



Public-Private Partnership Stories

Turkey: Turkish Healthcare PPP Program Adana Hospital Complex



A large majority of health infrastructure in Turkey is old and out of date and is no longer appropriate for meeting the country's healthcare needs. For example, high energy costs, earthquake risks, and hospital layouts that don't support modern technologies are all chronic problems facing Turkey's health sector. With only 2.6 beds per 1,000 people (2011), compared with an OECD-wide figure of 3.6/1,000, and an expected need for more than 90,000 new hospital beds by 2023, the Government of Turkey launched its Health PPP Program (the Program) in 2010. The aim of the Program is to improve service delivery and outcomes through a realigned public hospital network serving the nearly 90% of the population that is covered to varying degrees by social health insurance.

The Health PPP Program also seeks to complement the Government's other efforts to increase, or where appropriate replace, the existing bed capacity, by focusing private sector support mainly in specialized areas such as woman and child health, oncology, cardiology, and rehabilitation. In total, the full extent of the Health PPP Program will consist of 50 projects with an estimated EUR 20 billion investment value. Around 15 projects under the Program are at various stages of tender, financing and construction. One of the first projects to achieve financial closing under the Health PPP Program is the 1,550 bed integrated health campus in Adana, Turkey.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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The advisory work was supported by the Norwegian Trust Fund for Private Sector Development and Infrastructure, the Canada Climate Change program, and the South Asia Infrastructure Facility.

BACKGROUND

The Adana Health Complex entails the construction, operation, and maintenance of an integrated health campus in Adana, a key health sector hub in Anatolian Turkey. The Health Campus will have a 1,550-bed capacity, and will be composed of six hospitals: a 584-bed general hospital, a 349-bed women's and children's hospital, a 185-bed cardio-vascular hospital, a 182-bed oncology hospital, a 150-bed physical medicine and rehabilitation hospital, and a 100-bed forensic psychiatric hospital. Under the project, the winning consortium is responsible for financing, building, maintaining, and managing the facilities, and providing or coordinating medical support services, while the Ministry of Health (MoH) will deliver core medical services.

The Project is expected to improve patient access to high quality public health services and support the Government of Turkey's efforts to transform its health sector to match the current and future health needs of the population. The Program will help achieve this by realigning hospital bed capacities to match national health needs (for example: pediatric, cardiovascular, oncological, and rehabilitation), improving efficiencies and quality in service delivery, and making public health facilities more energy and resource efficient through the use of energy efficient technologies. The Program will also provide significant value for the government by transferring risks to the private sector – under the PPP scheme, the private partner assumes substantial financial, technical, and operational risk, allowing the public sector to focus on the delivery of health services.

IFC'S ROLE

The Adana Health Complex and two others – Etlik and Kayseri – totaling US\$163m are IFC's first investments in PPP projects in the health sector in Turkey. For Adana, IFC also mobilized a further \$200m of additional financing (35% of total senior debt) plus a \$157m MIGA guarantee.

Given that the Adana project was one of the first projects to be signed as part of Turkey's Health PPP Program, IFC has played an important role in the project's success and will contribute to the success of the wider Health PPP Program. For example:

1. Through its continued engagement with the MoH and the sponsors, IFC helped improve the Project structure and documents, which are now in line with international standards and best practices.
2. IFC is providing and catalyzing long-term funds amounting to 45 percent of total debt.
3. IFC is leveraging the World Bank Group's global healthcare knowledge, including IFC Advisory Services' expertise in PPPs, to ensure best practices are implemented.
4. As a senior lender in the Project, IFC is complementing IBRD's continued support of the Turkish healthcare sector. This includes the potential for providing capacity building within MoH's relevant departments to effectively manage and implement the PPP Program.
5. IFC is providing critical guidance and input to the implementation of best practices in the areas of environmental and social issues, including application of energy efficient technologies in the buildings.

TRANSACTION STRUCTURE

Under the projects agreement, the Ministry of Health will pay the private partner to use the facilities ("Availability Payments") and for services provided ("Service Payments"). The construction period is expected to last 36 months, followed by a 25 year concession period.

BIDDING

Following a transparent bidding process, ADN PPP Saglik Yatirim A.S was awarded the PPP. ADN PPP Saglik Yatirim A.S is a joint venture between:

- Ronisans Holding AS, Ronisans Saglik Yatirim A.S.,
- Meridiam Eastern Europe S.a.r.l,
- Sila Danismanlik Bilisim Saglik Insaat Ticaret A.S., TTT Saglik Hizmetleri Egitim Insaat Sanayi Ticaret A.S., and
- Sam Yapi Sanayi ve Ticaret Ltd. Sti.

Ronisans and Meridiam each have a 40 percent ownership stake, while Sila and Sam each have 10 percent ownership in the joint venture. The Consortium combines strong construction and development experience, local and international know-how, as well as specific healthcare, concession, and PPP expertise.

EXPECTED POST-TENDER RESULTS

- Improved patient access to relevant, high quality, public health services.
- Realignment of hospital bed capacity to match national health needs.
- Helping improve health system process efficiency.
- Improving energy and resource efficiency.
- Long term value through the transfer of risk from the public to private sector.