

Paris-Sorbonne University Abu Dhabi PPP

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The closing of the Paris Sorbonne University Abu Dhabi (PSUAD) PPP project in the dying days of 2008 is testament to the esteem in which this deal was held and confidence for the PPP model in the Middle East.

In a tight market when vanilla [BSF schemes](#) have been failing to attract banks, the fact that this project reached financial close is an impressive feat, compounded with the challenges of achieving competitive terms in an emerging PPP market.

Amid industrial and economic development across the United Arab Emirates, there is a need for strong education infrastructure, and through the Paris Sorbonne scheme Mubadala has pushed forward the PPP agenda in support of Abu Dhabi's strategic sectors.

Background

Over the last few years, the Abu Dhabi Government has been making efforts to improve and sustain the Emirates' economic and social welfare.

On 19 February 2006 the Abu Dhabi authority and Sorbonne University signed a partnership agreement to establish the new Paris Sorbonne University in Abu Dhabi [\[Projects Database\]](#).

Director General of ADEC, Dr Mugheer Khamis Al Khaili, said: "This partnership between the private sector and the government provides an opportunity for the governmental to harvest the private sector's expertise in managing projects effectively. This approach enables us to concentrate on Abu Dhabi's vision of developing education and matching its principles to international standards."

The project - the second education PPP in the UAE - set out to be Paris-Sorbonne's first campus outside France and also the first French institution of higher education in the Gulf region. It is expected to be the only extension of Sorbonne in the Middle East.

One of the aims was to establish the PSUAD as a French-speaking higher education institution capable of attracting UAE students, as well as students from all over the Middle East and the world. Once in operation, the university will follow the new European system of higher education - the License-Masters-Doctorate (LMD) system.

Prior to the procurement of Paris Sorbonne, in 2007 the Mubadala Development Company completed the limited-recourse financing of the UAE University New Campus PPP [\[Projects Database\]](#) in the fourth largest city in the UAE - Al Ain, the first education PPP in the Middle East.

A syndicate of banks - including Barclays Capital, National Bank of Abu Dhabi, Royal Bank of Scotland and Société Générale - provided the US\$410 million debt package. The UAE University New Campus features 290,000m² of new-build

teaching and recreational facilities, including accommodation for students and university staff.

The Paris Sorbonne scheme is strategically important to Mubadala and not only positions Abu Dhabi as a centre for educational and cultural excellence; it also sets an important benchmark for the development of future UAE social infrastructure projects.

The Project

The Mubadala Development Company-driven scheme includes the DBFOM of the Paris Sorbonne University Campus in Abu Dhabi with a capacity of up to 2,000 students.

In early May 2008 the D&B contract was awarded to an unincorporated JV between Al Habtoor Engineering Enterprises LLC and Murray & Roberts Contractors. John Buck International Properties was awarded the non-academic FM contract.

The buildings within the campus include:

- Central Plaza
- administration building
- lecture wings X2
- library - 250,000 volume capacity
- auditorium - 700 seats
- dining hall - 750 seats
- sports halls X2
- residence halls X2 at 250 rooms each
- car parking including structure and external - 1,020 car capacity

The new campus that will be located on Al Reem Island, is currently under construction, and will feature 93,000m² of newly-built teaching and recreational facilities, including accommodation for students. The existing university is located in Omm Al Nar and provides courses in arts, languages and social sciences.

The first phase of the project is expected to be completed in 2009 and the second phase will be completed by the third quarter of 2010.

Gleeds acted as technical adviser to the lenders, White & Case was legal adviser, while Willis provided insurance advice. Allen & Overy acted as legal adviser to the sponsor, while Calyon provided financial advice.

Financing

This is the first time that a PPP deal has closed in the UAE on the basis of governmental budgetary allocations, as opposed to direct government support.

The transaction successfully closed with six MLAs:

- First Gulf Bank
- Bank of Tokyo-Mitsubishi
- BNP Paribas
- Calyon
- RBS
- SMBC

The deal is also the first transaction in UAE social infrastructure financing where international banks are taking performance risk on local contracting entities - highlighting the banks' belief in the quality of the operating and

contracting parties.

The financing included both US\$ and AED tranches for the term loan (US\$317.25 million) and debt service reserve facility (US\$8.68 million).

The tranches were:

- term loan - US\$238 million
- term loan - AED291 million (US\$ 79.25 million)
- DSRF - US\$6.5 million
- DSRF - AED8 million (US\$2.18 million)

BTMU - US\$65.186 million

- Term loan tranche - 20 per cent - US\$63.45 million
- DSRF tranche - 20 per cent - US\$1.736 million

BNP Paribas - US\$16.2965 million

- Term loan tranche - 5 per cent - US\$15.8625 million
- DSRF tranche - 5 per cent - US\$434,000

Calyon - US\$65.186 million

- Term loan tranche - 20 per cent - US\$63.45 million
- DSRF tranche - 20 per cent - US\$1.736 million

First Gulf Bank - US\$81.4825 million

- Term loan tranche - 25 per cent - US\$79.3125 million
- DSRF tranche - 25 per cent - US\$2.17 million

RBS - US\$45.6302 million

- Term loan tranche - 14 per cent - US\$44.415 million
- DSRF tranche - 14 per cent - US\$1.2152 million

SMBC - US\$52.1488 million

- Term loan tranche - 16 per cent - US\$50.76 million
- DSRF tranche - 16 per cent - US\$1.3888 million

Tenor on all tranches is 20 years post-construction, with a six-year tail, the pricing is less than Libor+200 basis points, and the debt-to-equity ratio is 85:15.

First Gulf Bank was also Onshore Security Agent and the Onshore Accounts Bank, while Calyon was Facility Agent and Offshore Security Agent.

Mubadala chief executive HE Khaldoon Al Mubarak, said: "This PPP financing deal is an important step forward for both Mubadala and the Abu Dhabi Government. Banks are relying on increasingly transparent budgetary processes for their credit risk.

"We are pleased Mubadala has been validated as a valued sponsor. This deal will allow us to raise debt in a more efficient and fiscally responsible manner, and will encourage more private sector operators into the region."

The project reached financial close on 18 December 2008.

Further Developments

A third education PPP, the Zayed University New Abu Dhabi campus, is currently in the pipeline and will be developed at New Khalifa City in Abu Dhabi.

Buildings within the campus will include:

- convention centre with capacity for 1,000 people
- library and administration offices
- multi-purpose halls
- faculty office buildings
- classroom buildings
- laboratory buildings
- dining halls
- recreation centres
- residence halls
- Promenade
- child care and development centre

Mubadala is developing the Zayed PPP, but the sponsor is not willing to shoulder the construction risk.

The EPC contract has already been awarded to a JV between local firm Al Habtoor and South African company Murray & Roberts.

The project is due to come to market this year and is expected to be two to three times larger than Paris-Sorbonne.

Conclusion

Considering the challenging local and international financial markets, the successful financial close of this PPP transaction indicates the ongoing confidence in projects in the Middle East and the continuing importance attached to developing new educational partnerships.

The fact that the deal was well structured and backed by a strong sponsor - Mubadala - ensured that the deal was not put on hold as is increasingly the position for PPPs in recent months.

As education is one of the strategic priorities for the Abu Dhabi Government, and while another university PPP hits the market later this year showing the ongoing impetus, Paris-Sorbonne University's Abu Dhabi campus will likely stand as a marker for future education PPP developments across the MENA region.

The project at a glance

Project name	Paris-Sorbonne University Abu Dhabi PPP
Location	Al Reem Island, Abu Dhabi, United Arab Emirates
Description	The DBFOM of the Sorbonne University Campus higher education institution in Abu Dhabi for up to 2,000 students.
Capacity	• 2,000 students • 93,000m² of newly built teaching and recreational facilities, including student accommodation
Sponsors	Mubadala Development Company PJSC
Awarding authority	Abu Dhabi Education Council (ADEC)
EPC contractor	An unincorporated JV ntire between: • Al Habtoor Engineering Enterprises • Murray & Roberts Contractors

Non-academic FM	John Buck International Properties
Project duration	26.25 years
Construction started	May 2008
Construction completion	August 2010
Total project value	US\$383.45 million
Total equity	US\$57.52 million
Equity breakdown	100 per cent provided by Mubadala
Total senior debt	US\$325.93 million
Senior debt breakdown	• term loan - US\$238 million • term loan - AED291 million (US\$ 79.25 million) • term loan total: US\$317.25 million • DSRF - US\$6.5 million • DSRF - AED8 million (US\$2.18 million) • DSRF total: US\$8.68 million
	<u>BTMU - US\$65.186 million</u>
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	<u>SMBC - US\$52.1488 million</u>
	• Term loan tranche - 16 per cent - US\$50.76 million • DSRF tranche - 16 per cent - US\$1.3888 million
Tenor	20 years
Senior debt pricing	Less than Libor+200 basis points
Debt:equity ratio	85:15
Mandated lead arrangers	• Bank of Tokyo-Mitsubishi UFJ (BTMU) • BNP Paribas • Calyon • First Gulf Bank • Royal Bank of Scotland • SMBC
Legal adviser to sponsor	A&O
Financial Adviser to sponsor	Calyon
Legal adviser to lenders	White & Case
Technical adviser to lenders	Gleeds
Insurance adviser to lenders	Willis
Date of financial close	18 December 2008

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