

Why Saudi Education

2020



A teacher wearing a white lab coat and a black hijab is standing in front of a large, dark green chalkboard. The teacher is holding a piece of white chalk in their right hand and a black notebook in their left hand. They are in the process of writing on the chalkboard. The background is a plain, light-colored wall.

**Why invest in
Saudi Arabia's
Education
sector?**

3 key reasons to invest in Education in Saudi Arabia



Education market is large and attractive



Many opportunities for education investments available



Government has a clear plan to develop education locally

3 key reasons to invest in Education in Saudi Arabia



Education market is large and attractive

- With 8.5 M students, KSA has by far the largest education market in the GCC region. Of these, 0.4 M students are enrolled in kindergartens, 6.3 M in K-12 institutions, 0.4 M in TVET¹ and 1.5 M in university programs
- The education system is strongly dominated by public sector institutions and KSA currently has the lowest share of students enrolled in private education in the GCC
- However, private education in KSA is associated with higher quality and demand for private education is growing, creating strong opportunities for FDI
- In addition, publicly listed education providers in KSA appear to be largely profitable



Many opportunities for education investments available

- Several programs to improve education sector in Saudi Arabia are underway, providing strong opportunities for private sector participation:
 - School operators
 - Institutional operation services
- Key players in the education sector have already entered the market and successfully collaborated with the government



Government has a clear plan to develop education locally

- Education is at the heart of Vision 2030 and the government has strong ambitions to develop education in KSA
- USD 51 B for education in 2019 represents the largest budget item for the country and is vastly larger than in peer countries
- Government introduced multiple initiatives to address historical challenges of education sector and unlock additional investment opportunities
- KSA offers a strong set of incentives to attract private investors

3 key reasons to invest in Education in Saudi Arabia



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Government has a clear plan to develop education locally

Three key reasons make Saudi education market attractive



With 8.5 M students, KSA has by far the largest education market in the GCC region



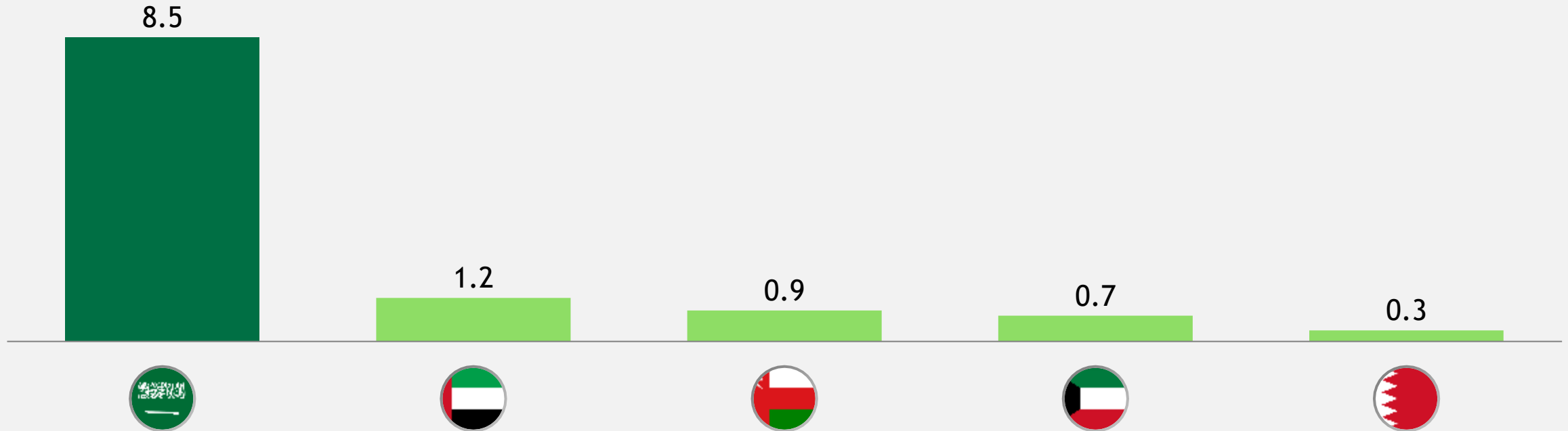
Growing demand for high-quality education coupled with limited private school offering, generates strong opportunities for FDI



High EBITDA margins for education providers in KSA

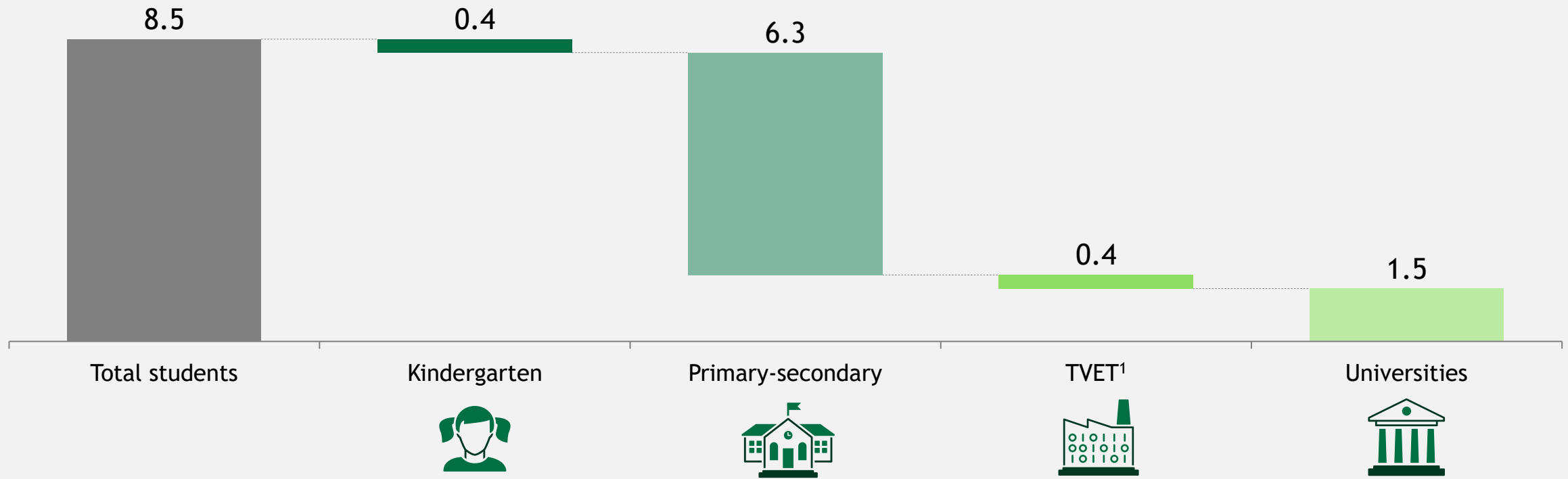
KSA is the largest education market in the GCC region

Total number of students (M)



Today, students are spread across different education segments...

Total number of students (M)



3 key reasons to invest in Education in Saudi Arabia



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Government has a clear plan to develop education locally

Educational opportunities in KSA



General Education



K-12 operators
International schools



Academic Tracks



Kindergarten operators
Private operators of
public kindergartens



**Special Needs
Education**



Higher Education



TVET operators
Private TVETs



Universities
Private universities
Executive & continuous
education



Quality assurance



Institutional operation services



Facilities mgmt.:
Security, cleaning, facilities
maintenance services, student
housing, infra. / equipment
(AV/Labs)



Transportation
School children
transportation



**Learning
environment**
Libraries mgmt.,
healthcare (nursing)



Catering
Canteens,
cafeterias



Student supplies
Stationary, uniforms,
supplies



Admin services
HR, admin assistance,
IT systems, accounting



Creativity, Culture & Edu



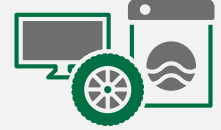
Performing Art



Music



Creativity



Edu Tech



Online Learning



AR/VR content



**Interactive/blended
education**



learning analytics



**Textbooks
Customization**



**Classroom
Collaboration**

A vast range of opportunities is available in the short-term and more to come

Operators & training providers



Kindergartens

- 1500 investment opportunities for private kindergartens with about SAR ~3B investments needed



TVET

- Investment opportunity to open tourism and aviation colleges as well as cultural programs with a demand of 2000-4000 students per year for 1-3 year programs
- Investment opportunity to provide executive education and training programs for leadership in business with a demand of 100K employees per year



K-12 institutions

- 4187 investment opportunities for private local and international K-12 institutions with about SAR 16B investments needed
- 100 investment opportunities for special needs education with about SAR 500M investments needed



Universities

- Investment opportunity to open foreign university branches under a new law approved by the Kingdom with a demand of 1000-2000 students per year for 2-5 year programs

Key players have already entered the market (I/II)

Supported the development of Saudi Early Learning Standards for early childhood programs



English language TOEFL testing centers throughout KSA



Extensive plays across the value chain including supplying content, assessment tools and providing advisory to MoE



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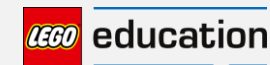
Provides content through schools and B2C channels in KSA



Delivers English courses and connects Saudi and British educational institutions to each other. Provided strategic advise on English language training to MoE



Partnered on a JV basis with National Talents Co. for Training and Education to offer the LEGO Education product to students across KSA



Provides English language training content and tools



Key players have already entered the market (II/II)

Operates three schools in KSA with operations in Jeddah and Riyadh



Operates two schools in KSA, including one on a joint venture basis with Kingdom Holding Co.



Offers content and resources to private English language schools in KSA



Publicly listed KSA investment holding company; operates one school in KSA on a joint venture basis with GEMS Education



Agency for French Education Abroad supports a number of French-based schools in KSA



Operates eight British or American schools in KSA. A fully local player



Operates two schools in Riyadh and Dammam following the Indian curriculum



The Delhi Public School Society

Operates a day school following an American-based curriculum in Riyadh. Also offers IB programs



American Int'l School

3 key reasons to invest in Education in Saudi Arabia



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Many opportunities
for education
investments
available



Government has a
clear plan to
develop education
locally

Education is at the heart of KSA Vision 2030

“We intend to embed positive moral beliefs in our children’s characters from an early age by reshaping our academic and educational system.”—*Developing our children’s character*

“We will continue to improve and reform our regulations, paving the way for investors and the private sector to acquire and deliver services—such as education”—*Privatizing government services*

“We will continue investing in education and training so that our young men and women are equipped for the jobs of the future.”—*Learning for working*

“To this end, we will prepare a modern curriculum focused on rigorous standards in literacy, numeracy, skills and character development.”—*An education that contributes to economic growth*

“We will invest particularly in developing early childhood education, refining our national curriculum and training our teachers and educational leaders.”—*Learning for working*



Government
commitment
expressed through
a large budget,
comprehensive
initiatives and
strong incentives



Large portion of
annual national
budget assigned



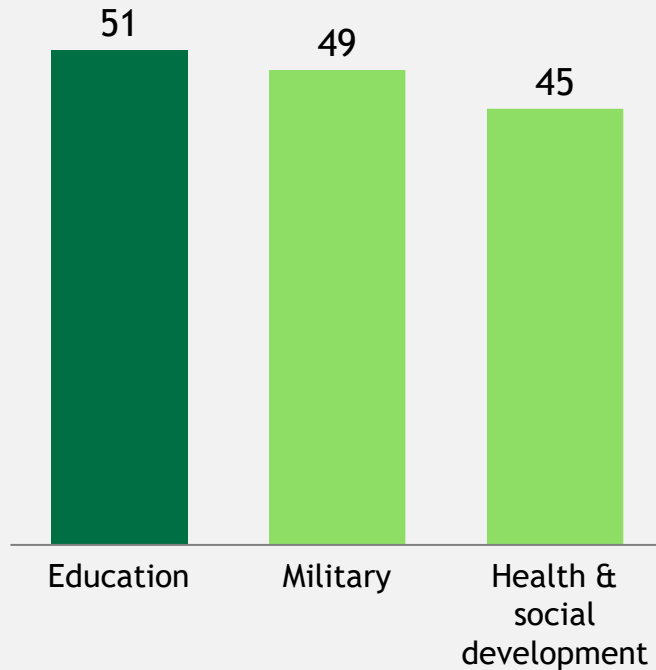
Initiatives to unlock
opportunities



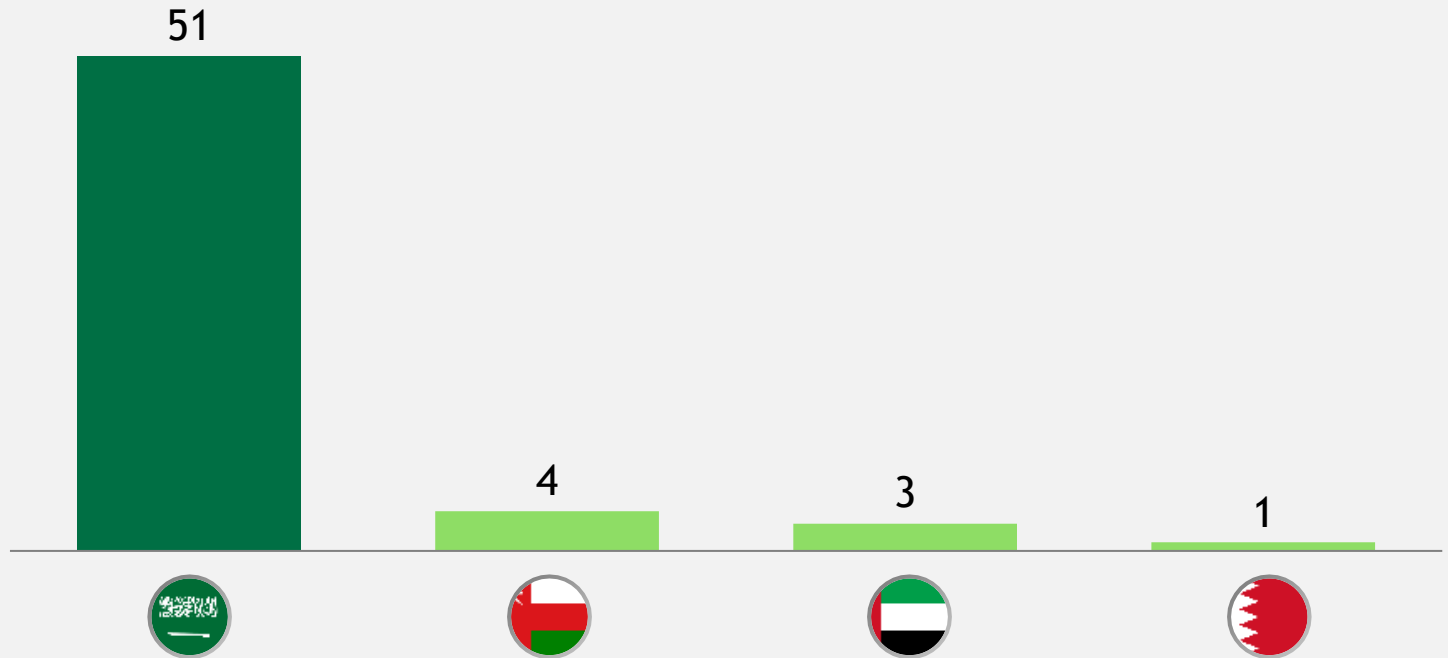
Incentives to attract
private education
providers

Education represents KSA's largest budget item and is vastly larger than in peer countries


Top 3 KSA national budget items (B, USD, 2020)






Government education budget (B, USD, 2019)



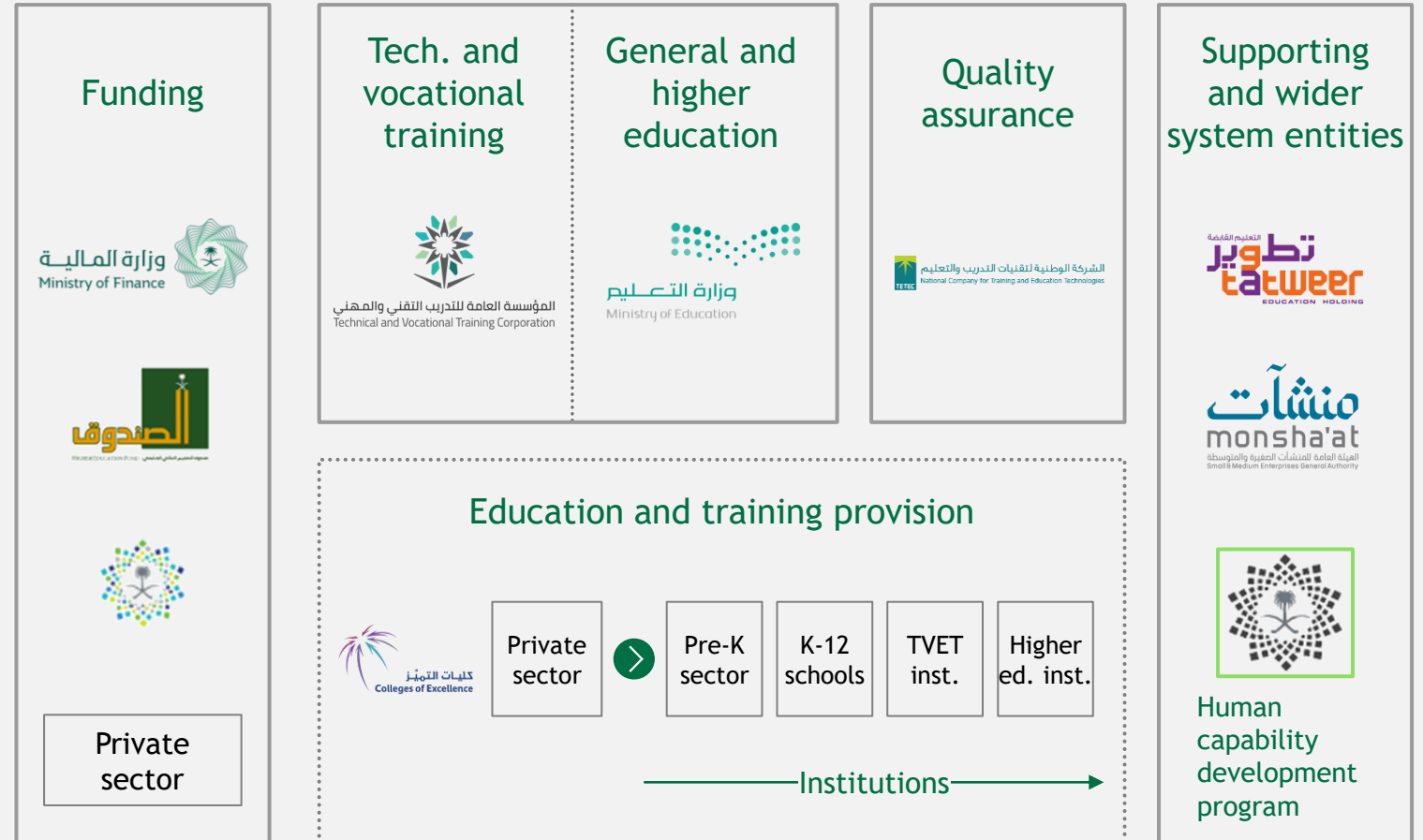
MoE is addressing historical challenges to unlock education opportunities for investors (I/II)

	Major historical challenges	Completed/ongoing initiative
1 Saudization 	<p>Lack of flexibility in employment due to Saudization requirement</p> <p>Difficult to find qualified Saudi teachers for international or local curriculum</p>	<p>Relax Saudization ratios</p> <p>Allow for employment flexibility in private schools, especially for schools delivering international curriculum</p>
2 Teacher development 	<p>The quality of teachers is very low, many not interested in progressing their careers through professional development</p>	<p>New regulation imposing minimum number of professional development training for teachers</p> <p>Establishment of an professional development center specialized for teacher development</p> <p>Put in place a performance review system for teachers</p>
3 Ownership 	<p>Foreign investors couldn't have majority ownership in private schools</p>	<p>Allowed foreign investors to have majority ownership in private schools</p>

MoE is addressing historical challenges to unlock education opportunities for investors (II/II)

	Major historical challenges	Completed/ongoing initiative
4 Land 	<p>Difficult for private school operators to acquire appropriate land for schools</p> <p>Cumbersome processes involving multiple parties to obtain building permit</p>	<p>Agile and customized regulation on education properties</p>
5 Access to financing 	<p>Difficult for individuals to launch private schools due to access to capital</p>	<p>Develop a fund to provide loans to new operators lacking capital</p>
6 Transparency 	<p>Missing single source of truth and publicly accessible information at school and student level to support decision making of investors</p>	<p>Develop data unification portal to ensure student and school level data are collected and publicly available</p>

A structured and well governed Education ecosystem has been established





وزارة الاستثمار
Ministry of Investment

MISA supports companies seeking to invest in KSA Education sector



Highlight opportunities for investment



Provide information on KSA and Education sector



Coordinate with government bodies to provide incentives for investments



Connect investors with potential partners



Support with business plan



Deliver licenses

WORLD-CLASS INVESTMENT PROJECTS

Saudi Arabia's mega and giga projects represent some of the most ambitious developments under construction around the world today.



KING ABDULLAH ECONOMIC CITY (KAEC)

Saudi Arabia has a proven track record in the delivery of mega projects in partnership with the private sector, with KAEC being a leading example.

>110

leading local and global non-oil investors, including Pfizer, Sanofi, Mars and Volvo.

>\$14bn

worth of private investments

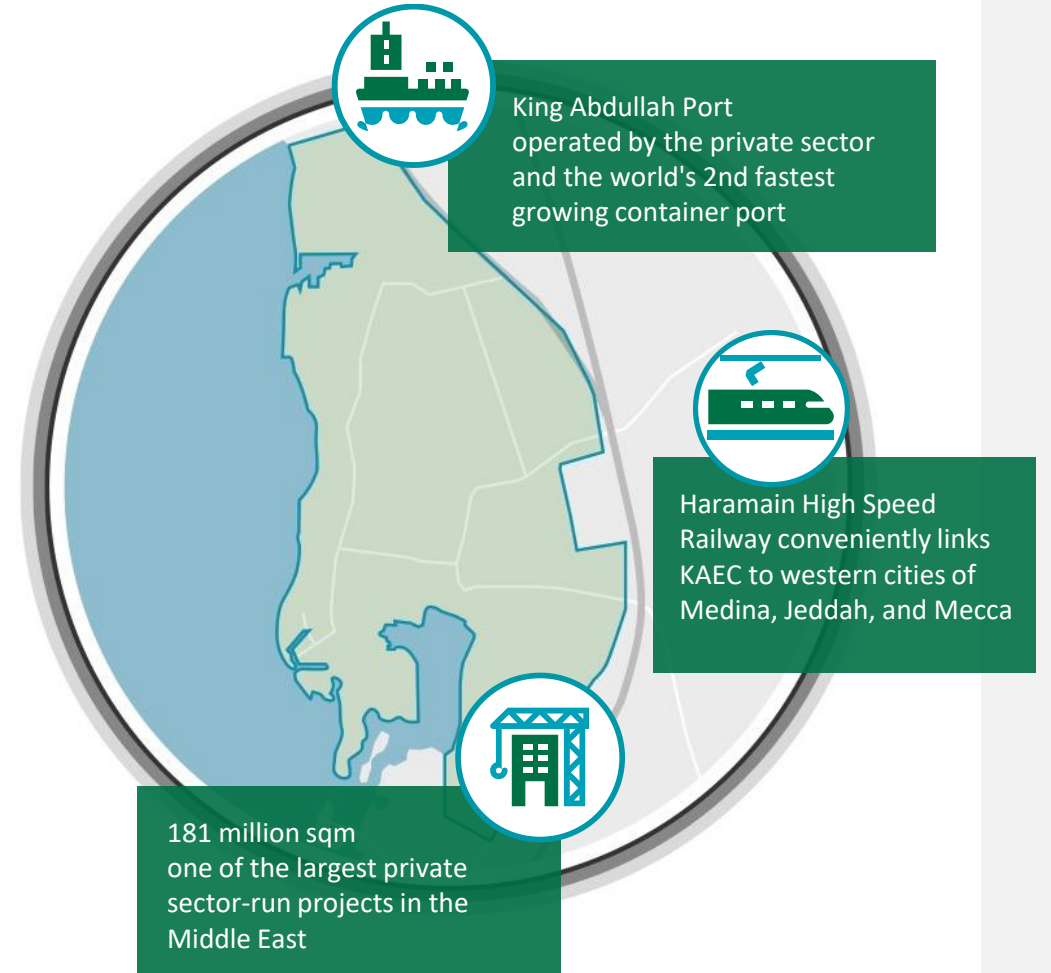
Why is KAEC attracting global investors?

Strategically located

on the Red Sea coast along major shipping routes to Europe and Asia

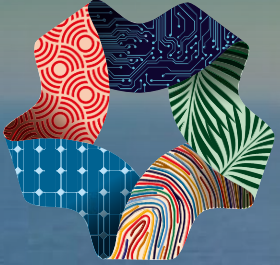
Diverse community

with leading educational institutions and entertainment options.





GIGA PROJECTS



نيوم NEOM

Located along the pristine coasts of the Red Sea and Gulf of Aqaba, NEOM will set a new precedent for livability and technological innovation across 16 economic sectors.

GIGA PROJECTS



The Red Sea Project will be an exquisite sanctuary offering indulgent experiences, seamlessly customized to the unique needs of each visitor. Extending over 28,000 square kilometers on Saudi Arabia's Red Sea coast, the destination will offer a uniquely diverse range of experiences, from island getaways to resort holidays, mountain retreats and desert adventures.



GIGA PROJECTS



Qiddiya will become the place to live, work, and play, a prominent landmark, and an important hub to meet and satisfy the recreational, social, and cultural needs of the Saudi Arabia's current and future generations.

WHAT MISA CAN DO FOR YOU

We're here to facilitate seamless investments in all areas of the Saudi Arabian economy

Whether you're seeking to expand an established multinational or are on the brink of launching a brand new venture: we can help.

Our dedicated account managers are here to support you through the end-to-end investment journey, helping you identify promising opportunities, assisting with feasibility studies, smoothing the way as you commence operations, and much more.



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Ministry of Investment

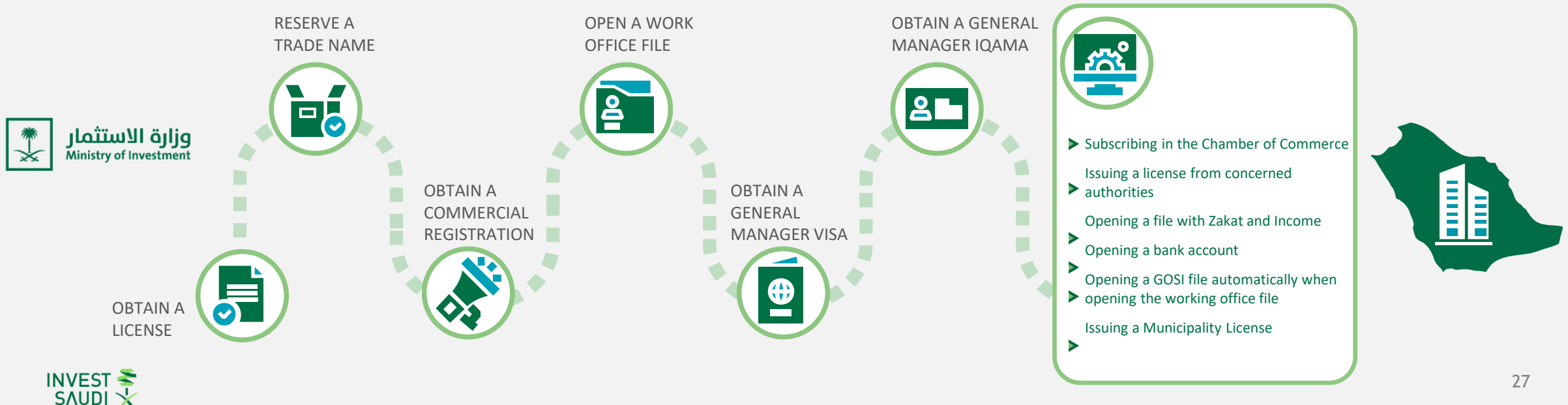
Our services include:

Before set-up		During set-up		After set-up
<ul style="list-style-type: none"> ▶ Tailored market and economic intelligence ▶ Matchmaking and linkage ▶ Organizing site visits ▶ Assisting in location searches ▶ Supporting business case development and feasibility studies ▶ Providing tailored incentives ▶ 		<ul style="list-style-type: none"> ▶ Obtaining licenses or permits ▶ Introductions to financing institutions ▶ Organizing publicity and launch events ▶ Connecting with recruiting agencies ▶ 		<ul style="list-style-type: none"> ▶ Helping you overcome any obstacles

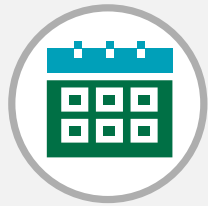
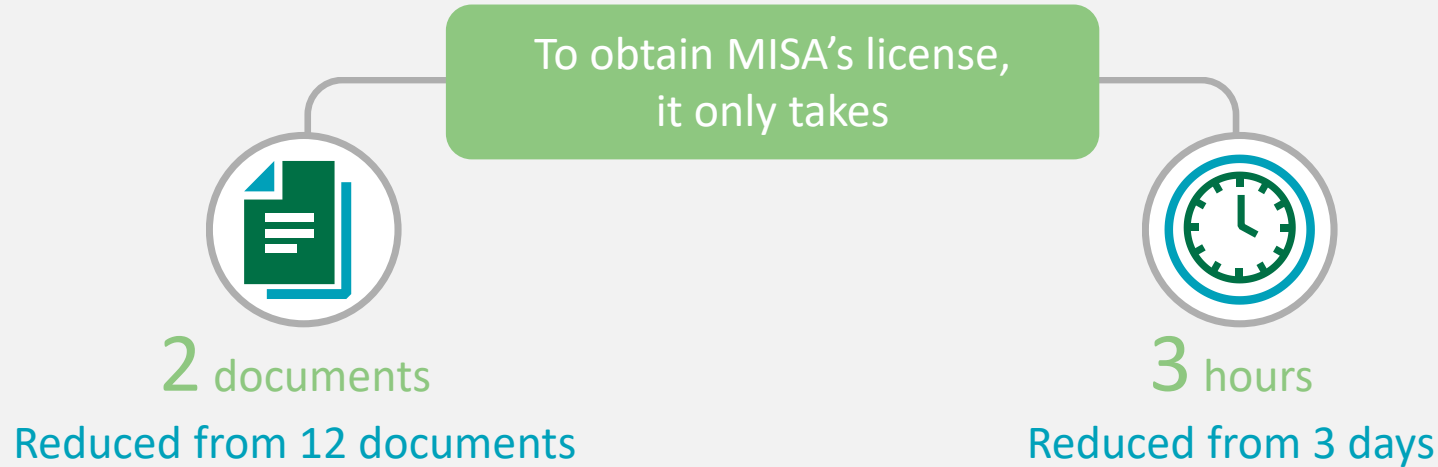
WORLD-CLASS INVESTOR JOURNEY

Due to a raft of economic reforms designed with foreign investors in mind, setting up a company in Saudi Arabia today is both simple and inexpensive.

MISA will support you in every step of the way, ensuring your business gets off to the best possible start.



EXPEDITED INVESTOR LICENSING



Post-registration documents
required to commence business:

- Tax certificate
- Social insurance
- Labor certificate
- Commercial registration
- Chamber of Commerce certificate
- Municipality certificate

...all of which can now be obtained within **5**
days (reduced from 18 days).



وزارة الاستثمار
Ministry of Investment





- All services and information are available through MISA's Business Center – a one stop shop for 6 key government agencies
- All requests are processed digitally

Appendix - incentives

KSA offers a wide range of incentives to investors







Export credit financing, guarantee, insurance

 Name	 Description	 Main conditions	 Responsible entity
Credit financing, guarantee and insurance P	Export credit financing, guarantees and insurance by the EXIM Bank (direct) and through partners financial institutions (indirect)	<ul style="list-style-type: none"> • All sectors except crude oil • Min financing amount SAR 2M per application¹ • Max financing amount SAR 600M per obligor¹ • Max of 5 year duration including grace period¹ • Min 25% local of value added (crude oil is excluded)¹ 	<ul style="list-style-type: none"> • EXIM Bank (& partners financial institutions SIDF, ITFC)
Other export related incentives L	Refund on percentage of fees incurred during export activities (product certification, marketing, consulting & legal advisory, etc.)	<ul style="list-style-type: none"> • Reimbursement of up to 50% of product certification fees (up to SAR 20k) • Reimbursement of up to 75% of marketing fees for promoting products abroad (up to SAR 125k) • Reimbursement of up to 55% of fees incurred for export-related consulting activities (up to SAR 255k) • Other incentives on e-commerce registration fees, participation in exhibitions, etc. 	<ul style="list-style-type: none"> • Saudi Exports

1. Proposed, subject to further confirmation
 Source: Responsible entities reported in the table
 Note: information dated July 2019



Energy & utilities enablement

			
Name	Description	Main conditions	Responsible entity
Enabling energy and utilities	Attractive conditions for power, water, natural gas, ethane, diesel and land available in Modon Industrial Cities	<ul style="list-style-type: none"> • Power at \$0.048 per kWh for industrial sector • Drinking water at \$1.1 - \$2.2 per cubic meter (based on region & volume) • Wastewater at \$0.7 - \$0.9 per cubic meter (based on region & volume) • Treated water at \$0.5 - \$1.4 per cubic meter (based on region & volume) • Natural gas at \$1.25 per Million BTU • Diesel at \$15.26/barrel • Land for lease starting from \$0.27 per sqm 	<ul style="list-style-type: none"> • MEIM • Modon & Industrial Clusters • Saudi Electricity Company • National Water Company • Saudi Aramco







Financial incentives for R&D

 Name	 Description	 Main conditions	 Responsible entity
Financial incentives for R&D projects	Investment in selected local and international R&D projects with potential to boost country's economic growth and self-reliance	<ul style="list-style-type: none"> Investment with following characteristics <ul style="list-style-type: none"> Enable technology transfer to Saudi Arabia Diversify Saudi Arabia economy Create high skilled jobs Financing depends on R&D project's characteristics 	<ul style="list-style-type: none"> King Abdulaziz City for Science and Technology
Multi-purpose loan 	Finance capital expenditure items not resulting in rated production capacity increase but potentially improving the borrower's business or operations	Eligibility criteria: <ul style="list-style-type: none"> Acceptable financial position within SIDF requirements Investment not leading to increased production capacity Investment achieving a clear operating benefit 	<ul style="list-style-type: none"> Saudi Industrial Development Fund



Loan programs – local (I/II)

			
Name	Description	Main conditions	Responsible entity
Loan program for industrial projects	Finance up to 50% of project costs in major cities, 75% in promising cities and 75% for strategic sectors <ul style="list-style-type: none"> • Repayment periods up to 20y • Up to 2-year grace period • Advisory services on administration, marketing, and technical incentive program for Local content • incentive program for Energy Efficiency and Industry 4.0 • Incentive program for SME's • Multi-purpose loan 	<ul style="list-style-type: none"> • Financeable industrial project with a valid Commercial Registration, industrial license • Feasibility study • Value added to the economy • Credit worthiness of the applicant • Aligned with open sectors 	<ul style="list-style-type: none"> • Saudi Industrial Development Fund
Loan Guarantee Program (KAFALAH) for small and medium enterprises	Cover the risk of banks in financing small and medium enterprises <ul style="list-style-type: none"> • Guarantee rate up to 75% of loan 	<ul style="list-style-type: none"> • Legal entity & annual sales < SAR 30M • Viable in the economic, financial, technical and administrative terms • Contributes positively to the Saudi economy in terms of: <ul style="list-style-type: none"> - Hiring & training Saudi nationals - Replacing imported goods by local ones & producing high quality innovative goods & services 	<ul style="list-style-type: none"> • Kafalah (independent entity), Saudi banks

L

P





Pending official announcement

L

For local investors only







Loan programs – local (II/II)

 Name	 Description	 Main conditions	 Responsible entity
Productive Loans for small projects and start-ups	<ul style="list-style-type: none"> Low interests loans provided across a variety of paths to support the Saudi society 	<ul style="list-style-type: none"> Saudi national Specific conditions for each path 	<ul style="list-style-type: none"> Social Development Bank
Working capital financing L	Short-term loan (up to 12 months) provided to existing clients to fund projects' operational expenses	<ul style="list-style-type: none"> Existing SIDF clients only Companies facing working capital shortage Targeted at companies: <ul style="list-style-type: none"> With limited access to bank financing Undergoing growth 	<ul style="list-style-type: none"> Saudi Industrial Development Fund
Acquisition Financing (<i>Under development</i>) P L	Saudi companies acquiring international targets (acquired companies) and Saudi companies acquiring local targets with clear value add to industrial sector, beyond increasing shareholder value	<ul style="list-style-type: none"> Acquisition financing is only offered to industries included in the National Industrial Development and Logistics Program (NIDLP) priority sectors Acquirer must have licensed financial and legal advisors Acquisition should have socio-economic Acquisition must be financially viable Repayment period up to 5 years 	<ul style="list-style-type: none"> Saudi Industrial Development Fund





Loan programs – regional (I/II)





			
Name	Description	Main conditions	Responsible entity
Loan program for public/private investment projects	Financing for public/private investment projects <ul style="list-style-type: none"> • Reduced interest rate to 2.5% for low-income Arab countries and 3% for other Arab countries • 4-6 grace period • Long term extended to 22-25 years 	<ul style="list-style-type: none"> • Public sector: request to be accompanied by a techno-economic feasibility study (to be considered for financing) • Private sector: only for legally independent entity with: <ul style="list-style-type: none"> - Sound financial position - Good management practices - Operating in a purely commercial basis - Main objective of developing the economy - Not less than 51% of capital owned by citizens of member states of the Arab Fund 	The Arab fund for economic and social development
Loan program for economic development and reform in Arab countries	Loans and facilities offered to help address overall balance of payment deficit of member countries; include 4 types of loans that vary in size, terms and maturity	<ul style="list-style-type: none"> • The fund must take into consideration when lending to Arab countries: <ul style="list-style-type: none"> - Fairness and equal opportunity of access to Fund's loans - Safeguard of the Fund's ability to maintain its continuity in growth - Ensure that the resources it lends are used safely by borrowing members who must have the ability to meet their obligations 	Arab monetary fund



Loan programs – regional (II/II)





 Name	 Description	 Main conditions	 Responsible entity
Financing facilities for trade transactions of goods of Arab origin	Refinancing of Arab exports to Arab & non-Arab countries through lines of credit, e.g., pre-export credits, post-shipment credits, buyers' credits, and import credits	<ul style="list-style-type: none"> • Goods entirely produced or manufactured in an Arab country from primary resources and other domestic components, or if the value added in an Arab country is at least 40% of the value of the goods 	Arab trade financing program
Political and commercial risk insurance for investments and export credit guarantees	Insurance schemes and guarantees to encourage investments in Arab countries, and enhance inter-Arab trade and Arab exports worldwide	<ul style="list-style-type: none"> • Investment insurance for investments in an Arab country, the investor shall not be from the same country of the investment • Export credit guarantees for exports to/from Arab countries 	• The Arab investment and export credit guarantee corporation
Equity and debt financing for enterprises and productive projects in member countries	Offers different financing schemes to support investment capital of projects, grants loans to enterprises and productive projects, and accepts deposits to mobilize financial resources in accordance with the provisions of Islamic law	<ul style="list-style-type: none"> • Prospective member country should: <ul style="list-style-type: none"> - Be a member of the Organization of Islamic Cooperation (OIC) - Pay its contribution to the capital of the Bank - Be willing to accept such terms and conditions as may be decided upon by the bank's board of governors 	• Islamic development bank

Custom duty exemptions

			
Name	Description	Main conditions	Responsible entity
Custom duty exemption	Exemption on authorized imports for industrial establishments (e.g., materials, equipment, machinery)	<ul style="list-style-type: none"> Available only if local supply does not exist or the local supply is not up to the specifications of the manufacturers 	<ul style="list-style-type: none"> MEIM



Tax credits and exemption

 Name	 Description	 Main conditions	 Responsible entity
Tax credit on Saudi national payroll and training cost <div>P</div>	Up to 50% tax credit on Saudi national worker's payroll and training cost for 10 years	<ul style="list-style-type: none"> Available in specific regions <ul style="list-style-type: none"> Hail, Northern Border, Jazan, Al-Jouf, Najran, Al-Baha Capital >1M SR Number of employees >5 <ul style="list-style-type: none"> either technical or administrative jobs contract time not less than 1 year 	<ul style="list-style-type: none"> Industrial clusters
Tax credit, exemption on earnings from exports	Tax exemption on earnings from exports	<ul style="list-style-type: none"> No specific requirements 	<ul style="list-style-type: none"> General Authority of Zakat and Tax



Employment funding (I)



Tamheer program

On-the-job training program for Saudi graduates

- To provide financial support of SAR 3,000 per month during the 3 to 6 months long period of training, and occupational hazard insurance

Conditions to apply

- Saudi national (or foreign national with Saudi mother)
- With bachelor, master or PhD degree
- Currently unemployed and not employed for the past 6 months
- No previous participation in Tamheer program



Employment subsidy program for upskilling

HRDF to provide a subsidy of 30% of the Saudi salary for the first year (40% for females, and higher in remote regions)

Conditions to apply

- Saudi national
- Age between 18-60
- Employee's monthly salary should be between 4,000 and 10,000 SAR



Employment funding (II)



Professional Certification Support Program

Aim is to enable the Saudi workforce to obtain professional certificates accredited in several professional fields required by the labor market, e.g.,

- CMMP, CIT, PMP,...etc.,

HRDF to provide reimbursement for training costs, and test fees

Conditions to apply

- Saudi national
- Certificate to be accredited by HRDF
- Certificate to be valid and not expired
- Maximum reimbursement: 2 certificates for each person



Dorroob program

Comprehensive program involving electronic learning courses

- Aim is to obtain certificates approved and recognized by the main companies

Priority in the direct employment for the certificates holders

- Providing also the opportunity of benefiting from the on-the-job training program

Conditions to apply

- Saudi national



Attractive property solutions



Ecosystem

- Industrial and economic cities setup to grow local regions and to contribute in diversifying the national economy
 - Many of those to create cluster-effects, leveraging synergies and fostering the overall system productivity
- Integrated supporting infrastructure and tailored shared services
 - Ready-built factories, central business districts, diverse residential options, world-class educational institutions
- Diversified industries hosted including petrochemical, mineral, alternative energy, synthetic material, maritime and shipbuilding
- Land at very competitive prices
 - \$0.27 - \$4.40 per sqm/ year

Selected examples - not exhaustive



Saudi Industrial Property Authority

Detailed on the following page



Royal Commission for Jubail and Yanbu



Economic Cities Authority

Industrial Clusters





The Saudi Industrial Property Authority (MODON) is responsible for the development of industrial cities with integrated infrastructure and services

Private industrial cities are under direct MODON supervision



200 Mn Sqm of developed land



125 Mn sqm of leased land



5,000 Active factories



> 400 Read-Built factories



8,000 MVA of power connected



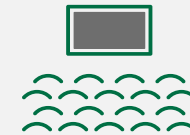
6,000 lease contracts signed



290 km of roads connected



2 technology zones



6 training centers

Government procurement law ^P



Entities affected

All RfPs from:

- Governmental entities (e.g. Ministries, Agencies, regional/local entities)
- *Semi-governmental entities*¹



Timeline

- Published after Ramadan
- Gradually enforced (planned to be fully in force by 2020)



Local content pricing preference

- Local products receive a 10% price preference over foreign products



Local content weighting

- Scoring criteria gives preference to listed companies and bids with higher local content



Local content minimum threshold

- Minimum local content percentage is set for different sectors

Ecosystem Stimulus (Monsha'at)



L

Indirect Lending Initiative



Program details

Enhance SME lending by offering low-cost loans to licensed financing companies that are used in turn to provide financing solutions and loans with competitive advantages for SMEs.

Loan values range from 50,000 SAR to 7,500,000 SAR



Conditions to apply

- Company must satisfy the conditions of the financing entity
- Company must meet the credit rating requirement of the financing entity





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