-Loan	€75.0	6.8%
Tranche E — EBRD Parallel Facility (DEG)	€30.0	2.7%
Tranche F — EBRD B-Loan	€131.0	11.8%
Tranche G — IFC B-Loan	€79.0	7.1%
Tranche H — (Turkish) Commercial Facility	€258.0	23.3%
Equity	€222.8	20.2%
TOTAL	€1,105.8	100%

Outcomes

As one of the first Turkish hospital PPPs to reach financial close in mid-2015, the Etlik project represents a powerful demonstration of how to deliver high-quality, efficient hospital infrastructure and health delivery service through a PPP structure, by achieving real value for money through the use of a DBFLT model for facilities management. The Etlik project builds upon similar experiences from the UK that also demonstrate the model's feasibility for other countries preparing their own social infrastructure PPPs. Upon completion the project will provide employment to 20,000 people and service the health needs of nearly 12 million residents of Ankara and Central Anatolia.

For more information please contact:

*World Bank Group: Nadine Ghannam
Email: Nsghannam@worldbankgroup.org*

*European Bank for Reconstruction and Development: Olga Rosca
Email: roscao@ebrd.com*

Photo Credits
Front: EBRD