

## PROJECT ABSTRACT

### BRAZIL

<b>Project name:</b>	Ulbra University and Hospital Project
<b>Country:</b>	Brazil
<b>Project number:</b>	BR-0413
<b>Sponsor and Borrower:</b>	<i>Comunidade Evangélica Luterana São Paulo</i> (“Celsp”)
<b>Total Project Cost:</b>	Approximately US\$169.5 million
<b>Proposed IDB A- Loan:</b>	US\$42.4 million
<b>Proposed IDB B- Loan</b>	US\$59.3 million
<b>Department:</b>	Private Sector Department (“PRI”)
<b>Status:</b>	Due Diligence
<b>Date:</b>	May 21, 2004

### PROJECT DESCRIPTION

*Comunidade Evangélica Luterana São Paulo* (“Celsp”) founded in 1925, is a private legal entity established as a not for profit corporation under Brazilian Commercial law and is entirely owned by Brazilian nationals. *Universidade Luterana do Brasil* (“Ulbra”) is the educational and health care division of Celsp.

Ulbra, the largest private university in the state of *Rio Grande do Sul*, offers a wide range of courses with an emphasis on professional degrees in medicine, engineering, business administration, science and liberal arts. At the end of year 2001, total student enrolment had reached 66,000. Ulbra’s health facilities include two hospitals in Porto Alegre, one in Tramandaí (in the North Coast), a medical school, a veterinary hospital and two clinics in Canoas. Ulbra’s educational facilities comprise 14 campuses, 8 in the state of *Rio Grande do Sul* and others in the states of *Goiás*, *Amazonas*, *Pará*, *Tocantins* and *Rondônia*. The main campus is in the city of *Canoas*<sup>1</sup> in *Rio Grande do Sul*. Ulbra has 3,433 professors school-wide and 3,272 administrative employees<sup>2</sup>.

The project to be financed by the Bank comprises: (i) construction of a Medical Research Center, Educational Facilities and a University Hospital; (ii) construction at *Canoas* of a new facility including a Conference Center (the “Main Campus Project”); (iii) construction of a Central Library; (iv) construction and equipping of a new Campus in *Santa Maria* (“Santa Maria Campus”); and (v) construction and equipping of a new Campus in *Carazinho* (“Carazinho

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<sup>1</sup> Canoas is part of the metropolitan area of Porto Alegre, capital of Rio Grande do Sul in the Southeastern part of Brazil and has a population of 1.5 million inhabitants (Rio Grande do Sul’s population is estimated at 10 million).

<sup>2</sup> Ulbra’s hospitals and universities have been certified and accredited by the Rio Grande do Sul Secretariat of Health and Federal Ministry of Health and the Rio Grande do Sul Education Secretary Department and Federal Ministry of Education, respectively. Rankings provided by *Instituto Nacional de Estudos e Pesquisas Educacionais* (“INEPE”) vary from A (the highest mark) in administration, mathematics, electrical engineering and chemistry to B in literature, C in medicine, architecture, urban studies and psychology; to D in economics.

Campus”). Total Investment Program eligible to be financed by IDB is estimated at US\$169.5 million.

The Medical Research Center, Educational Facilities and a University Hospital are additions to the existing health care network that began in 1993 and are expected to be completed in 2007. The Medical Research Center will be a 20,000 square meter facility operated in conjunction with the University Hospital and Ulbra Medical School. It will include 40 biotechnology laboratories and is expected to serve a student community of 40,000 at undergraduate and graduate levels.

The new University Hospital, which is currently under construction, will offer 481 beds. It will have formal and informal links to the existing public and private health network in the state of *Rio Grande do Sul* (through joint committees, professional associations, etc.). As the only major, full service hospital in the region, it is expected to receive referrals from throughout the area and, consequently, have continuous communication with other healthcare facilities.

Educational facilities will include the following: (a) an International Medical Consulting Department that will provide graduate courses and masters’ degrees in the health and education sectors; (b) Advanced Diagnosis Center to undertake studies and investigations in radiology, general and specialized ultrasonography, mammography, computerized tomography, nuclear resonance, nuclear medicine, cardiography, neuroradiology and outlying angiography capabilities; (c) Emergency room services for comprehensive medical advice and immediate care; (d) Surgery Facilities including general and specialized surgery care; (e) Obstetric Department; and (f) Cancer Research Center for cancer treatment (treatment and surgery are performed by the clinical and surgery departments of the hospital).

Most of the medical equipment –which is mostly advanced new medical technology- has been acquired through a US\$33.9 million United States Export Import Bank (“US Exim”) Loan and will be installed upon completion of the University Hospital building. The security package for the loan consists of a lien on the equipment itself.

The Conference Center is to be a 70,000 square meter facility that will include meeting rooms, conference halls and an auditorium. The land for the Conference Center is part of the Main Campus and not included in the cost. The auditorium will be built in a modular form to allow for groups ranging in size from 2,500 to as small as 200 people. In addition to University use, it is expected that the Center will draw conferences, seminars, and other events from all of Southern and Central Brazil. The Center will also feature exposition areas in size from 200 to 500 square meters for business, artistic and cultural exhibits. There will be up to 35 rooms and structures to support each space.

The Central Library will be a 25,000 square meter facility. The land (not included in the Project Cost) has already been acquired and is available for construction. Initially, the Library will house over half a million books, all of which will also be maintained in electronic form. The Library is designed with computerized workshops for both individuals and groups and multiple conference rooms. Among other things, the workshops and conference rooms will be used for University courses and correspondence courses via satellite. The Library will be open free of charge to the public 24 hours a day.

The Carazinho Campus is under construction and both it and the Santa Maria Campus (which has not begun construction) are expected to be completed in 2006. Each is intended to cater to 4,000 students. Each campus will comprise two three story buildings containing lecture halls and design and communication studios; a third building containing a library, convention center and informatics department; a laboratory; a gymnasium; swimming pool and other sports facilities; plus, in the case of the *Santa Maria* campus, a building for graduate studies.

The construction contractor on Celsp's investment program is Celsp's own Engineering Department, which then sub-contracts some of the services.

## **II. PROJECT BENEFITS**

### **A. Education Sector**

Half of Ulbra's students come from middle class families and women represent over 50 percent of the total enrollment at the main campus. The target educational markets for Ulbra are students from lower and middle class families. Most Ulbra students hold full or part-time jobs in order to finance their education and, therefore many of Ulbra's students attend night and weekend classes. More than 100,000 students are expected to enroll annually in the 14 campuses by the end of 2005.

To reach the government goal of a 15 percent increase in higher education attendance by 2005, an additional 800,000 students must enroll in the system. This goal is unattainable without participation from private sector institutions, such as Ulbra, since the Federal Government has limited resources to support higher education in a significant way.

### **B. Health Sector**

Ulbra's health systems provide medical coverage on a continuing basis to approximately 100,000 patients who can be classified as follows: 60 percent SUS patients, 35 percent Ulbra's Health Maintenance Organization ("HMO") network patients and the remaining 5 percent individuals privately insured.

The proposed new University Hospital and medical facilities will serve approximately 97 communities and a region of 3.4 million people. Patients will come from low and middle-income classes and Ulbra's HMO. Because the new hospital will be equipped with the latest and most complete medical facilities, it will provide services priced at the higher end of the medical fee range to those patients able to pay. This will enhance revenue generation considerably as compared to Ulbra's existing hospitals.

## **III. IDB PARTICIPATION**

Prior to coming to IDB, Celsp attempted, without success, to raise long-term financing through an offering of US\$135 million of secured bonds in the U.S. Following the events of September 11 and subsequently the crisis in Argentina and the political uncertainty from the presidential elections in Brazil, long-term international financing in Brazil is unattainable. Brazil's financial sector has also been unable to provide adequate local currency financing to support long-term investment. Such financing is limited to short-term loans with a high cost of funding. IDB participation in the financing is necessary for Celsp to obtain financing for the Ulbra Project in terms consistent with the nature of the Project.