Education in the UAE
Opportunities for investors and operators

EY-Parthenon
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Introduction

UAE economic context

The United Arab Emirates (UAE) consists of seven emirates with differing contributions to overall domestic economic activity. Abu Dhabi and Dubai, the two most populous emirates, account for approximately 90% of the UAE’s GDP, while the other five emirates contribute just over 10%. Abu Dhabi’s economy has a greater reliance on oil than Dubai’s (48% of GDP vs. 2%) (Figure 1), which in 2017 led to a divergence in the economic performance of the two emirates. Abu Dhabi’s economy contracted by 0.5%, a result of lower oil prices and production, while Dubai’s economy grew by 3.1%. The divergence is expected to have narrowed in 2018 based on the government’s preliminary estimates, with the growth in both Dubai and Abu Dhabi estimated at 1.9%.

While the Dubai economy experienced a slowdown in 2018, independent research organizations forecast a recovery driven by the construction and real estate sectors, as Dubai Expo 2020-related infrastructure projects are completed and more residential housing supply is delivered to the market.

The populations of both Dubai and Abu Dhabi are expatriate-dominant. Expatriates made up approximately 92% of the population in Dubai in 2018 and grew at 9% CAGR between 2015 to 2018. In 2016, expatriates made up 84% of the population in Abu Dhabi and grew at 7% CAGR between 2013 to 2016.

Figure 1: Real GDP by sector, Dubai and Abu Dhabi, 2017

Source: Oxford Economics
Role of education in the national agenda

The UAE’s Vision 2021 aims to establish the UAE as “among the best countries in the world” with six national priorities representing the key focus areas of government action in the coming years.8 One of the six axes is a “first-rate education system” for which the government has set targets on several parameters, including UAE’s rank in the Programme for International Student Assessment (PISA) and Trends in International Mathematics and Science Study (TIMSS) – standardized assessments conducted globally.

For the fiscal year 2019, the UAE cabinet approved a budget of AED60 billion, with over AED10 billion allocated to education spending, a reflection of the UAE’s commitment to its vision.9 Over the past 10 years, UAE’s “Education 2020” strategy has aimed to transform K-12 programs to ensure that students are university-ready and can compete in the global marketplace. Further, in May 2019, the UAE government launched the “New National Skills Agenda,” which aims to equip Emiratis across all age groups with advanced skills required for the future.

The focus on the education sector is also evident at the emirate level with Abu Dhabi’s “Tomorrow 21” plan, which includes 50 initiatives to stimulate job creation and investment in the knowledge sector, and with Dubai’s “Dubai Plan 2021,” which includes a focus on high-quality education that is accessible to each socioeconomic segment within the “experience” theme.

Recently government initiatives

There have been several developments in the education policy of both Dubai and Abu Dhabi that signal the government’s commitment to investing in human capital. The following provides a brief overview of two innovative initiatives.

Rahhal (Dubai)

Dubai’s education regulatory body, the Knowledge and Human Development Authority (KHDA), has rolled out an initiative named Rahhal (meaning “traveler” in Arabic) that aims to bring flexibility into the school system. As part of the program, students submit a customized learning plan to the KHDA, specifying focus learning areas and a proposed learning schedule (e.g., four days a week of traditional school instead of five). The objective is to provide students greater flexibility and agility in their learning, helping them prepare for the rapidly evolving requirements of the future workforce.

Education partnership schools (Abu Dhabi)

In June 2019, Abu Dhabi’s education regulator, the Abu Dhabi Department of Education and Knowledge (ADEK), launched the Education Partnership Schools (EPS) program, a public-private partnership (PPP) through which the management of certain public schools will be taken over by private operators starting in the 2019 through 2020 academic year. In the first year, EPS is being launched across 12 public schools covering 15,000 seats.10 These schools will accept enrollment across kindergarten and elementary education, with more stages expected to be introduced as students progress. To execute this project, the government has selected three private providers through a tender bidding and evaluation. The goal is to establish a model for sustainable schools that encourages competitiveness and boosts efficiency by leveraging the expertise of the private sector.

Recent investment activity

The education sector in the UAE has witnessed several transactions recently, concentrated in K-12 and higher education. In June 2018, Amanat Holdings, a UAE-based investment firm, acquired the real estate assets of North London Collegiate School in Dubai in a sale-and-lease-back deal from PNC Investments, the parent company of UAE-based Sobha Group, a real estate development company. In August 2018, Amanat Holdings acquired Middlesex University. More recently, in June 2019, a global private equity firm announced plans to acquire a minority stake in GEMS Education. The announcement comes a year after GEMS Education cancelled its initial public offering in the wake of a school fee freeze implemented in Dubai by the KHDA.

In 2018, the UAE government announced that it would allow 100% foreign ownership of businesses outside the Free Zones (areas with special tax, customs and regulations) for select sectors, which includes educational services.11 Previously, foreign ownership outside the Free Zones was capped at 49% for educational institutions.12 Relaxation of foreign ownership norms allows K-12 and higher education providers greater flexibility to choose their campus locations.
Figure 2: UAE government policy supporting education sector

Source: UAE Government National Agenda; UAE Government Dubai Plan 2021; UAE Government Accelerators Programme - Ghadan 21; UAE Ministry of Education (MoE)
K-12 Education

K-12 landscape in Dubai and Abu Dhabi

In academic year 2017 to 2018 (AY18), there were approximately 311,000 students enrolled in Dubai and approximately 245,000 enrolled in Abu Dhabi, with private enrollment dominant in both cities (Figure 3). In revenue terms, the private K-12 market in Dubai is sized at approximately USD2.3 billion (AED8.5 billion), while the private Abu Dhabi market is sized at approximately USD1.3 billion (AED4.8 billion). Key characteristics of K-12 education in the two cities are as follows:

1. **Share of private sector:**
   - Private school enrollment makes up a higher share of K-12 enrollment in Dubai compared to Abu Dhabi (approximately 90% vs. approximately 72%).

2. **Share of expatriate enrollment:**
   - Within private schools, Dubai has a higher proportion of expatriates compared to Abu Dhabi (approximately 90% vs. approximately 75%). In Dubai, expatriate enrollment in private schools has grown faster than Emirati enrollment (3% vs. 2% CAGR between AY15 to AY18).

3. **Average fee:**
   - The average grade 8 fee in Dubai private schools (approximately USD11,000) is higher than in Abu Dhabi private schools (approximately USD7,000). Approximately 25% of private school enrollment is concentrated in schools with a fee higher than USD14,000 in Dubai, whereas the proportion is only 11% for Abu Dhabi.

4. **Catchments:**
   - In Dubai, premium segment schools (fee above approximately USD14,000) are largely concentrated in and around Umm Suqeim, Dubai Marina and Arabian Ranches, which are also areas with high rentals and high concentrations of expatriates. In Abu Dhabi, most of the premium segment schools are on the main island where expatriates have traditionally preferred to live. However, premium segment schools have opened in the suburbs that are east and north of the main island, where newer housing developments are attracting expatriates (e.g., Saadiyat Island, Al Reem Island, Al Raha Beach and Yas Island).

5. **Quality ratings:**
   - The KHDA and ADEK rate schools on a six-point scale based on the performance of schools and standards set by each regulator. In both emirates, school ratings tend to be correlated to school fees, with higher-fee schools typically receiving better ratings than lower-fee schools (Figures 4 and 5).

6. **Emirati share of public vs. private:**
   - In both Dubai and Abu Dhabi, approximately 40% of Emirati enrollment is in private schools. While in Dubai the share of Emiratis studying in private schools has stayed broadly constant, in Abu Dhabi, the share has grown from approximately 36% (AY13) to current levels, indicating a shifting preference toward private education.
Figure 3: Student enrollment and revenue, by fee segment, Dubai and Abu Dhabi, AY18

Dubai

<table>
<thead>
<tr>
<th>Student enrollment</th>
<th>Private enrollment</th>
<th>Enrollment by fee segment</th>
<th>Revenue by fee segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>311k</td>
<td>281k</td>
<td>281k</td>
<td>~USD 2.3b</td>
</tr>
<tr>
<td>Public</td>
<td>Emirati</td>
<td>Premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
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<td></td>
<td></td>
<td>Medium</td>
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<td></td>
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<td>Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Very low</td>
<td></td>
</tr>
</tbody>
</table>

Abu Dhabi

<table>
<thead>
<tr>
<th>Student enrollment</th>
<th>Private enrollment</th>
<th>Enrollment by fee segment</th>
<th>Revenue by fee segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>245k</td>
<td>177k</td>
<td>177k</td>
<td>~USD 1.3b</td>
</tr>
<tr>
<td>Public</td>
<td>Emirati</td>
<td>Premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>High</td>
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<tr>
<td></td>
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<td>Medium</td>
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<td></td>
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<td>Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Very low</td>
<td></td>
</tr>
</tbody>
</table>

Note: The fee segmentation is based on the classification provided by the ADEK. (Figures in AED are converted to the nearest thousand USD.)

*Note: Revenue is calculated using total enrollment and segment average tuition fee.
Source: Abu Dhabi Department of Education and Knowledge (ADEK); Knowledge and Human Development Authority (KHDA); UAE Ministry of Education (MoE).
Figure 4: Private schools, by fee, enrollment, curriculum and rating, Dubai, AY18/13

Source: Knowledge and Human Development Authority (KHDA)

Figure 5: Private schools, by fee, enrollment, curriculum and rating, Abu Dhabi, AY18/13

Source: Abu Dhabi Department of Education and Knowledge (ADEK)
Private K-12 market trends

Key trends in the K-12 segment are driven by evolving student preferences and the school offerings.

Private school enrollment in both Dubai and Abu Dhabi grew at 3% CAGR between AY15 and AY18. In both markets, the premium fee segment (>USD 14k) witnessed the highest growth, demonstrating resilience to recent economic volatility (Figure 6).

In Dubai, within the high-fee segment (USD8,000 to USD14,000), enrollment outpaced capacity additions between AY15 to AY18, bringing utilization to approximately 88%. In Abu Dhabi, incremental enrollment in the medium-fee segment (USD5,000 to USD8,000) kept pace with capacity addition (both grew by approximately 4,000) such that utilization remains high at approximately 87% (the highest among all segments except the very low segment). These segments present potential opportunities for new investors.

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Technology in K-12

The UAE Ministry of Education (MoE) has supported a number of initiatives promoting the use of technology in K-12, including:

- Madrasa e-learning platform: In 2018, the UAE MoE launched Madrasa, a free e-learning platform for students across kindergarten to grade 12, which contains more than 5,000 videos in Arabic covering topics in mathematics, biology, chemistry and physics. The platform aims to support Arabic-speaking students who face language barriers with existing learning resources, typically offered in English.

- Duroosi YouTube channel: Duroosi is a YouTube channel with tutorials for grades 11 and 12 students. The channel was launched in 2013 through a partnership between the UAE MoE, Etisalat (a telecom provider) and Google with the aim of reducing parent expenditure on private tuition.

With more than 200,000 students enrolled in schools charging a fee greater than USD5,000, Dubai and Abu Dhabi present sizable markets for education technology (EdTech) providers and investors. BYJU’S, a leading Indian EdTech provider, reported 120,000 downloads of its mobile application in the country. 16
The UK curriculum schools have the largest enrollment base within private schools in both cities, with an approximate 36% share in Dubai and an approximate 26% share in Abu Dhabi (Figure 7). These schools have also witnessed one of the fastest growth rates between AY15 and AY18. However, there are a few key differences in curriculum trends between the two cities:

1. UK and International Baccalaureate (IB) curriculum are the fastest-growing curricula offerings in Dubai, growing at 8% and 5% CAGR, respectively (Figure 7).

2. US curriculum schools in Abu Dhabi are more premium on average than in Dubai: 64% of US curriculum enrollment in Abu Dhabi is in the high and premium segments, while in Dubai, over 70% of US curriculum enrollment is in the low to medium-fee segments.。“

By contrast, US and UK curricula are the fastest-growing curricula in Abu Dhabi, with enrollments growing at 8% and 4% CAGR, respectively.

Figure 7: Student enrollment, by curriculum, Dubai and Abu Dhabi, AY15-AY18

Note: “Others” in Abu Dhabi include IB and SABIS enrollment.
Source: Abu Dhabi Department of Education and Knowledge (ADEK); Knowledge and Human Development Authority (KHDA)
The trends across fee segments and curricula can be explained in part by new school additions in recent years in both emirates. In Dubai, UK curriculum schools and schools in the premium segment have dominated new school additions, while in Abu Dhabi, new supply has been more evenly split across both curricula and fee segments (Figure 8).13

**Figure 8: New schools, by fee segment, Dubai and Abu Dhabi, AY16-AY18**

![Graph showing new schools by fee segment in Dubai and Abu Dhabi](image)

Source: Abu Dhabi Department of Education and Knowledge (ADEK); Knowledge and Human Development Authority (KHDA)

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**Changes to the KHDA school fees framework**

Fee growth is regulated by both the KHDA and ADEK. While Dubai’s KHDA publishes a fee framework that defines the fee growth allowed by any school, the ADEK currently evaluates fee growth requests on a case-by-case basis.

The maximum allowed fee growth of a school in Dubai is a multiple of the annual Education Cost Index (ECI), an education-specific inflation index. Prior to academic year 2017–18, the ECI multiple was based on the school’s rating such that higher-rated schools were allowed higher fee increases. For academic year 2018–19, the KHDA instituted a one-year fee freeze to reduce the financial pressure on parents in the city.18 Later in 2019, the KHDA published a new School Fees Framework effective in academic year 2019–2020 that continues to be based on the ECI but incentivizes improvement in school rating. The ECI has ranged from 2% to 3% since 2016, and the multiple now ranges from 0 to 2 depending on the rating improvement.

In Abu Dhabi, average annual fee growth has historically been close to inflation (approximately 2% to 3%).
1. UAE’s GDP growth is expected to be stable and in the range of 3% to 3.5% over the next five years (to 2024). In Dubai, the expatriate population is expected to grow at a stable rate in line with GDP and likely to continue driving growth in private K-12. In Abu Dhabi, due to the slowdown in the oil and gas sector (resulting in job losses among expatriates in 2017) and the growing preference of Emiratis for private education, the Emirati community will play an increasingly important role in driving private K-12. Operators will need to focus on differentiating themselves based on the specific needs of their target audience.

2. Competitive intensity in the premium segment (greater than USD14,000) is high in both Dubai and Abu Dhabi, and providers and investors will need to differentiate themselves to grow in this market. The high (USD8,000 to USD14,000) and medium (USD5,000 to USD8,000) fee segments in these markets currently present an opportunity for investors given the high utilization of current enrollment capacity in addition to high enrollment growth rates.

3. Given the absence of high-quality schools in medium and below fee segments (<USD kk), and the lack of investor interest due to lower returns, PPP programs along the lines of Abu Dhabi’s EPS could be the way forward for bringing in quality at affordable prices. This may open additional opportunities for private investors and operators.

4. Fee growth in Dubai will likely continue to be in the range of 2% to 4% going forward, but operators and investors will need to bear in mind that highly rated premium schools will have limited opportunity to increase fees above inflation based on the KHDA’s new fee framework. In Abu Dhabi, fee growth is expected to continue being in line with inflation (2% to 3%).

5. Even though UK curricula still dominates both the Abu Dhabi and Dubai markets, investors could consider opening US and IB curricula schools in Abu Dhabi and Dubai, respectively.

6. Population in the micro-catchments around new residential developments in Dubai and Abu Dhabi are likely to see growth, potentially presenting an opportunity for operators and investors. In Abu Dhabi, housing projects are coming up on Yas, Reem and Saadiyat Islands and Al Raha Beach. In Dubai, projects are underway in Deira Islands, Al Khawaneej and Bluewaters Island.
Higher education

Higher education landscape in the UAE

Broadly, there are three categories of higher education institutions in the UAE (Figure 9).

The three types of institutions differ in terms of the licensing and program accreditation process they undergo. The key bodies that regulate higher education in Dubai are the Ministry of Education, Commission for Academic Accreditation (CAA) (a part of the MoE) and the Knowledge and Human Development Authority. Except for international branch campuses (IBCs) inside Dubai’s Free Zones, all institutes in the UAE are mandated to obtain a license and accreditation from the CAA. IBCs operating within Dubai typically choose to be licensed by the KHDA and follow KHDA’s quality assurance requirements, but these institutions can also apply for accreditation by the CAA. The CAA accreditation process is longer than the KHDA’s, but the advantage of having a CAA accreditation is that only graduates from CAA-accredited universities are eligible for federal public-sector jobs.

<table>
<thead>
<tr>
<th>Type of institution</th>
<th>Location</th>
<th>Licensed by</th>
<th>Nationality split</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>No restriction</td>
<td>MoE (Accredited by CAA)</td>
<td>Predominantly Emirati nationals</td>
</tr>
<tr>
<td>Local</td>
<td>No restriction</td>
<td>MoE (Accredited by CAA)</td>
<td>Mix of Emirati nationals and expatriates</td>
</tr>
<tr>
<td>International branch campus</td>
<td>Outside Dubai Free Zones</td>
<td>MoE (Accredited by CAA)</td>
<td>~95% expatriates, ~5% Emirati nationals</td>
</tr>
<tr>
<td></td>
<td>Dubai Free Zones</td>
<td>KHDA (CAA accreditation optional)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Abu Dhabi Department of Education and Knowledge (ADEK); Knowledge and Human Development Authority (KHDA); UAE Ministry of Education (MoE)
While overall enrollment is comparable in the two emirates, the share of non-Federal enrollment (primarily private) in Dubai is higher (85% vs. 50%). Within this segment, IBC enrollment in Dubai is 24,000, which comprises nearly half of the non-Federal enrollment, while in Abu Dhabi IBC enrollment is ~3,000, comprising 10% of total non-Federal enrollment. Given the scale of its IBC sector, this section will focus on Dubai.

The number of international students studying in the UAE grew by 9% CAGR between 2012 and 2016, reaching a total of 77,000 in 2016. International students enroll at IBCs and local institutes (both public and private); federal institutes accept very few expatriates. Dubai hosts almost half the international students in the UAE, and international students make up approximately 65% of tertiary enrollment in the city. By contrast, less than 30% of Abu Dhabi’s tertiary enrollment is expatriate.

In 2016, students from India made up the highest share of inbound students (approximately 17%) and grew at 16% CAGR between 2012 and 2016 (Figure 11). Besides India and Pakistan, the top 10 source countries for international students in the UAE are Middle Eastern.

*Note: The AY18 enrollment in higher education is estimated based on historical growth rates from AY14 to AY17 for all emirates except Dubai, which is based on reported AY18 data.

The Federal/Non-Federal enrollment breakdown for all Emirates is as per the Federal Competitiveness and Statistics Authority (FCSA), which appears to define “Government” as federal university enrollment. For Dubai, the FCSA data is supplemented with data from the Dubai Statistics Centre (DSC). Non-Federal institutes include both private institutes and institutes that have an affiliation with an Emirati-level government.

Source: Knowledge and Human Development Authority (KHDA); UAE Federal Competitiveness and Statistics Authority (FCSA); UAE Ministry of Education (MoE)

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**Figure 10: Higher Education enrollment by Federal/Non-Federal, by Emirate, AY18**

<table>
<thead>
<tr>
<th>Emirate</th>
<th>Federal</th>
<th>Non-Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dubai</td>
<td>56k</td>
<td>59k</td>
</tr>
<tr>
<td>Abu Dhabi</td>
<td>27k</td>
<td>24k</td>
</tr>
<tr>
<td>Sharjah</td>
<td>11k</td>
<td>4k</td>
</tr>
<tr>
<td>Ajman</td>
<td>4k</td>
<td>5k</td>
</tr>
<tr>
<td>Fujairah</td>
<td>1k</td>
<td>2k</td>
</tr>
<tr>
<td>Ras Al Khaimah</td>
<td>1k</td>
<td>1k</td>
</tr>
<tr>
<td>Umm Al Quwain</td>
<td>1k</td>
<td>1k</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of IBCs</th>
<th>Dubai</th>
<th>Abu Dhabi</th>
<th>Sharjah</th>
<th>Ajman</th>
<th>Fujairah</th>
<th>Ras Al Khaimah</th>
<th>Umm Al Quwain</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBC enrollment</td>
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<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

*Note: The AY18 enrollment in higher education is estimated based on historical growth rates from AY14 to AY17 for all emirates except Dubai, which is based on reported AY18 data.*

The Federal/Non-Federal enrollment breakdown for all Emirates is as per the Federal Competitiveness and Statistics Authority (FCSA), which appears to define “Government” as federal university enrollment. For Dubai, the FCSA data is supplemented with data from the Dubai Statistics Centre (DSC). Non-Federal institutes include both private institutes and institutes that have an affiliation with an Emirati-level government.

Source: Knowledge and Human Development Authority (KHDA); UAE Federal Competitiveness and Statistics Authority (FCSA); UAE Ministry of Education (MoE)

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**Figure 11: Inbound tertiary students by source country (top 10), UAE (UNESCO)**

*Note: The AY18 enrollment in higher education is estimated based on historical growth rates from AY14 to AY17 for all emirates except Dubai, which is based on reported AY18 data.*

The Federal/Non-Federal enrollment breakdown for all Emirates is as per the Federal Competitiveness and Statistics Authority (FCSA), which appears to define “Government” as federal university enrollment. For Dubai, the FCSA data is supplemented with data from the Dubai Statistics Centre (DSC). Non-Federal institutes include both private institutes and institutes that have an affiliation with an Emirati-level government.

Source: Knowledge and Human Development Authority (KHDA); UAE Federal Competitiveness and Statistics Authority (FCSA); UAE Ministry of Education (MoE)
Overview of International Branch Campuses (IBCs) in Dubai

The Government of Dubai has encouraged the establishment of IBCs to provide high-quality international degrees to both citizens and expatriates. The development of dedicated knowledge hubs in Free Zones has attracted 24 foreign universities (as of AY18) to establish campuses in Dubai. The Free Zones in Dubai cater to specific business categories and offer several exemptions, such as 100% foreign ownership, repatriation of profits and favorable tax treatment, promoting ease of operation. IBCs in Free Zones are given academic authorization by the KHDA. The KHDA's primary criteria for authorization is quality equivalence, in other words, the academic program delivered in Dubai is the same accredited program taught at the institution's home campus.

In AY18, approximately 56,000 students were enrolled in higher education institutes in Dubai. IBCs grew enrollment at approximately 4% CAGR between AY15 and AY18, while enrollment in federal and local institutes declined.

Drivers of growth

IBCs primarily cater to expatriates, who constitute most of the enrollment. Growth in expatriate enrollment in Dubai can be attributed to various factors, such as establishment of globally reputed institutes, increased employment prospects, diversity in student nationality, quality of life in Dubai and relaxed visa regulations.

In 2016, the KHDA announced that international students can work part time in any of the approximately 4,500 companies in the Dubai Free Zones, increasing Dubai's attractiveness for international students. Further, in 2018, the UAE Government announced an extended visa scheme for foreign students studying in Dubai. The revised visa policy grants a 10-year residency to foreign students showing exceptional academic performance, while other students are eligible for a 5-year visa (increased from 1 year). This move is expected to continue attracting expatriates to study in Dubai.

Figure 12: Key growth drivers for the IBC market, Dubai

- Reputation of the programs offered
- Relaxed visa regulations
- Employment prospects
- Quality of life in Dubai
- Diversity (graduates without borders)
- Infrastructure
Asian IBCs are growing at a faster pace than their Western counterparts

IBCs in Dubai can be classified as either Asian or Western based broadly on the location of their home campus. (In our analysis, Australian IBCs are classified as Western). Of the Asian IBCs, the four largest by enrollment have home campuses in India. Most Western IBCs are based in the UK and Australia.

The overall IBC market is estimated to be approximately USD400 million in size (AY18), with Western IBCs making up approximately 75% of the market (Figure 13).

Of the approximately 24,000 students enrolled in IBCs in Dubai in AY18, approximately 65% were enrolled in Western universities (Figure 14). While Western universities currently have a higher enrollment share, Asian IBCs grew faster between AY15 to AY18 (9% vs. 2% CAGR), mainly driven by IBCs whose home campus is in India.
Business programs are driving growth in Asian IBCs but have stagnated in Western IBCs

Business programs have the highest enrollment across both Western and Asian IBCs, but while it is driving growth in Asian IBCs, growth has stagnated in Western IBCs. Information technology and media and design are fast-growing disciplines within Western and Asian IBCs (Figures 15 and 16).

Figure 15: IBC enrollment, by discipline and region of home campus, Dubai, AY15–AY18

Figure 16: IBC enrollment by discipline, Dubai, AY15–AY18

Source: Knowledge and Human Development Authority (KHDA)
Undergraduate enrollment is growing faster than postgraduate enrollment at both Asian and Western IBCs

Undergraduate enrollment has driven growth and gained share over postgraduate enrollment in both Asian and Western IBCs. In AY18, undergraduate students made up 74% of enrollment in Asian IBCs, while in Western IBCs, they made up approximately 61%.

Figure 17: Enrollment by level and region of home campus, Dubai, AY15-AY18

Source: Knowledge and Human Development Authority (KHDA)
Western IBCs generally charge higher fees than Asian IBCs and offer a discount to their home campus, while Asian IBCs are operating at a premium to their home campus fee

Western IBCs command a fee premium over their Asian counterparts (Figure 18). The average revenue per student (undergraduate programs) for Western universities is approximately USD17,000 (AED61,000), higher than the approximate USD12,000 (AED44,000) average revenue per student at Asian universities. Western IBCs typically offer their academic programs at a discount to their home campus, while Asian counterparts have fees that are at a premium to their home campus fee, a reflection of the difference in operating costs in the two geographies.

Source: Knowledge and Human Development Authority (KHDA); university websites
Updated CAA guidelines

In April 2019, the CAA published a new set of guidelines for licensing and accreditation that will apply from September 2019 onward. These guidelines outline a new procedure for establishing new institutions and specify required measures for closing or suspending programs at existing institutions. Going forward, all universities will be classified based on quality (measured by international and national rankings, academic history and other factors). Institutions classified as “high-quality” will be subject to fewer reviews by the CAA and lower licensing and accreditation costs. Meanwhile, “lower-quality” institutions will be subject to higher licensing costs and more stringent approval processes.

Higher education institution ratings

In 2018, the KHDA published the first Higher Education Classification report that listed quality ratings for 17 IBCs. The rating methodology was developed in collaboration with Quacquarelli Symonds (QS) and is measured on a 5-star scale. The Higher Education Classification evaluates universities against a range of performance indicators, including teaching, employability, research and facilities, and provides a subrating for each parameter along with an overall rating. Out of the 17 institutes that were rated, 3 were rated as 5-star (all Western) and 8 were rated as 4-star (Figure 19).

UAE IBC degree recognition by the Ministry of Education, China

In 2016, the degrees offered by IBCs in the UAE were granted recognition by the Chinese Service Center for Scholarly Exchange (CSCSE) under China’s Ministry of Education. The collaboration between the KHDA and CSCE is expected to attract more students from China to the UAE.

Figure 19: IBCs ratings, Dubai, AY18

Source: Higher Education Classification Summary Report 2018-2019; Knowledge and Human Development Authority (KHDA)
Looking ahead: opportunities for investors and operators in higher education

1. Investors need to decide between opening an IBC in a free zone in Dubai (KHDA-approved) or opening a CAA-accredited university elsewhere depending on the audience they are targeting. Only graduates of CAA-accredited universities are eligible for federal government jobs, making such universities attractive to Emirati students. However, the CAA accreditation has higher investment and more regulatory requirements.

2. Given the sizeable South Asian expatriate population in the UAE (greater than 30% of the UAE’s population\(^3\)) and the large inbound South Asian student population, investors can consider partnerships with reputed South Asian universities that would cater to this segment of the population.

3. With the KHDA’s increased focus on quality within IBCs and employability being a key criterion in its new ratings framework, operators must focus on employment-oriented courses, such as media and design, information technology and law.
Glossary

ADEK: Abu Dhabi Department of Education and Knowledge
AED: United Arab Emirates dirham
AY: Academic year
CAA: Commission for Academic Accreditation
CAGR: Compound annual growth rate
CPI: Consumer Price Index
CSCSE: Chinese Service Center for Scholarly Exchange
ECI: Education Cost Index
EPS: Education Partnership Schools
FCSA: Federal Competitiveness and Statistics Authority
GDP: Gross domestic product
IB: International Baccalaureate
IBC: International branch campus
IT: Information technology
K-12: Kindergarten to grade 12
KHDA: Knowledge and Human Development Authority
MoE: Ministry of Education
PISA: Programme for International Student Assessment
PPP: Public-private partnership
QS: Quacquarelli Symonds
TIMSS: Trends in International Mathematics and Science Study
UAE: United Arab Emirates
UNESCO: United Nations Educational, Scientific and Cultural Organization
USD: US dollar
Endnotes

1 Oxford Economics
2 Oxford Economics
3 Dubai Statistics Center and Statistics Centre - Abu Dhabi
4 Dubai Statistics Center and Statistics Centre - Abu Dhabi
5 Independent research organizations that forecast an economic recovery include Oxford Economics, The Economist and the World Bank
6 Dubai Statistics Center
7 Statistics Centre - Abu Dhabi (the most recent published data on expatriate population in Abu Dhabi is from 2016)
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