

Embracing EdTech post-lockdown

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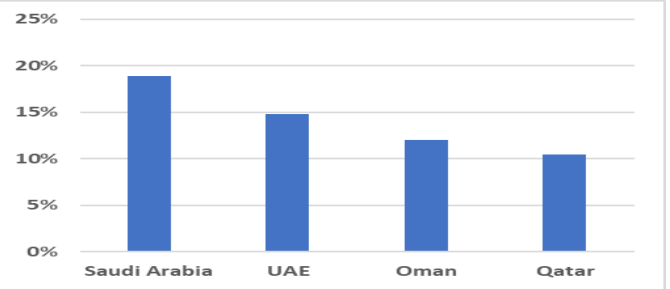
- The lockdown has been driving an increasing focus on educational technology, or EdTech, creating new opportunities in teaching, learning, and investing. Collaboration with MENA governments -- who spend an average of 19% of their budgets on education versus 14% globally -- is an additional new frontier.
- We believe EdTech growth in MENA will come from online training and lifelong learning trends, from women, and from special needs education. This could provide an impetus for new start-ups, and for more funding to existing entrepreneurial ventures.
- Going forward, we expect e-learning to become more of a necessity rather than a simple option. Requisite business models and financing, including public funds, should follow.

EdTech weaves into traditional MENA teaching & learning

The rapid change, new tools and technological approaches that have been spawned by the virus will not end when the pandemic is over. We will see growing partnerships between governments, traditional education and EdTech companies.

- Many MENA governments have taken great strides in the past few years towards better education systems, increasing spending in the sector and opening it to more private investment. We expect further stakes in the region from foreign universities and international schools, notably in GCC countries.
- The education sector has been expanding over the past decades at primary, secondary and tertiary levels.
 - As one indication of the change, the average level of schooling reached by MENA citizens has quadrupled since 1960 and literacy levels have doubled since 1980.
- The largest education deals (private equity, venture capital and corporate acquisitions) in MENA are concentrated in K-12 education and higher education, followed by EdTech.
 - The UAE is the largest player in this field, taking part in five out of the 10 of the largest disclosed education deals in MENA by size, totalling USD 435M.
 - Dubai-based GEMS Education, a schooling management and advisory company, is by far the largest provider and operator of schools in the UAE.
 - It boasts 48 schools in the UAE, four in Egypt and two in Qatar (as well as a number in France and Britain).
 - The main growth areas, including for investment, would appear to be in the UAE, Saudi Arabia and Egypt.

Figure 1 - Government Spending on Education (% of Budget)¹



- GCC countries especially have been allocating sizeable budgetary resources and undertaking reforms to spur investment in education.
 - Like much of the region, GCC governments face a number of social challenges high unemployment (especially Saudi Arabia and Oman) and a workforce heavily weighted with young people.
 - These challenges have shaped GCC governments' development strategies based on high spending in education, healthcare, and infrastructure.
 - With a growing youth population (almost 50% of the GCC population is under 30), and high youth unemployment (18%), education is a priority.
 - This has been reflected in each country's efforts to move from a rentier economy benefitting a few, towards a more socially encompassing economy based on knowledge and skills. This is a necessary step to avert social tensions that could fuel popular discontent.
- Privatisation of higher education has led to an increase in international branch campuses (IBCs) in the GCC.²
 - GCC countries (other than Saudi Arabia) are today the largest hosts of IBCs. The UAE has more than 40 IBCs (up to a quarter of all IBCs worldwide). Kuwait and Qatar also boast substantial numbers.
 - While there have been some shortcomings and major challenges for IBCs opening up in the region, we expect local governments to push for more private colleges and international partnerships, facilitating a global presence in the labour force.

Building solutions with EdTech

As part of the expansion of education, there has been a shift towards educational technology, or EdTech, and a rising number of specialised start-ups. However, the MENA EdTech sector is still in its infancy and start-ups require support.

- The global EdTech market is expected to be worth USD 40B by 2022 with MENA being one of its growth areas. Increasing smartphone penetration and favourable government initiatives will be two major growth drivers.
 - The MENA online education and e-learning market is expected to grow at a compound annual growth rate of 9.8% over 2017-2023 to USD 940M from USD 558M in 2016. This compares with a growth rate of 8.8% globally, 7.1% in the US and 11.8% in China.

¹ Arabia Monitor; Ministry of Finance of respective countries.

² These are either owned solely by a foreign university or jointly between a foreign university and a local partner.

- Significant investments in EdTech start-ups in the region are boosting the market. We believe that online learning services will see a further increase in the coming years as e-learning is becoming more of a necessity rather than a simple option.
 - More start-ups could secure further investments and collaboration with governments amid the current COVID-19 crisis.
 - The level of investment in EdTech start-ups in the region rose to USD 21M by the end of 2019 (from only USD 2M in 2017) as schools upgraded their systems and incorporated more technology.
 - The number of EdTech start-ups has also increased. There has been a rise from 270 EdTech start-ups in 2017 to 800 by end-2019.³
 - This type of technology has been given a boost by the pandemic, and more start-ups could now be better positioned to secure further investments and collaboration with governments.
 - Abwaab, a Jordanian EdTech start-up, has recently secured USD 2.4M in MENA's largest pre-seed funding round.
 - Noon Academy, an online teaching platform with offices in Riyadh, Cairo and Bangalore, is one of the fastest-growing EdTech start-ups in the Middle East, with over 2 million registered students. It mainly operates in Saudi Arabia and Egypt but has expanded recently to India.
- In most MENA countries, educational institutions remain closed and over 100 million students are out of the classroom.
 - Governments have been forced into finding alternative solutions to traditional classrooms and many are now relying on e-learning.
 - To mitigate the impact of school closures, learning in MENA has gone virtual, moving online where connectivity can be established, and using television, radio, and paper-based approaches where internet access is limited.
 - Jordan's online learning platform Abwaab and e-publisher Mawdoo3 recently helped the government set up Darsak, an online platform to teach over 1 million school-going students across Jordan during the COVID-19 crisis.
 - In the near future, with universities and schools remaining shuttered, there are strong prospects for online-course provision. As students have more free time, they tend to learn more about topics outside their curricula, such as programming and languages.
- We see no reason why e-learning should not continue to thrive after the pandemic burns out, indeed it should expand to complement traditional learning systems.
- Investing in online training and lifelong learning will be driven by the rise of life expectancy and the need to adapt to the changing requirements of the job market. Foreign players are bound to jump in.
 - As the MENA job market is changing and requiring more technical skills, we expect many international online learning platforms to expand in the region.

Table 1 - MENA EdTech Startups, by Amounts of Funding³

Date	Country	Startup	Funding Amount	Funding Type
Apr-20	Kuwait	Baims	Undisclosed	Seed
Mar-20	Jordan	Abwaab	USD 2.4M	Pre-Seed
Feb-20	Saudi Arabia	Aanaab	USD 1.5M	Seed
Oct-19	UAE	Almentor	USD 4.5M	Series A
Jul-19	Egypt	COLNN	USD 100K	Seed
Jun-19	Saudi Arabia	Noon Academy	USD 8.6M	Series A
May-19	Jordan	Little Thinking Minds	USD 500K	Series A

- California-based online learning platform Coursera wants to expand its MENA business by more than 30% this year, focused mainly on Saudi Arabia and the UAE. It is planning to translate more of its courses into Arabic and provide courses to local universities.
 - This may be a template for new investors in MENA. Platforms that offer content in Arabic and French (mainly for North Africa), as well as English, will have higher chances to boost their presence.
 - Women may be one source of EdTech growth in MENA, where they have the third-lowest literacy rates after South Asia and Sub Saharan Africa. Courier service UPS, for example, is offering e-learning modules on e-commerce topics for women entrepreneurs in countries across the region.
 - It may be challenging to set up direct investments, however, as most women needing e-learning are in rural areas with poor infrastructure. However, collaboration with governments, including local governments, could help.
 - Many households still do not have laptops, tablets, or smartphones accessible for regular learning. In Algerian schools, for instance, there is a ratio of 10 students/computer, much higher than OECD average of 2.
 - Special needs education presents another untapped opportunity for EdTech. GCC governments started to embrace a broader policy view of inclusive education to provide opportunities for all learners since 2011.
 - Some, but not all, private schools offer learning support for dyslexia, dyspraxia, ADHD and other learning difficulties. Places may be limited; EdTech could fill the gap.
 - Qatar leads its GCC peers in terms of special needs learner inclusion, as more than 50% of schools are equipped to teach students with learning disabilities. The country also hosts the Al Noor Institute and the Shafallah Centre, which offer special needs education.
- The outlook for EdTech is positive. While traditional ways of learning will continue post-pandemic, we believe that the amount of education content that will be consumed using EdTech will eventually exceed that of learning on campus. EdTech companies will also play a larger role in partnering with traditional education to enhance their learning delivery.

³ Magnitt.

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