CASE STUDY

Building Health Resilience: How MIGA Enabled Turkey's Elâzığ Hospital PPP

A World Bank Group Political Risk Insurance Guarantee

HIGHLIGHTS

- MIGA provided €306.4 million ($326 million) in guarantees for a state-of-the-art 1,038-bed integrated health campus in Elâzığ, Turkey.
- The project directly addresses Turkey's health care capacity challenges, where hospital bed availability (2.6 beds per 1,000 people) significantly lagged behind the OECD average of 4.8 beds.
- Through the public-private partnership structuring and risk mitigation, MIGA's guarantees enabled the attraction of long-term investors despite challenging market conditions.
- The project's socioeconomic impact extends beyond health care delivery, creating over 7,000 direct and indirect jobs throughout construction and operation phases.

THE CHALLENGE

In Turkey's eastern region of Elâzığ, accessing quality health care has historically been a significant challenge for local communities. The region's health care infrastructure struggled to meet growing demand, with facilities operating below international standards and insufficient capacity to serve the population effectively.

Against this backdrop, the Turkish government launched an ambitious healthcare transformation initiative through public-private partnerships (PPPs). The ELZ Sağlık Yatırım A.Ş. project emerged as a cornerstone of this initiative, proposing an integrated health campus that would revolutionize healthcare delivery in the region.

Elâzığ province, with a population of over a half a million people across its service area, particularly needed this health care transformation as the supply of health care facilities struggled to keep pace with the growing population. The project was designed to serve not only the immediate urban population but also residents from surrounding rural areas who previously had limited access to specialized medical care.

The project's scope consisted of the construction of a health care complex with 1,038 beds featuring a main hospital, a specialized high-security forensic psychiatric hospital, and a dedicated oral and dental clinic. This approach was designed to address multiple health care needs under one roof, maximizing operational efficiency and patient care quality. However, international investors were hesitant to commit long-term capital due to several factors:

- The region's perceived political risks following recent periods of political turmoil in Turkey
- The long-term nature of the PPP contract (20+ years) which increased investors' exposure to potential regulatory changes
- The significant capital requirements for the €306.4 million project
- Currency transfer and convertibility concerns given Turkey's economic climate

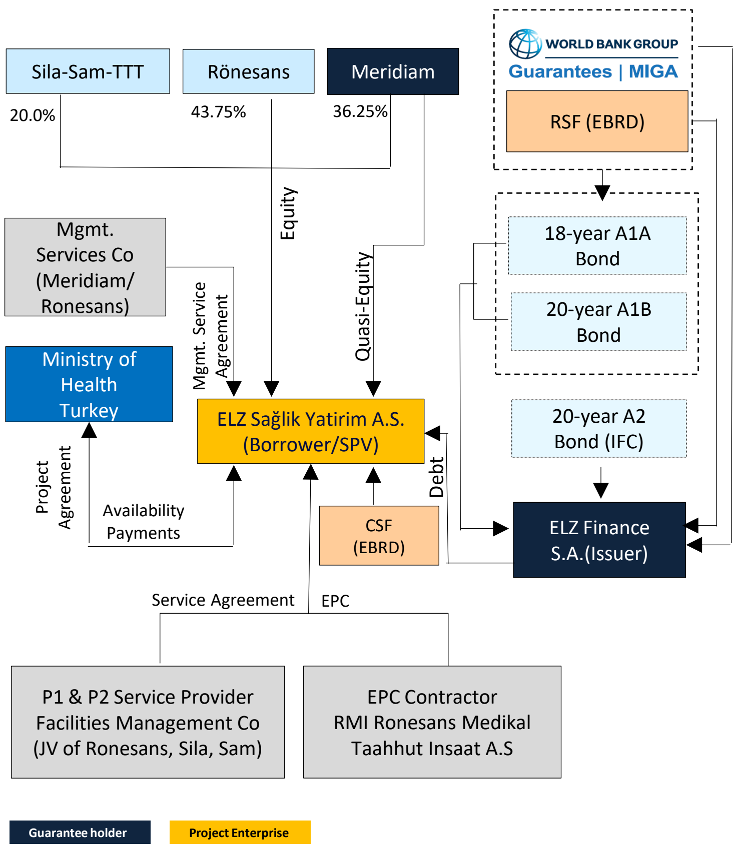
Against this backdrop, the ELZ Sağlık Yatırım A.Ş. project required MIGA's guarantee to provide risk mitigation that would attract private investors and enable competitive financing terms. The project's scope — encompassing a main hospital, a specialized high-security forensic psychiatric hospital, and a dedicated oral and dental clinic — represented a significant investment that would have been difficult to secure without political risk insurance.

FINANCIAL SOLUTION

MIGA's intervention proved decisive in bringing this vital project to fruition. MIGA provided €306.4 million ($326 million) in guarantees to support the project's key investors: Meridiam Eastern Europe S.a.r.l., the project's primary equity investor and sponsor, and ELZ Finance S.A., the special-purpose vehicle established to raise debt financing via a bond issuance for the project.

The innovative feature of the structure included two liquidity facilities provided by EBRD for the construction and operation phases of the project, providing ongoing liquidity to complement MIGA's political risk insurance and provide the bondholders with full risk mitigation, enabling the bond issuance to be rated two notches above the sovereign rating.

Summary of Contractual Structure



The guarantees covered critical political risks including transfer restriction, expropriation, and breach of contract for a 20-year term. This risk coverage was essential for both the equity investor and lenders, enabling them to commit to this long-term infrastructure project despite the challenging market conditions in Turkey.

Elâzığ was one of six hospitals in Turkey supported by MIGA guarantees under the Health PPP Program, and among four Turkish projects receiving direct IFC investment.

"We welcome the continued collaboration with MIGA, especially as the transformation of Turkey's health care system is of vital importance and high on the government's agenda."
Thierry Déau, Meridiam CEO

IMPLEMENTATION AND IMPACT

The implementation of the ELZ Sağlık Yatırım A.Ş. project has been transformative for health care in the Elâzığ region. The integrated health campus, built over a three-year construction period, now provides a modern, efficient health care facility that serves Elâzığ and the surrounding provinces of Malatya, Bingöl, and Tunceli. Key outcomes of the project include:

- **Increased Health Care Capacity**: The project significantly increased the number of hospital beds in the region, addressing the critical shortage.
- **Job Creation**: During the construction phase, the project supported 3,200 direct and 300 indirect jobs. The operational phase is expected to support more than 3,800 direct and indirect jobs.
- **Improved Health Care Services**: The project introduced 19 different services during the operation period, including supply of medical equipment, clinical support services, and facility management.
- **Private Sector Involvement**: The project stimulated private sector participation in a traditionally state-dominated sector, potentially improving efficiency and service quality.

LOOKING AHEAD

The ELZ Sağlık Yatırım project serves as a blueprint for future health care PPPs in emerging markets. The success of the project demonstrates the power of collaborative partnerships in delivering critical health care infrastructure. Its success also highlights MIGA's vital role in facilitating complex infrastructure projects that deliver significant development impact.

As countries continue to strengthen their health care systems and explore innovative financing solutions, MIGA's expertise in structuring guarantees that attract private investment while advancing sustainable development outcomes can help turn ambitious health care plans into reality.