



# Supporting the development of Public Private Partnerships (PPPs) in Education

IFC Public-Private Partnerships Department

# Agenda

→ IFC and the Education Market

From Health to Education: How PPPs are evolving in Brazil

PPP options in Education

Opportunities and Challenges

# IFC's Strategy in Education

## Education is One of IFC's Strategic Priorities

- Supporting the private sector in education is a strategic priority of IFC
- IFC supports private education companies through:
  - Financial support to private organizations, through long-term debt, equity, and structured finance products
    - Roughly, as of today, USD 700 MM in investments (Equity+Debt)



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# In Brazil, the PPP move in Education started with the Health Sector PPPs (1) ...

- 1<sup>st</sup> health PPP project to be launched in Brazil (including “bata blanca”);
- IFC- structured project;
- Among the 100 most innovative infra initiatives in the world (KPMG - 2012)



February 26, 2010



September 13, 2010

# In Brazil, the PPP move in Education started with the Health Sector PPPs (2) ...



- ✓ State Hospital, located in Salvador - Subúrbio Ferroviário
- ✓ General Hospital with 298 beds (30 home-care beds)
- ✓ Emergency, 24 hours

Units	Beds
Unidades	Leitos
Int.Adulto – Leitos Clínicos	86
Int.Adulto – Leitos Cirúrgicos	58
Interação Pediátrica	64
UTI Adulto	20
UTI Pediátrica	10
Semi Intensiva Adulto	20
Semi Intensiva Pediátrica	10
Interação Domiciliar	30
<b>TOTAL</b>	<b>298</b>



# In Brazil, the PPP move in Education started with the Health Sector PPPs (3) ...

Primary Care Network  
(Belo Horizonte)



Hospital  
(Santo André)



Suburbio Hospital  
(Bahia)



Hospitals  
(São Paulo)



Hospital  
(Ceará)



Imaging Diagnostics Center  
(Bahia)



# A Health PFI/PPP Project in Belo Horizonte led to the Belo Horizonte Schools PPP ...

## BELO HORIZONTE PRIMARY CARE CENTERS HEALTH PPP



- **Innovation:** The first Health PFI/PPP Project for primary care centers spread-out in a city
- **IFC's role:** PPP structuring
- **Coverage:** 77 new primary care center units; 1,7 million people with improved health access
- **Capex:** US\$ 100 million
- **Concession Period:** 20 anos



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# Governments can select from a wide range of options depending on their needs

## School Management

Contracting with private education management companies to run existing public schools

Country examples:  
Colombia, UK, US

## Contract Schools

Contracting private schools to educate public students, incl. funding students with vouchers

Country examples:  
US, UK, Philippines, Chile, New Zealand, Netherlands, Sweden

## Design/Build/Manage

Contracting private provider to design, build and manage facilities

Country examples:  
UK, Australia, South Africa, Egypt, UAE, Singapore

## Works & Services Contracts

Contracting out school works and services such as construction, security, catering, maintenance, admin systems etc.

Country examples:  
global

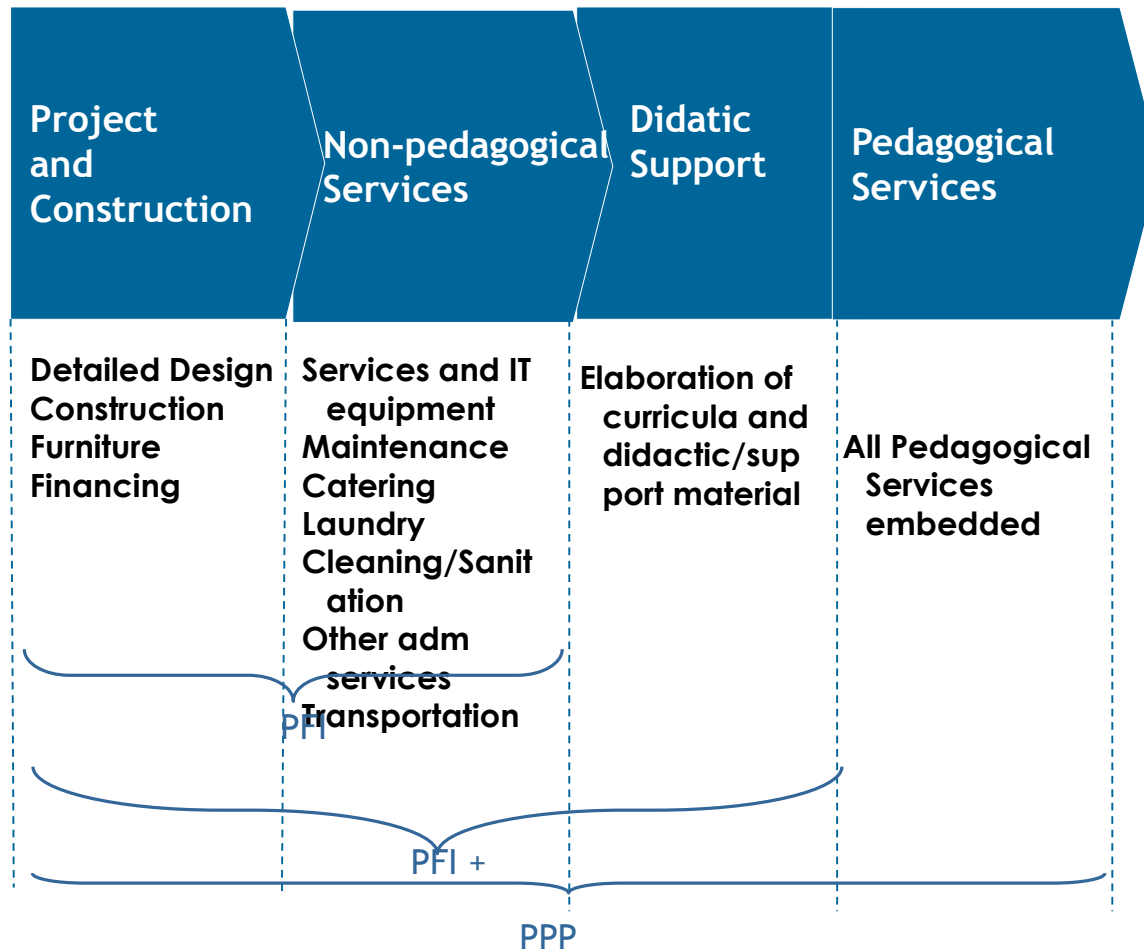


## Design/Build/Manage/Deliver

Contracting private provider to design, build, and manage facilities as well as deliver education services

Country examples:  
UK, USA, Germany, Netherlands

# Education PPPs Menu



# PPPs in the Education Sector

## Risk Allocation and Responsibility

Private  
Sector

Public  
Sector

**Example: New Schools (Australia): 9 schools (primary and secondary level)**

Design	Construction	Capital Inv.	Cleaning	Maintenance	Security	Pedagogical Services
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**Example: Glasgow Schools (Scotland): 29 schools (11 new and 18 old)**

Design	Construction	Capital Inv.	Refurbish/ Construction	Maintenance	Infra Mgt	Pedagogical Services
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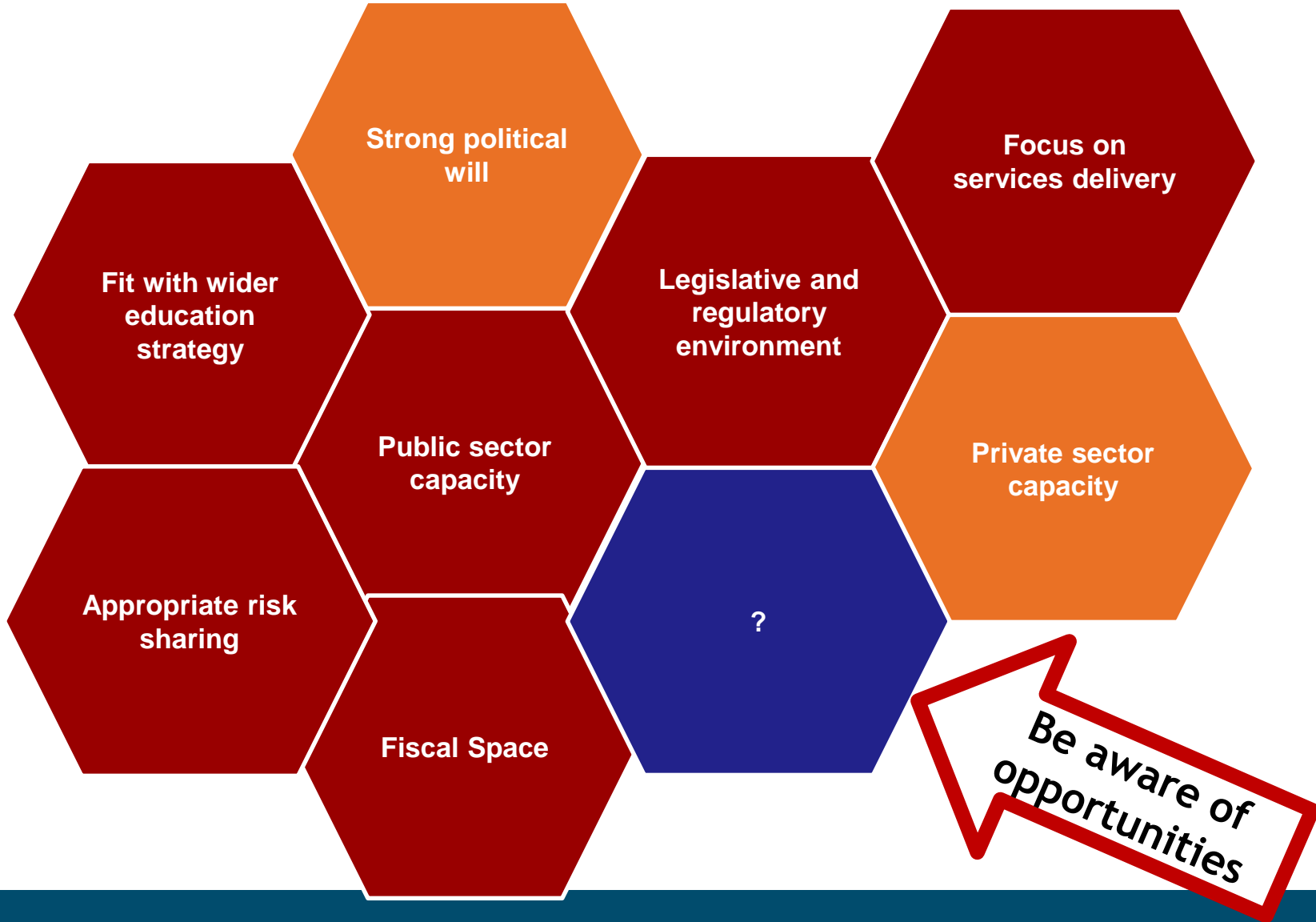
**Example: Academies (UK): many units**

Design	Construction	Capital Inv.	Refurbish/ Construction	Maintenance	Infra Mgt	Pedagogical Services
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**Example: Bogotá Schools (Colombia): 25 schools**

Design	Construction	Capital Inv.	Refurbish/ Construction	Maintenance	Infra Mgt	Pedagogical Services
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# Ingredients for a Successful PPP



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# Where are the opportunities in Education?

## Sector Overview

### Sector Structure

Level	Enrollment
Primary	98%
Secondary	61%
Tertiary	18%

● Mostly public

● Mostly private



#### Tertiary Education Subsidies:

Since 2010, the federal government increased its tertiary education subsidy program, boosting enrolment. Incentives have been decreasing since 2015.



2100

Private Colleges or Universities with...

407

Pisa Performance – Reading\* Ranked 59 out of 72.

5.3

Million students enrolled.

377

Pisa Performance – Mathematics\* Ranked 66 out of 72.

**National Education Plan:** In 2014, Brazil approved a plan to improve educational quality across the country until 2024. The most challenging one is to invest 10% of the GDP in education until 2020.



**Education Expenses:** High gov. indebtedness levels demanded the approval of an expense cap that might injure state's capacity to invest in education.

## Opportunities

- **Expand Access:** Specially on secondary and tertiary education, there is still a lot of room to increase offer of quality education services.
- **New Financing Mechanisms:** Due to the decrease in government participation in student subsidies for tertiary education, there is a new market for college financing in Brazil.
- **Quality Education:** Brazil has still enormous deficit in terms of education quality for affordable prices.

## Challenges

- **Regulations:** Education is also one of the most highly regulated sectors in Brazil. Moreover, for the past 6 years, legislation has been continuously changing, creating regulatory uncertainty.
- **Government Crisis:** As the government is currently limiting its expenses, it might not be able to fulfill its role of supporting an educational expansion.
- **Quality Signaling:** On tertiary private sector, that is a structural difficulty of being able to differentiate itself for quality, which would allow greater margins.

# Challenges in this sector

Topic	Issues
<ul style="list-style-type: none"> <li>✓ Ideological issues</li> </ul>	<ul style="list-style-type: none"> <li>✓ Difficult to win “politicians”</li> <li>✓ Can suffer backfire from unions and media</li> </ul>
<ul style="list-style-type: none"> <li>✓ Fiscal space</li> </ul>	<ul style="list-style-type: none"> <li>✓ Project is likely to be availability-payment driven (per capita or not) (free for students)</li> <li>✓ It consumes budgetary space</li> <li>✓ It may require higher public guarantees to allow for private financing</li> </ul>
<ul style="list-style-type: none"> <li>✓ Land availability and modular construction patterns</li> </ul>	<ul style="list-style-type: none"> <li>✓ Finding and freeing land is key for expedite project implementation</li> <li>✓ Look carefully at expropriation and regularization risks (who takes care?)</li> <li>✓ This is also key to allow using homogeneous construction patterns</li> </ul>
<ul style="list-style-type: none"> <li>✓ Creating players for the market (or vice-versa)</li> </ul>	<ul style="list-style-type: none"> <li>✓ This is an old business, in a new area (real state for public schools)</li> <li>✓ Need to trigger market appetite</li> </ul>