



GCC Education Sector

A growing opportunity
October 2015

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Foreword

GCC education sector, historically driven by Government investment, is evolving into a mature market, where large major global investors and operators are vying for market share. GCC Governments have opened up education sector and brought in private sector friendly policies, providing rebates and reliefs. Efforts have led to significant increase in private sector enrolments, both in K-12 and tertiary education. Changing preference of local population along with increasing expat population is also providing necessary demand side drivers to private sector. We estimate current GCC's K-12 education market to be at US\$67 billion, of which the private sector accounting for 12 per cent i.e. US\$8.1 billion.

UAE continue to lead the region in education standards and infrastructure. Its open and forward looking policies has made it one of the attractive destination for international curriculum schools and colleges. UAE boasts of over 500 private international schools with nearly half a million enrolments. The sector continue to develop under UAE's Vision 2021 plan, which prioritizes development of human capital as key to a diversified, knowledge-based economy. The country is also slowly becoming education hub catering to students from various nationalities. Easy to obtain visa and presence of large international universities are helping the trend.

KSA, comprising of 75 percent of total GCC enrolments, spends highest (in value as well as percentage of GDP) in the region on education. Government allocated US\$3.7billion in 2015 toward the construction of 164 new projects as well as to rehabilitate 500 existing school buildings and college campuses. Government have also scaled-up investments in the tertiary education and vocational education with an eye on skill building of local workforce and improvement in employability. Government has launched a new US\$21.3 billion five-year plan for the development of its tertiary education. The Kingdom has also recently implemented reforms to opening international schools to national students. The government seeks to increase private enrolments to 30 per cent by 2018 with a provision of preferential funding to set up private universities.

GCC education sector is estimated to receive total investments of US\$90 billion in next 2-3 years. KSA alone plans to establish 465 new schools, refurbish 1,500 and complete 1,544 existing projects. Favourable demographics and government initiatives to open up the sector will be the key growth drivers for the sector. Countries such as UAE and Qatar attracting many foreign universities will become key catalyst for the improvement in tertiary education. However, lack of trained teachers will continue to act as major challenge.

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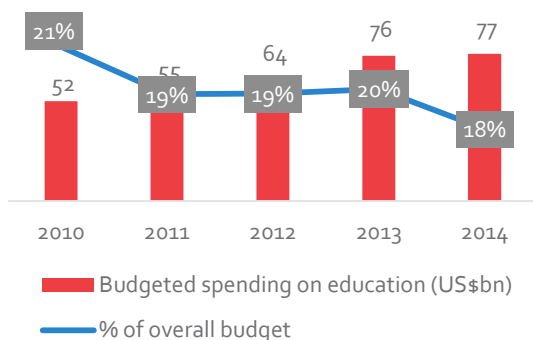
Market Overview

Over the last decade, the education sector across the GCC countries has improved and witnessed continual high investments, primarily from the government sector

Education sector is priority for most governments globally, as it drives growth, competitiveness and stability. Many studies have well established a direct correlation between education standards and GDP growth. On top of that, today's integrated and well-connected world has made it imperative for governments to provide necessary infrastructure and education standards, in order to remain competitive.

Similarly, all GCC governments has given priority to the sector, spending about one-fifth of their annual budget on the education. Government investments remain primary source of investments with-in the sector with private players operating in small pockets. The trend of rising increasing government investments in the sector witnessed in 2014, showing overlay of declining oil prices.

Figure 1: GCC Education Budget



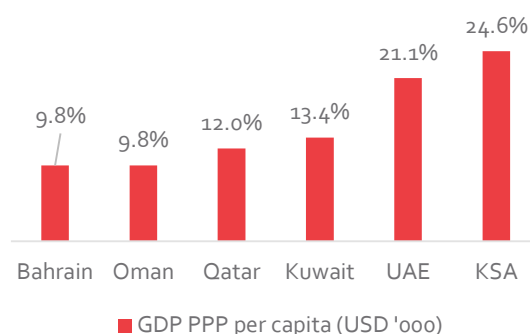
Source: Country Statistical Websites, Ardent Advisory

Large variation in public spending on education with-in GCC

The Kingdom of Saudi Arabia (KSA) has the distinction of providing the highest education budget in the GCC, followed by UAE. Both countries spend more than one-fifth of their overall budget on education. However, Oman and Bahrain lags behind the leaders and spend less than 10 per cent of their budget towards education. Both the governments has woke up to need of the

high education standards in last decade only, and since then trying to make investments in the sector. Based on World Economic Forum rankings, Bahrain has been more successful in creating a better education system than Oman. However, both, Bahrain and Oman with their Vision 2030 and Vision 2030 plan, respectively, has reiterated commitment towards education.

Figure 2: Budget Allocation (2014)



Source: Country Statistical Websites, Ardent Advisory

High youth unemployment and economy diversification effort has provided impetus to Tertiary education

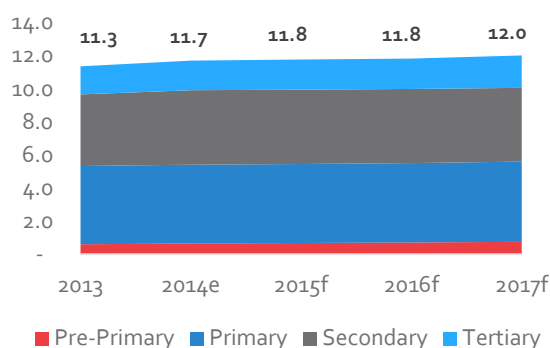
GCC has one of the lowest level of joblessness in the world, however, youth unemployment in the region remains a worry for the governments, more specifically for KSA. According to Arab World Learning Barometer Report 2014, nearly 70 per cent of the Arab population under 30 remains unemployed. The Kingdoms has taken notice of the fact and initiated various vocational training programs along with improving tertiary education. In 2014, the KSA government approved a five-year plan worth US\$21.3 billion for its tertiary education sector, including the development of the King Abdullah City for Science and Technology. Funding to Technical & Vocational Training Corporation (TVTC), regulator and promoter of the vocational training in the kingdom, has also been increased.

Governments has also initiated nationalisation programmes, with the intention to improve the employment of local population in private sector. However, GCC education market faces serious challenge of lack of skilled local professionals verified by the fact that recent PwC study of local CEOs revealed that lack of locally available skilled personnel as a key challenge. In order to bridge the skill gap, governments are expanding vocational training market by either implementing a comprehensive training program or incentivizing the private sector for training programs.

Till 2017, GCC education sector is expected to enroll, an additional 160,000 students per annum

Primary and secondary education is compulsory and free in all GCC countries (except Oman) resulting in GER of greater than 100 per cent. Therefore it is expected that future escalated growth in student population will be driven by rising demand of pre-primary and tertiary education. Tertiary enrolments are expected to increase at an average annual rate of 3.6 per cent per annum from the levels in 2013 to about 2 million in 2017.

Figure 3: Total Number of Students in the GCC (mn)



Source: UNESCO, Ardent Advisory

Student population at pre-primary levels, forecasted to rise at an average annual rate of 5.6

per cent between 2013 and 2017 to reach about 0.7 million in 2017. The increase in pre-primary students is primarily due to rising awareness and government initiatives. KSA, which has lowest pre-primary enrolment levels in GCC, is making effort to increase the pre-primary enrolments by launching a free education project in 2015 for private kindergartens. It is also going to establish 1,500 government kindergartens over the next five years. UAE, Qatar and Bahrain, where traditionally enrolment rates at pre-primary levels are high due to large presence of expat population, governments are making further effort to boost the pre-primary enrolments.

Access to skilled labor force and quality of education remain key challenge

Although GCC has one of the lowest pupil to teacher ratio in the world, it is believed that it doesn't suffice the requirements. As most of the teachers are outsourced, region faces a shortage of the skilled teachers especially with respect to UK and Indian curriculum. UNESCO estimates that MENA schools will need to accommodate 7.7 million more children between 2012 and 2030, which in turn will necessitate 464,000 more teachers by 2015 and 2.6 million by 2030.

Apart from lack of locally trained teachers, private schools faces issue of controlled fee hikes, which in turn limits their spend on quality teachers. Private schools also faces regular issue of teacher absenteeism, high attrition and related recruitment costs. We believe the nationalisation programs initiated by governments will help private schools in meeting their needs, however status quo is expected to persist in near future.

Additionally, we believe the GCC education system is evolving and enhancing its quality and reach across the region. In order to support increasing number of students, education system needs a qualitative and quantitative upgrade. Education in fields such as English language, mathematics, and science needs improvement.

Investment Thesis

The GCC education sector is poised for growth with increasing emphasis on private sector involvement and vocational training

Private sector investment in the education sector is increasing

During recent times, a lot of interest is observed in private schooling in the GCC primarily due to Government support and increasing need of pupils to attain better education. Private players are enjoying support from governments, in the form of grants and subsidies, as most governments have come up with some kind long-term vision plan to . This has raised the interest of many global investors and operators, as they are looking to gain or consolidate a foothold in the market. In 2014, GEMS Education, one of the region's biggest education providers, issued a US\$200 million hybrid Sukuk, a debt-and-equity instrument, to help create 40,000 new school seats in the next three years.

At the K-12 level, demand for private schools, especially international private schools, is on the rise both among the expat and national families. In Dubai, for instance, Knowledge and Human Development Authority (KHDA) forecasts an increase in enrolment at international schools at 7 per cent per year for the next five years. In September 2014, KHDA announced that 11 new private schools will open in Dubai in 2015, adding 23,000 more seats. The same trend is likely to follow across all of GCC. KSA has taken initiative to include private schools in their scheme of things at large, as it has set a goal to attain a 30 per cent share of the total enrolments by 2018.

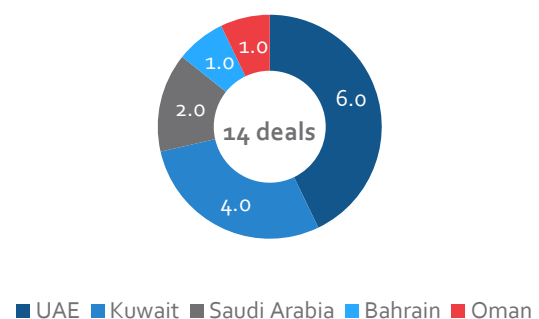
Along with private schools, number of private universities are increasing in the region. As is the case with private schools, UAE is leading the way with firmly established campuses from many international institutes such as Michigan State University and Manchester Business School. UAE also attracted many Indian universities as those are preferred by the local expat population and

international students from India. According to an estimate, there are about 20+ offshore campuses of Indian higher educations institutions in UAE, hosting more than 5,000 Indian students. UAE is slowly becoming a large education hub attracting students from MENA region as well as some Asian economies.

With the increasing emphasis on the education sector, M&A activities in the sector have picked up over 2011-2014

The GCC education industry has witnessed some high-profile investments during 2013-14. Dubai-based Gems Education purchased stakes in four academic institutions during 2013-2014. Some of the major cross-border deals include the acquisition of National Training Institute in Oman by Babcock International Group of the UK and the acquisition of Dubai-based online learning services provider, Alta Vista Trading LLC by Edserv Softsystems Ltd of India.

Figure 4: M&A activities in the GCC (2012-14)



Source: Thomson Banker

Continuously changing environment is expected to present further opportunities for M&A activities across all segments. More specifically, players active in pre-primary education, end-to-end K-12 education and vocational training are expected to be more attractive.

Large investments are expected in GCC education sector, with KSA and Qatar leading the way

The education sector is usually considered to be recession-proof making it a major draw after the recent economic crisis. According to The Big 5 report by Ventures Middle East, the GCC education sector offers US\$90 billion in opportunities to contractors, based on government budgets on building schools, colleges and universities. The KSA will account for 62 percent of these investments, with its plans to establish 465 new schools, refurbish 1,500 and complete 1,544 existing projects. The country also plans to build eight new colleges and vocational and technical facilities. Qatar has approved 26 new private schools and expects to open 33 new institutions, creating seats for thousands of additional students.

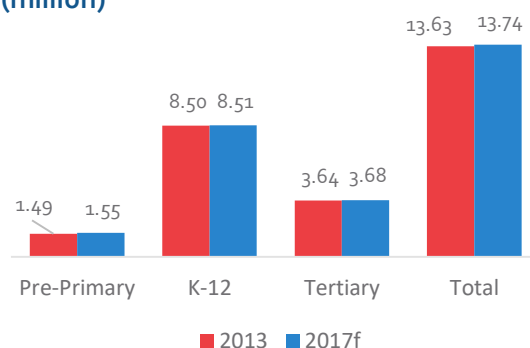
Although majority of the investments are towards the establishment and refurbishment of schools, universities and technical centres, investments in technology has been made to improve education infrastructure. In Jan'14, the UAE Ministry of Education opened its first technology center, connecting students across emirates. Equipped with huge touch screens, the centre is aimed at becoming a hub for smart education and experiential educational tools. Similarly, in 2012, Kuwait launched the Education Net project in 2012 to connect all government schools, administrative facilities and other public institutions over a nationwide data network to integrate ICT into the education sector and ensure communication and collaboration throughout the system.

Conclusively, we believe the governments will continue to look for ways to improve education infrastructure with-in the region, fulfilling the requirements of the country. On one hand UAE will continue to focus on internationalisation of the education, KSA and Oman will look to fulfil the needs and aspirations of local population with higher emphasis on scientific and English oriented studies and vocational training.

Favorable demographics, increasing per capita income and government initiatives will drive the education market

GCC possess favourable demographics for education sector as based on most recent published statistics, school / university attending population (less than or equal to 21 years) form 35 per cent of region's total population. Region already boasts of 100% Gross enrolment rate at primary and secondary level, and we expect the same to increase significantly at pre-primary and tertiary education level. Total school going population is expected to increase from 13.6 million in 2013 to 13.7 million in 2017. The pre-primary group (3–4 years) is expected to grow the fastest at about 4.0 per cent, followed by tertiary education.

Figure 5: GCC's School-going Population (million)



Source: United Nations Census

The per capita income in the GCC region is comparable to that of some developed economies and remains higher than that of emerging economies like China, Brazil and India. This bodes well for the education market, as higher income attracts high-end schools and prestigious universities to the region. Per capital income increased at an average annual rate of 6.1 per cent to US\$31,942 in 2014. However, with a sharp decline in oil prices in 2014 and the per capita income is expected to drop marginally between 2014 and 2017.



K-12 education

K-12 education in the GCC is characterised by high Gross enrolment rates at primary and secondary levels, however pre-primary enrolment is still evolving

GCC countries, barring Oman, have mandatory education till lower secondary education levels covering about nine years of basic education. This has led to high enrolment rates in both primary and secondary education levels, however, same has not percolated to pre-primary levels. Primary and secondary levels, combined together, accounted for about 80 per cent of GCC's total enrolments in 2013. K-12 enrolments growth have kept pace with the population growth and grown at CAGR of 3.4 percent during 2009–13.

We estimate the GCC's K-12 education market to be US\$67 billion in 2014, of which the private education segment held a 12 per cent market share. The market size estimate is based on the assumption (sourced from Booz & Co. study) that public schools spend nearly 1.8 times more on student compared to private schools.

Due to the sheer size of its population, KSA is the largest K-12 education market in the GCC, accounting for more than three-fourths of GCC's 11.3 million total enrolments in 2013. The UAE

recorded the second highest enrolments, characterised by high expat participation, which is leading to higher number of enrolments in the Qatar as well.

Pre-primary education enrolment is on the rise and expected to increase further

Pre-primary level of education has been traditionally ignored in the GCC, with weak infrastructure of nurseries and kindergarten schools. Except Kuwait, public school enrolment has hardly been present at pre-primary level, with most enrolments are done at private school. Government such as KSA, the largest market in GCC, didn't made nursery as pre-requisite of primary schools, which has resulted in only one in ten children attending any pre-primary schools.

However, over last few years enrolment ratio at pre-primary level has developed considerably, primarily due to increasing awareness and government support. UAE and Qatar has taken lead and are been able to develop the thriving

Figure 6: GCC Gross Enrolment Ratio (in %)

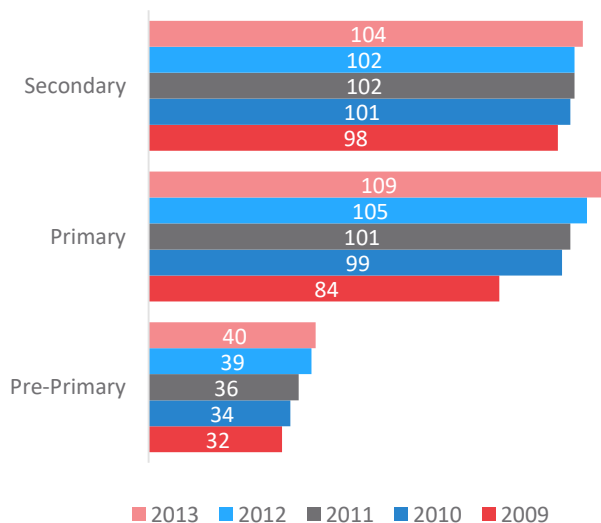
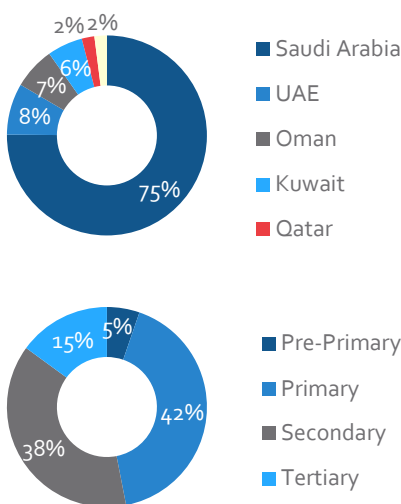
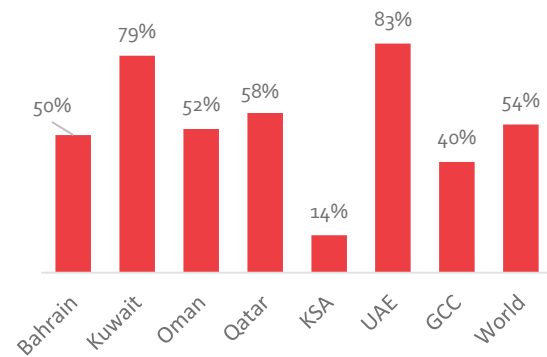


Figure 7: Gross Enrolment Break-up, 2013



private market of pre-primary schools, primarily catering to the needs of large expat population present in the region. UAE boasts of 400+ nursery schools in showing overall attendance rates surpassing those of many OECD countries. Qatar has also taken steps and made Kindergarten as mandatory for children above three years of age. In contrast, Saudi Arabia's pre-primary education is yet to take off as kindergartens are not part of the official educational system. The KSA's pre-primary GER nonetheless increased to 40 per cent in 2013 from 32 per cent in 2009 due to rising awareness levels.

Figure 8: Pre-primary GER, 2013

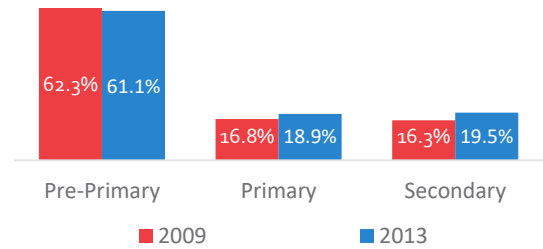


Source: UNESCO

Private schools are making greater in-roads in the education system

Private schools has started to make much larger impact in GCC education system as the demand for English oriented and new age curriculum is continuously increasing in the GCC. Parents are becoming more aware of quality of education private schools are providing and ready to pay higher fees for the same. Increasing expats and restrictions on them to enroll their children in public schools is fuelling demand for private schools. This has led to significant increment in private school enrolment at both primary and secondary level. In fact during 2009-13, CAGR growth in private sector enrolment was double of that of public sector enrolment, at both primary as well as secondary level.

Figure 9: GCC GER, share of private schools

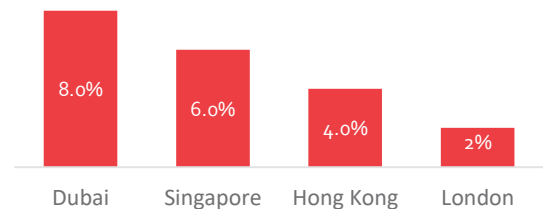


Source: UNESCO

Shifting preference towards international schools in the GCC

Although international schools have higher course fees than local schools, demand for the former is on the rise as they are believed to offer higher quality education, resulting in better job prospects. The UAE has emerged as a global leader in this space with around 505 private international schools, located mainly in the expat dominated population of Dubai (245 schools) and Abu Dhabi (144 schools), together reaching out to nearly half a million students.

Figure 10: Private International Schools – GER CAGR (2011-2014)



Source: UNESCO

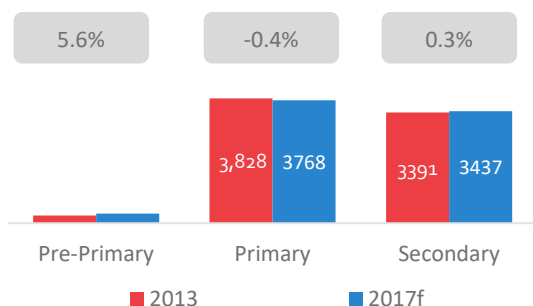
In Dubai, the Knowledge and Human Development Authority (KHDA) anticipates a 7 per cent annual increase in enrolment at international schools between 2014 and 2018. In Qatar, the number of these schools increased in from 130 in 2013 to 147 in 2015 enrolling over 100,000 students. Other GCC countries are also witnessing an increase in international schools and the number currently stacks at 202 in KSA, 80 in Kuwait and 58 in Oman.

Private sector enrolment is expected to increase faster than that of public schools

Enrolment growth in private schools is expected to surpass that in public schools for all the reasons we have discussed previously. The largest difference will be at secondary level, where search for better education standards, with employability concern on mind, will lead and parents to private schools. Number of private schools are increasing at swifter pacer and share of private schools in the GCC is set to go up from 14.7 per cent in 2013 to 16.1 per cent in 2017. The number of private school students in the UAE's capital is expected to rise from 200,000 in 2013 to 280,000 in 2020 at an annual average

growth rate of 5 per cent, while the KHDA in Dubai expects its private school student population to rise to 360,000 by 2020 from 225,000 in 2013. Along with the UAE, growth will be seen in Saudi Arabia, Qatar and Oman, where government has set agendas and long-term plan to increase the presence of private schools. Decision of KSA to permit locals to enrol in private schools is expected to put private schooling in KSA on fast lane. Within the sub-segment, demand for international schools is expected to be strong in expat dominated regions like UAE and Qatar. Specifically, in UAE about 180 new private schools are in pipeline and are expected to be established by 2020.

Figure 11: Public School Enrolments ('000)



Source: Ardent Advisory, UNESCO

Figure 12: Private School Enrolments ('000)

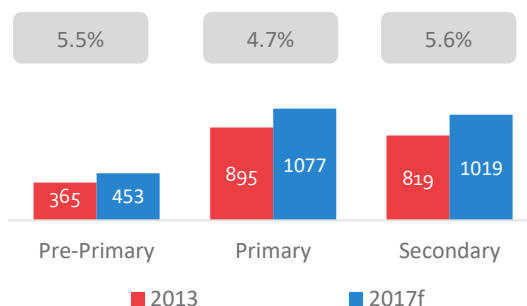


Exhibit 1: Estimation of GCC K-12 education market size

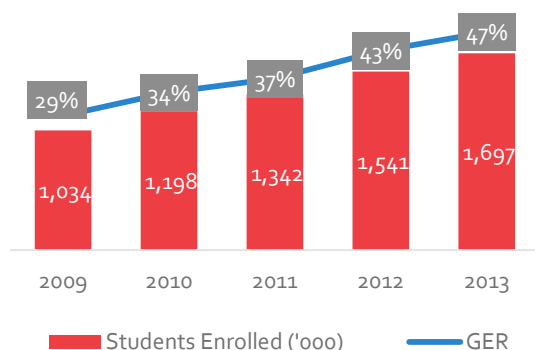
	Private School	Public School	K-12 School
Enrollments (million)	1.8	7.3	9.1
	X	X	X
Average Tuition Fee	\$4,500	\$8,100	\$7,387
Total Market Size	\$8.1 bn	\$59.1 bn	\$67.2 bn

Tertiary Education and Vocational Training

Backed by government initiatives to reduce unemployment among nationals, tertiary level GER in the GCC increased from 29 per cent in 2009 to 47 per cent in 2013

The GCC region is fast becoming a higher education hub for global institutions. Despite political tensions in the greater MENA region, higher-education enrolment increased in GCC from 2009 to 2013 due to its relatively stable political environment and growing presence of world-class universities, domestic as well as international. The GER for tertiary levels also improved by 18 percentage points from 2009 to 47 per cent in 2013, with 50 per cent female enrolments. Higher women enrolment reflects the success of the GCC governments' initiatives towards enhancing women's education. Private university enrolments in this segment are also increasing at a faster rate, with the UAE, KSA and Qatar establishing education free-zones and economic cities, inviting foreign universities, and developing curricula at local universities.

Figure 13: GCC Tertiary Education



Source: Country Statistical Websites, UNESCO

Foreign universities are either setting-up offshore branches in GCC or collaborating with local universities for course delivery

The UAE established the Dubai International Academic City (DIAC) in 2007, which has now become one of the world's largest education free zones for tertiary education, with over 20,000 students enrolled in about 400 higher educational

programmes. Universities operating in the DIAC enjoy 100 per cent foreign ownership, tax-free operations and repatriation of profits, in addition to easy visa/licensing issuance procedures for students, faculty and staff. As a result, it has been able to attract many renowned foreign universities and colleges such as the Michigan State University and the Manchester Business School.

KSA government is also taking initiatives to improve the tertiary education in the region. In 2014, the government approved a five-year plan worth US\$21.3 billion for its tertiary education sector, including the development of the King Abdullah City for Science and Technology. This US\$4 billion education zone will consist of a multi-university campus, flanked by two R&D parks, accommodating 18,000 students and 7,500 faculty and staff members.

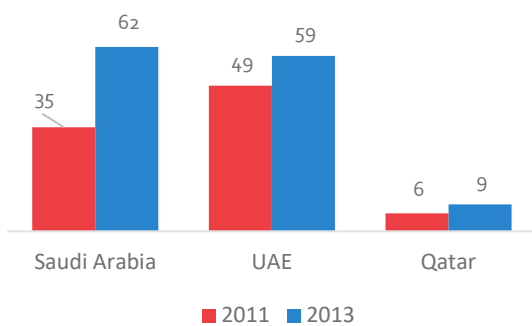
The Qatar Foundation also established an education city in Doha in the last decade, hosting branches of reputed universities such as Weill Cornell Medical College and Carnegie Mellon University. International school at Education city cater to more than 4,000 students, including both nationals and foreigners.



International student diaspora is getting stronger

Ongoing investments in tertiary education are making the UAE and Saudi Arabia attractive for international students. Primarily, the incoming students are from other Islamic countries and some Asian countries. According to an estimate Egypt, Saudi Arabia, and the UAE hosted 4% of the global share of mobile students by the end of 2013. In fact UAE has outpaced UK in attracting students from other Middle East. Presence of offshore branches of reputed foreign universities and ease of obtaining student visas have become key drivers for the development.

Figure 14: Inbound International Students ('000)



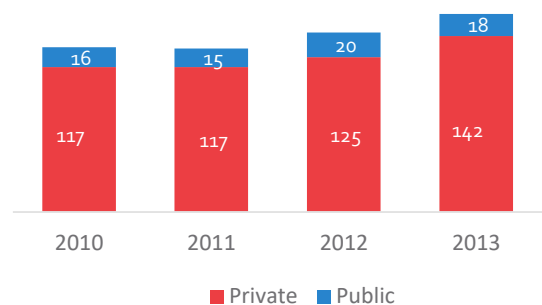
Source: United Nations Census

Skill shortage in GCC has prompted government entities to invest in vocational education programmes.

Youth unemployment forms a major challenge for GCC. For instance, unemployment in KSA's national labour force increased from 10.6 per cent in 2009 to 11.7 per cent in 2013. GCC countries have therefore set up various vocational training governing bodies, facilitating the skill set development in the region. Saudi Arabia has led the way with significant investment in the sub-sector, with \$6.1 billion planned investment during 2010-14. Vocational education in the Kingdom is overseen by the Technical & Vocational Training

Corporation (TVTC), along with the National Centre for Evaluation and Professional Accreditation (NCEPA). To encourage nationals to take up private-sector jobs, TVTC has made a number of strategic partnerships, including the Saudi Oger Training Institute, General Motors Program and the High Institute for Public Fabrication.

Figure 15: KSA vocational training candidates ('000)



Source: United Nations Census

The UAE and Qatar have put similar emphasis on vocational education as KSA, however they currently lack a national-level structure like TVTC to promote and regulate vocational education. UAE has established several state-sponsored training and vocational institutions such as the Abu Dhabi Centre for Technical & Vocational Education and Training, National Institute of Vocational Education in Dubai and Abu Dhabi Vocational Education & Training. It has encouraged private players to participate in the program, which has led to the fact that about four-fifth of programmes are run by private institutes.

In Oman, the Manpower Ministry already operates a network of five vocational training centres at Seeb, Saham, Sur, Ibri, Shinas and Al-Buraimi, and has plans for another centre in Musandam. Bahrain has established an authority similar to TVTC and stepping-up effort on vocational training. Conclusively, all efforts suggest that governments are keen to improve local employment situation.

Country Profile: UAE

UAE boasts of education standards better than few of the developed countries, along with presence of large number of international schools and colleges

The UAE ranks among the world’s top 10 countries in terms of the quality of its education system, as per the World Economic Forum (WEF) Global Competitiveness Report. As GCC’s most developed education sector, the UAE is characterised by a wide presence of private institutions, high participation of the expat population and high quality of education. High quality of education is indicated by the ranking of nine in overall quality of education system. An increasing score on various education parameters, demonstrate constant improvement in education standards.

UAE government has taken initiative and built UAE Vision 2021, which prioritizes the sector by recognizing the development of human capital as key to a diversified, knowledge-based economy. In order to support the initiative, the UAE government has increased its education budget from 18.4 per cent of the total budget in 2012 to 21.1 per cent in 2014. The government already provides free education to UAE nationals, and in order to improve the education standards, in 2012, it passed a federal law making education compulsory for all nationals between the ages of 6 and 18. In addition, the country has been improving the quality of education at its public schools by organising teacher trainings and introducing a code of conduct for teachers.

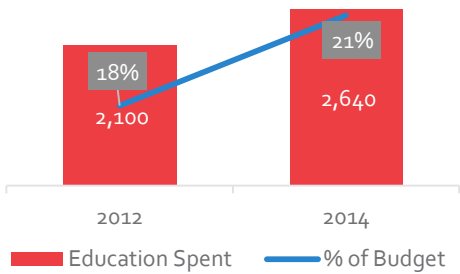
The government is also actively supporting the private education sector through initiatives such as provision of land and buildings for lease at subsidized rates. Both the KHDA and ADEC have made efforts to improve education quality in private schools. In Dubai, the government has set up two education free-zones, namely, the Dubai Academic City (DAC) for primary, secondary and higher education, and the Dubai International Academic City (DIAC) for tertiary education. The government has also established Dubai Knowledge Village, a free-zone dedicated to human resource management.

Table 1: WEF Ranking on Education Quality

Criterion	2013-14	2014-15
Quality of primary education	19	13
Quality of the education system	15	9
Quality of math and science education	19	11
Quality of management schools	28	18
Internet access in schools	21	18
Availability of research and training services	19	17

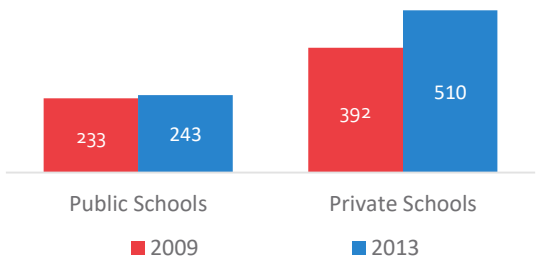
Source: World Economic Forum

Figure 16: Education Budget (US\$ mn)



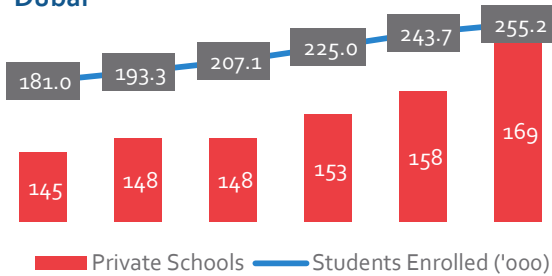
Source: Ardent Advisory

Figure 17: K-12 Enrolments ('000)



Source: UNESCO

Figure 18: Private Schools and Students in Dubai



Source: KHDA

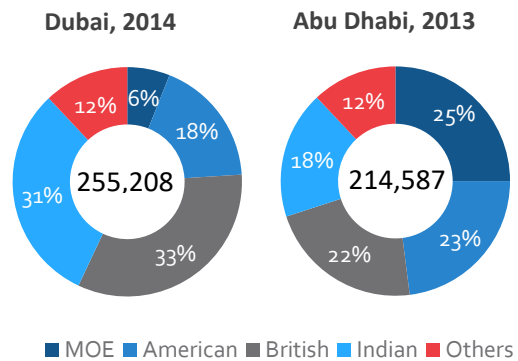
The UAE's private education sector is well developed, with thousands of national and international students enrolled in schools in Dubai and Abu Dhabi. Due to the growing demand, 24 new private schools were set up in Dubai between 2009 and 2014, and student numbers increased at an average annual rate of 7.1 per cent over the same period. Expatriates account for more than 85 per cent of the UAE's total population, and their large numbers, along with an increase in school-going population (0-21 age group), are boosting enrolment rates at private schools. School-going population is expected to increase at an average annual rate of 3 per cent to about 1.5 million in 2017.

International curriculum preferences differs among Dubai and Abu Dhabi

Private institutions offering UK and Indian syllabi form 65 per cent of the UAE's international schools. Preferences of local and expats population differs, as on one hand locals prefer UK and American curriculum, whereas expats population, largely comprising of Indians, prefer schools with Indian curriculum. Schools offering Indian curriculum accounts of 31 per cent private schools enrolment in Dubai, although they only comprise of 18 per cent of Dubai's schools. Higher enrolments is mainly due to their higher capacities and lower tuition fees than those offering UK and US curriculum.

Preference for UK and American syllabi defers in Dubai and Abu Dhabi. In Dubai, enrolments in UK and Indian curriculum has improved during 2009–14, whereas in Abu Dhabi enrolments in American curriculum schools has increased significantly. Contradictory trend reflects a caution for the new establishments, as they have to be aware of local preferences in Dubai and Abu Dhabi, before setting up an education institution.

Figure 19: Private school enrolments, curriculum break-up



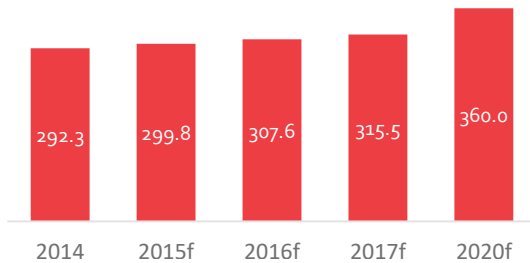
Source: KHDA, ADEC

Quality of private schools has improved over time and demand for private schools is expected to rise in future

Dubai has witnessed a positive shift in the overall quality of its private schools, with the proportion of good and outstanding schools to the total number of schools surveyed rising from 35 per cent in 2008 to 51 per cent in 2014. Primary reason for the same is the stringent norms subscribed the KHDA, requiring schools to improve their educations standards. Such acceptance of private educations is leading to new set-ups in the region. KHDA announced 11 new private schools to be set up in 2015, adding 23,000 more seats.

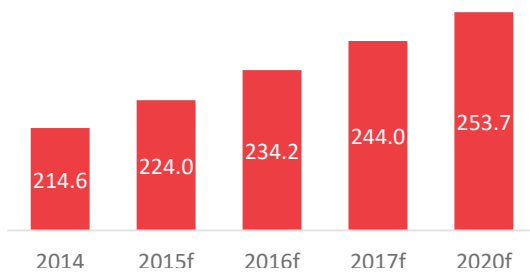
UK and Indian schools to continue as these institutions are the most preferred among the Dubai population.

Figure 20: Projected private school K-12 seats in Dubai



Source: KHDA

Figure 22: Projected private school K-12 enrolments in Abu Dhabi



Source: ADEC

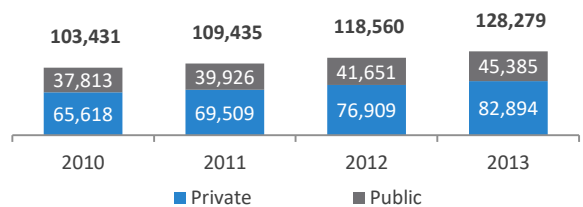
From 2013, K-12 student enrolments in Abu Dhabi are expected to increase at an average annual rate of 4.2 per cent to about 283,798 in 2020, with private schools offering MOE curriculum accounting for 25 per cent of the total student population. Among foreign curricula, American and English are expected to be the preferred ones.

Preference for UK and American syllabi defers in Dubai and Abu Dhabi. In Dubai, enrolments in UK and Indian curriculum has improved during 2009–14, whereas in Abu Dhabi enrolments in American curriculum schools has increased significantly. Contradictory trend reflects a caution for the new establishments, as they have to be aware of local preferences in Dubai and Abu Dhabi, before setting up an education institution.

Private institutions in Higher Education is attracting locals and international students

In UAE the government encourages private participation in the higher education sector which is evident from the fact that the branches of many foreign universities are established in UAE. Over 2010-2013, enrolments at private colleges and universities grew at an average annual rate of 8.1 per cent per annum, faster than the student enrolment growth at public colleges and universities

Figure 23: Students at tertiary level



Source: UAE National Bureau of Statistics

Education sector in UAE is poised for growth

Government focus and presence of many international schools and universities bode well for the overall education market. At the K-12 level, demand for private schools, is on the rise both among the national families and the ever increasing expat population while in the tertiary education segment, the UAE is fast emerging as a regional hub as many foreign universities are opening their overseas branches in the country.

Sensing the importance of ICT in education, the UAE launched a five-year US\$272mn Mohammed bin Rashid Smart Learning Programme in 2012. The programme aims to create a new learning environment in schools, through introduction of "smart classes" in all schools, providing every pupil with a tablet PC and high-speed 4G network. Till 2014, around 3,500 teachers across 146 public schools were trained under this programme.

Country Profile: Saudi Arabia

KSA, the largest education market in the GCC, is aiming to increase the participation of private schools as well as look to develop tertiary and vocational education

Due to the sheer size of its population, the education sector in Saudi Arabia is the largest among the GCC countries, accounting for 75 per cent of the total gross enrolment in the K-12 segment. The Saudi government has always treated the sector as a priority, and continuously allocated about 25 per cent of the annual budget to education. In the 2015 budget, funds were allocated to the construction of 164 new projects at a cost of US\$3.7bn. Funds were also allocated for completing and rehabilitating 500 existing school buildings and college campuses and development of three new universities and vocational centres.

Despite considerable investments, quality of the education system in Saudi Arabia lags behind compared to other countries with similar income levels. One of the prominent reasons for the below par education levels is lack of focus on science and mathematics. Low penetration of international and private schools is another reason that education based on international standards has not reached mainstream. Till 2012, Saudi nationals were not allowed to enrol into international schools that boast curriculums such as IGCSE and IB, thereby affecting the growth of such schools in the country.

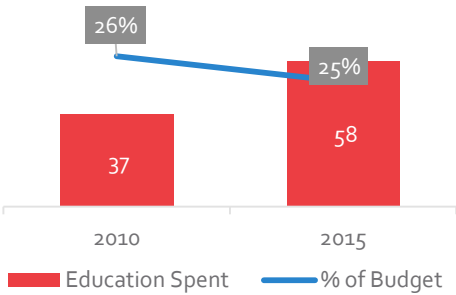
Recent government initiatives have improved GER across education levels. Gross enrolment rate at primary and secondary levels of education is high as the government has made education mandatory for children between 6 and 11 years of age. Saudi nationals are offered free primary and secondary education in public schools, whereas children of foreign nationals (except for the GCC residents) are not allowed to attend public schools and universities. Pre-primary education is not compulsory in the country, and public primary schools do not generally provide pre-primary education, which has resulted in low enrolment at the pre-primary level.

Table 1: WEF Ranking on Education Quality

Criterion	2013-14	2014-15
Quality of primary education	59	69
Quality of the education system	39	47
Quality of math and science education	64	73
Quality of management schools	64	78
Internet access in schools	49	63
Availability of research and training services	55	73

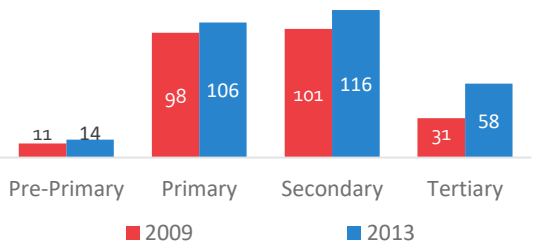
Source: World Economic Forum

Figure 16: Education Budget (US\$ bn)



Source: MOF, Ardent Advisory

Figure 17: K-12 Enrolments ('000)

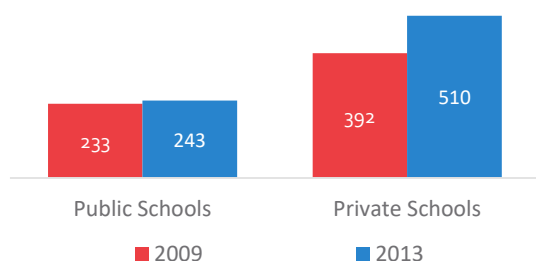


Source: UNESCO

Government initiatives is driving up ennoblements in private schools

The government over the past years has undertaken many reforms in the education sector. This includes opening of private international schools for national students, which has boosted enrolment at private schools. According to a recent study, about 70 per cent of Saudi parents want their children to attend international schools for English proficiency, co-curricular activities and an all-round development. Hence, the Saudi government is encouraging private participation in higher education and is offering preferential funding to set up private universities. For the private sector, it has set a goal to attain a 30 per cent share of the total enrolments by 2018.

Figure 17: K-12 Enrolments ('000)



Source: UNESCO, Ardent Advisory

To improve education quality, Saudi Arabia formed General Education Evaluation Authority (GEEA), consisting of representatives both from the government and the private sector in 2012. The new committee is charged for evaluating the performance of schools in the Kingdom and introduction of a new national education standards framework, including national testing at every grade level.

The KSA government in 2008 also launched the US\$2.4bn Tatweer programme to improve quality of public education in the Kingdom. The programme aims to improve education quality through a range of initiatives, from

decentralisation of power in the education system to introduction of new teacher training programmes as well as 'smart' schools. Besides training teachers, the Tatweer project also aims to improve math and science teaching standards in the KSA. As a part of the "Math and Science Teacher Development Program", Pearson will collaborate with Tatweer Company for training 500 Saudi-based educators who will then deliver the programme throughout Saudi Arabia. However, progress on the Tatweer programme has been slow with only 900 schools converted to Tatweer institutions by the end of 2013.

The outlook for the education system in Saudi Arabia appears positive in the backdrop of various government initiatives

In May 2015, Saudi Arabia approved a five-year plan worth ~US\$21.3bn, in addition to annual allocation for building 1,500 nurseries, providing training for ~25,000 teachers, establishing educational centres and other related projects, which will boost the public education system and improve quality.

Enrolments in the private sector will also increase in future as the government opened up private international schools for nationals. The preference for quality English education, an all-round international curriculum and poor quality of public education offer numerous growth opportunities to private institutions in the country. In January 2015, the Education Ministry announced distribution of coupons to private kindergartens and special education facilities, providing free education to pre-school children. In future, the government plans to implement the project in private schools and universities, which will drive up private enrolment rates.

Country Profile: Qatar

Over the last decade, the government of Qatar has made significant investments across education levels to improve the overall quality

Qatar ranked 16th in the Global Competitiveness Report 2014-15 and is the second most competitive economy in the Middle East after the UAE (12th), according to World Economic Forum’s (WEF’s) “Global Competitiveness” report. Over 2013-2014, Qatar has improved its ranking on the quality of education, highlighting the increased focus of the government on education. In 2014, Qatar ranked 1st among the GCC countries and occupies the 3rd position globally in terms of overall education quality.

Public education in Qatar has been benefitting from sustained government investments in the sector which have raised the overall quality of education. Over 2010-2015, budgeted allocation to the education sector increased at an average annual rate of 9 per cent per annum to reach US\$7.3bn in 2015. A significant portion of the budget is allocated towards the construction of kindergartens and schools.

Enrolments at the primary and secondary level are high in Qatar due to the favourable government initiatives. Notable among them are the establishment of state-funded independent schools, which enjoys the freedom to develop their own organisation plan and education syllabus. Qatar also provides free education for all Qatari nationals and education is compulsory from the pre-primary to secondary stage.

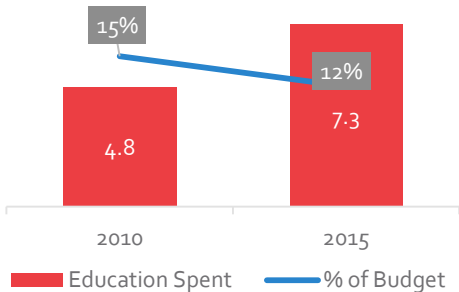
However, enrolment rate at the tertiary level is low mainly due to high dropout rate and misalignment between subject matter taught in K-12 and tertiary institutes. Many students need to take one or two years foundation courses before enrolling in colleges and universities. The National Plan (2011-2016) has emphasized on a proper alignment between higher education and needs of a knowledge economy. To bridge the gap in tertiary education the Qatar government has adopted

Table 3: WEF Ranking on Education Quality

Criterion	2013-14	2014-15
Quality of primary education	11	9
Quality of the education system	4	3
Quality of math and science education	6	6
Quality of management schools	8	10
Internet access in schools	15	25
Availability of research and training services	17	19

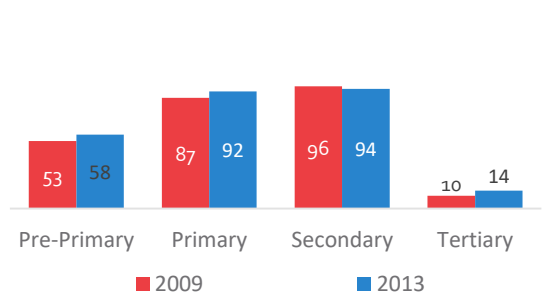
Source: World Economic Forum

Figure 26: Education Budget (US\$ bn)



Source: MOF, Ardent Advisory

Figure 27: GERs in Qatar



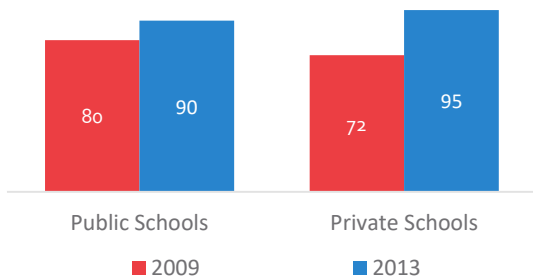
Source: UNESCO

Various strategies, including establishment of a community college and opening up branches of foreign universities (HEC Paris, UCL Qatar) at Education City. Since its establishment, Qatar Foundation’s Education City project has attracted many international universities. Currently the campus has six American universities, one British university and one French university.

Growing expat population will increase the demand of private schools in Qatar

Proportion of expatriates in the population grew from 79 per cent in 2008 to 87 per cent in 2013. With the currently ongoing and planned megaprojects in Qatar, expat population in the country set to increase which will increase the demand for private schools.

Figure 28: K-12 Enrolments ('000)



Source: UNESCO, Ardent Advisory

Like elsewhere in the GCC region, demand for international private school is high in Qatar. In 2013, there were 506 private school, out of which 439 were foreign schools and the rest Arabic schools. Apart from expat nationals, the number of Qatari nationals enrolled in these institutes is gradually growing with around 26,000 students in 2013.

To attract private investors, Qatar Development Bank (QDB) and the SEC are also offering a 15-year education loan to private investors seeking to set up educational institutes in the pre-primary, primary and secondary segments. The loan is

available at a subsidised interest rate of 3-4 per cent per year, will allow investors to finance up to 70 per cent of their overall project cost. The SEC will conduct the feasibility study for the education projects.

Qatar has made significant investments to introduce digital learning in schools

Qatar is the first Arab country in GCC to have implemented a comprehensive e-learning programme in all state-funded schools. In order to keep pace with modern learning methods, the SEC launched an e-learning programme in 2011 to digitize content at all its independent schools and to provide tablets to every student and teacher in the country.

The industry presents a positive outlook; however, investments in the sector may slow down due to high prioritization of mega infrastructure project

Public spending on education is expected to grow from US\$7.2billion in 2014 to reach more than US\$14billion in 2019, to be centred on establishing new schools and hiring teachers. Notable infrastructure projects under development include the Qatar National Library (QNL), which will span 46,000 square metres, offering state-of-the-art public facilities and technologies, as well as learning spaces, performance venues and cafes. In addition, the Qatar Faculty of Islamic Studies is also in the process of constructing a purpose-built facility.

Country Profile: Kuwait

Kuwait has identified education as a key priority as it diversifies from an oil-dominated economy to a trade and finance hub

The Kuwait government has identified education as one of the key sectors for investment. The country has increased its contribution to the education sector at a CAGR of 16.2 per cent from 2010 to 2014 and currently allocates about 13 per cent (US\$10.1billion) of its total budget on education. The Kuwaiti government regularly consults the World Bank to reform its education system and is currently focusing on aligning its curriculum with the needs of the employment market.

Schooling is compulsory for all children from ages 6 to 14 and primary, secondary and tertiary education is free for Kuwaiti nationals, but the quality of education in Kuwait is not at par with its GCC peers in terms of staff qualifications, curriculum drafting, and due to a high average number of students per classroom (140:1).

Crowded public schools have induced the government to undertake several initiatives which includes subsidizing private schooling and allowing overseas instructors to teach at public schools.

Mandatory education has resulted in higher GERs across pre-primary, primary and secondary levels. Infact, Kuwait's pre-primary GER of 79 per cent is higher than the GCC average of 26.2 per cent and the global average of 50.1 per cent mainly due to the provision of free education to citizens and a high number of pre-primaries in the country. As of 2013, there were 199 government and 107 private kindergartens, with a total of 83,000 students.

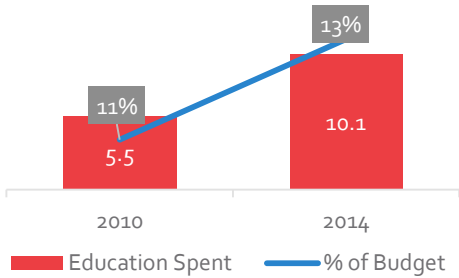
Tertiary education is free for nationals at public universities, namely Kuwait University (KU) and the Public Authority for Applied Education and Training (PAAET). However enrolments are lower at the tertiary level due to the lack of scientific and technical courses. To address this issue the

Table 4: WEF Ranking on Education Quality

Criterion	2013-14	2014-15
Quality of primary education	93	104
Quality of the education system	106	105
Quality of math and science education	99	102
Quality of management schools	92	87
Internet access in schools	66	80
Availability of research and training services	98	100

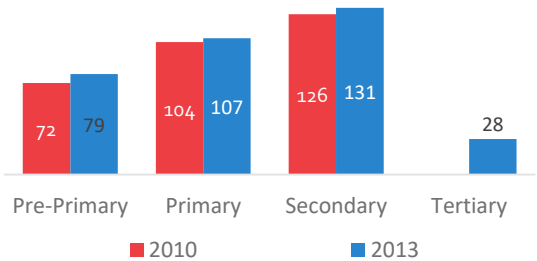
Source: World Economic Forum

Figure 29: Education Budget (US\$ bn)



Source: MOF, Ardent Advisory

Figure 30: GERs in Kuwait



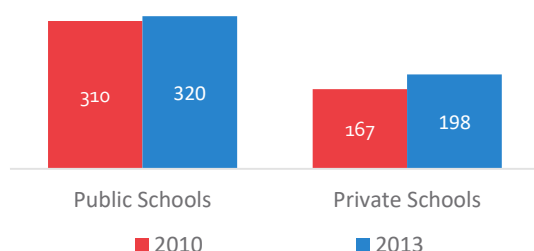
Source: UNESCO

government is developing the Jaber University for Applied Sciences which will focus on scientific and technological research. By 2020, the government will also complete the construction of a new KU campus at a cost of US\$5.8billion in Sabah Al-Salem University City. The Ministry of Higher Education also awards Kuwaitis ~4,500 scholarships annually to study abroad.

Private sector gaining importance with the rising presence of international curriculum and government’s initiatives to form PPPs

Fuelled by the growing demand for international curriculum, the number of international schools increased from 51 in 2000 to 90 in 2013. During the same time,

Figure 31: K-12 Enrolments ('000)



Source: UNESCO, Ardent Advisory

student enrolment at primary and secondary levels increased at an average annual rate of 4.3 per cent in private schools compared with 0.8 per cent at public schools.

In 2014, the government introduced the Kuwait Schools Development Programme to build schools on a PPP basis under the build-operate-transfer (BOT) model, with private investors constructing, financing, and maintaining the facilities and the MoE managing the curriculum and school administration. Currently, tenders for nine schools have been issued under this programme.

In addition, the Kuwaiti government allocates over US\$18.5 million per annum in private educational facilities, allotting land for school construction and toward distributing textbooks. In collaboration with the World Bank, it also plans to revamp the country’s school curriculum by 2016 and to develop a national framework for learning, school environment, leadership and teaching standards.

Kuwait is bringing technology into its classrooms to improve education delivery

Kuwait launched The Education Net project in 2012 to connect all government schools, administrative facilities and other public institutions over a nationwide data network to integrate ICT into the education sector. Kuwait also partnered with Microsoft to organise a Master Teacher Training Program for about 10,000 public school teachers.

Government support, private sector participation and favourable demographics will drive Kuwait’s education industry

Government expenditure on education is projected to increase at an average annual rate of 10 per cent per annum from 2013 to 2018 and reach US\$15billion. In December 2012, the government announced plans to spend US\$1.1billion until 2018 to improve educational facilities in the country by building new schools, repairing existing ones, building teacher training centres and equipping classrooms with the latest technologies.

However, the recent slump in oil prices may decrease spending on education, as around 95 per cent of the government’s revenues depend on oil. Furthermore, FDI is not permitted at the primary and secondary education levels, and partnerships with locals are required for FDI in tertiary education and vocational training, posing another challenge

Country Profile: Bahrain

Being a small economy, Bahrain has the lowest education expenditure in the region

Bahrain ranks third in GCC for the quality of education system, and its allocation to the education sector has increased at an average annual rate of 8.2 per cent from 2010 to 2014. According to the draft budget for 2015-16, however, allocation decreased due to a drop in oil prices, which account for over 85 per cent of the country's revenues.

The General Agreement on Trade in Services (GATS) has opened the education sector to international market, providing more choices and innovation through collaboration. New regulations based on the Agreement allow the establishment of higher education institutions fully owned by GCC, British or American capital. Other investors require local sponsors who control 51 per cent of the shares.

Unlike other GCC countries, Bahrain provides free education to nationals as well as expats in public schools. Education is compulsory for children aged 6–14 in both public and private schools. Thus the enrolments at pre-primary, primary and secondary levels have thus been growing continuously. However, enrolments at tertiary level have declined marginally because of the gap between school curriculum and job market needs, as is the case in the other GCC countries as well.

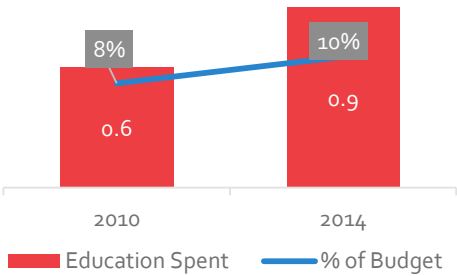
However, the Bahrain government has taken several steps to improve the quality of tertiary education. In June 2014, the Higher Education Council (HEC) approved the National Strategy for Higher Education and Scientific Research, designed with inputs from public and private sector entities and international consulting firms. The Strategy will be implemented over a 10-year period from 2014 to 2024 to focus on six priority areas for reform, including teacher training, student engagement, and matching curricula with employer needs.

Table 5: WEF Ranking on Education Quality

Criterion	2013-14	2014-15
Quality of primary education	64	47
Quality of the education system	48	38
Quality of math and science education	77	58
Quality of management schools	85	59
Internet access in schools	45	39
Availability of research and training services	52	42

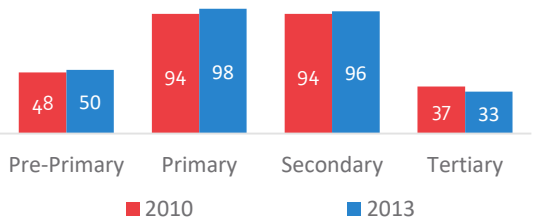
Source: World Economic Forum

Figure 32: Education Budget (US\$ bn)



Source: MOF, Ardent Advisory

Figure 33: GERs in Bahrain



Source: UNESCO

The MoE has already signed a MoU with British Accreditation Council (BAC), which will advise the Ministry's HEC on the implementation of a robust accreditation system and on the current system of licensing of new institutions. The BAC will also provide resources and expertise to review and report on institutions applying for accreditation.

Other government initiatives to improve tertiary education quality include the establishment of Bahrain Polytechnic and Bahrain Teachers College and improvement of vocational programmes through collaborations with overseas experts. In 2013 for instance, Tamkeen, the labour fund that operates vocational training centres in Bahrain, signed an agreement with UK TVET and also made a US\$100 million investment to provide sector-specific skills training through a four-year training plan to train 18,000+ Bahrainis.

Similar to other GCC countries, a growing expat population coupled with higher education quality are driving enrolments at private schools

Half of Bahrain's 419 schools are private institutions, offering curricula from the UK, the US, Pakistan, India, Japan and France.

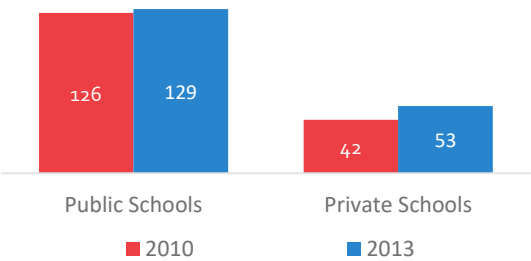
because of better quality of education and mainly because the medium of instruction is English and not Arabic, as is the case in public schools.

The drop in oil prices might lead to a decline in government spending on education

As per Bahrain's draft Budget 2015-16, allocation to the education sector decreased for the financial year. The drop is primarily due to a falling oil prices, as oil accounts for more than 85 per cent of the country's revenues, and high spending in housing projects.

However, the Bahraini government has identified education as one of the key priorities to achieve the goals of Vision 2030, which would further the development of the sector in the long run.

Figure 34: K-12 Enrolments ('000)



Source: UNESCO, Ardent Advisory

Enrolments in private schools are rising at a CAGR of 6.1 per cent against only 0.6 per cent in public schools. Expats, who constitute around 55 per cent of the overall population, prefer private schools

Country Profile: Oman

Oman is yet to enforce a mandatory education policy similar to its peers in the GCC region

Oman ranks low in terms of overall education and the quality of math and science education. He country's ratings have declined due to the lack of quality checks in private schools and poor curriculum design. Although budgeted allocation to the education sector increased at an average rate of 12 per cent per annum from 2009 to 2014, spending on education as a percentage of the total budget declined marginally from 12 per cent to 10 per cent in the same period.

However, the Omani government has taken various steps to boost enrolments at K-12 level. This includes the provision of free education (not mandatory) from Grade 1-12 in all public schools. The MOE is also focussed on building new schools in low-population areas and provides free board and transport for low-income groups. The Ministry also actively promotes women's education, apparent in the fact that the country has an almost equal enrolment rate for boys and girls. Besides this, the education ministry has also formed teams to develop modern course curricula. In 2012-13, the teams developed new curricula for sixth-grade math, twelfth-grade Islamic education.

The government is also taking steps to boost enrolments at the tertiary level. The Research Council developed by Omani government aims to address the gap between the curriculum and the demands of the job market by developing strategies supporting higher education institutions. The government is also actively seeking foreign expertise to build the Oman university as well as new schools.

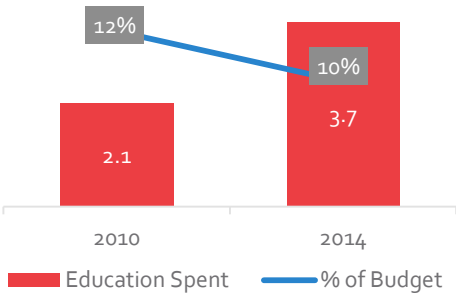
The Sultanate is also incentivizing private investments by offering land grants, customs exemptions, and a maximum grant of US\$7.82 million to private universities that contribute 50 per cent capital for setting up higher education institutes

Table 6: WEF Ranking on Education Quality

Criterion	2013-14	2014-15
Quality of primary education	57	73
Quality of the education system	53	81
Quality of math and science education	87	95
Quality of management schools	88	113
Internet access in schools	47	60
Availability of research and training services	73	94

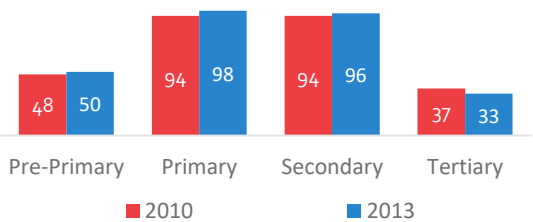
Source: World Economic Forum

Figure 35: Education Budget (US\$ bn)



Source: MOF, Ardent Advisory

Figure 36: GERs in Oman

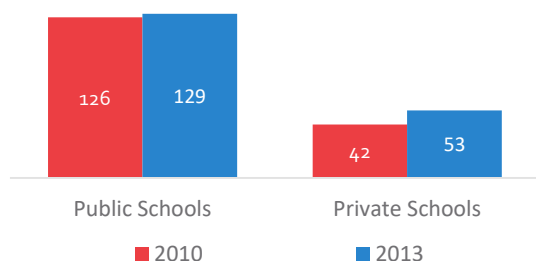


Source: UNESCO

Private-sector schooling is on the rise

Oman's 1,000+ public schools account for over 70 per cent of its educational institutions, but private school numbers are on the rise, with 102 added from 2010 to 2013 as against only three public school additions.

Figure 37: K-12 Enrolments ('000)



Source: UNESCO, Ardent Advisory

International school numbers have risen from 36 to 40, and students enrolled have increased at an average rate of 7.4 per cent per annum to 54,305 in 2013. Indian schools capture the bulk of the private education market due to high demand from the expatriate community (Indians constitute 20 per cent of Oman's population).

Industry outlook is neutral due to positive demographics coupled with uncertain economics

Half of Oman's population was under 27 years of age in 2015 and the country has recorded a 47 per cent increase in population since 2010. The high and growing proportion of school children and college-going populace is expected to significantly boost the demand for education in the country. Education and training were allocated US\$3.69 billion in 2014 budget, representing a 9.3 per cent increase over the previous year. However, GDP per capita declined by 24.4 per cent during 2010–15, indicating struggling economy and declining disposable income, which may result in decline in spending on education.

The government's effort is expected to continue as its Vision 2020 document Oman has reiterated its commitment towards the development of the education sector, preparing students for college and ensuring industry-readiness.

About us

ARDENT is a UAE headquartered advisory firm, with a targeted focus on the GCC region. The firm's partners and directors bring over 100 years of cumulative advisory experience with the Big 4 professional firms and global investment banks. The ARDENT team members have worked with and advised some of the leading industry players in the region and have played a pivotal role in their business growth. Our client centric business model, in addition to our local expertise and extensive industry knowledge, consistently creates and adds value to our clients

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