Shifting sands
Saudi Arabia’s private education opportunity
Contents

Introduction ............................................................................................................................... 3
Macro factors underpinning Saudi Arabia’s private education sector growth .............. 4
  Demographics .......................................................................................................................... 4
  Affordability ............................................................................................................................ 5
Trends in Saudi Arabia’s private education sector .......................................................... 6
  Saudi Arabia’s privatization mandate .................................................................................... 7
  Importance of local partners ................................................................................................. 7
  Enrollment growth in private schools .................................................................................. 9
  Popularity of international curriculum schools .................................................................. 9
  Changes in tertiary education ............................................................................................... 10
  Lack of existing private universities .................................................................................... 13
  Rollback of government-funded scholarships .................................................................... 13
  Regulations and the push for quality .................................................................................. 13
Key takeaways ....................................................................................................................... 15
Glossary ................................................................................................................................... 17
Endnotes .................................................................................................................................. 19
Introduction

Saudi Arabia is one of the top 20 economies of the world in terms of gross domestic product (GDP) ($711 billion in 2018), recognized by its membership in the G20. In comparison to other member countries, its economy is driven primarily by its vast oil resources (that are the second largest in the world, following Venezuela). Saudi Arabia's oil sector contributed 43% of the total GDP in 2018.

However, Saudi Arabia’s Government recognizes the risks of its high dependency on oil and is actively working toward shifting away from it. “Vision 2030” (see Figure 1), announced in 2016, is the Saudi Government’s blueprint to accomplish this, i.e., move away from an oil-based economy to a knowledge-based economy, of which education is a key mainstay.

A fundamental pillar of Vision 2030 is increased privatization: in 2016, the Government launched the National Centre for Privatization (NCP) for this purpose. This privatization mission, coupled with a growing population and affordability, has attracted much attention from investors around the world.

The Saudi Arabian Government’s expenditure on education is currently higher than any other Gulf Cooperation Council (GCC) country. Moreover, it is higher than the average spend on education within the Organisation for Economic Co-operation and Development (OECD) countries (see Figure 2). However, in recent years, the Government has been reducing its spend on education as part of its overarching goal to reduce public expenditure. This trend is expected to continue as the Government forms new Government bodies to manage privatization initiatives and hands over public entities to the private sector (see case study: National Centre for Privatization).

Concurrently, Saudi Arabia’s growing young population (see Figure 3) and household income (see Figure 4) are favorable to private participation and indicate headroom for further investment.

Figure 1

![Figure 1: Key reforms and targets for Vision 2030 (Source: Saudi Arabia Vision 2030 Website, Industry Participant Interviews; EY-Parthenon research and analysis)](image-url)
Macro factors underpinning Saudi Arabia’s private education sector growth

Several positive macro factors paint a favorable picture for Saudi Arabia’s education sector. Demographic trends show a large addressable market (see Figure 3) and growing household incomes indicate greater consumer affordability for private education. A mismatch between graduate skills and labor market needs, evident from the high rate of unemployment (see Figure 10), highlights the issue of quality education provision and its alignment to economic needs. The private sector is poised to play a pivotal role in bridging this gap.

Demographics

Demographic changes have direct implications on the availability and productivity of the workforce. A younger, growing nation comes with increasing demands for quality education and training for present and future generations.

In Saudi Arabia, the primary, secondary and tertiary education age (ages 6-24) population is projected to reach ~11.2 million by 2025, up from ~10 million people in 2018. (It grew at a CAGR of ~0.6% between 2011 and 2018 and is projected to grow at a CAGR of ~1.6% between 2018 and 2025.) Saudi Arabia has the largest population in this age group among its GCC peers, making investment in quality education relevant and attractive for private operators and investors.

Further, the composition of Saudi Arabia’s population is changing: growth in expatriate population slowed from 7% between 2012 and 2015 to 3% between 2015 and 2018, while local Saudi population growth in the same period remained steady. Within KSA, Riyadh and Jeddah constitute the largest share of population, at 21% and 13%, respectively, with an expected growth rate of 1.9% for both cities between 2019-2024–24F. Additionally, both cities exceed other cities with regard to their education age population (age 0-24), at 19% and 12%, respectively, in 2019.

Spend on education as a % of total government expenditure, by country, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>% Spend on ed.</th>
<th>OECD average (12%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Kuwait</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Oman</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Qatar</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Bahrain</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Total Enrolment includes primary, secondary and tertiary enrolment, excluding enrolment in vocational education; Tertiary enrolment for Oman has been calculated using population data and tertiary GER from 2016; Tertiary enrolment for Kuwait has been calculated using population data and tertiary GER from 2013; K12 enrolment for Kuwait is from 2018

Source: Euromonitor; UIS Statistics; MOF KSA; MOE KSA; Oman National Centre for Statistics and Information; Kuwait Central Statistics Bureau; Dubai Statistical Center; UAE Bayanat; Qatar Ministry of Development, Planning and Statistics; EY-Parthenon research and analysis
Affordability

Saudi Arabia stands out in the region based on the number of households in high income brackets (>\$35k, ~3.4 million compared to the next highest at ~1.5 million for the UAE).

Despite a lower spend on education as a share of total consumer spend (~3% in 2018, as compared to ~5% average in other GCC countries), Saudi Arabia continues to be attractive to investors as families now choose to spend more on education in Saudi Arabia than have historically: total consumer expenditure on education grew at a ~4% CAGR between 2013 and 2018. Within the Kingdom, Riyadh and Jeddah together comprise close to 39% of the households with annual incomes exceeding \$35,000 as of 2019.

Increased affordability will allow a larger section of the population to access private education, which, pushed by the decrease in public spending, will prove valuable to the private sector (see case study: National Centre for Privatization).

![Figure 3](image-url)

**Figure 3**

**Saudi Arabia holds the largest proportion of school and tertiary age population among GCC peers**

Population, relevant cohort, GCC countries, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Ages 6-18</th>
<th>Ages 9-24</th>
<th>6-18 Years</th>
<th>19-24 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>1.7m</td>
<td>10m</td>
<td>11.2m</td>
<td>1.6%</td>
</tr>
<tr>
<td>UAE</td>
<td>0.6m</td>
<td>1.2m</td>
<td>0.3m</td>
<td>0.0%</td>
</tr>
<tr>
<td>Oman</td>
<td>0.3m</td>
<td>1.0m</td>
<td>4.2m</td>
<td>24%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>0.0m</td>
<td>0.6m</td>
<td>0.6m</td>
<td>21%</td>
</tr>
<tr>
<td>Qatar</td>
<td>0.0m</td>
<td>0.3m</td>
<td>0.3m</td>
<td>23%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>0.0m</td>
<td>0.3m</td>
<td>0.3m</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**Source:** Euromonitor; EY-Parthenon research and analysis

**Population growth of the relevant cohort remains stable**

Population, relevant cohort, Saudi Arabia, 2012-25F

<table>
<thead>
<tr>
<th>Year</th>
<th>Ages 6-18</th>
<th>Ages 9-24</th>
<th>6-18 Years CAGR</th>
<th>19-24 Years CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>9.7m</td>
<td>10.0m</td>
<td>31.6m</td>
<td>33.6m</td>
</tr>
<tr>
<td>2015</td>
<td>9.8m</td>
<td>10.0m</td>
<td>31.6m</td>
<td>33.6m</td>
</tr>
<tr>
<td>2018</td>
<td>10.0m</td>
<td>11.2m</td>
<td>37.3m</td>
<td>30%</td>
</tr>
<tr>
<td>2025F</td>
<td>11.2m</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Euromonitor; EY-Parthenon research and analysis
Trends in Saudi Arabia’s private education sector

Saudi Arabia’s privatization mandate

The Saudi Government established the National Centre for Privatization (NCP) in 2016 to promote privatization initiatives across sectors. Education represents 1 of 10 target sectors. The aim of privatization in education is twofold: (i) reduce fiscal and operational dependence on the public sector and (ii) enhance learning outcomes.

Core public-private partnerships in education include the construction and maintenance of new public schools by private partners and the transfer of operational and financial responsibility of some public schools to private companies.

So far, the NCP has announced initiatives primarily in the K-12 segment, but tenders to the private sector are expected in other segments, including early childhood education as well as higher and technical and vocational education.

Figure 4

Saudi Arabia has the largest number of households with high affordability among GCC countries by some measure …

Number of households (HH) with income >$35k, GCC, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>2013</th>
<th>2018</th>
<th>2023F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>3.4m</td>
<td>5.4m</td>
<td>6.6m</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>1.5m</td>
<td>2.0m</td>
<td>2.5m</td>
</tr>
<tr>
<td>Kuwait</td>
<td>0.6m</td>
<td>0.5m</td>
<td>0.4m</td>
</tr>
<tr>
<td>Qatar</td>
<td>0.5m</td>
<td>1.0m</td>
<td>2.0m</td>
</tr>
<tr>
<td>Oman</td>
<td>0.4m</td>
<td>1.5m</td>
<td>2.5m</td>
</tr>
<tr>
<td>Bahrain</td>
<td>0.2m</td>
<td>0.2m</td>
<td>0.2m</td>
</tr>
</tbody>
</table>

... and there is strong growth of high affordability households

Number of households (HH) by income bands, Saudi Arabia, 2013-23F

<table>
<thead>
<tr>
<th>Income Band</th>
<th>2013</th>
<th>2018</th>
<th>2023F</th>
<th>CAGR (13-18)</th>
<th>CAGR (18-23F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$15k</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>$1.5k-$5k</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>$35k-$100k</td>
<td>35%</td>
<td>40%</td>
<td>50%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>&gt;$100k</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Euromonitor; EY-Parthenon research and analysis
Case study — National Center for Privatization (NCP)

<table>
<thead>
<tr>
<th>National Center for Privatization and PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Year established: 2017</td>
</tr>
<tr>
<td>- Goal: To develop an active ecosystem for privatization, as a part of Saudi Vision 2030 Realization Program</td>
</tr>
<tr>
<td>- Target sectors: Education, Health, IT, Energy, Environment, Labor, Housing, Municipalities, Transportation, Haj and Umra</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits of Public Private Partnerships (PPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Reduced government expenditure</td>
</tr>
<tr>
<td>- Private sector quality and innovation</td>
</tr>
<tr>
<td>- Continued MOE supervision</td>
</tr>
<tr>
<td>- Job creation</td>
</tr>
</tbody>
</table>

Privatization in education

Although privatization is targeted across education segments, initiatives launched thus far are focused on the K-12 sector.

1. PPP to build and maintain new schools

   In this type of PPP, private partners support the government to finance building, designing and maintaining public schools. Some schools are being built to replace rented buildings.
   • In January 2018, the state released tenders to build and maintain 60 schools in Jeddah and Makkah and later extended it to 120 schools. These are the initial phases of a larger program to replace ~5,000 schools in rented buildings
   • In other cases, the focus is to build and maintain high quality, modern education infrastructure in the form of complexes that accommodate a large number of students
   • In May 2019, the state signed an agreement with a private partner to build 30 complexes across Dammam, Jeddah and Riyadh

2. PPP for operating existing schools

   In this type of PPP, private partners take operational responsibility for some publicly owned schools
   • The MOE has granted some public schools administrative and financial autonomy, and brought in private partners to operate these schools
   • It allows the MOE to retain its role while allowing the private sector to focus on operational and financial efficiency, and support enhanced learning outcomes
   • For example: In May 2018, the state handed over 25 state-run schools to the private sector companies

Source: NCP website, Reuters, Arab News, Saudi Gazette, Gulf Business, Asharq Al-Awsat, Bloomberg
Importance of local partners

Even as the market opens to allow 100% foreign ownership in education, local partnerships continue to be relevant. For example, navigating regulations and processes on establishment, operations and recruitment are easier through a local partnership. GEMS Education acquired Saudi Arabia’s largest private school operator, Ma’arif (officially called Ma’arif for Education and Training) in May 2019 through a joint venture with Hassana Investment. GEMS Education is a large chain, with ~1009 schools globally, of which 47 schools are in the MENA region and Hassana Investment is an investment arm of the Saudi Arabia Government. Together, they plan to invest $800 million over the next decade to build and operate schools.

Figure 6
Case study: GEMS acquisition of Ma’arif

<table>
<thead>
<tr>
<th>Consortium of investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEMS Education</td>
</tr>
<tr>
<td>• GEMS is an international K-12 company that has a portfolio of ~100 schools globally with a revenue of ~$0.6b from 47 owned schools in the MENA region*</td>
</tr>
<tr>
<td>• Locations: Qatar, UAE, Singapore, Malaysia, India, Kenya, Uganda, Saudi Arabia</td>
</tr>
<tr>
<td>• Curriculum: IB, British, American, National</td>
</tr>
<tr>
<td>• Brand focus: GEMS operates schools across a range of price points, mostly in the Middle East</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Foreign investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hassana Investment Company</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Local partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEMS Education</td>
</tr>
<tr>
<td>Hassana Investment Company</td>
</tr>
<tr>
<td>• Hassana Investment Company is an arm of the government of Saudi Arabia which was established to invest in local, regional and international stock markets</td>
</tr>
<tr>
<td>• Operates as an investment holding company to provide services in Saudi Arabia through its subsidiaries</td>
</tr>
</tbody>
</table>

A joint venture acquisition

What is Ma’arif education and training?

• Ma’arif is the largest school operator in Saudi Arabia
• GEMS and Hassana acquired Ma’arif for ~US$400m in 2019
• Ma’arif’s schools are located in Riyadh, Jeddah, Khobar, Medina, Dammam
• Curriculum: IB, IGCSE and Saudi national curriculum

GEMS and Ma’arif, with the help of Hassana plan to invest $800m over the next 10 years to:
• Build 50+ schools
• Grow enrolment to ~100,000 students

Note: *As of 1 April 2018
Source: Company financials; EY-Parthenon research and analysis
Enrollment growth in private schools

The private sector’s share in education (14% in 2018) has historically been the lowest in Saudi Arabia compared to its GCC peers. In recent years, however, the private sector has grown faster than the public sector at a CAGR of 3% between 2015 and 2018 (see Figure 7). Given that the primary and secondary gross enrollment ratio (GER) is already above 100%, growth of the private sector is expected to be driven through an increase in preference for private schools (apart from favorable trends in demographics and affordability).

Saudi Arabia’s Government is supporting efforts to increase the attractiveness of private K-12 schools for Saudi nationals. For example, Saudi students have the option to attend private schools offering international curricula. As a result, private schools that predominantly enrolled international students are now also attracting local students.

Popularity of international curriculum schools

Within Saudi Arabia, American curriculum schools (schools with curriculum based on US national standards, including Common Core, Next Generation Science Standards, National Core Arts Standards, C3 and AERO Common Core Plus), have been the most popular choice. In 2018, ~50% of international enrollment was concentrated in schools offering American curriculum (either purely American or alongside the national or other international curriculum).
Changes in tertiary education

Similar to K-12, tertiary education has also seen growth in private sector provision (5% CAGR from 2014 to 2017), but continues to be dominated by the public sector (see Figure 9).

Despite public investment in education, Saudi Arabia has a higher total unemployment rate than any other GCC country (6% vs 2%\(^14\)), with youth unemployment (labor force ages 15-24) over 25%.\(^15\)

Further, as per a report by the World Economic Forum in 2017,\(^16\) Saudi Arabia’s share of working age population (ages 25-54) with formal tertiary education qualification is higher than in other GCC countries (except Bahrain). Still, a larger share of the labor force with advanced degrees in Saudi Arabia remains unemployed (see Figure 10). For example, 11% of Saudis with tertiary education are unemployed, compared to 1% of Qataris with similar qualifications.\(^17\)

Figure 9

Higher education enrollment, by type, Saudi Arabia, 2014-17

<table>
<thead>
<tr>
<th>Year</th>
<th>Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.4m</td>
<td>1.4m</td>
</tr>
<tr>
<td>2015</td>
<td>1.5m</td>
<td>1.5m</td>
</tr>
<tr>
<td>2016</td>
<td>1.5m</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CAGR (‘14-‘17)

5% Private

3% Public

Source: Ministry of Education; EY-Parthenon research and analysis
According to an employer survey conducted by City and Guilds Group (a UK-based educational organization that develops products and services for technical education) in 2017, employers struggle to find technical and leadership skills among Saudi nationals. The Global Competitiveness Index 2018, a survey by the World Economic Forum, provides a similar result: employers surveyed ranked Saudi Arabia lower than all other GCC countries in its ease of finding skilled labor.

There is a clear disconnect between the employers’ needs and the skill set of the labor force in Saudi Arabia. This highlights the need to assess the knowledge and skills being imparted, their quality or both. Involvement of the private sector is vital to improve the quality of higher education, develop skilled labor and reduce unemployment. The recent announcement of several mega infrastructure projects in the Kingdom further highlights the need for higher education institutions to equip graduates with job-ready skills, and adapt existing offerings. For example, the Red Sea Project and Amaala, two Government projects focused on increasing tourism, and Project NEOM (a new smart city being set up in the northwestern area of KSA; the project is estimated to cost ~US$500b) are expected to create more than 57,000 jobs.

Figure 10

A survey conducted in Saudi Arabia in 2017 asked employers to select the skills they thought were most difficult to find among Arab nationals.

Can private higher education institutions bridge this skill gap?

Note: Youth unemployment is as a % of the total labour force for ages 15-24. Total Unemployment refers to the share of the total labour force that is without work but available for and seeking employment. Unemployment with advanced degrees is as a % of total labour force with advanced education. Advanced education comprises short-cycle tertiary education, a bachelor’s degree or equivalent education level, a master’s degree or equivalent education level, or doctoral degree or equivalent education level according to the International Standard Classification of Education 2011. Except in the case of Oman, where advanced education refers to bachelor’s degree from university only, and Kuwait where advanced education refers to all with qualification from university and above. Unemployment with advanced degree for Bahrain is from 2012, Qatar, 2013, Saudi Arabia 2014, Kuwait 2015; OECD and OECD members 2017, and Oman 2018.

*Employer survey conducted by City & Guilds Group

Source: World Bank; Oman National Centre for Statistics and Information; Kuwait Central Statistics Bureau; (Executive Opinion Survey) World Economic Forum; City & Guilds Group
A growing young population and increasing participation of tertiary education sector will place pressure on university places

Rollback of government-funded overseas scholarship programs will require more students to be absorbed by domestic HE

Implementing government directives to public universities to cut costs will require collaboration with the private sector

Student enrollment in tertiary* education, Saudi, 2014-22E

Active Saudi students in the US, 2014-18

The Saudi tertiary education system will require robust private participation in the next decade as budget cutbacks and a growing young population may put pressure on the public system

Note: *Tertiary education excludes technical and vocational education and training

Source: Oxford Economics; UNESCO UIS; Department of Homeland Security US; EY-Parthenon research and analysis
Overall tertiary education enrollment in Saudi Arabia has headroom for growth. As seen in Figure 11, the tertiary GER improved from 60% in 2014 to 66% in 2017. Tertiary education supply at its current growth rates will be unable to meet the expected increase in demand. The Government has both acknowledged and encouraged the need for private sector involvement through its ‘National Transformation Program 2020 (NTP). The NTP includes a specific mandate to increase the percentage of students in private higher education from 6% to 15%, showing clear headroom for private sector opportunities. Two factors further strengthen the case for private sector involvement:

**Lack of existing private universities**

Based on EY-Parthenon analysis, the Saudi higher education market is estimated to enroll ~2.1 million students in the year 2022. Current supply is insufficient to meet this demand and will translate into an unmet demand of ~150k seats by 2022 (see Figure 11).

**Rollback of government-funded scholarships**

Recently announced cutbacks in overseas scholarships tie in with Saudi Arabia’s overall mandate to reduce public education spend. For example, the King Abdullah University Scholarship Program, which previously fully funded overseas study for Saudi nationals, has been amended to be more selective. This is reflected in the decline in the number of Saudi nationals studying in the US (see Figure 11). The scholarship is now restricted to students who are accepted to the world’s top 50 academic programs in their field, or the world’s top 100 universities.

**Regulations and the push for quality**

Saudi Arabia’s efforts to reduce unemployment and improve quality of education have been manifested through amendments to existing laws and creation of new laws, and stricter enforcement.

One such law with notable impact is the Saudi Nationalization Scheme, or “Saudization,” which aims to increase the number of locals in the workforce. This is in line with Vision 2030’s goal to decrease unemployment among Saudi nationals from 12% in 2016 to 7% by 2030. It is enabled by a quota system that allows organizations to hire expatriates based on the number of nationals as a proportion of the total workforce. Within the education sector specifically, schools are now required to comply with Saudization. Newly imposed rules, such as minimum salary requirements for Saudi staff and reservation of administrative and supervisory job functions in private schools, have already impacted the sector.

Regulations have also been designed such that they demand greater quality standards and compliance requirements from the private sector. For example, in 2018, following a grace period to upgrade their facilities and comply with regulations, 113 private schools that did not meet prescribed infrastructural and employment requirements were closed. This move will benefit branded operators as they are generally compliant on these aspects and maintain strong quality standards.

Concurrently, several rules have been relaxed to encourage education investment. For example, in 2019 Saudi Arabia’s Government reduced the mandated number of years of experience in their field for foreign investors from five to one. Licensing requirements were also relaxed: private schools now require just one license to operate schools at all levels of education. Private providers will have to conform and comply with updated regulations to succeed in the Saudi education market.

Regulatory clarity is essential: specific to Saudi Arabia, regulations should be tailored to reflect Saudi Arabia’s plans for the nation’s development. Saudi Arabia’s efforts to create clarity in areas that were not previously regulated is also a welcome change. Regulatory clarity will continue to encourage long-term investments in sectors that require more patient capital (such as education), and these investments will prove beneficial for both Saudi Arabia and global investors.
Key takeaways

1. New regulations in the sector are a positive indicator, providing stability and clarity to private stakeholders. Even though 100% foreign ownership in education is allowed, investors should consider local partnerships in order to successfully navigate the market.

2. Alongside increasing share of the private education market, investors have an opportunity to access the large public sector market by way of public-private partnerships (PPPs) with the Government. The NCP's education mandate is a clear sign of the Government's intention to reduce its involvement in education.

K-12:

1. The private K-12 sector is growing faster than the public sector, led by growth in local enrollment. Going forward, given the Government's mandate for Saudization, the growth in private K-12 is expected to be driven by Saudi nationals' increased adoption of private education.

2. Although American curriculum is the popular curriculum choice for international schools, investors and operators can consider creating differentiated offerings, such as dual curriculum, i.e., Saudi national curriculum along with an international curriculum, such as British or American. These schools can potentially be more attractive to Saudi nationals.

3. Riyadh and Jeddah are the two largest cities in Saudi Arabia, in terms of demographics (growing young population) and number of households that can afford a private education. Private investors and operators could focus on these cities initially before expanding elsewhere in Saudi Arabia.

Higher education:

1. There is significant headroom for growth for private providers given the Government's mandate to increase the tertiary GER.

2. The employment and skills shortage have created a skills gap. Institutions of higher education will play a vital role, not only in filling this gap but also preparing the Saudi workforce for the jobs that will be created as the Kingdom completes its mega infrastructure projects, such as Project NEOM, Amaala and the Red Sea Project. As the Government enforces “Saudization” across multiple sectors, for example, most recently in hospitality and education, the role of higher education institutions will only be strengthened.

3. The private sector can play a large role in fulfilling tertiary education’s requirements in two ways: (1) partnerships with existing universities to help providers adapt to evolving labor market needs through providing associated services and (2) meet expected increase in demand, as more students enroll in tertiary education. The Government's NCP has specified its mandate to privatize aspects of tertiary education, thus creating a clear pathway for private investment in this segment.
Glossary

$ = US dollars
~ = “Approximately” — used in front of numbers or ranges of numbers
AERO = American Education Reaches Out
CAGR = Compound annual growth rate
G20 = Group of 20
GCC = Gulf Cooperation Council
GDP = Gross domestic product
GER = Gross enrollment ratio
IT = Information technology
K-12 = Kindergarten to Grade 12
KSA = Kingdom of Saudi Arabia
MOE = Ministry of Education
MOF = Ministry of Finance
NCP = National Centre for Privatization
NTP = National Transformation Program
OECD = Organisation for Economic Co-operation and Development
PPP = Public-private partnership
SAR = Saudi riyal
Endnotes

1 Oxford Economics (2018)
3 Oxford Economics (2018)
4 Euromonitor (2018)
5 Euromonitor (2018)
6 Euromonitor
7 Oxford Economics (2018)
8 Euromonitor (2019)
9 GEMS Education (2019)
12 Ministry of Education, KSA
13 ISC Research (2018)
14 Euromonitor (2018)
15 World Bank (2018)
17 International Labour Organisation (2018)
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