

Duoc UC

COMPANY BACKGROUND

Duoc UC is a non-profit, private institution of higher education. Duoc UC has been established as a professional institute in accordance with Chilean education regulations, providing official recognition to its courses and diplomas. It has 13 campuses in three economically important regions of Chile (Santiago, Valparaíso Viña del Mar, and Concepción) and is planning to build 4 additional campuses. Duoc UC was founded in 1968 by a group of students at the prestigious Universidad Pontificia Católica de Chile (the University), with the help of professors and labor unions, to offer training courses for blue-collar workers that lacked access to university education. In 1973, Fundación Duoc was created to achieve managerial and financial independence from the University. In 1990, two additional

Duoc foundations were created following regulatory changes in the Chilean education system, which distinguished among three types of institutions: universities, professional institutes, and technical training centers. As a result, three foundations comprise “Duoc UC.” Fundación Duoc, the original Duoc foundation, includes a polytechnic high school and an adult education program; Fundación Instituto Profesional Duoc is a professional education institute; and Fundación Centro de Formación Técnica Duoc is a technical training center. Duoc UC remains a part of the University’s network

DUOC UC’S INCLUSIVE BUSINESS MODEL

In contrast to five- or six-year university programs, Duoc UC offers two year technical degrees and four-year professional degrees. Students are admitted on a “first come, first served” basis. Approximately 73% of Duoc UC students are from the lowest three income quintiles compared to 50% for the Chilean tertiary education sector as a whole. Around 43.5% of its day students work while in school and 41.6% pay for their own studies; for evening students, the percentages are 77% and 72%, respectively. Day students tend to be younger, at an average of 23 years, than evening students, at an average of 27 years. Around 74% of students are the first in their families to receive higher education, representing a significant opportunity for a new generation of Chileans whose families historically have lacked access to higher education. Regionally, 70% of Duoc UC students are based in Santiago, 23% in Viña del Mar/Valparaíso, and the remaining 7% in Concepción.

Duoc UC focuses on employability with 80 courses relevant to the labor market, offered through nine schools: engineering, informatics and telecommunications (ICT), communication, design, health, business administration, natural resources, construction, and tourism. The most popular courses by number of students are business administration (16,043), construction (11,709), ICT (9,061), and engineering (8,832). Duoc UC also offers cross-cutting subjects like English and ethics, as well as entrepreneurship programs that are unique in the region. Duoc UC focuses on “learning by doing,” using state-of-the-art infrastructure and equipment to simulate conditions students will find on the job. Professors also have work experience in their fields of specialization. To ensure that its curriculum stays up-to-date with labor market needs, Duoc UC schools have business councils comprised of industry representatives.

Duoc UC also focuses on employability after graduation. Students receive

career services support through three avenues. First, Duoc UC maintains an online jobs portal that is exclusively available to its students and graduates. Second, professors play a key role in job linkages as 65% are also employed outside the institution. Third, Duoc UC facilitates connections with potential employers through internships, contests, conferences, and collaborative projects that give students opportunities to create prototype products or services for companies.

Another key characteristic of Duoc UC’s business model is affordability. Duoc UC programs cost \$2,300 to \$5,200 per year as compared to university programs that cost \$4,000 to \$13,500 per year. Students at Duoc UC pay a fixed semi-annual tuition fee regardless of the number of courses they take, and therefore have an incentive to complete their education in the shortest possible timeframe. Other features that make Duoc UC programs affordable include evening classes that enable students to work while in school and a modular course structure that enables them to receive intermediate certifications even if they must leave before completing the program.

Duoc UC also offers student loan financing through private banks and the government Credit Guaranteed by the State (CAE) program. In 2007, Duoc UC, IFC and the Banco de Crédito e Inversiones (BCI) created a student loan risk-sharing program of up to \$51 million to offer student loans. Interest rates are competitive at 6%. In 2010, 60% of Duoc UC students accessed financing. In that year, CAE provided 81% of loans and private banks provided 19%, and 21% of students also received scholarships.

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DRIVERS FOR DUOC UC'S INCLUSIVE BUSINESS MODEL

- Duoc UC's mission is to provide equal opportunity access to tertiary education
- Demand for affordable, quality tertiary education which leads to higher income
- Demand for practical programs oriented to the labor market

The fundamental driver of Duoc UC's inclusive business model is its mission to create equal opportunity access to high-quality tertiary education for all Chileans. Access to tertiary education remains uneven among different income groups in Chile largely due to the high cost of university programs. In 2003, while 74% of the population between the ages of 18 and 25 in the highest income quintile was enrolled in tertiary education, only 15% of the population in the lowest income quintile was enrolled. Duoc UC's non-university tertiary education programs seek to reduce this disparity.

A second driver of Duoc UC's model is the strong and growing demand for affordable, quality tertiary education based on the income differential between graduates of secondary and tertiary education. Graduates of non-university professional institutes and technical

training centers earn on average 2.8 times and 1.6 times the income of those with secondary education alone. However, the high cost of tertiary education in Chile—which is among the highest in the world when adjusted for per capita income—has limited enrollment especially among low-income segments of the population. Meeting the needs of this population in Chile is a significant market opportunity for Duoc UC.

A third driver is that tertiary education programs in Chile have generally been characterized by highly theoretical curricula and technical offerings not in sync with the needs of the labor market. Students also have limited opportunities to personalize their learning paths. Thus, programs that equip students with competencies to enter and compete in the labor market are in great demand.

RESULTS OF DUOC UC'S INCLUSIVE BUSINESS MODEL

- Over 71,000 students enrolled in Duoc UC programs in 2012
- 74% of students are the first in their families to receive higher education
- 81% of surveyed graduates are employed in the fields they studied at Duoc UC

Duoc UC is the largest provider of technical and professional tertiary education in Chile. As an indication of its quality, in 2010, Duoc UC became the only professional institute granted the maximum seven-year accreditation by the National Accreditation Commission (CNAP).

Duoc UC's student body has tripled in size over the past ten years, and has been growing at 11% annually since 2006. As of 2012, more than 71,000 students were enrolled at Duoc UC including foreign students from 25 countries. Approximately 74% of current students are the first in their families to receive higher education. More than 60% received loans and scholarships in 2011 compared with 0.5% in 2002.

Duoc UC has more than 82,500 alumni and 81% of surveyed alumni are employed, most in the fields they studied at Duoc UC. The average

time for finding a job after graduating from Duoc UC was estimated to be five months. Graduates earn competitive wages after attending for a relatively short period of time and paying relatively little compared with universities. As an indication of the economic mobility that education at Duoc UC provides, a student whose father earns \$500 a month, upon graduation from Duoc UC, earns on average \$1,000—almost double his father's salary.

Duoc UC has shown strong financial results over the past years. Its annual revenue is approximately \$200 million. Given its non-profit status, Duoc UC allocates all of its retained earnings to the expansion of existing campuses and the construction of new ones. Duoc UC is also establishing a strong reputation in Peru, Ecuador, Bolivia, Argentina and Colombia.



IFC'S ROLE AND VALUE-ADD

IFC's investments have enabled Duoc UC to support rapid growth in student enrollment on two fronts. First, an IFC guarantee of \$19 million in 2007 enabled the creation of a \$51 million student loan risk-sharing program by Duoc UC, IFC, and local bank BCI. In designing this program, IFC drew upon its global experience in structuring risk-sharing facilities for student lending—in particular drawing on lessons learned in other programs to reduce the overall risk profile. As a result, low-income students can secure loans without which they may have either not enrolled in tertiary education or dropped out. Approximately 40% of the loans are targeted at students from the poorest two quintiles. Second, an IFC investment of \$30 million in 2009 is now enabling Duoc UC to meet long-term financing needs for campus expansion. The project involves the construction of five new campuses and the expansion of nine existing campuses. This will increase capacity by approximately 32,000 students, or more than 60%. The expansion will also allow for penetration into new geographic areas of Santiago, with new campuses that offer programs tailored to local labor market needs.



IFC's Investment:

\$30 million in long-term debt financing and a \$19 million guarantee