

# AN EVOLVING LANDSCAPE

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## FROM AFFORDABLE EDUCATION TO DIGITAL TRANSFORMATION, HERE ARE THE KEY TRENDS IMPACTING THE GCC'S EDUCATION SECTOR

**T**he education sector in the GCC has advanced significantly in recent years, with the amalgamation of technology and substantial investments from the government to improve standards. Governments have taken several initiatives such as establishing quality assurance authorities, building favourable policies, encouraging public-private partnerships (PPPs) and technology-driven education, among others. They are also continuing to allocate sizable portions of their budget to the education sector as they look to develop a sustainable environment for economic and social development.

While this made up for the supply side of the industry, the demand side has been driven by a rising school-age population, high per capita income, and rising expatriate population. This



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has led to a strong rise in demand for education within the region, providing an attractive opportunity for investors and school operators.

### RISE IN STUDENT POPULATION

According to Alpen Capital's latest report on the GCC education industry, the total number of students in the region is projected to increase by 1.1 million to reach 14.2 million by 2027, growing at a compound annual growth rate (CAGR) of 1.6 per cent from an estimated 13.1 million in 2022.

Enrollments in the pre-primary and tertiary segments are expected to increase at a faster pace as they provide a wider scope of growth due to comparatively low gross enrolments rates.

Enrollment in Saudi Arabia and UAE is projected to grow at a CAGR of 1.6 per cent and 1.8 per cent, respectively, primarily driven by increasing private sector investments to raise the quality of education.

Although public school enrollments will continue to dominate the K-12 education segment, enrollment in private schools is projected to increase at a slightly higher CAGR of 1.7 per cent compared to 1.5 per cent in public schools.



### STEM GAINS GROUND

There are several trends gaining ground across the sector owing to the significant transformation that has been taking place to build a competitive education landscape in the GCC. The pandemic, which accelerated the process of digital transformation, led to an exponential growth in edtech platforms across the region.

This is enabling schools to provide higher engagement, flexibility, and accessibility in new and relevant ways. Formats such as video-learning, artificial intelligence (AI) based content models and digital libraries are becoming a part of the learning experience. Science, technology, engineering and mathematics (STEM) education is also gaining further importance largely driven by the shifting job landscape that has evoked the need for a more specialised and dynamic skill set.

Several international schools are integrating STEM in their curricula and running labs that offer a space to explore and investigate. It is an ideal way to provide students with practical hands-on learning experiences and prepare them for a career in a highly specialised field.

A number of foreign colleges and universities, particularly from the UK and US, have successfully set up their base across the GCC to meet the growing demand. Over the past few years, the UAE has established reputed international colleges and universities, and is becoming a global education hub. Similarly, Saudi Arabia and Qatar have also been actively attracting and funding leading American and European institutions to build campuses in the country.

At the same time, local universities from the UAE and Saudi Arabia have been rising in their global rankings based on their education modules

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KRISHNA DHANAK,  
managing director,  
Alpen Capital

and overall improvements. These developments indicate a marked achievement in quality of education, a key barometer for the growth of the tertiary segment in the GCC.

### QUALITY COUNTS AS DOES COST

The demand for quality affordable schools is on the rise as the cost of education differs widely based on the curriculum at offer and the infrastructure facilities available. Fees charged by international schools offering British, American and International Baccalaureate (IB) curricula are the highest while the tuition fee for private schools offering Indian and Arabic curriculum is relatively lower. Consequently, the demand for Indian curriculum, which promotes skill-based education, is increasing across the region.

Factors such as high cost of construction, inflationary pressure, long gestation period, rising competition, and lack of subsidies are increasing cost pressures and eroding profit margins for private operators in the education sector.

The sector also continues to face a shortage of skilled teachers which is expected to intensify given a healthy pipeline of new international schools set to open in the region. Despite these challenges, growth within the education sector will be driven by rise in population, government support, high per capita income and investments in technology.

There have been several intra-regional mergers and acquisitions (M&A) transactions over the past two years as valuations normalised post Covid-19 and larger operators sought tuck-in acquisitions to broaden their geographic reach and increase market share. Going forward, acquiring stakes in edtech platforms is anticipated to gain interest.

Additionally, the rise in demand for affordable schooling and the need to build digital infrastructure to remain competitive will present interesting opportunities across the region. ©



**THE TOTAL NUMBER OF STUDENTS IN THE REGION IS PROJECTED TO INCREASE BY 1.1 MILLION TO REACH 14.2 MILLION BY 2027, GROWING AT A COMPOUND ANNUAL GROWTH RATE OF 1.6 PER CENT**