



RMIT

# Appraising Education Investments: the Experience of RMIT Vietnam

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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



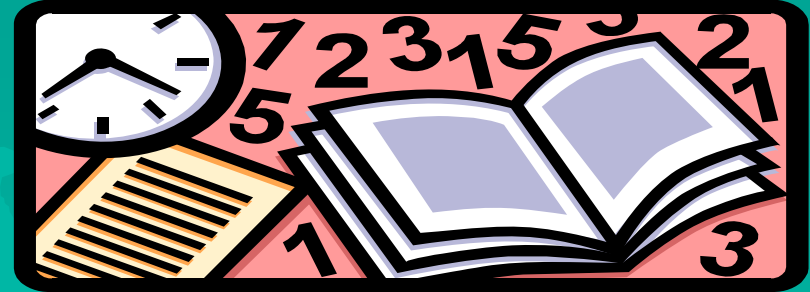
## Groundwork

- 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?

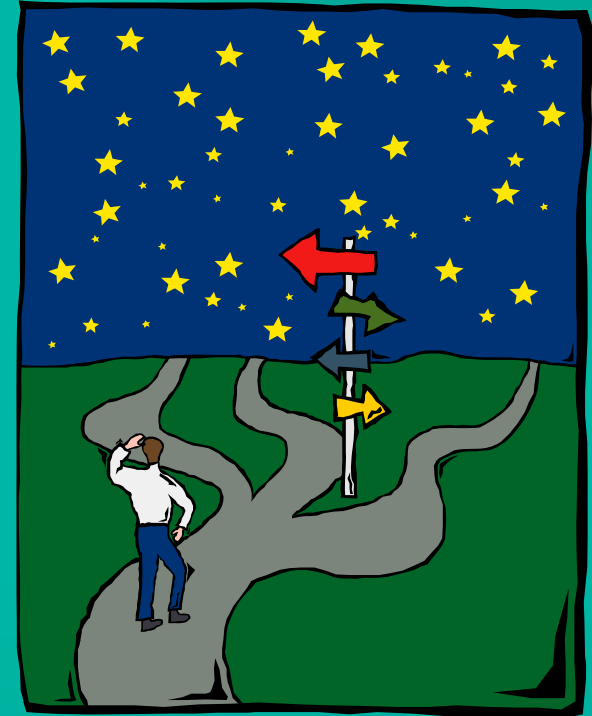
## Issues

- 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

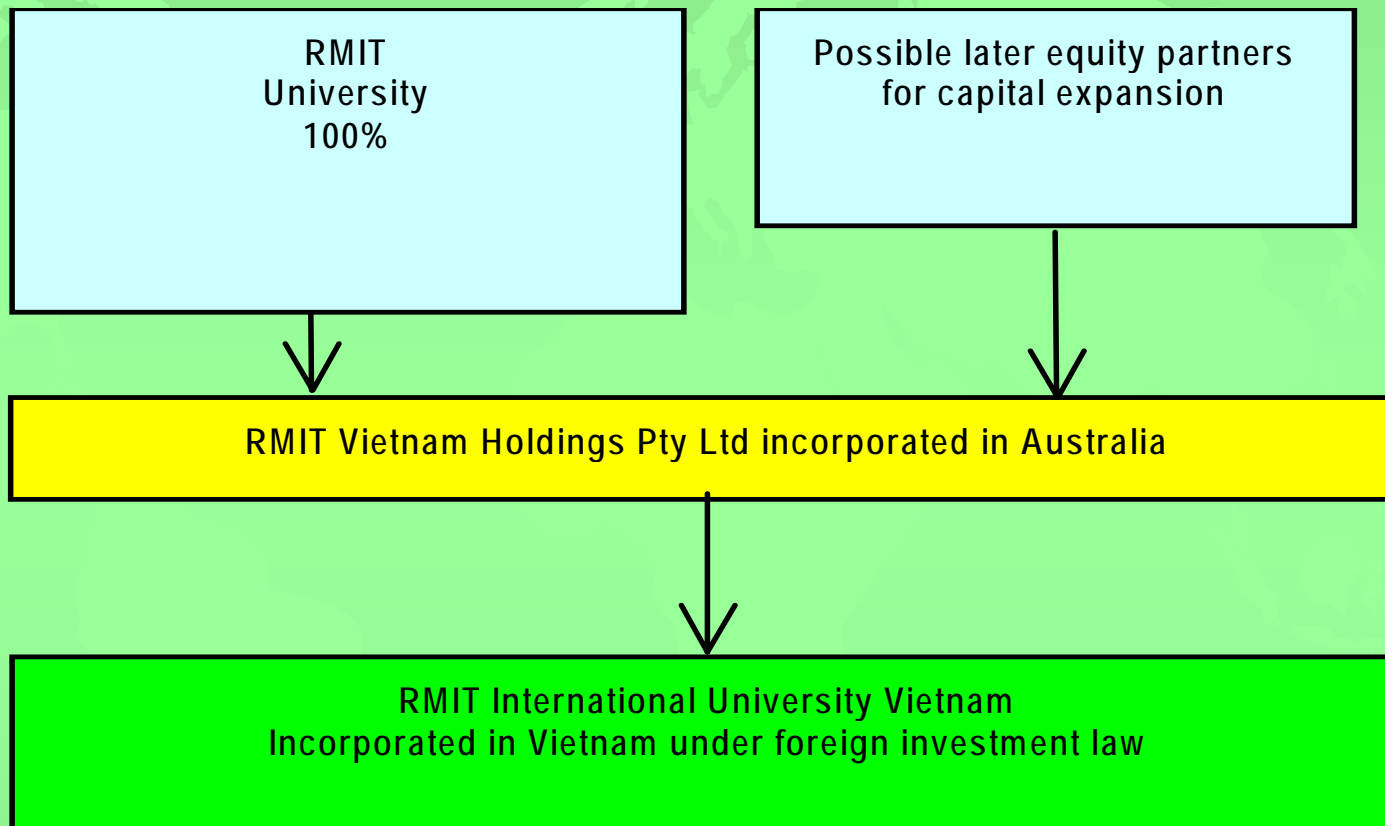
## Project cost

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

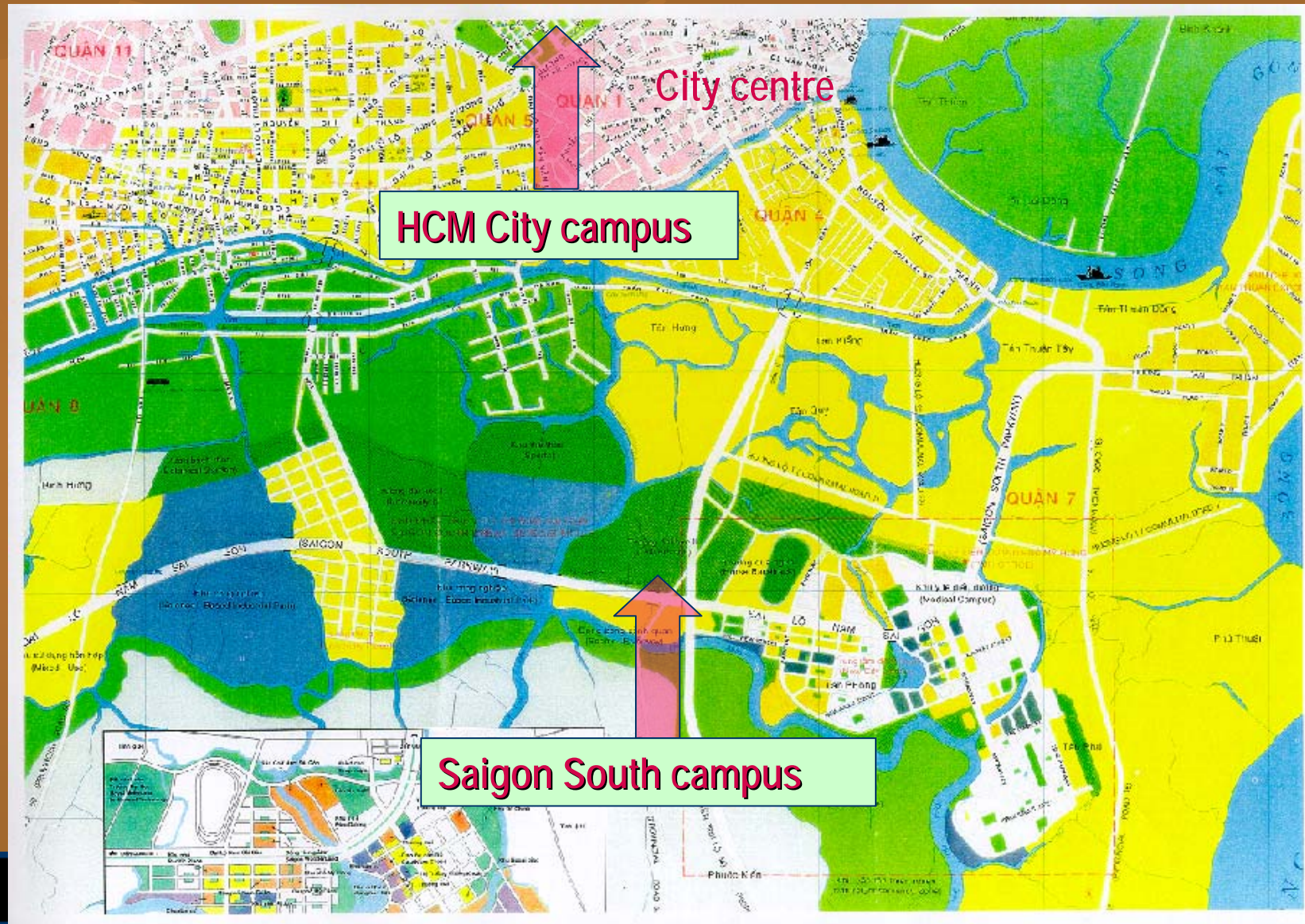
# RMIT Vietnam Corporate Organisation



# 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 weaknesses – 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