



RMIT

Appraising Education Investments: the Experience of RMIT Vietnam

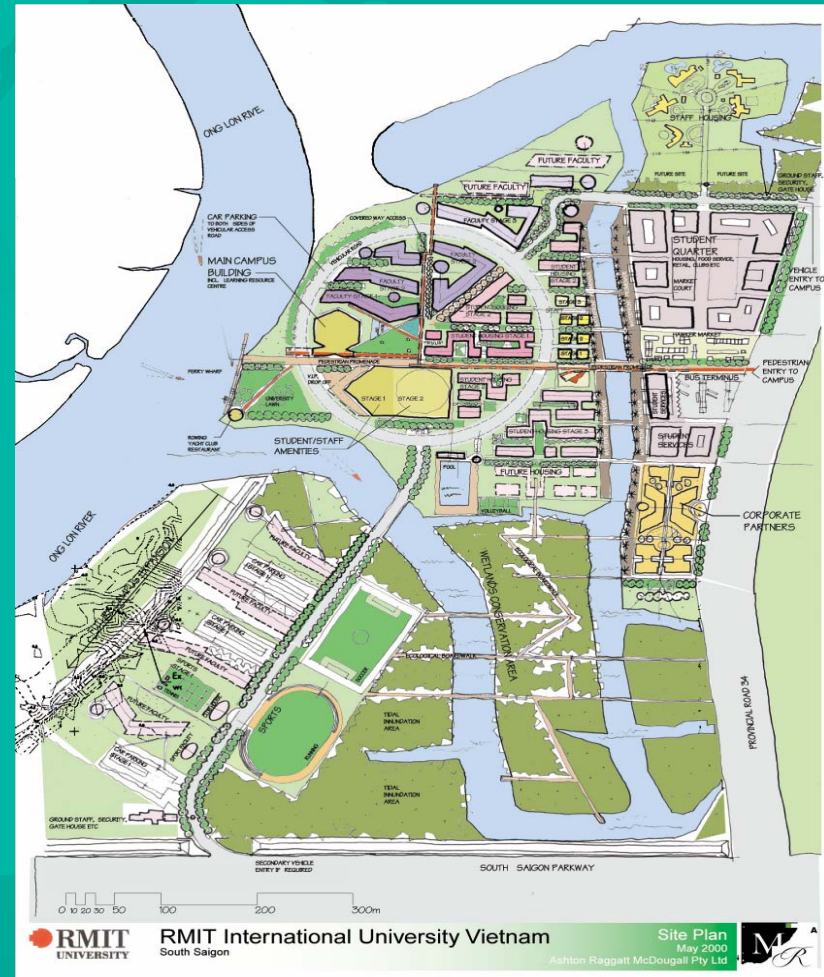
Presentation to IFC Global Practice Group for Social Sectors,
Rio de Janeiro, Brazil, 11 May 2001

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Outline of presentation

- RMIT International University Vietnam
- Inception
- Business planning
- Appraisal
- What we would do the same
- What we would do differently
- Strengths of IFC
- Suggestions for IFC
- Steps ahead



Project Inception



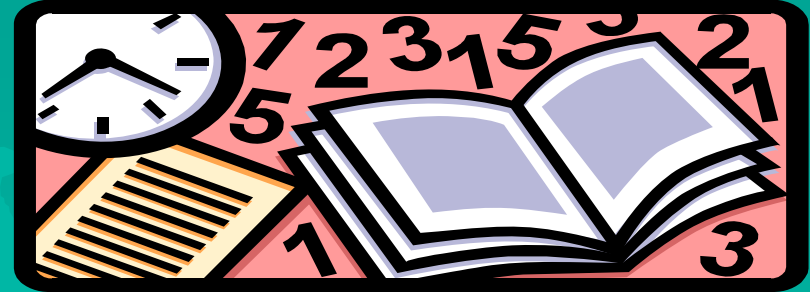
Groundwork

- Strong bilateral links eg RMIT has 1100 Australian Vietnamese
- Vietnam ranked in RMIT's priority 1 group of countries
- RMIT invested in long-term goodwill – eg donations, scholarships, joint programs
- RMIT Australia became #1 destination for Vietnamese offshore students (still small – 250)

Invitation and proposal

- Australia seen as non-threatening
- Vietnamese love of education and determination to improve
- GOV asked for ideas proposal 1996
- Then asked for a more detailed proposal
- Then issued a 'provisional licence' Jan 1998 contingent on feasibility study
- Regulations did not exist so RMIT had to help draft them; new decree Mar 2000

Business Planning



Investment proposition

- Prefeasibility study in-house May 1998
- Feasibility study by RMIT International at arm's length 2000
- Vietnam licence submission Aug 1999
- Licence issued Apr 2000

Choice of partners

- Search for equity and debt
- Concept was equity consortium with RMIT 40%

Relationship with IFC

- Aware of IFC through Melbourne seminar on project financing (W Bertelsmeier)
- RMIT sought IFC/ AusAID Trust Fund TA for feasibility study
- Discussions in Washington Aug 1999 clarified preconditions
- Letter of request Aug 1999
- Negotiations for mandate with IFC and ADB up to May 2000

Appraisal

Sequence

- ADB and IFC mandate & arrangements
- Due diligence Vietnam and SE Asia Jun 2000
- Due diligence Australia Jul 2000
- RMIT's equity pledged Jul 2000
- Term sheet negotiation in Singapore Oct 2000
- Appraisal reporting Dec 2000
- Management consideration
- More term sheet and legal agreement negotiations May 2001
- Board of Directors Jun 2001
- Closure / launching Aug 2001?

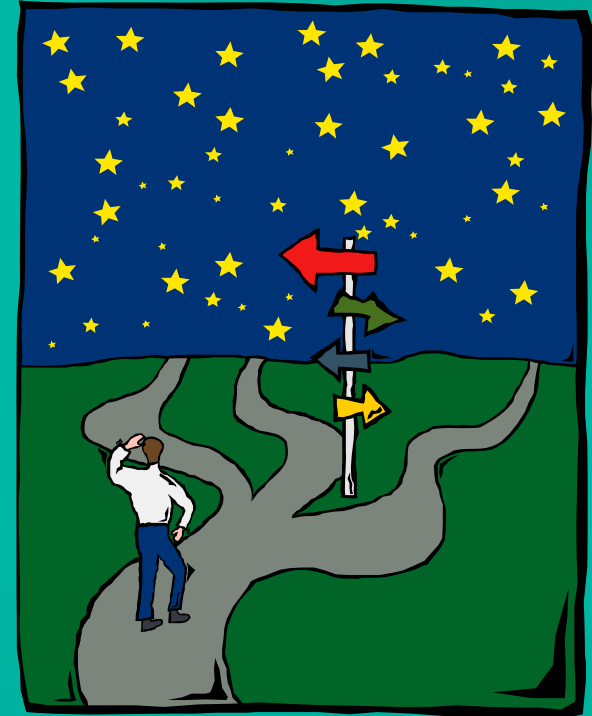
Issues

- Market evidence
- Regulatory risk
- Project cost / base case
- Building cost standards
- IFC equity?
- Royalties / service agreement
- Intellectual property valuation
- Security package
- Donor information
- RAP and compensation



Getting to 'go': a network of conditions

- RMIT started anyway, leasing a city campus and showing commitment to proceed
- Donor preconditions to first draw down of gift: anonymity, lease execution and RMIT approval of loan conditions
- Vietnam approvals in sequence, still the land lease
- RMIT's own Council approvals (reassuring that other sponsor boards seem tough also)
- Victorian government approval to allow RMIT to borrow qualifies RMIT's approval
- Lender processes: management then board



Structure of the proposal

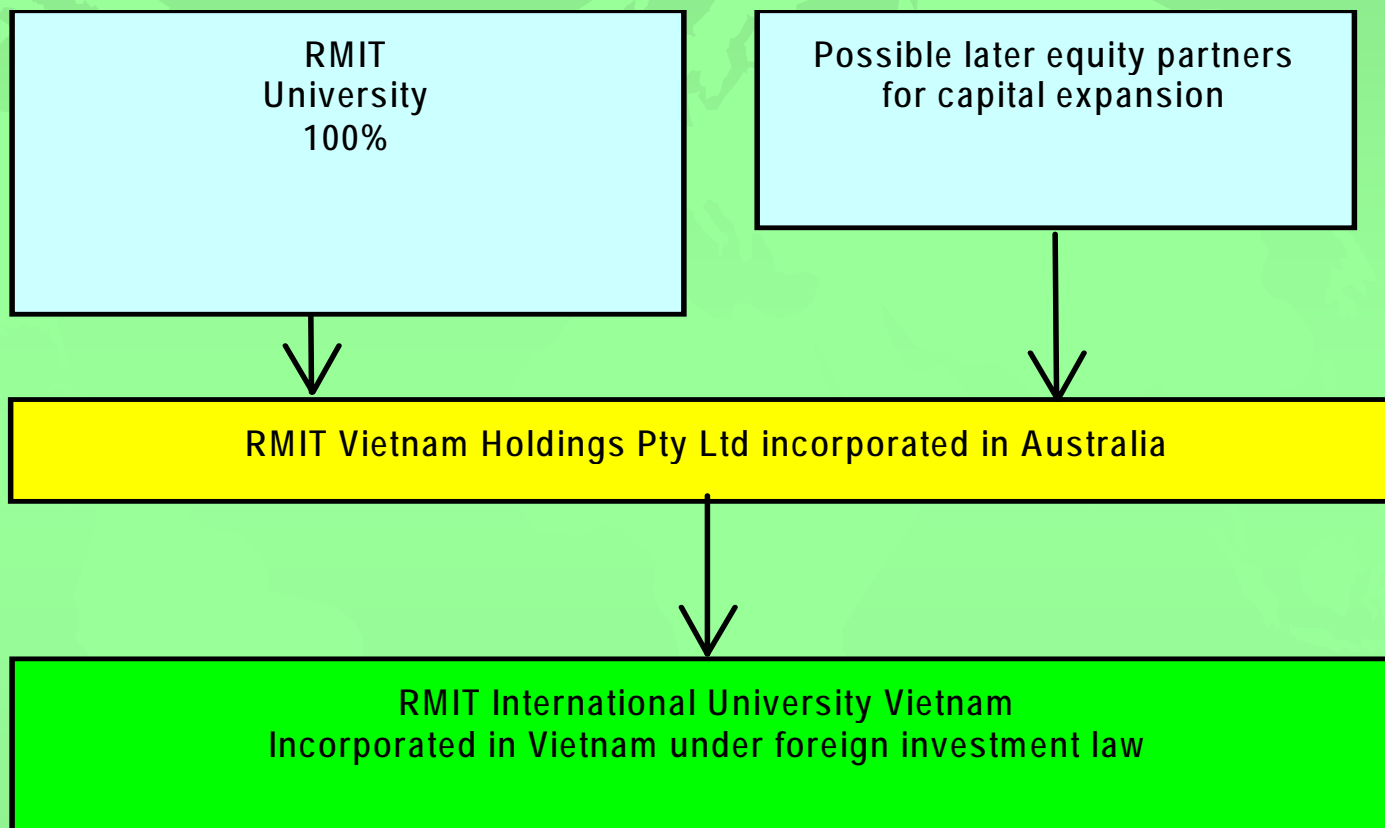
Project cost

Land Development (Infrastructure Cost)	5.00
Resettlement Compensation	3.10
Sub-total Land Development Cost	8.10
Buildings & Fitout	7.50
FF&E, IT, & Education Resource Center	4.40
Project Management Fee & Contingency	4.60
Project Development Costs	1.50
Working Capital	2.90
Interest During Construction	4.60
Total Project Cost	US\$33.60

Project financing

Equity	
RMIT	16.50
Internal Cash Generation	2.60
Sub-total Equity	19.10
Loans	
IFC and ADB A Loan	14.50
Total Financing	US\$33.60

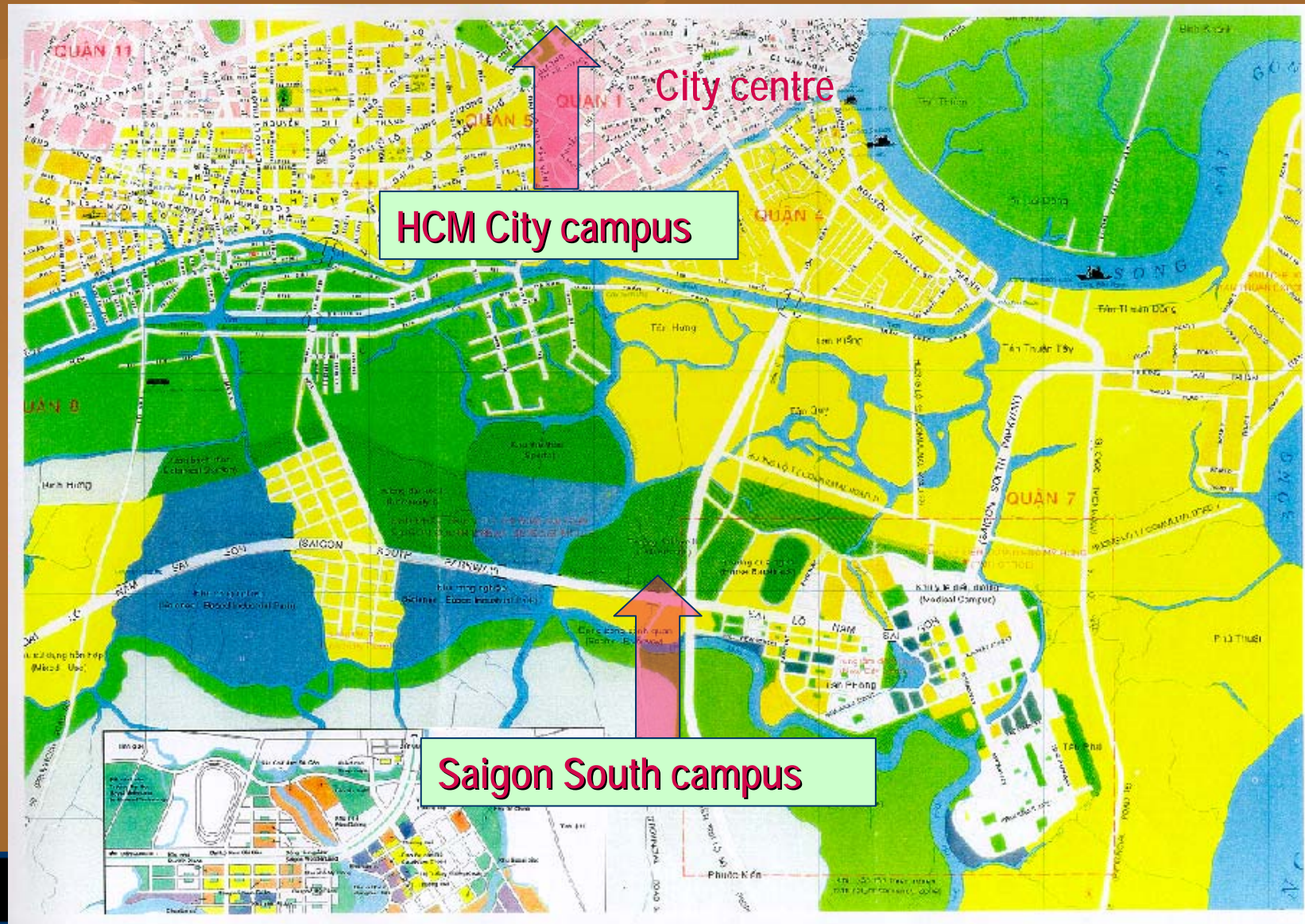
RMIT Vietnam Corporate Organisation



RMIT Vietnam Program types

1. In-service and on-campus industry training
2. Undergraduate courses incl Ass Degrees/ Adv Dips
3. P-G courses and P-G research degrees
4. Industry innovation, R&D, consultancy and project management
5. English learning & Vietnamese language
6. Foundation and bridging programs
7. Specialist short courses, further education, on-line and distance
8. Study abroad (inbound and outbound) and transfer
9. Other programs and sources of income from ancillary businesses

Location of HCMC Campuses



RMIT Vietnam HCM City Campus



Hue University Learning Resource Centre: one of a chain



RMIT's learning: what we would do the same

- Choose Vietnam despite country risk
- Stick to educational model and service agreement format
- Simultaneous project development and promotion
- Limit the number of investor pitches
- Focus on Vietnam government relationships and legal reform
- Keep persisting

Monday morning: what RMIT might have done differently

- Look for TA to get started, link better to ODA side (incl bilateral) more fully
- Research and talk to Foundations earlier
- Create continuous fulltime team and tap internal RMIT expertise more
- Have an expert walk the project team through typical stages in detail early
- Slice up into discrete stages with indicators and exit points
- Reconsider finance from one not both IFC and ADB (IFC is more expensive but high contribution to project development and high standing for country risk later)
- Establish explicit knowledge management including better document version control and use of web

Strengths of IFC for RMIT

- Exceptional professionalism and knowledge base
- Willingness to shape the project
- Willingness to do tough unrewarding work eg RAP details
- Comparative experiences brought to bear (eg G Willing building cost standards)
- Gives sponsor confidence including about downstream support
- Tough at first commercially, supportive partner in practice
- All contact coordinated through senior investment officer or with her knowledge
- Workable delegation of decisions
- Positive attitude to mutual learning with sponsor

Suggestions for IFC Social Sectors Division

- Growable projects for the evolving services sector do not fit well with conventional project finance practice
- Create project 'templates' off case studies to routinise the learning and the finance / investment possibilities
- Actively monitor a project approval flow chart with sponsor especially where co-financed or multiple approving partners
- Acknowledge more that data can be grey or non-existent
- Keep as much staff continuity as possible
- When working with regional banks such as ADB be more relaxed about bank seniority
- Try full web-based project documentation
- Engage with international activities promoting IFC's mission – eg WTO reference, international QA and certification movements
- Promote the case for for-profit / private education and training in growing? climate of scepticism

Steps ahead...

- Let's look for associated investment opportunities in Vietnam: learning centres, student credit, industry training schemes, health sector
- Let's think about other countries
- Other universities share RMIT' strengths and weaknsses – generalise the model for transnational education and training for them, without giving away IP
- Let's praise Vietnam's courage to open up the for-profit education health and research sectors to DFI