

Vision 2030 and the Transformation of Education in Saudi Arabia: One Year On

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In this article we check in to see where things currently stand in the Kingdom.

FDI in Education

Foreign direct investment in education in the Kingdom was traditionally very limited. However one of the stated goals of the Vision is for increasing private sector participation in the sector. What form this private sector participation may take is critical, especially in the context of the updated Companies Law which has broadened the potential for foreign ownership in Saudi companies but which does not specifically address the education sector.

The SAGIA website states (our underlining):

The historical growth rate of 10% in the Education sector is expected to be sustained going forward, driven by significant investments by the Saudi Government. For example, USD 56 billion has been allocated to projects in the Education sector for the 2014/15 budget, in addition to USD 21 billion approved five-year plan driven by the Tatweer education development company.

There are several broad opportunity areas for the private sector to explore in the education ecosystem, including: setting up privately operated colleges and universities; establishing pre-school institutions and day-care offerings; enhancing labor market linkages and job placement programs to match graduates to jobs; creating and delivering blended learning innovations. In addition, there is an opportunity for private sector provision of support services to existing public and private education institutions. Examples include: site maintenance, canteen operations, cleaning services, IT infrastructure and management services.

Whilst there are no current opportunities listed on the relevant section of the SAGIA website we expect this to change given it is still comparatively early days in the programme. What will be of particular interest is whether and to what extent FDI is encouraged in this context. Furthermore the same approach may not necessarily apply to schools as to other sections of the education market; it was previously suggested that FDI in schools is unlikely in the short term.

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The Vision also indicates that some form of Public Private Partnership structure is contemplated in a number of areas and, although it doesn't specifically mention education, one would expect that this would be closely looked at given it is capital intensive.

Conclusion

The scope for private sector involvement in the education sector in the Kingdom is massive given the demographics and sheer size of the potential market there. However it is still early days in the reform

process with many of the specifics remaining unclear. Al Tamimi continues to closely monitor events at the various ministries to ensure that our clients are in the most up to date position and we will publish an update to this note when

Francis is an integral member of Al Tamimi & Company's Education team where he supports education providers in the Kingdom on all legal aspects of their operations. For further information please contact Francis (f.patalong@tamimi.com).