PUBLIC-PRIVATE PARTNERSHIPS IN DEVELOPING AND DEVELOPED COUNTRIES: THE UK AND TURKISH CASES

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ABSTRACT

This study sets out to determine whether the process of adoption and implementation of PPP policy differs between developing and developed countries. Hence, by conducting an in-depth conceptual interrogation, first of all a template is formed to determine certain dissimilarities between developing and developed countries. Then using this template, Turkey, as a developing country, and the UK, as a developed country, is examined in order to set forth the relationship between the development level of a country and its PPP policy. The findings indicate that the PPP policy of developing and developed countries differs within five aspects: (i) how the policy penetrates into the political agenda, (ii) the government's aim in adopting PPP policy, (iii) the sectoral distribution, (iv) the form of PPP's and (v) the regulatory framework.

Key words: Public-private partnership policy, developing countries, developed countries, development level, political agenda

Jel Codes: L32, L33, L38

GELIŞMIŞ VE GELİŞMEKTE OLAN ÜLKELERDE KAMU-ÖZEL ORTAKLIKLARI: BİRLEŞİK KRALLIK VE TÜRKİYE ÖRNEKLERİ

ÖZET

Bu çalışma, kamu-özel ortaklığı politikalarının kabul edilme ve uygulanma süreçlerinin gelişmiş ve gelişmekte olan ülkelerdeki farklılıklarını ortaya koymak üzere yürütülmüştür. İlk olarak, kavramsal bir araştırma süreci sonrasında, gelişmekte olan ve gelişmiş ülkeler arasındaki çeşitli farklılıkları ortaya koyan bir şablon oluşturulmuştur. Akabinde bu şablon kullanılarak, gelişmişlik seviyesi ile kamu-özel ortaklığı politikası arasındaki ilişkiyi ortaya koymak amacıyla, Türkiye gelişmekte olan ülkeye örnek olarak, Birleşik Krallık da gelişmiş ülkeye örnek olarak incelenmiştir. Bulgular, kamu-özel ortaklığı politikasının gelişmiş ve gelişmekte olan ülkelerde beş açıdan farklılaştığını göstermektedir: (i) politika gündemine nasıl girdiği, (ii) kamu-özel ortaklığı politikası benimsenirken devletin amacı, (iii) sektörel dağılımı, (iv) kamu-özel ortaklığı yapısı ve (v) düzenleyici çerçeve.

Anahtar Kelimeler: Kamu-özel ortaklığı politikası, gelişmekte olan ülkeler, gelişmiş ülkeler, gelişmişlik düzeyi, politika gündemi

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INTRODUCTION

It is difficult to conceive of a time or context in which the public and private sector did not collaborate for a certain purpose. On the other hand, the current debates concerning the most recent form of public-private collaborations have been building since the 1980s, which will be the starting point of this study. The dissimilarity between developed and developing countries is the main inspiration in examining public private partnerships (PPPs) related policy making. By examining this, a contribution is tried to be made to the literature on the relationship between development level and PPP policy.

These days PPPs have become popular with the practices of *third party* governments. The relationship between the public and private is denser than any other public-private contact witnessed before. PPPs are an attractive policy reform option for governments who want to gain the support of privatization opponents. In its early phase PPP policy occurred mainly in the UK and the USA and hence, these countries were regarded as the initiator of this long-lasting trend. PPPs were adopted by the Thatcher and Reagan governments as the main strategy for economic and urban development (Mitchell-Weaver and Manning, 1991). This policy was consistent with their neo-liberal capitalist stance of "the supremacy of the private sector and market forces in nurturing development" (Squires, 1991: 197).

Subsequently, with somewhat similar motives and ideological preferences, PPP's were diffused to developing countries (Thomas et. al., 2006). As Schick (1998) put forth, developing countries had an understandable desire to accelerate public sector reforms, in this case PPP related reforms, by adopting the most advanced innovations devised by developed countries. PPPs were an attractive policy alternative for developing countries, which often faced macro-economic problems, such as lack of infrastructure, burdens on government budget and excessive government debt (Jamali, 2004; Nataraj, 2007). However, despite the sequential nature of the abovementioned process, it would be naivety to presume that developing and developed countries have gone through the same path while adopting and implementing these new management reforms related with PPPs. Hence, various scholars' emphasis that there are socio-economic and political discrepancies between developed and developing countries and they claim that the process of adoption and implementation of public management reforms like PPPs have not been similar (Mitchell-Weaver and Manning, 1991; Miraftab, 2004; Sarker, 2006; Appuhami et. al., 2011).

Various aspects of PPPs have been analysed by a great number of scholars. Some studies questioned the notion of PPP's and hence, examined the benefits and critics through matching them to real-world experiences (Wakeford and Valentine, 2001; Shaoul, 2002; Siemiatycki, 2011). These studies were generally related to developed countries, such as the UK, the USA, Australia and Canada (Boase, 2000; Bettignies and Ross, 2004; Siddiquee, 2011). As PPPs diffused into developing countries which were rather eager to learn how to form and govern PPPs efficiently, then came along studies about the evolvement of PPPs in these countries. Some of these studies were quiet neutral, only putting forth the current situation and proposing recommendations for further development (Appuhami et. al., 2011). Some examined the issue from a more policy oriented perspective and revealed the complex way in which policy ideas, political actors and institutions interacted (Verger, 2012). Others were rather critical, sometimes referring to PPPs as the *Trojan horse* of neoliberal development (Miraftab, 2004), sometimes setting forth the failures of the system in the developing world (Pessoa, 2008) or in other times revealing country-specific criticism (Mouraviev et. al., 2012).

However, throughout this elaborative literature review, a distinguishable point was that neither of these studies had taken a comprehensive perspective to compare a developed and developing country in the same study. Even though in some studies there was emphasis on the differences between developing and developed countries, they still had focused on a single country policy. They were interested in the policy adoption and/or implementation process of either developed countries or developing countries, in each case separately. On the other hand, a comparative study would have enabled to identify if the issues were related directly to the conditions of that particular country or if they were more universal. Moreover, a comparison between a developed and a developing country would have put forth various lessons or guide notes for both the countries, specifically for the developing country. Since in the foreseeable future, it is likely that PPP policies will continue to have a growing effect on the policy agenda of developed and developing countries, studies evaluating this subject from various viewpoints are of great value to scholars as well as decision makers. Hence, starting by first of all identifying the dissimilarities between developed and developing countries, this study has the general aim to contribute to the wider PPP literature on developing countries.

The key finding of this study is that the process of adoption and implementation of PPPs does differ between developing and developed countries. In developing and developed countries there is a significant difference in the governmental aims and the way PPP policy penetrates into the political agenda. Moreover, the sectoral distribution, the form PPPs takes and the regulatory framework established differs between these two country types. More specifically, developed countries are more concerned with micro issues, while developing countries aim to achieve macro targets.

International lending agencies are catalysers' for developing countries on the way to adopting and implementing PPP policies, while developed countries generally act on their own. Developing countries use PPP policy to strengthen their economic infrastructure, while developed countries also canalise their resources to social infrastructure development. PPPs in developing countries show little evidence of collaborative relationship, while developed countries put a significant emphasis on collaboration. Last, the regulatory frameworks established by developing countries are mostly inadequate, while developed countries are more successful in establishing sound regulatory frameworks.

At this part of the study, the logic behind choosing Turkey as the developing country and the UK as the developed country should also be set forth. Turkey has been experimenting with the PPP idea since the early 1980s, and even though the progress has not been as intended, it is still putting forward great struggle for better PPP practices. Hence, Turkey appears to be an ideal example for a developing country that has some experience in adopting and implementing PPP policies, and still has more to learn. On the other hand, as Turkey is a candidate country waiting for the European Union (EU) membership, it seems reasonable to choose a country from the EU as a comparative. Other than the UK, there are various other countries in the EU who have successfully applied PPP policy. For instance, France is one of the countries who have quite ambitiously implemented PPP policy for more than a hundred years (Grimsey and Lewis, 2004). Moreover, in France the most adopted PPP model is the concession system, which is similar to the system in Turkey. However, the reason behind specifically choosing the UK as a comparative country for this particular study is that Turkey has emphasized in various policy documents that the PPP policy in the UK is taken as a role model. The International PPP Platform in Turkey clearly points out in their vision that the UK is one of the most successful PPP policy implementer, and hence Turkey will follow its path (International PPP Platform Turkey, 2012). Ministries and public institutions in Turkey have organized various occasions with experts from the UK to share experiences (UNDP, 2006, Ankara Metropolitan Municipality, 2011). In fact, the most recent universal conference has been organized in 2012, with the attendance of several politicians, high-level bureaucrats and experts from Turkey as well as the UK (EEL, 2012). Hence, it appears to be that in the future PPPs in the UK will still continue to be in the concern of the Turkish government, which makes these two countries the most suitable examples to be analysed within this study.

The remainder of the paper is organized as follows: First, the vast PPP literature will be critically examined from a political science perspective. The general theoretical background will be outlined, followed by a thorough examination of the disparities between developed and developing countries while adopting and implementing PPP policy. Then, the policies in a developed country, the UK, and a developing country, Turkey, will be examined in order to prove/disprove the findings of the theoretical part.

1- DEFINING PUBLIC PRIVATE PARTNERSHIPS

There is no one clear definition of PPPs. Similar to many public policy concepts, PPPs are in a muddle of conceptual ambiguities (Mitchell-Weaver and Manning, 1991). A broad definition that encompasses the wide diversity in partnerships is that "PPPs are cooperative ventures that involve the participation of at least one public and one private institution in which they jointly develop products and services and share risks, costs and resources" (Carroll and Steane, 2000; Linder, 1999). More specifically, partnerships are a promise of a possible compromise in the form of "constructive collaboration" (Rosenau, 1999: 12). The emphasis on *collaboration* can be observed in various studies (see Mitchell-Weaver and Manning, 1991; Pessoa, 2008), and it is the main feature that distinguishes PPPs from privatization and contracting out. Privatization, contracting out and PPPs all arise from the make-or-buy decisions that governments face (Skelcher, 2005), however, they differentiate according to the type of ownership and competition/collaboration factor. Privatization implies for a permanent shift of ownership and we cannot mention of collaboration. Privatization means the introduction of competition and the state is there, if at all, by some form of licensing or regulation. Contracting out, on the one hand, does not imply a shift of ownership, the state is the decision maker. However, similar to privatization, competitiveness is still in the core of this process. Partnerships, on the other hand, reflect collaborative relationships. Rather than shrinking the government in favour of private sector activity, partnering institutionalizes collaborative arrangements where the two sectors have certain roles in the process. The dualism of public versus private provision is replaced by the harmony and synergy of partnership (Grimshaw et. al., 2002).

From an ideological perspective, some claim that politics and ideological discourse drive the process of PPPs. Peters (1998) argue that PPPs do not emerge as a matter of whim, they are institutions rooted in a specific political and temporal milieu. From 1980s onwards the conservative leaders in western liberal regimes were captivated by neo-liberalism and neo-conservatism and the literature on PPPs emerged mainly among these two groups (Linder, 1999). From 1990s onwards these ideological stances were further justified by the prescriptions of New Public Management reform programs, which were introduced as a result of government ideology or pressure from international agencies (Skelcher, 2005). The concomitant of such ideological trends was first, an in-depth revulsion from in-house service delivery, and then, a tendency to either contract out or privatize many public services. These movements, on the other hand, retained an ideological connotation of being anti-government (Linder and Rosenau, 2000). Privatization opponent Savas (2000) clearly admits in his book that *contracting out* and *privatization* are statements that engender opposition quickly and that expressions such as *PPPs* are more appealing to the public, which enables private organizations to get a market share of public service provision without provoking negative public reaction. The PPP concept in this context symbolizes a disjunction from the more ideologically driven discourse of contracting and privatization (Linder, 1999). Hence, PPPs can be evaluated as a new development as well as a language game, in the sense that they are generally presented as a corrective against the over-commitment of governments to privatization in recent years and citizen rebellion against this trend (Linder and Rosenau, 2000).

Lastly, from a pragmatic point of view we can observe that governments around the world have adopted PPPs with the aim of enhancing efficiency in service delivery and reducing budget deficit, which are similar to the motives of privatization (Siddiquee, 2011). Especially in developing countries they are interpreted as means to close infrastructure deficits. Thus, some scholars see PPPs as models mainly used for infrastructure development (see Savas, 2000; Weihe, 2008). Infrastructure can be defined as "facilities which are necessary for the functioning of the economy and society" (Yescombe, 2007: 1). However, what is *necessary* varies from country to country and from one time to another. Necessary facilities can be divided into *economic* and *social* infrastructure (Yescombe, 2007). Economic infrastructure is considered to provide key intermediate services to industry, such as transportation facilities and utility networks. Social infrastructure, on the other hand, is considered to provide basic services to households, such as schools, hospitals, libraries. A distinction can also be made between *hard* infrastructure, which involves the provision of buildings or other physical facilities, and *soft* infrastructure, which involves the provision of services (Grimsey and Lewis, 2004). The structure of PPPs varies according to the infrastructure service that the government is planning to provide. Some of the common PPP structures include: design-build, design-build-finance-operate, build-lease-transfer (BLT), build-operate (BO) and build-operate-transfer (BOT) (Pollitt, 2003; Chan et. al., 2009). The common feature of these PPP types is that they all point to some form of bundling (e.g. design, construction, operation and maintenance). Bundling of services adds pragmatic value to the process; it enhances value for money by reducing whole-life costs where all related costs are calculated for the entire life span of the project (Siddiquee, 2011).

2- PPPS IN DEVELOPING AND DEVELOPED COUNTRIES

In this section the literature concerning the evolution of PPPs in developing and developed countries has been examined thoroughly, and then categorized in the following sub-questions. These sub-questions will function as a template for our analysis in the section to come. These questions are related with the adoption and implementation process of PPPs; the first three questions are sorted out in relation to the adoption process, whilst the other two questions are concerned with the implementation process.

First, the difference between PPP policy adoption in developing and developed countries will be searched within the sub-question: *With what aim do governments adopt PPPs and does it differ between developing and developed countries?*. An answer to this question will reveal the implicit/explicit intention of governments while adopting PPP policies which will serve as a well-directed starting point. In this context, while defining the aim of PPPs, many scholars put emphasis on various aspects – such as budgetary benefit, improved performance, value for money, economies of scale and innovation (Rosenau, 1999; Hodge and Greve, 2007; Yescombe, 2007). Mitchell-Weaver and Manning (1991), on the other hand, regard PPP's as an approach to economic development. The emphasis on *economic development* in this definition can be evaluated as the prominent and inclusive feature of PPPs, which harbours in itself the ultimate aim of all the other descriptions. However, the important point is that economic development can be achieved by macro-economic objectives, as well as by micro-economic objectives. At this point, the dissimilarity between developing and developed countries stands out. In developed countries PPPs are expected to achieve micro-economic objectives, while in developing countries they are evaluated as policy tools for further macro-economic development (Appuhami et. al., 2011). For instance Appuhami et. al. (2011) put forth in their study that, rather than having a profound and well-thought private participation policy, the motive for the Sri Lankan government while adopting PPPs was to achieve macro-economic objectives, like avoiding fiscal constraints and raising capital. In contrary, in developed countries like the UK and Australia, the main concerns about PPPs are issues such as procuring optimal risk equilibrium between the private and public sector, reducing the complexity of the system and enhancing accountability, which require a special attention to be paid to micro-economic conditions. Similarly, orthodox analysts regard the adoption of PPP policy in developed countries as a tool for further development of public services, which is related with micro-policy objectives, such as public satisfaction (Hodge, 2004).For developing countries, on the other hand, the orthodox view in adopting PPPs is that they are a way to reduce poverty, enhance employment and maintain a sustainable level of economic growth, which are macro-targets (Bhatia and Gupta, 2006; UNESCAP, 2004). Hence, the overarching aim of PPPs differs between developing and developed countries.

The second sub-question is determined as: *How does PPP policy penetrate into the government agenda and does it differ between developing and developed countries?*. The answer to this question will be supplementary to our first question, and together they will help to accurately present the difference in the attitude of developed and developing country governments while adopting PPP policies. As mentioned earlier, a common answer to this question would undoubtedly be that PPP policy penetrates through neoliberal ideological movement. However, what is important here is, how were these neoliberal policies adopted in countries in the first place and was the process the same in developed and developing countries. As is known, developed countries had abandoned liberal policies after the Great Depression in 1929. Keynesian theory served as the economic model during the World War II and the post-war economic expansion (1945-1973). The stagflation of the 1970s, however, engendered criticism against the influence of government intervention. Thus, the Reagan and Thatcher administration were the first to initiate the resurgence of liberal thought. Subsequently, in less than a decade, developing countries were in the middle of this neoliberal rush. The rapid rise of these neoliberal economic policies among developing countries, however, was a result of the pressure on governments by international lending agencies. In other words, developed countries, such as the USA and the UK, coerced developing countries through transfer agents by procuring financial support (Appuhami et. al., 2011). The World Bank and IMF conditioned the release of external financial aid to the adoption of neoliberal policies, such as privatization, deregulation and PPPs, which all favoured greater freedom of market forces (Mitchell-Weaver and Manning, 1991; Moore, 2001). Countries in an urgent need of aid complied with the rules defined by these agencies and lifted controls on market forces gratuitously. Thus, market-oriented reforms emerged from developed countries and penetrated from there to the government agendas in developing countries.

The third sub-question is defined as: *Does the sectoral distribution of PPPs differ in developing and developed countries?*. This question is directly linked to the policy making mentality of a government: A government decides on the sectors to invest according to its main objective. Certain sectors contribute to economic development, while other sectors are closely related with social development. This relates to our study in the sense that developing and developed countries are expected to have different mentalities while adopting PPP policies. In this context, in developed and developing countries PPPs have been initiated in various policy fields such as transportation, telecommunication, energy, health, and education. As mentioned earlier, these fields can be grouped under *economic* and *social*, and *hard* and *soft* infrastructure. A study by Jamali (2004) demonstrates that the growth in private sector participation in developing countries is mainly related with *economic* infrastructure activities, such as telecommunication, energy and transport. Similarly, Asian Development Bank confirms these findings and points out that most developing countries have problems in financing large scale infrastructure investments, and hence, the private sector has to compulsorily step in (Nataraj, 2007). Private sector involvement in the procurement of *social* infrastructure, however, can be evaluated as the sequent stage. To exemplify we may note that when PPPs began in the UK and Australia, they were mainly used in *economic* areas such as motorways, bridges and tunnels; then in the next stage they were applied in *social* areas like schools, hospitals and urban regeneration (Grimsey and Lewis, 2004). Hence, we can make a deduction that in developed countries PPPs are related with *economic* as well as *social* infrastructure, whilst in developing countries, especially in its early stage, they are mostly involved with *economic* infrastructure development.

The fourth sub-question is determined as: *Does PPPs in developing and developed countries display different forms?*. Even though this question has its root in the process of adoption as well as implementation, in this study it will rather be associated with the implementation process due to the fact that the form of a PPP can be best distinguished in the implementation phase. Policy-making continues in the implementation phase, and policies are generally shaped in this phase. The term *form* refers to the nature of the public and private sector interaction. As mentioned earlier, PPPs have different definitions ranging from competitive - as in contracting out - to collaborative. However, in our definition PPPs represent some form of collaboration. PPPs are not equivalent to free market economy instruments, such as privatization and deregulation (Mitchell-Weaver and Manning, 1991). On the contrary, they are collaborative in nature, where on no account does the government step out of the picture. The government and other major societal actors, such as non-governmental organizations, are involved in the decision making and implementation processes. This is defined as a form of "third party government", where the government shares an important amount of its power with third party implementers (Salamon, 1981). Even though most developed countries, such as the UK and Australia, put emphasis on the notion of third party governments (Flinders, 2005), most PPPs in developing countries do not seem to meet this criterion (Mitchell-Weaver and Manning, 1991). Governments are more centrally oriented and hence, not keen on sharing their powers with other shareholders. In developing countries, promoting privatization and government subsidies to private entrepreneurs are considered equivalent to building PPPs (Mitchell-Weaver and Manning, 1991). However, Mitchell-Weaver and Manning (1991: 49) quite simply explain that "privatization is privatization and subsidies are subsidies: public-private partnerships they are not". Merely contracting out for private sector service provision or selling a state-owned enterprise does not comply for forming a partnership (Cumming et. al., 1988). Moreover, in their study about Russia and Kazakhstan, Mouraviev et. al. (2012) emphasize that PPPs in developing countries generally have a concessionary nature. In developed countries, on the other hand, PPPs encompass quiet a broad variety using different combinations of private sector resources to design, construct, finance, operate, manage and maintain (Grimsey and Lewis, 2004), which implies diversity and further collaboration between the two sectors. Hence, it can be observed that PPPs take different forms in developing and developed countries.

The fifth, and the last, question is determined as: *Does the regulatory framework differ in developing and developed countries?*. Regulatory framework signifies government institutions, such as ministries, departments, units and divisions, and government laws, regulations, policies and guidelines (Appuhami et. al., 2011). The importance of having a well-founded regulatory framework to control the PPP process has been emphasized in several studies (English and Guthrie, 2003; Kumaraswamy and Zhang, 2001). It can be evaluated as the main indicator of success/failure of PPP policy. Regulation is required to "assure that a balance of public and private interests is reached through partnering arrangements" (Pongsiri, 2002:488). However, the nature of the regulatory framework differs significantly across countries, especially between developed and developing countries (Rafael et. al., 1997). Various studies have put forth that the establishment of regulatory framework in developing countries has been inadequate. Pongsiri (2002) and Pessoa (2006) point out that even though developing countries have initiated PPP programs, most have not yet designed the appropriate regulatory framework. Similarly, Appuhami et. al. (2011) notes that the weak regulatory framework in developing countries such as Sri Lanka has been a major challenge for the implementation of PPPs. However, in developed countries like the UK, Canada and Australia, who have successfully adopted PPP policy, there are independent units which facilitate and promote PPPs, and there are regulations and guidelines which clearly define the relationship between the public and private (Appuhami et. al., 2011). Hence, we can claim that the regulatory framework in developing and developed countries differs.

All the findings have been summarized in the table below which will serve as basis for our analysis (Table 1):

TABLE 1- Theoretical Template

Research Question: Does the process of adoption and implementation of PPP's differ between developing and developed countries?

		Explanation		Developed Countries	Developing Countries
ADOPTION	**1. Sub-Question: With what aim do governments adopt PPP's and does it differ between developing and developed countries?**	Economic growth is the main aim for adopting PPP's. However, economic development can be achieved either by macro-economic objectives or by micro-economic objectives. At this point, the dissimilarity between developing and developed countries stands out.	→	In developed countries PPP's are expected to achieve micro economic objectives.	In developing countries they are evaluated as policy tools for further macro-economic development.
ADOPTION	**2. Sub-Question: How does PPP policy penetrate into the government agenda and does it differ between developing and developed countries?**	PPP policy penetrates through neoliberal ideological movement. However, the adoption of neoliberal policies in the first place differs between developed and developing countries.	→	The stagflation of the 1970s, engendered criticism against the influence of government intervention, and subsequently there was a rise of neoliberal policies in developed countries.	The rapid rise of neoliberal economic policies among developing countries was a result of the pressure on governments by international lending agencies.
ADOPTION	**3. Sub-Question: Does the sectoral distribution of PPP's differ in developing and developed countries?**	Yes, the sectoral distribution of PPP's differ between developing and developed countries.	→	In developed countries PPP's are related with "economic" as well as "social" infrastructure.	In developing countries, especially in its early stage, they are mostly involved with "economic" infrastructure development.
IMPLEMENTATION	**4. Sub-Question: Does PPP's in developing and developed countries display different forms?**	Yes, PPP's display different forms in developing and developed countries.	→	PPP in developed countries are collaborative in nature. Moreover, PPP's encompass quiet a broad variety using different combinations of private sector resources to design, renovate, construct, finance, operate, manage and maintain, which implies diversity and further collaboration between the two sectors.	Most PPP's in developing countries do not imply collaborative relationship. In developing countries, promoting privatization and government subsidies to private entrepreneurs are considered equivalent to building PPP's. Moreover, PPP's are generally concessions which does not promote collaboration and diversity.
IMPLEMENTATION	**5. Sub-Question: Does the regulatory framework differ in developing and developed countries?**	Yes, the regulatory framework differs between developing and developed countries.	→	In developed countries there are independent units which facilitate and promote PPP's, and there are regulations and guidelines which clearly define the relationship between the public and private sectors.	The establishment of regulatory framework in developing countries has been inadequate.

3- THE CASE OF TURKEY

In order to properly comprehend the evolvement of PPPs in Turkey, we need to take a look at the Turkish political sphere from 1980s onwards. The starting point of the liberalisation movement in Turkey was in the 1980s with the governmental decisions, named *The Decisions of 24 January 1980*. The rationale behind these decisions was economical as well as political. They were the main part of an economic stabilization program, and were related with the structural transformation of the economy. With this transformation the economy was to be liberalized gradually, and there was to be a move from import substitution to export-led growth, which would eventually stimulate market forces and enhance competition (Orkunoğlu, 2010). The main aim of these decisions was to redeem the economy from the negative impacts of the global petrol crisis and its chronic problems, by first of all liberating the prices, and then as a long term solution by privatizing most of the state owned enterprises. In this context, the government made an agreement with certain institutions like Morgan Guaranty Bank of New York to prepare a privatization master plan (Demirbaş and Türkoğlu, 2002). In a somewhat similar timing, in 1980 and 1983, Turkey signed the 13th and 14th stand-by agreements with IMF. International lending agencies had certain pre-conditions for Turkey and other developing countries, such as tight monetary policy, devaluation and precautions in order to lower public debt (Tiftikçi, 2007). Hence, with the aim to lower public debt, these stand-by agreements harboured major mandatory judgements about the impacts of state owned enterprises on the state budget, and the need to put into practice more market-oriented implementations (Eroğlu and Eroğlu, 2009). What was emphasized at that period by international actors, specifically the IMF, was that the high level of government budget deficit was mainly caused by the inefficiencies of the public sector, which was in most sectors a monopoly or a dominant actor. These jurisdictions were further interiorized by the government with the official public documents, Sixth Five-Year Development Plan (1990-1994) and Seventh Five-Year Development Plan (1996-2000). In these documents it was stated that the government was to be gradually withdrawn from the manufacturing industry.

Correspondingly, in line with the global ideological trend of the 1980s and the warnings of international agencies, the government in Turkey at that time first launched a large-scale privatization activity, and then added PPPs to the comprehensive privatization program as a complementary component (Orkunoğlu, 2010). The first law (Law No. 3096), which regulated the PPP like arrangements in the electricity sector, came into force in 1984. These first PPP models were mainly based on concession arrangements. Having its roots in Law No. 576 on Concession of Public Services dated 10.06.1910; concession agreements are the oldest and most common PPP-like agreements in Turkey. From the 19th century onwards, the Ottoman Empire encouraged foreign investors to build and operate railways, ports, electricity and water supplies (Emek, 2002). When the Republic of Turkey was established these concessions were handled with delicacy and greatest effort was spent to maintain them. Hence, for many years PPPs were mainly evaluated as a continuation of a long-lasting concession tradition of the Ottoman Empire. In these PPP-like agreements, the public authorities were in a position of superiority towards the partner, and hence, this model can therefore be attributed as the furthest model to the *collaborative* PPP description. The term *BOT* was first used in legislation with Law No. 3996, which was effectuated in 1994. However, even in this period PPPs were definitely not evaluated as *collaborations* between the public and private; they were just a preparation and a first step to privatization.

Today in Turkey, the private sector is included in the provision of public services mainly through BOT, BO, BLT and transfer of operational rights (TOR) (Eker, 2007). The most common PPP model is the BOT agreements, followed by BO agreements. Even though according to the regulations, PPPs can be built in any area that requires high technology and high pecuniary resource; they have not found the optimal setting to evolve and develop other than sectors like energy and transportation, which are mainly related with urban infrastructure investments. In particular, PPP operations in Turkey mainly include investments in the transportation sector (railways, motorways, ports, airports and bridges), energy sector (electrical power generation and transmission), water supply and general administration (border gates). Recently, with the adoption of Law No. 5396 dated 2005 concerning the PPP implementations in health care, Turkey has commenced numerous PPP practices related with social infrastructure. Furthermore in the near future, the government intends to extend its PPP policies and introduce PPPs in the field of education.

If we look at the regulations, we can see that it is difficult to make a full classification. Since the 1980s, the rules regulating PPP models have been identified in various separate primary and secondary legislations (Uz, 2007). Today, PPPs are regulated under the Privatization Law as well as various other laws related with different sectors (e.g. Law No. 3096, Law No. 3465, Law No. 3996 and Law No. 4283). This disorder in regulations stands out in most developing countries and it is evaluated as an important obstacle for the success of a PPP policy. A promising point is that PPPs in Turkey have their baseline in the constitution (Uz, 2007). With the amendment in the constitution in 1999 an article was added implying that the public sector should develop partnerships with the private sector. This emphasis can be evaluated as a positive development for the further evolution of PPPs in Turkey. Furthermore, in the Eighth Five-Year

Development Plan (2001-2005) and in the Ninth Five-Year Development Plan (2007-2013) there is an open commitment to enhance PPP implementations.

In Turkey the PPP system is coordinated within a rather complex network of regulatory bodies, which again can be evaluated as an unfavourable characteristic of developing countries. Unlike the UK system, in Turkey other than the Treasury, there are various other institutions included in the process, such as, Ministry of Finance, State Planning Organization, Privatization Administration, Public Procurement Agency, Line Ministries and in some cases the municipalities. The involvement of these regulatory bodies to the process varies according to the PPP type and the area that the PPP is established. But in each case there are two or three institutions that take role in the process.

Lastly as a summary, we can state that even though Turkey initiated the PPP program at a similar time with the UK and was one of the first developing countries to implement PPPs, it did not achieve the intended progress. PPPs were in the shadow of privatization activities. Furthermore, the three severe crises' that Turkey witnessed from 1990s onwards, negatively affected the macro-economic conditions and the investment climate, and became an obstacle to further development of the PPP model. The number of PPP models is still rather limited; the current legislation only allows for BOT, BO, TOR and BLT models (Privatization Administration, 2010). There is a lack of harmonization among various PPP laws and a lack of a central administrative structure (Privatization Administration, 2010). The private sector is not keen to participate to PPP arrangements; there are certain legal gaps and various serious problems regarding contracts and issues like risk sharing (Uz, 2007).

4- THE CASE OF UK

Similar to the case of Turkey, the evolvement of PPP's in the UK was after the 1980s. During this period, the political sphere witnessed two fundamental views of two extreme parties: first the Conservative party, then the Labour party. The Conservative governments of the 1980s and 1990s had a major belief that the private sector had a primacy over the public sector. During this period, first, privatisation was preferred as a policy option, but by the late 1980sas the possibilities for privatisations came to an end, the government was forced to find alternative ways to encourage private sector involvement (Broadbent and Laughlin, 2005). Hence, the attempt to further unite the public sector with the benefits of the private sector disciplines began with the introduction of private sector management approaches in public sector organizations and the expansion of compulsory competitive tendering (Falconer and McLaughlin, 2000; Entwistle and Martin, 2005). In

1992, when the Private Finance Initiative (PFI)[1] was established, the private sector was included further into policy making and implementation. Whilst initially the private sector was mainly involved in the provision of public services, with the establishment of PFI the private sector became a main actor in designing, building, operating and owning public sector facilities. What should be emphasized about this era is that competition was the starting point of all the reforms, and moreover, these reforms were mainly ideologically driven (Feigenbaum et. al., 1998; Entwistle and Martin, 2005). The ideological convictions of Margaret Thatcher and her associates pervaded the political and administrative arena, and the program of liberalization introduced in the UK at this period and later on was seen as one of the most extensive anywhere in the world (Feigenbaum et. al., 1998). Hence, in 2006, the UK PPPs accounted for 76 % by number and 58 % by total value of all the European PPPs (European Investment Bank, 2007).

During the 1980s and 1990s, the Labour party fiercely argued against the Conservative stance on the priority of the private sector (Falconer and McLaughlin, 2000). However, when they came into power in 1997, they compulsorily perceived the fact that citizens demanded better public services while being reluctant to pay more taxes (Flinders, 2005). Governments had to deliver more with finite level of resources, due to the pressure on the government expenditure caused by factors like the European Union Maastricht convergence criteria (Harris, 2007). Hence, the *new* Labour party inevitably inverted the position of the former Labour party, and gave rise to a wide range of partnership programs, which represented a continuation and development of Conservative policies (Falconer and McLaughlin, 2000). Hence, the neoliberal political view diffused into the once radically social democrat Labour party. However, the new Labour government in some ways displayed a different stance than the Conservative government. They declared themselves as a *third party government*, which rejected the absolute neoliberal congestion of the previous Conservative government as well as the totally centralised planning and delivery of the traditional social democracy (Broadbent et. al., 2003). In contrary, the new Labour party highlighted the benefits of collaboration, rather than competition (Parker and Hartley, 1997), and used PFI as a pragmatic response, rather than an ideological tool, to modernize the government (Feigenbaum et. al., 1998; Falconer and McLaughlin, 2000). Even though the Conservative as well as the Labour governments were accused of using PFI as “back-door privatisation”, the Labour party repeatedly put emphasis on the fact that PFI differed from privatisation because the public sector still remained as a key actor (Flinders, 2005).

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[1]The term PPP is more widely used internationally (Heald and Georgiou, 2011), PFI and PPP are used interchangeably in practice (Shaoul et al., 2009).

We can observe this fact when we examine the regulatory bodies of the system. The main regulatory body for PPPs is the HM Treasury, which is a strong supporter of the PFI programme (Heald, 1997). The HM Treasury has a direct control over the PFI programme with the technical assistance of a separate company called Partnerships UK, which has 51 % private sector share and 49 % public sector share (Yescombe, 2007). These two institutions together form a permanent centre of expertise which creates detailed procedures and guidelines, and gives project-specific support. Under the umbrella of this central control, major government departments such as transport, health and education have also set private finance units to coordinate sector-specific expertise and project development (Yescombe, 2007). Moreover, several new independent bodies have been established for major projects such as the London Underground, National Health Service and Building Schools for the Future Programme (Flinders, 2005). Hence, the system is created of several independent organisations linked to a central body, in this case the HM Treasury.

In the initial phase, the PFI programme was mainly related with transportation projects. However, today, while these projects still remain important, social infrastructure such as health and education, as well as defence-related projects form the other main elements of the PFI programme (Yescombe, 2007). In fact, social infrastructure produces the largest number of individual projects. By 2012, there were 717 PPP projects in the UK, from which 118 were related with health and 166 were related with education (HM Treasury, 2012). The amount of transportation projects, on the other hand, was 62.

The PFI programme is remarkable for both volume and number of projects. PFI projects make up about 11-15 % of public-sector investment (Flinders, 2005; Yescombe, 2007). We can see from the table that many public services have come within the scope of the PFI programme. Nevertheless, the Treasury has restricted its use in some policy fields in the light of experience – PPPs for smaller facilities and ancillary services, as well as IT projects is discouraged (Yescombe, 2007).

Another notable feature of the PFI programmes is that in the early phase it used the concession model, which has now completely disappeared (Yescombe, 2007). Even though PPPs were initially based on concessions, later on as the PPP concept began to rise, the use of concessions for constructing new infrastructure faded away in many developed countries, except for some countries such as France. Today, the UK uses the *full* PFI models. The main difference between concession and PFI model is that, while in the former model the *users charge* principle is used, the latter one uses the *availability charge* principle. In the users based system the private sector is paid by the beneficiaries, that is, only if the facility is used.

However, in the availability based system the public authority pays the private sector, regardless of the beneficiaries. For the provision of public services where usage risk inherently cannot be transferred to the private sector, such as hospitals and schools, the private sector investor has to be paid by the public authority. As the UK expanded its PPP agenda to social infrastructure investments, it inevitably commenced using the PFI model, as users charge principle is not feasible in these areas.

5- DISCUSSION: COMPARISON OF THE UK AND TURKISH CASES

Until this part of the study, a general description of PPPs has been set forth theoretically and empirically. Facts about PPPs in developing and developed countries have been presented with minor interpretations. Our research question has been answered partially: Within a critical literature review, it has been observed that there are differences in developed and developing countries regarding the adoption and implementation of PPP policies. At this part of the study, in line with the sub-questions defined earlier in the study, the UK and Turkish cases will be interpreted systematically in order to verify the findings of the theoretical debates. In this context, this section is divided into five sub-sections which coincide with the five sub-questions that were set forth as a template in the earlier section.

5.1. Economic Development

In the early 1980s, after the petrol crisis, economic development became the priority on the political agenda for many developing countries (Weaver and Dennert, 1987). Governments tried to transform and rebuild their shattered economy. Around this period, the Washington Consensus was declared, which emphasized that an unfettered market system was the key to taking developing countries from poverty to development (Cypher and Dietz, 2009). This alleged *guiding light* recommendation was made by developed countries, which were in a much better condition than developing countries. Nations like the UK, the USA, Australia and France were still the ones who were the rule makers of the economy. Since, developed countries had not attained the status of being *developed* overnight; their economy and political structure was more robust and durable to external shocks. Hence, rather than trying to enhance their economic growth, developed countries were more concerned with preserving the sustainability of their development level. To ensure this, they were trying to strengthen the backbones of their policies. In other words, their concern was far beyond the level of income per person. They were rather interested in enhancing high-quality growth (Cypher and Dietz, 2009). Increasing the quality of services meant regulating the micro conditions in the correct way. Thus, they were using PPPs to ensure flawless public service, and were trying to enhance institutional and regulatory arrangements. Today, this is still the main concern.

In developing countries, on the other hand, establishing a broad network of PPPs was evaluated as a general strategy of economic development. This way, private capital was incorporated with public resources with the hope of a synergic effect. Indeed, as Weaver and Dennert (1987) put forth, there are various proofs that PPPs do make a positive contribution to the economic development of countries; they stimulate economic adjustment and expansion. However, scholars generally define economic development, incompletely, as a matter for macro-economic policy (Weaver and Dennert, 1987). Predominant theories of economic development since the World War II have focused mainly on macro-economic variables and governments have funded micro development programs only at very modest levels (Weaver and Dennert, 1987). Most economists assume that micro issues will take care of themselves over time, as national markets develop (Perloff et. al., 1960). Decision makers do not prefer to spend their time worrying about micro problems, while the country has more important macro problems, such as poverty, unemployment or low growth rate. On the other hand, what decision makers overlook at this point is that attempting to solve macro problems does not always lead to improvements in micro conditions. Micro conditions need special attention: they need to be identified properly, and unique solutions need to be generated for every specific problem. Moreover, paying special attention to micro problems will in the end contribute to macro-economic growth.

The above mentioned political and economic atmosphere suits more or less with the situation in the UK and Turkey. Hence, the developed country in this story can be identified as the UK and the developing country as Turkey. In the UK the *Best Value* regime, which was launched in April 2000, can be a relevant example to prove our point that the government was more involved with micro conditions rather than the macro ones. According to this regime, there are certain functions that are most efficiently and effectively performed by the private sector, others by the non-profit sector, and others by the government. Thus, the Best Value regime proposes that this distinction should be pursued while providing public services. However, what is important here is that, the Best Value objective is mainly concerned with the efficiency and the effectiveness of the service provided, rather than the probable financial gains for the government. We can clearly observe this in the White Paper saying that “the central purpose of the partnership approach is to make a real and positive difference to the services which local people receive” (DETR, 1999: 4).

Similarly, in the policy document Better Quality Services, the then Chancellor of the Duchy of Lancaster puts emphasize on micro conditions rather than macro conditions, and states that:

> "We want all government services to be of very highest quality, efficient, responsive and customer-focused. [...] What matters to the citizen, and therefore to the government, is quality for the customer at the most reasonable cost to the taxpayer. If these are right, the distinctions between public and private are not so important. [...] That is why we stress Public-Private Partnerships." (Cabinet Office, 1998).

Therefore, the Best Value regime has focused primarily on the capacity of authorities to improve service standards, rather than to drive down overall costs for the government. The UK government, in this respect, has enacted several measures to reduce the complexity of the system, enhance accountability and ensure an appropriate institutional and regulatory setting. HM Treasury has been improving and standardizing PPP contracts, and defining all the issues clearly in the guidelines.

In the Turkish case, on the other hand, the government is more focused on achieving macro-economic targets. Unsurprisingly, in developing countries like Turkey, the government has to put extra effort in order to attain the economic targets, which are in most cases set up by international lending agencies, such as IMF. After the economic crisis in 2000, the government in Turkey has been extra cautious in restraining any implementation that would hinder macro-economic growth, and indicators such as growth rate, inflation, exchange rates and public sector debts have been the main determiners of economic success. Similarly, PPP policy has been evaluated as a positive contributor to the above mentioned indicators. We can observe this overarching attitude in various policy documents, such as the Five-Year Development Plans. More specifically, in the legislative intention of Law No. 3996, it has been clearly stated that PPPs are a way of reducing government spending, which will allow the government to dislocate certain sources to other core areas (Pirler, 1995). Pirler (1995: 48) points out in his study that "[…] [PPPs] would solve the resource problem of the economy, as well as be a facilitator in the completion of investments which would help the economy to achieve the predicted growth rates". Furthermore, again in this document it is indicated that PPPs would have a positive effect on economic growth and unemployment.

5.2. Programmatic Ideas and Framing

Even though neoliberal ideological movement was the pushing force for the emergence of PPP policy in many countries, practically, the PPPs penetrated into the UK as well as the Turkish government agenda in the form of a *programmatic idea*, and through the use of *frames*. Programmatic ideas are technical ideas that procure the explanation of a policy problem and its causes as well as the policy action to solve it (Campbell, 1998). An important success factor for programmatic ideas is how they find their way through a set of other options in the political agenda. In this case, there could have been various other options, such as contracting out or outsourcing. Here, the role of political actors is the main determinant for the success of the programmatic idea. These ideas penetrate and become a priority in global and national political agendas through political actors, who advocate for the advance of these ideas (Kingdon, 2002). In political analysis literature, these political actors are called “policy entrepreneurs” (Kingdon, 2002). Policy entrepreneurs *frame* these ideas in order to appeal to the public. This means, to constitute programmatic ideas in such a way that they gain a place in the policy paradigm and public sentiment that predominate the society at the time these ideas are formulated (Campbell, 2004; Hay, 2002). When the policy entrepreneur determines the problem correctly, and matches this problem with the right set of solutions, the outcome is generally the occurrence of value-added policy activities.

The *policy problem* in Turkey in the 1980s was defined as high level of budget deficits. International lending agencies, especially IMF and World Bank, who were in close contact with Turkey, detected this problem and acted quickly in presenting a package programme for Turkey to implement as a *policy action to solve this problem*. Thus, the international lending agencies were the *policy entrepreneurs* in this case. They were the ones who emphasized the need to put into practice more market-oriented implementations like privatization and PPPs. This was in line with Verger’s (2012) view that in developing countries agenda setting happens more frequently at supranational level, and then enforced at national level. Not surprisingly, PPPs were included into the programme as an extension to privatization, and for many years PPPs were implicitly or explicitly framed as policy options to pave the way for privatization. PPPs were kept in the background of privatization, and were mainly ideologically driven. Hence, in the 1980s, when the privatization movement was supported, PPPs found the ideal setting to evolve. As privatization activities slowed down throughout the 1990s, in parallel, the development rate of PPP policy degraded dramatically. However, during the 2000s as the privatization policy came to the fore again, it created an opportunity for PPPs to develop further. Indeed in this period, the government started working on a new PPP legislation draft, the PPP Platform was established and steps were taken to create PPPs in the health sector as well as the education sector.

On the other hand, in the UK, the privatization program had come to saturation, and the government was looking for new ways to maintain quality-based public services. Thus, the *policy problem* was defined as risk of decline in the quality of public services, and the *policy action to solve it* was presented as the adoption of PPP policy. The first policy entrepreneur in the UK case was inarguably Margaret Thatcher. She was the one who set up the political agenda, as well as the one who determined the priority. She first of all initiated the extreme programme of privatization. As privatization opponents emerged, she looked for new ways to back her ideology. She was in no way going to step back from her solid neoliberal stance, however, she was clever enough to generate alternative options to privatization, in order to gain wider public support, and diffuse into policy areas which had no further space for privatization. Hence, she framed the policy problem in such a way that the solution, to adopt a PPP based policy, became a rather appealing policy option. Even though PPP policy at that time was somewhat a continuation of privatization, and competition was still in the core of the process, it was successfully framed and detached from privatization, and presented as a middle way to the stakeholders. Moreover, in 1997 when Tony Blair was elected, he further framed the issue. For the Labour party the programmatic idea of PPPs was an important turning point in the sense that it acted as a cognitive lock that had already put the policy into a certain path, and had generated constituents which defended it to its alternatives (Verger, 2012). However, the frames that Tony Blair used indicated for an important policy diversion. His emphasis on *collaboration* and *third party government* were the distinctive frames of his agenda. Furthermore, rather than the ideological aspect, he put an effort to reveal the pragmatic values of PPPs. Hence, he was the second policy entrepreneur, and it can be argued that he was the one who put the PPP policy on to the right track.

5.3. Collaboration

The new Labour government, when it came to power in 1997, was in pursuit of a departure from the former PPP policy that the Conservatives had established, and accordingly the policy was diverted into a new path, from competition to collaboration. Bovaird and Tizard (2009: 238-240) emphasize that, in the past few decades, there has been a preeminent advance in the collaborative relationship between public and private sides in the UK, which other European countries have only newly started to experience, and they name this as *collaborative advantage*. Similarly, the collaborative nature of PPPs is the distinctive feature that differentiates the UK case from the Turkish case. As put forth earlier, in most developing countries like Turkey, PPPs are evaluated as the centrepiece of a development strategy. This is true in the sense that PPPs contribute to achieving a particular micro or macro goal, which is generally related with the wider development strategy of the country. However, what should not be missed out is that, PPPs are not development strategies; they are primarily a set of *institutional relationships* (Mitchell-Weaver and Manning, 1991). Presenting PPPs as development strategies, canalizes decision-makers to merely focus on the contribution that PPPs are expected to have on macro-economic indicators, which prevents them from seeing the full picture. Institutional relationship, on the other hand, first of all implies an interaction between the government and various other actors in the private sector and civil society, which assumes that these parties will combine their forces to define and accomplish certain objectives – sometimes related with economic development, other times with establishing a well-settled public service. Only if this institutional relationship and trust is established can we speak of a form of partnership. Numerous scholars support the concept of relationship quality, and emphasize the importance of focusing on relational aspects (Pierre, 1997; Fischbacher and Beaumont, 2003).

Mitchell-Weaver and Manning(1991: 50), on the other hand, note from an extreme point that collaboration definitely means the end of the "one man, one vote". With support from a study by Peters (1987), they claim that the actors represented in the PPPs have real political power which is irrelevant to their fortunes at the ballot box or the votes of the duly elected. This might serve as a partial explanation for the lagging situation in Turkey. Turkey is a country where there is a powerful central administration. Most decisions are taken at central level by high-level political actors and governmental departments. The government is reluctant to share its powers even with local government authorities, let alone private sector. This might seem as a contradiction to the tendency of the government to privatize public services. However, in privatization the public and private sides have different movement areas and responsibilities. Thus, the private side is not a threat to the public side; each side has its own accountability territories. In partnerships, on the other hand, the division between the public and private side is clouded, and there is a new institutional reality which preserves both a public and private side to the arrangement. Rather than redefining the boundary between the public and private, partnerships tend to blur them (Linder, 1999). This institutional setting is foreign to the conceptual separation of public and private in capitalist societies (Barnekov and Rich, 1989) and brings along problems of accountability. The general public judgement is that there should not be fragmentation of accountability, and that the public organization should remain accountable (Boase, 2000). However, the public and private differentiate in their goal specification: on the one side there is the goal of service to the public, on the other side the goal of profit. This is the main concern of governments, who do not want to be judged by the practices of the private sector, and eventually lose votes. This concern is totally contradictory to the essence of PPPs, which implies wrapping the major sides into an alliance that centres attention to the project, and not to the motives of the individual parties involved (Grimsey and Lewis, 2004). This represents a significant cultural change for most organizations. As March and Olson (1983) have put forth, any major reorganization, particularly in public organizations, takes time and needs extra effort. Nevertheless, as will be seen in the following sections, regulatory framework is the main determinant of reorganization and procurement of complete accountability. From another perspective, in countries like Turkey, where close cooperation between the public and private sectors is generally evaluated as an abandonment of competition, the public trust to these kinds of relationships between the public and private sectors has to be built from scratch. The public has to comprehend the fact that, while the development of competition policy is highly dependent on a divided system between the public and private, in contrary, PPP policy relies on a collaborative relationship between these two parties.

Lastly, the concessionary nature of PPPs in Turkey is another reason that collaboration has not been a prominent feature within this policy. Even though BOT, BO and BLT agreements have gained importance, concessions are a traditional type of public-private relationships. Here, *path dependency* might serve as a right concept to explain our point. The term path dependency has been used to describe the fundamental role that historically formed institutions have in determining the future range of possibilities for a nation (Cypher and Dietz, 2009). Once institutions are formed, they tend to "lock-in" a certain evolutionary path for the nation (Cypher and Dietz, 2009). Concessions were an important service procurement way in the Ottoman Empire, and when the Empire was dispersed, it was ensured that the Republic of Turkey was the new contractor to all the arrangements. Law No. 576 on Concessions of Public Services dated 10.06.1910 was structured in such a way that concessions were *locked-in* the policy for more than 70 years, until the law on BOT's was put into force in 1984. Even after this Law, concessions remained an important component of PPP policy, and PPP types could only evolve within a limited variation. Only today, in various policy documents there is an emphasis on the need to introduce new PPP models, and remove the rigidity and uniformity of the current ones (Privatization Administration, 2010).

5.4. Sectoral Distribution

Governments, especially in developing countries, tend to include private investments in areas where initial investment costs are significantly high, such as transportation, energy and telecommunication. Turkey constitutes an ideal example for this situation. The very first laws that were put into force were related with the energy and transportation sector – Law No. 3096 in 1984 and Law No. 3465 in 1988. An obvious reason for this situation is that developing country governments are in a lack of capital. Furthermore, governments in developing countries are first of all criticized by the existing levels of physical infrastructure investments, rather than social infrastructure. This can be elaborated by an extreme example: a hospital or school will not be of use to citizens if the government has not built the roads to reach these services. Hence, governments are expected to close physical infrastructure gaps before tending towards a quality increase in social services. However, as the development level rises, governments are more concerned with constituting and maintaining a high standard in services like education and health. These governments need to maintain their physical infrastructure levels, and also enhance social infrastructure investments. Thus, they commence including private sector in all areas, which is the situation in the UK, since the mid-1990s. In the UK, PPP plays an important part in public sector investment, providing around 11 % of total investments, and moreover, the number of PPP projects in education and health exceeds the total number of all other projects (Flinders, 2005).

There is also a wider debate going on about which types of services are appropriate to consider delivering through partnership arrangements (IPPR, 2001). Social infrastructure services are generally classified as *core* services which are ring-fenced for delivery by the public sector. The participation of private sector provokes much more opposition in these areas rather than economic infrastructure. These services are marked as inherently unsuitable for delivery through the private or voluntary sectors, due to issues like difficulty in specifying and monitoring outputs and guaranteeing social equity. Even though there is some opposition (Grimshaw et. al., 2002; Shaw, 2003), in the UK this stalemate seem to have been solved. The private sector is to a large extent included in the services of the National Health System (NHS) and schooling. The UK government is determined to continue with this political paradigm and follow a case-by-case assessment of the method of service provision (IPPR, 2001), which till now has served as a motivator for the government to go forward. In Turkey, on the other hand, the government still has more to achieve in economic infrastructure investments. There are full-scale investments waiting to be completed especially in the more poor Eastern regions of the country. However, the government is eager to move on to social infrastructure areas. Thus, Law No. 5396 dated 03.07.2005 enables private sector to participate in the provision of health services. The ruling party, Justice and Development Party, has also declared the government’s desire to include PPPs in education services (JDP, 2011). Opposition is gradually arousing as these new practices are put into force, which will have to be dealt by the government through good management and regulatory framework.

5.5. Regulatory Framework

Even though the general view is that deregulation goes hand in hand with the introduction of privatization and PPP policies (Mitchell-Weaver and Manning, 1991; Rosenau, 1999), in reality, it only is the first step. After a deregulation process, which is mainly concerned with reducing direct public intervention, a process of reregulation takes place. This second process rationalises the introduction and increased use of private enterprises (Appuhami et. al., 2011). The process of reregulation, which can be referred to as establishing a *regulatory framework*, influences the government's application of the policy. For instance, it ensures the transparency and fair enforcement of government policy, holds contractors accountable for performance and facilitates monitoring processes (Kulshreshtha, 2008). Hence, establishing an appropriate regulatory framework stands out as an essential component of building sustainable partnerships, and its absence results in a major challenge to the implementation of PPPs, which generally is the case in many developing countries like Turkey.

The term regulatory framework implies two features. First, the World Bank recognises the establishment of an independent unit, which facilitates and promotes PPPs, as a major component of the regulatory framework (World Bank/PPIAF, 2007). Second, national policy and guidelines are the other substantial components of the regulatory framework of a country (Abdel, 2007). The former enables a coordination to be procured between the government agencies, and in most cases prevents political interference. The latter, on the other hand, sets out the conditions for certain important aspects such as optimal risk allocation, public sector comparator, dispute resolution and value for money assessments. If we turn back to our two example cases we can observe that in the UK these principles have been adopted and implemented successfully (Appuhami et. al., 2011). HM Treasury has adopted various guidelines to clarify the conditions for both sides. As the UK is a common law jurisdiction, unlike civil law jurisdictions (like most continental European countries), there is no law or codifying piece of legislation that sets out a comprehensive framework for PPPs. However, all provisions are identified in the contracts and these contracts comply with the requirements set out in the guidelines. Moreover, there is a quasi-independent unit, Partnership UK, which has the knowledge and authority to supervise PPPs. This unit works in compliance with the HM Treasury.

In Turkey, on the other hand, there are numerous laws that frame and control PPPs. This results in different perceptions and implementations, and hinders the ideal environment to be formed for private sector participation. What is missing is an overarching guideline or law to coordinate these independent laws and regulations and set forth a transparent and coherent regulatory framework. Even though the government has made an attempt in 2009 to put into force an overarching law, to date this has not been achieved. Furthermore, similar to other member states, Turkey has to take into account the regulations and guidelines accepted by the EU. In the European Commission guideline for successful PPPs, there is an explicit emphasis on the importance of having coherent legislation and establishing an independent unit (European Commission, 2003). Turkey, on the other hand, has a rather complex network of regulatory bodies and legislation. Hence, in line with international good practices and the EU regulations, Turkey will have to pay special attention to the issues of establishing a sound regulatory framework.

CONCLUSION

This study set forth to prove that there is a relationship between the development level of a country and the PPP policy it adopts and implements. Having systematically analysed the literature on PPPs in developing and developed countries, it has been put forth that (i) how PPP policy penetrates into the political agenda, (ii) with what aims PPP policy is adopted, (iii) the sectoral distribution, (iv) the form it takes and (v) the regulatory framework, differs between developed and developing countries. The empirical part of the study, where the UK and Turkish cases were comparatively analysed, proved our points in most aspects.

As a summary we can conclude that, in developed countries it is generally national actors who adopt PPP policies with the aim to enhance economic development. Since these countries have made the intended progress regarding their macro-economic aims, they focus on micro issues and are more concerned with issues like improving public service and enhancing quality. They try to form collaborative relationships with the private sector, and ensure the accountability and transparency of the system by establishing sound regulatory frameworks. Furthermore, as PPP policy develops in these countries, it commences to be implemented in sectors other than economic infrastructure, such as sectors related with social development.

In developing countries, on the other hand, PPP policy penetrates into the political agenda through the efforts of international actors, which shows that in developing countries agenda setting generally happens at supranational level, and then is enforced at national level. The government is mostly concerned with macro-economic problems, and PPPs are evaluated as policy options to solve these problems. Since PPP policy is mainly introduced in these countries as a complementary to privatization activities, it tends to be an integral part of privatization ideology and implementations. Hence, PPPs show little evidence of collaborative relationship. They generally take the form of concessions, or one step further, just the basic types of PPP forms, such as BO or BOT. These countries generally have a rather weak regulatory framework, which makes it even harder to form this collaboration. Furthermore, as developing countries are generally in a lack of capital, PPP's are seen as an opportunity to finance large-scale economic infrastructure projects. In these countries, the involvement of PPP's in social policy areas is quite limited.

Last, as expected, in this study it was also implicitly put forth that, these main findings about PPP's in developing and developed countries, are somewhat related with each other. This can be summarized in the following few sentences: As the development level of a country improves, the PPP policy is canalized towards micro issues. Governments complete fundamental infrastructure needs, such as transportation, energy and water supply, and then they are more concerned with enhancing the quality of life through maintaining these economic infrastructures, as well as improving social infrastructures. On the other hand, PPPs related with the development of social infrastructure, cannot be formed through traditional PPPs, such as concessions, and hence PPPs take more collaborative forms, which eventually become a common practice of the country. Regulatory framework always is a substantial component of PPP policy; however, as PPPs become more collaborative, regulations become more important in ensuring the accountability and the transparency of the system.

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