

Investing in Iran's Education Sector

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Bordering the former CIS states and the Caspian Sea to meet Russia in the north and embracing the turquoise waters of the Gulf to the south, Iran is the second largest economy in the Middle East and the MENA region after Saudi Arabia, and the 18th largest in the world. Iran's 2015 GDP is estimated at US \$393.7 billion with a population of close to 80 million, making second to Egypt. Accordingly to studies published in the Economist, As of September 2015, 93% of the Iranian adult population were literate. In 2008, 85% of the Iranian adult population were literate, well ahead of the regional average of 62%. This rate increases to 97% among young adults (aged between 15 and 24) without any discrepancy among male and female Iranians. By 2007, Iran had a student to workforce population ratio of 10.2%, standing among the countries with highest ratio in the world.

With the 1979 Iranian revolution that ushered the establishment of an Islamic Republic and the overthrow of a progressive monarchy, Iran experienced abrupt metamorphoses towards "Islamicization" in all spheres, and most importantly perhaps in the education sector. Whereas much of the focus of the regime prior to the revolution was to modernize Iran modelled after the west, with an emphasis on higher education, and in particular the liberalizing policies aimed to advance the standing of women within that sector, the Islamic revolution and the characteristically zealous fervour that followed, led to a "cultural revolution" where universities and higher institutions of learning were closed, academics purged, and the entire curriculum overturned. The new regime under a tight theocratic rule was quick to condemn the western models in the education sector of the country. In 1980, the Cultural Revolution Committee was formed to oversee the institution of Islamic values in education. An arm of the committee, the Centre for Textbooks (composed mainly of clerics), produced 3,000 new college-level textbooks reflecting Islamic views. Teaching materials based on Islam were introduced into the primary grades within six months of the revolution.

However, since the revolution of 1979, successive Iranian governments have expanded the higher education sector in the country, albeit under a strict new mandate. According to the latest statistics, Iran has approximately 4.5 million students, of which 60 per cent are now women.

Data from the United Nations Educational, Scientific and Cultural Organization (UNESCO) suggests that enrolment at Iranian universities has more than doubled in a decade and accordingly to the Economist, in 2013, 58 per cent of Iranians aged 18 to 24 were studying at Iranian universities. The government has set an ambitious target at 60 per cent for 2025 which it aims to achieve. The lifting of the sanctions and the potential for foreign direct investment or other forms of cooperative efforts in the development and expansion of the sector may in fact make this target more tenable. Today, Iranian parents spend more than £2.1 billion on the higher education of their children and with the lifting of sanctions, this financial commitment is likely to increase significantly, given the importance that Iranians ascribe to education in general and the sciences in particular. This emphasis on higher education has deep roots in the Iranian culture and is rooted in the country's historical standing for pioneering advancements in almost all spheres of life from architecture, art, literature, science and government. Such advancements would not have been possible without the educational discipline inherent to ancient Persian civilisation and traced to today's collective disposition of Iranians in and out of government.

The first Western-style Iranian public schools were established in 1886. Amir Kabir (the Grand Minister)

facilitated the establishment of the first modern Iranian college in the mid-nineteenth century, and subsequently the first Iranian University modelled after the European Universities was established during the reign of Reza Shah, the first Pahlavi period. During the early 1970s, efforts were made to develop and expand the educational system by modernising the school curriculum, introducing contemporary textbooks, and training more resourceful teachers.

Education in Iran is highly centralized. The Ministry of Education is primarily responsible for educational planning, financing, administration, and the expansion and revisions of the curriculum, with The Ministry of Science and Technology and Ministry of Health and Medical Education in Iran supervising higher education. Teacher training, grading, and examinations are also the responsibility of the Ministry. Whereas Iran's undergraduates are well accommodated in the country's higher education institutions, the postgraduate infrastructure is much less developed and is an area within the sector where International cooperation or a form of direct foreign investment via non-Iranian institutions could be most successful. Iran's higher education institutions, together with the support of the Iranian government have already set up an array of education agreements over the last months following the January 2016 nuclear agreement.

By way of an example, France's 'École Polytechnique', a leading institution has recently signed agreements with the University of Tehran, the University of Isfahan, and Sharif University of Technology. Earlier in the year a high-level Swiss delegation to Iran ratified a 2005 trade accord between the two countries, and also confirmed several agreements between Swiss and Iranian institutions. More recent developments include a bilateral agreement with Slovakia that introduced partnership between the two countries' universities of science and technology, and agreements with Armenia's National Academy of Sciences. There have also been developments for joint research and exchange programmes with Sweden, Cyprus, and the Kurdish Region. Most of these are expected to initiate exchange programmes, allowing undergraduate students to engage in a year of studies abroad or to complete a portion of master's or doctoral programmes abroad. These initiatives will however pave the way for an incremental and measured cooperation between Iranian and foreign stakeholders in the higher education sector including future possible direct or joint investment in institutions. The sorts of initiatives that have become common in the United Arab Emirates and Dubai in particular which has attracted talent and investment in its education sector, notwithstanding the fact that unlike Iran, Dubai has successfully managed to foster a proper and sophisticated FDI culture in a cross section of industries, a model that Iran can take inspiration from.

In addition to this latter apparent opportunity, given that there is also a marked discrepancy between demand for places and the ability of Iranian universities to absorb master's and doctoral students, further expansion of post graduate institutions will present opportunities provided that the foreign counter part is ready to work within a highly regulated environment where the relevant governmental institutions and ministries, including the Iranian parliament and arguably even the office of the Iran's Supreme leader will have a stake in the form and manner of the non-Iranian direct / indirect engagement in the country's education sector.

It comes as no surprise that the Iranian policy makers are keen to keep a tight control over the route that the country's educational system takes. The post Islamic revolution cultural identity of the nation which has been fostered and in many ways "engineered" by a top down imposition of Islamic character in public and institutional education, for what it's worth, cannot be eroded. However, the Iranians do recognize that this top down imposition, coupled with the inability of the domestic institutions to accommodate the sheer number of students, has meant a steady "Brain Drain" from Iran. Historically Iranians have had a long tradition of pursuing higher education outside of the country and renowned institutions such as Sorbonne and Oxford have long been hosting Iranian students. More recently, restrictions and censorship in the fields of humanities and the social sciences have made foreign universities more attractive still. Hence, developing these fields of study domestically within a less restrictive environment will mean greater opportunities for investment in that sector. The realities of the Iranian brain drain has pressed upon the Iranian policy makers the urgency to address the need for expansion and a strong desire to internationalize Iran's universities and to foster cooperation with other institutions both in the region and

beyond.

While the new changing dynamic and the easing or lifting of the sanctions will surely make these efforts easier, as the country slowly re engages with the international community, Iran will still prove to be a difficult market in this sector since any effort to introduce foreign direct engagement in the country's education sector will need to be counter balanced with a real and imagined fear of "cultural infiltration" and the "hijacking" of the minds of the Iranians- a mantra that once fueled the revolution more than three decades ago and still feeds the fear of the "Other" in the minds of the Iranian policy makers and the political elite.