



Public-Private Partnership Stories

Brazil: Belo Horizonte Schools



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Belo Horizonte, the third largest city in Brazil, has made early education a priority in an effort to improve the competitiveness of its workforce in the long term and support the national government's policy goals. With support from IFC, it turned to private sector funding and expertise to expand and strengthen its preschool and primary school system. The concession—Brazil's first public-private partnership in the education sector—was awarded in July 2012.

The Educar Consortium, led by Odebrecht, a leading Brazilian construction company, won the 20-year concession to construct primary schools and preschool facilities. It will also operate non-pedagogical services, such as maintenance and security. The partnership will expand access to early education in Belo Horizonte, reaching 18,000 additional children and creating new jobs in the education sector.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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18,000 children from low-income areas of the municipality will be able to attend kindergarten and elementary school.

BACKGROUND

The municipality of Belo Horizonte, the capital of the Brazilian state of Minas Gerais, has made early education a top priority on its agenda. Demand for better education was strong, with over 11,000 children, many underprivileged, on a waiting list to enroll in school. The municipality also took a long-term view—a strong educational foundation would be necessary to improve the long-term competitiveness of the workforce in a growing region. Strengthening education is also an important objective of Brazil's federal government.

But the municipality's efforts have been hampered by technical and financial limitations. It faced a shortage of school buildings and only had the resources to meet approximately 35 percent of demand. It also lacked the resources to manage procurement of construction services and manage the non-pedagogical services of new schools. To address these issues, Belo Horizonte decided to explore the possibility of a private sector role to expand and strengthen its early education system.

IFC'S ROLE

The municipality appointed IFC as lead advisor to explore how private sector participation could help advance Belo Horizonte's early education system, and what mechanism could be used to do so. After conducting a detailed feasibility study, IFC recommended that the municipality enter into a public-private partnership (PPP) with a private-sector firm to address the shortage of preschools and primary schools.

Because a PPP had never been used in Brazil's educational system before, IFC used examples from other countries to develop a detailed model, demonstrating how a well-designed PPP could help the municipality meet its objectives. IFC facilitated discussions that allowed stakeholders to raise their concerns.

Expert consultants managed by IFC developed solutions to financial, technical and legal issues. These solutions were built into a transaction structure made available for public comments and inputs by potential investors. Following further refinement of the transaction structure, IFC helped draft tender documents, organize a public hearing, and manage the bidding process.

TRANSACTION STRUCTURE

IFC proposed a 20-year concession to finance, build, equip and operate non-pedagogical services of 32 new preschools and five primary schools. Compared with the traditional procurement process, private sector involvement will significantly shorten the time required to build and launch these new schools. The new units will be delivered within two years, which is a record in construction procurement timing by governments. Primary schools will then become operational in about one year.

Under the terms of the concession, the municipality is required to provide sites for the facilities while the private sector partner is

responsible for the construction and operation of non-pedagogical services, such as cleaning, surveillance, laundry, maintenance, and utilities management. This approach improves the overall administrative efficiency of managing early educational facilities by consolidating these services under a single provider. This also enables the directors of the schools to focus on teaching rather than managing multiple vendors.

The private partner will be measured according to a set of performance and availability indicators which will then be assessed by an independent verifier.

BIDDING

The private partner was selected through a competitive bidding process facilitated by IFC. Bidders that met minimum technical requirements were selected on a cost basis.

The municipality received two qualified bids from two Brazilian construction companies—Andrade Gutierrez and Odebrecht. The Educator Consortium, consisting of Construtora Norberto Odebrecht and Odebrecht Participações e Investimentos (both of which are subsidiaries of Odebrecht S.A.), won the concession.

The PPP contract was signed on July 25, 2012.

EXPECTED POST-TENDER RESULTS

- Provides for the construction and operation of non-pedagogical services of 37 new schools (32 preschools and five primary schools) in less time and at lower cost.
- 18,000 children from low-income areas of the municipality will be able to attend kindergarten and elementary school.
- Mobilizes \$95 million in private sector investment.

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