

Public private partnerships in education

Introduction

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Since education is the key for developing human capital, improving productivity and promoting economic growth, it has always been regarded as an area of strategic investment for countries. Schools and education systems are largely provided and financed by governments. However, as government budgets are limited and often insufficient to meet demand, the public sector started to develop innovative partnerships with the private sector.

Public-private partnership (PPP) is a way of providing services which would normally be provided by governments. However, this does not necessarily mean that PPP amounts to privatization. Within this system, core public services are still provided by the public sector.

Promoting improvements in financing and increasing the system of efficiency, effectiveness, quality, equity and accountability of services being rendered by both public and private sectors without increasing the role of one over the other, are accepted as the main goals of PPPs. Remarkably, PPPs incorporate both the public and the private sector actors trying to achieve important educational, social and economic objectives.¹

PPP has been adopted in a number of sectors that require the development of infrastructure, including hospitals, roads, prisons, railways, airports etc.

The main objective of PPP programs in education is to enable students to gain access to a higher standard of education in better and safer conditions. In developing countries, the private sector's support is a necessity rather than an alternative for financing such projects due to excess demand for educational facilities. In high income countries, parents' demands for a higher standard of education in modern, well-designed and maintained facilities, balance sheet constraints and a desire for innovation make the governments look towards the private sector as a source of expertise and finance.

In today's world, developing countries are dealing with the increasing complexity of getting and keeping more and more children enrolled in school provided that each of them get the most up-to-date and appropriate education. Within these tight constraints, governments in some of these countries started to consider and take advantage of partnerships with the private sector

in order to improve the delivery and financing of basic education.²

Education is a vast marketplace. In this marketplace, an effective regulatory framework and contractual instruments to ensure quality and effective use of public resources are very important. A typical PPP project in the education sector involves the design, construction, operation and financing for a school, an education campus or other educational facilities, and/or the refurbishment and renewal of existing facilities, all of which are provided by the private sector partner. Operation of the facilities usually contains "soft" facilities management such as cleaning, catering and estate management services, as well as "hard" facility management services such as building maintenance. In this system, core educational services, i.e. lessons taught by teachers, are still provided by either the government, education management organizations or government agencies.

In this paper, we will first discuss PPP in general, PPP practice in education and international practice. After giving some general information on PPP implementation, we will turn our focus to PPP practice in education within Turkey.

¹Latham, Michael, Public Private Partnerships in Education, EdInvest, March 2009, p.2

²CFBT Education Trust, Public Private Partnerships in Basic Education: An International Review.

1. Analysis of PPPs in General

It is often said that the private sector in competitive markets is more likely to be efficient than government institutions due to the latter's bureaucratic structure which often leads to sub-optimal allocation of resources or oversupply of public goods. However, the validity of the proposition that there exists an efficiency gap between government and private sector depends on the actual context of the service, as problems of bureaucratic behavior can also appear in large private corporations.

It is important to set conditions and criteria in order for the economic rationale of PPPs to be valid and for a potential PPP project to be successful and sustainable. From an economic aspect, critical conditions for a successful PPP to obtain the desired efficiency and effectiveness gains are generally related to:

- The presence of sufficient performance incentives and discipline for the private partner.
- The requirement of a sufficient risk transfer to the private partner

The private party's continuous pursuit of profit pushes it to reach the most efficient limits via good management. Therefore, the incentives of a PPP project need to be powerful enough to attract private parties and motivate them to strive for these efficiency limits. This limited efficiency is a relative indicator and may depend on the sector characteristics and dynamics.

The presence of competition in the market also acts as a powerful disciplining force for the private party to be efficient in order to survive. However, under certain market conditions (i.e. monopoly, oligopoly)

competition may be much weaker and not conducive to a disciplinary environment.

Another key element in achieving efficiency is sufficient risk transfer to the private party. Risk can be defined roughly as the measurable probability (in most cases to some degree) that a particular actual outcome will deviate from the expected or most likely outcome. Different risks may be relevant in PPPs depending on the services provided. These include:

- Demand risk that results from consumer preferences, substitute services, demographic changes, etc.
- Supply risks that are related to the ability to deliver, input and labor costs, technical process, etc.
- Financial market risk that originates from the cost of capital,



interest rates, exchange rates, inflation rates, etc.

- Legal and political risks that originate from the legal and regulatory framework, government policy, taxation, etc.

Risk is a driving force for achieving higher efficiency. However, various barriers may emerge before a beneficial relationship between risk, efficiency and effective service delivery can be attained.

The transfer of risk to a private operator does not come free of charge. Normally private sector borrowers have to pay a higher interest rate than government resulting in the price of these goods to be higher for the private sector. This extra cost must be compensated for by sufficient efficiency and effectiveness gains. Before switching service delivery to a PPP, a government must be

satisfied that the efficiency gains will exceed the higher interest cost. For a PPP to be successful, the extent to which the desired efficiency conditions are in fact met, is very important.

Attaining sufficient risk transfer and efficiency in practice depends on:

- Type of product / service: i.e. the more public and naturally monopolistic a good is, the more difficult it becomes to deliver it through a PPP in an efficient way due to unavoidably insufficient risk transfer.
- Competition in the market: If competition or potential entry is absent, efficiency gains will be difficult or not ideal and resorting to a regulatory framework may become necessary for obtaining required discipline.

- Financial conditions: Private party needs to invest a sufficient amount of equity relative to debt to absorb adverse movements in long term profits. The higher the risk, the lower the required debt/equity ratio should be.

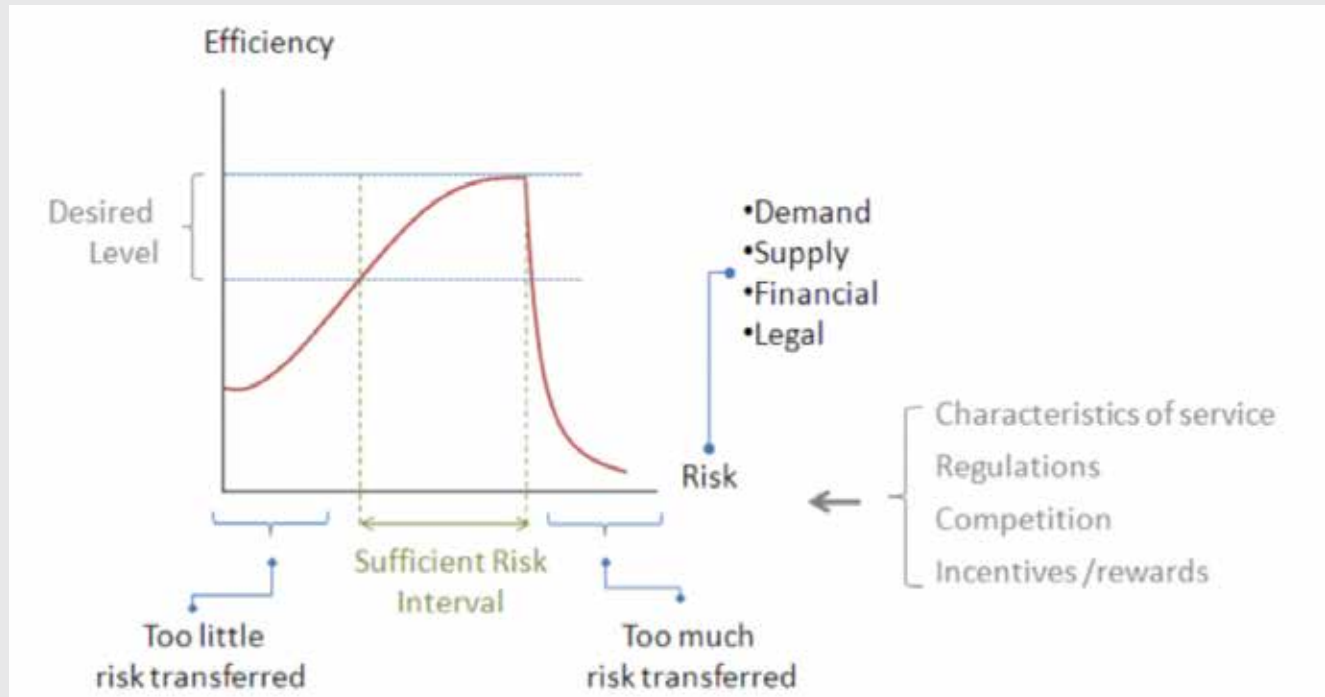
- Size of the project: The bigger the project in terms of investment and debt, the riskier is the amortization of these debts.

- Institutional aspects: Efficiency may be adversely affected by different organizational cultures of the private and public sectors. The private sector is efficient when the return on capital is maximized, while the public sector is efficient if it maximizes return within the constraints of public policy goals.



The long term relationships and high level of complexity in PPP projects can lead to higher risks. However, private sector parties generally try to obtain certain guarantees or subsidies from the government to safeguard against the related risks. On the other hand, the government stipulates new obligations such as a cap on the tariff or payment rates or payment deductions for service failures in return for granting these incentives.³

Risk-Efficiency Relation



Although PPPs have a comprehensive field of activity, a typical PPP should have these five fundamental attributes:

- Formal in nature
- Considers development of a long-term relationship between parties
- Focuses on the outcome (output)
- Involves risk-sharing among the parties
- Incorporates commercial and potentially voluntary sectors as private sector partners⁴
- Table 1 highlights some of the advantages and disadvantages of the three types of partner

³Liu, Jicai – Cheah, Charles, Construction Management and Economics, 2009.

⁴Latham, Michael, Public Private Partnerships in Education, EdInvest, 2009, p.3

Table 1: Characteristics of the Respective Partners in a PPP in Public Education

Public	Business	Civil Society
Perceived advantages		
<ul style="list-style-type: none"> • Regulatory ability • Responsibility for delivery of education as a human right • Long term engagement • Accountable to public sector for delivery 	<ul style="list-style-type: none"> • Efficiency and productivity • Innovation and flexibility • Results oriented and cost effective 	<ul style="list-style-type: none"> • Local networks and experience • Rooted in the community • Ability to perform monitoring role at grassroots level
Perceived disadvantages		
<ul style="list-style-type: none"> • Limited budget flexibility • Resistant to change • Slow to respond • Top down management style 	<ul style="list-style-type: none"> • Not focusing on public good as primary concern • Less concerned with the hard to reach 	<ul style="list-style-type: none"> • Representative of special and parochial interests • Less professional in management

2. PPP Practice in Education



The concept of public good is central to economic analysis of the role of the government in the allocation of resources.⁵ PPPs can be regarded as a “new concept” that have been widely used by government agencies at all levels to procure services such as local transport, prisons etc. Private entities have long played an important role in the delivery of core services like child care, health, employment and welfare services.

In addition to these core services, contracts for the provision of secondary, “non-core” services like cleaning, maintenance and catering have been relatively common in education especially in Canada and the

United States. However, in recent years, delivering “core” education services has also started to be in contracts of various structures. These may include;

- Management of public schools by a private sector partner such as a private school, a non-profit agency or a private firm hired by the government
- Delivery of specific services at public schools such as teaching, school review or school improvement by a private school or organization
- Providing educational infrastructure by a private sector

partner at public schools such as design, construction, finance and operation of schools, IT laboratories, university buildings and hostels

- Providing administrative and curriculum support to public schools by a private sector partner⁶

To assist in meeting policy objectives in key areas such as access, quality and finance, some of the reasons for and against governments preferring PPPs are summarized as follows:

Access: PPPs in education are supportive of the need for capacity

expansion in public schools in order to meet demand created by the growing number of children. This in turn increases overall access to education and reduces class sizes in government schools. However, the private sector's contribution in the education sector is still quite limited and this is not expected to change significantly in the near future.

Quality: PPPs allow government institutions to concentrate more on their core functions such as policy, planning and educational program development, and therefore increase the quality of their services. However, contracts without proper incentives do not necessarily help to reach significant gains.

Finance: PPPs help to foster competition in the sector, thereby increasing effectiveness and innovation in education delivery. However, the profits of decision and rivalry are not equally scattered and can prompt augmenting imbalances between rich and poor and inadequately outlined contracts or major performance failures may open the government to critical fiscal and operational risks.

Capacity building and governance: PPPs have a positive influence on public sector knowledge, capabilities and innovation, and

this helps to improve the decision-making process by incorporating all stakeholders. However, PPPs may lead to government authorities' loss of control to some degree and may result in the government's loss of accountability and reputation in case of failures to deliver the related public services.

Flexibility and innovation: PPPs enable much greater innovation in education delivery by concentrating on the desired yields and conclusions rather than merely inputs, and may help governments bypass prohibitive employment laws and old fashioned government pay scales. However, development of the contract with the related provisions can be complex especially for bureaucracies new to an outsourced, results-based contracting model.

Sustainability: In cases where the government is not strong enough politically, and personnel are susceptible to replacement, promotion and retirement independent of ongoing projects, PPPs may provide congruity and steadiness in a project. On the other hand, non-government partners may drop out once the center of their organization or staff changes and PPPs can be exposed to high transaction costs.⁷



⁶LaRocque, Norman, Contracting for the Delivery of Education Services, Fraser Forum, Sept. 2006, p.6

⁷Latham, Michael, Public Private Partnerships in Education, EdInvest, 2009, p.5-6

3. International Practice

PPPs are a new trend in economic development of most countries in the world. Several examples of successful PPP project programs are described briefly below.⁸

United Kingdom: Private Finance Initiatives (PFIs) in the education sector are widely used in the United Kingdom. The PFI program first appeared under the Conservative government in 1992. The government uses PFIs only where it is shown to be appropriate and value for money.

Under a PFI program, projects such as schools, hospitals or housing estates are designed, built, financed and managed by the private sector, usually under a contract with approximately, a 25-30-year term. Contracts can be customized depending on the circumstances. Under the Design-Build-Finance-Operate (DBFO) model, the private sector party undertakes the provision and long-term operation of a facility in line with the local authority and school or schools' specifications. The public party makes regular payments to the project company, based on its performance throughout the contract period. If the project company misses performance targets, its payment would be reduced accordingly. At the end of the contract period, the operation of the school is handed back to the government. PFI practice in the education sector was slow in the early years; however it grew considerably through following several programs since the late 1990s. By 2007, the Department for Children, Schools and Families (DCSF) had signed 115 PFI projects,

with a value of approximately £4.8 billion. In addition, the Scottish and Welsh Governments had signed more than 20 education related PFI deals. Among the largest education PFIs are the South Lanarkshire and Glasgow Schools Projects in Scotland (£394 million and £206 million respectively) and the Northamptonshire Schools Project (£191 million) in England.⁹ Two UK studies found that PFI projects were more likely to be delivered on time and within budget than traditionally procured projects.¹⁰

Australia: "The New Schools Project" PPP in New South Wales consists of two main components. First, the private sector financed, designed and constructed nine new public schools in the state. These new schools were built to standards that met or exceeded the Department of Education and Training (DET) school design standards.

Second, the private sector will provide secondary services such as cleaning, maintenance, repair, security, safety, utility and related services for the buildings, furniture, fittings, equipment and grounds of these schools until 31 December 2032. The private sector will receive performance-related monthly payments from the DET during the operational phase of the project. At the end of the contract period, the buildings will be transferred to the public sector. PPPs in the education sector are frequently used in New South Wales as part of a broader move toward PPPs in Australia. They have also been used in universities including the University of Southern

Queensland and Swinburne University of Technology.

Another New South Wales government project involves the Axiom Education consortium who will design, construct and maintain the state's AUD\$149 million New Schools Project 2 over a 30-year concession period. The project involves the construction of nine schools throughout regional and metropolitan New South Wales.

The New Schools Public Private Partnership Project is also used in South Australia. Under this programme, the private party will finance, design and construct six public schools. The private sector will also provide cleaning, maintenance, accommodation, repair, security and other services.

Another school project under PPP was realized in Queensland. The project involves seven schools under the PPP model. The private sector is responsible for the construction and maintenance of these schools during a 30-year contract. Education services are provided by the government.

In Victoria, the government engaged the private sector to build 11 schools under the PPP model and extended the PPP model to include refurbishment of many existing schools.

Canada: The Province of Nova Scotia used the PPP model to build 39 schools in the 1990s. The government pursued the PPP model since its financial situation was such that it could not

afford to build the large number of schools required. The first lease agreement between the government and private sector was signed in 1998.

Under the PPP model, schools were designed, built, financed and maintained by the private sector. After a competitive bidding process, the PPP schools were leased by the government for a period of 20 years. Most of these contracts will expire between 2017 and 2020. There are also some incentives to ensure the quality of the project.

The government had planned to build 55 schools; however the number was decreased because of a variety of political and other problems, including cost overruns driven by project (increasing specification standards, expensive site selection) and weak bureaucratic management.¹¹

Another PPP school project was managed by the Government of Alberta. Under this project, the

private company is responsible for the design, construction, finance and maintenance of schools for 30 years. Once the schools are open, the government starts to make regular payments to the private party for 30 years. The government is guaranteed a fixed price and delivery date and receives a 30-year warranty on the schools. Risks such as construction cost inflation and related delays are borne by the private sector. The private party can also be penalized for late delivery.

Germany: Although not as popular as the United Kingdom, Australia and Canada, there are some examples of infrastructure PPPs operating in the education sector in continental Europe. The Offenbach schools PPP project provides for the renovation, upkeep and facilities management of more than 90 schools within the County of Offenbach. The project involves a government contract for the financing, refurbishment and operation of government schools with a value

exceeding €780 million. There are two phases in the project. The first part involves 43 schools and the second 49 schools. The project company will operate the schools for 15 years.¹²

Another PPP schools project involves the refurbishment and operation of seven schools at five different locations in the City of Cologne, Germany. The value of the contract is €125 million. The project company will operate the schools for 25 years.¹³

Netherlands: The first Dutch education PPP project, which commenced in 2005, involves the construction and operation of a new secondary school in the Ypenburg suburb of The Hague. The Design-Build-Finance-Maintain (DBFM) contract is for 30 years (1.5 years for construction and 28.5 years of maintenance). Maintenance will include cleaning, furniture, information and communication technology (ICT) infrastructure and possibly catering.

⁸LaRocque, Norman, Public Private Partnerships in Basic Education: An International Review, Literature Review, CfBT Education Trust, May 2008, p.28-31

⁹http://www.hm-treasury.gov.uk/media/B/E/pfi_signeddeals_231007.xls

¹⁰HM Treasury (2003), PFI: Meeting the Investment Challenge, Her Majesty's Stationery Office, London, p.43

¹¹Meek, Jim (2001), School's Out, Summit Magazine, Volume 4, Issue 1, March, www.summitconnects.com.

¹²Freshfields Bruckhaus Deringer (2004), Germany: Schools project sets benchmark, Project Finance Monthly, September, www.freshfields.com/practice/finance/publications/newsletters/pf-monthly/9366.pdf.

¹³HOCHTIEF (2005), HOCHTIEF celebrates building kick-off for Cologne schools PPP project, Press Information, September 8.



4. Education PPPs in Turkey – An emerging market

4.1. PPP in Turkey in General

PPPs are an increasingly promoted policy tool for development in almost every sector of Turkey. According to the Ministry of Development the total value of all PPP contracts in 2013 was US\$46 billion.

Turkish authorities have had experience with several aspects of PPPs as build-operate-transfer (BOT) and build-operate (BO) projects pursuant to the BOT Law (Act No. 3996). Yet it is widely accepted that the first PPP legislation relevant to the health care sector – in particular regarding investments in hospital facilities – was enacted in July 2005 under the name of the “Law on the Addition of a New Provision to the Basic Law on Health Services (Act No.5396)”. By Act No. 5396, a new supplementary Article 7 providing the principles on construction and renovation of health care facilities under the Build Lease (BL) model has been added to the Health Services Law No.3359.

The Ministry of Health has certain investment projects which it intends to implement pursuant to the PPP model and in accordance with the above-mentioned legislation. Within this framework, 35 health care campuses are to be built using the BOT model by the Ministry. It is estimated that the lease payments

from these planned health campuses will amount to a total of €15-€20 billion¹⁴. The first round of Ministry projects are to be negotiated and implemented according to Act No.5396 and its related regulation. That said, during the tendering process of said projects the more comprehensive “Law on Building and Renewal of Facilities and Procurement of Services through Public Private Partnership Model No.6428”, whose implementing regulation entered into force in 2014, would also apply.

4.2. Legal Framework for Education PPPs

The PPP legislation for education in Turkey consists of the following regulations:

Article 23 of “Statutory Decree on the Organization and Duties of the Ministry of National Education (Act no.652)” that entered into force on August 25, 2011, and “Regulation on Procurement of Educational Facilities in Return for Rentals and Renewal of Educational Facilities in Return for the Operation of Services and Areas other than Educational Service Areas” that entered into force on September 8, 2012.

The authority carrying out PPP projects in the education industry in Turkey is the Ministry of National

Education (MoE) Department of Construction and Real Estate Group.

As mentioned above, the first Turkish PPP projects (that were expressly styled PPPs) were designed and implemented by the Ministry of Health. Therefore, the first PPP legislation was created for the PPP projects in the health industry. Accordingly, PPP legislation in the health industry was taken into consideration by law-makers while formulating a new legal framework for the financing of public education investments through the PPP model.

The most significant difference between the respective PPP legislations for the health and education sectors; however, is that the High Planning Organization's approval is not required for PPP projects in education; and availability payments are paid for directly by the Ministry instead of circulating capital. In addition, some amendments made to Law no. 4749 allow the Ministry (and therefore project lenders) to take advantage of the debt assumption mechanism so it is possible new education projects will be able to benefit from this important bankability measure.

¹⁴The total amount of announced procurements in the official website of the Ministry of Health.

5. Antalya Kepez Education Campus Project

5.1. Background

The MoE is currently pursuing a vision of modernizing its education network to expand and improve education, research and service delivery to reflect changing trends and demands in education. The MoE believes that this vision of creating a modern and efficient education system in Turkey can be more effectively realized via a carefully designed PPP program. For that purpose, in the first quarter of 2010, the MoE decided to build and operate new education facilities under the PPP model, the first PPP project in the education sector. However, the head of department has not made any official announcement of the project yet.

The pilot project of these facilities covers the building and operation of an education campus in Kepez, Antalya on a large construction area with educational facility having multiple classrooms, a training center, dining hall, library, social center and health center buildings, sport center, science center, cultural and performing arts center, dormitory building, technical center, campus administration building and parking lots.

For this project, the contractor provides the finance, completed construction works, educational equipment, furnishing and facilities. The contractor further undertakes the maintenance and repair works of facilities. If there is mutual agreement

between the parties, the contractor may outsource services in facilities, including facilities management, along with undertaking other services (outside educational services) outside education hours, by the approval of the administration.

In accordance with the mentioned project, after the construction of facilities is completed, the contractor receives monthly payments on a performance-based approach and in line with the terms and conditions of the contract to be signed between the administration and the contractor after the tender. This payment includes fixed investments in the educational facilities by the contractor (availability payment) and service payments to be made



in return for services provided other than educational services. Payment is not subject to adjustments based on the number of students receiving educational services.

It is noteworthy that, in accordance with the current legislation of PPPs in education, payment is calculated and determined in consideration of whether the property belongs to the Treasury or the contractor. The cost and profit of investment are determined on the basis of whether or not services and areas other than educational service areas are assigned to the contractor. Revenue is obtained by the contractor via operating the non-educational service areas and payment is indexed to national inflation. With regard to loans in foreign currencies, in the event that an increase in foreign currency is higher than inflation, payment is made pursuant to the formula provided in the related regulation.

5.2. Bidding Process

The tender for this pilot project is planned in line with Article 23 of Decree Law on the Organization and Duties of Ministry of National Education and the Regulation related to this Act (the "Regulation"). In accordance with the Regulation, tenders for the PPP projects of MoE are neither subject to the State Procurement Law (Act no. 2886) nor the Public Procurement Law (Act no. 4734). Instead, the related provisions of the Regulation are used.

In accordance with the Regulation, restricted procedure is used for the tender of the pilot project. Restricted procedure is a tendering procedure

whereby applicants that fulfill pre-qualification criteria are notified and invited to submit bids. This procedure consists of two phases: pre-qualification and invitation to tender.

During the pre-qualification phase, domestic and foreign applicants ("candidates") can apply for the tender. Applications are evaluated by the pre-qualification commission set up by the Administration against pre-defined criteria spanning statutory requirements, economic and financial qualifications and professional qualifications. According to the Regulation, evaluation is on the basis of the qualified/not qualified principle, and there is no ranking among the candidates.

Candidates pre-qualified in the pre-qualification evaluation are invited to submit their bids, and at the second phase, they submit their construction period work program, logistic plan, security and environmental plan, organization and human resources plan, management plan for operation period, and financial model and bid prices, the form and content of which are specified in the general specifications.

5.3. Contract Design

At the beginning of this pilot project, it was planned that the project be carried out by a public-private partnership contract (the "Contract") to be entered between the Ministry of National Education of the Turkish Republic and the contractor, for a maximum period of 49 years pursuant to the Regulation. The Contract is a private law agreement including rights and liabilities of both parties, and it includes topics such

as technical and other conditions, service and performance quality requirements, payment mechanism, monitoring and reporting methods, resolution of disputes, penalties, force majeure, compensation and termination of contract.

In accordance with the Regulation, one of the issues that a PPP contract should cover is liabilities of the contractor who provides financing, design, construction, supply of hardware and other equipment and furnishing required for the facilities. The contractor further undertakes the maintenance of and repair works to the facilities and can supply outsourcing services for the facilities, including facilities management, along with undertaking other services outside educational services off education hours, after obtaining the approval of the Administration. The contractor is responsible for preparing the design of the project and final implementation of projects.

In accordance with the Regulation, at the end of the Contract, all facilities are transferred to the Ministry as maintained and repaired, and in full operation. The Contract is prepared on the basis of output specifications. The contractor provides flexibility as conforming to output specifications and other related regulations and standards (by receiving the approval of the Ministry during design and construction phases) for the project, construction materials and other inputs.

There should also be a provision in the Contract which stipulates that the Ministry of National Education shall be held responsible



for the execution and costs of all educational services and education and research services including curriculum books, assignment of educational personnel, administrative personnel and their related costs.

According to the pilot project, the contractor shall be responsible for supply and maintenance of all educational hardware and other equipment and furnishings. The contractor is also responsible for the renewal of all hardware and other equipment and furnishings within the warranty period. Different plans and operation models can be determined by negotiating with applicants.

Within the scope of the pilot project, the contractor is also responsible for financing the project. Therefore, the contractor undertakes the risk of debt and equity financing during the project term.

Force Majeure events, consequences of regulation changes and compensation rights in particular cases are also provided for in the Contract.

Contractor lenders have the right to intervene and change contractor in cases of contractor default events which occur under the PPP agreement and the direct agreement signed between lenders and contractor and co-signed by the Ministry.

The Contract shall also include general and standard terms accepted internationally such as rights and obligations, representation and warranties of the parties, issues related with land/site, price fixing, payment, performance targets, monitoring, compensation, Force Majeure events and insurance etc., and these terms are arranged in accordance with the governing of the contract, Turkish law.

Finally, the contract shall be signed between the Ministry of National Education and a "Special Purpose Vehicle" of the contractor which should be legally established before signing the Contract.

This contract design is based on the project agreement used for PPP hospital projects of the Turkish

Ministry of Health. However, it should be kept in mind that education and health are different areas of core public services and have different types of requirements and characteristics. It goes without saying that important issues for each sector differ. For instance, while hygiene is more primary for the health sector than it is for the education sector, security or transportation services are more important issues for the education sector. On the other hand, availability of facilities for both public and private purposes at different times of the day may be possible in school projects, however this practice is not proper for hospital projects. Therefore, although both pieces of legislation have characteristics in common, each of these sectors appeal to a different group and therefore the practices and design of the contracts should differ accordingly. Professionalism and good experience of PPP projects, along with appropriate technical input, is required for careful drafting of contracts so as to reflect these issues.



Conclusion

The main purpose of governments contracting with the private sector in Turkish education is to increase opportunities in education, improve quality in both education and support services and widen access to education for low income students. Governments are also aiming to reduce the costs of providing education services to students while increasing cost-effectiveness.

In Turkey, the lack of infrastructure in education and limited budget allocated for education brought about different needs in investment policy in education in recent years. It is satisfying those needs that pushes the government to improve the quality of education facilities and services other than core education services parallel to revolutionary innovations in the education system. The Turkish government has taken the first step by applying the PPP investment model in the education sector. The beneficial outcomes of this PPP project are likely to lead to an increase in the number of similar projects in the near future.

Although inherently complex in structure, increasing the private sector's role in education in Turkey through PPP contracts has several benefits over traditional education provided by the public sector. An effective PPP framework for the

education industry provides not only high quality services to students and their families, but also increases choice and provides wider access to education and support services, especially for people who may be poorly served by traditional public schools. The private sector's increased role in education, through different types of PPPs in education, also increases the expertise and capacity in the education sector and has many advantages of avoiding operating defects faced by traditional public schools such as inflexible salary scales, restricted working conditions and financial problems for both investment and operating periods.

In order to be a well-drafted PPP contract, good contract design is very important but not on its own sufficient. Effective implementation is crucial. An ill-planned implementation might cause financial and political risks for governments. Another key factor in procuring an effective contract is ensuring transparency and competition in the bidding process. Bidding for PPP contracts should be open to all local, national and international organizations, including for-profit providers. The agency signing the contract should select providers by means of a multi-stage process. In general, these stages are

composed of specifying requirements, including objectives, services and outcomes; developing a procurement plan and identifying a procurement team which is strong from a technical aspect; specifying the request for proposals; inviting expressions of interest; managing prequalification review; interviewing and negotiating with bidders; selecting the preferred bidder and awarding the contract; announcing the result of tender process; and ultimately commencing the services.¹⁵

A well-designed PPP project can help governments reduce education costs, increase the quality of education services, extend education services over broader social areas and provide equality of opportunity in the related region. In order to setup and manage a successful PPP project in the education sector, whether in Turkey or in another country, first it is necessary to analyze the social infrastructure of the region where the project will be implemented. Then balanced allocation of the risks and specifying methods of reducing them have vital importance for the long term relationship of projects. This will also help to improve decision-making, strengthen contract management and ultimately achieve better value for money from PPP projects.

¹⁵Patrinos, H. Anthony- Barrera, O. Felipe – Guaqueta, J., The Role and Impact of Public-Private Partnerships in Education, the World Bank, 2009, p.53

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