OPEN ACCESS
Journal of Advances in Education and Philosophy
Abbreviated Key Title: J Adv Educ Philos
ISSN 2523-2665 (Print) |ISSN 2523-2223 (Online)
Scholars Middle East Publishers, Dubai, United Arab Emirates
Journal homepage: https://saudijournals.com

Original Research Article

Role of Private Sector in G.C.C. Education

Dr. Kameswari Peddada[1*], Mrs. Wafaa Jasem Mohamad Alhuthaifi[2]

[1]Professor, Business Studies, Arab Open University-Kuwait, State of Kuwait
[2]Lecturer, General Studies, Arab Open University-Kuwait, State of Kuwait

DOI: 10.36348/jaep.2021.v05i07.001 | **Received:** 22.05.2021 | **Accepted:** 28.06.2021 | **Published:** 03.07.2021

***Corresponding author:** Dr. Kameswari Peddada

Abstract

Gulf Cooperation Council [GCC] countries are basically commodity-based economies. Despite a remarkable socio-economic progress when compared to their pre-oil past, they are now facing problems arising from a predominant dependence on oil, lack of skill-diversity among nationals, over-dependence on expatriates, growing need for public services with increasing population, and insufficient innovation. Despite rising literacy rates realigning their workforce to the job-markets has remained elusive. A diversified, knowledge-based economic model is a solution to the problems and it basically depends on universal, equitable and quality education for the nationals. An extensive review of available literature has been undertaken to study the current problems and to come up with appropriate solutions. The governments alone, despite their oil-wealth, were found unequal to the task of catering to the growing educational needs. Private sector involvement, including privatization and public-private partnership, was found to provide more finances, reduce the state fiscal burden, and enhance efficiency, productivity, innovation, accountability and transparency in education delivery, besides offering better quality in higher education. A holistic long-term plan would be needed to achieve the objectives, while overcoming some of the constraints of the private sector. That is the focus of present study for a suitable educational policy in the context of GCC countries. Such studies may, in the future, also be extended to include the Middle East and North African [MENA] countries.

Keywords: Commodity-based Economy**,** Diversified Economy, Educational Policy, Gulf Cooperation Council, Knowledge-based Economy, Privatization, Public Private Participation.

INTRODUCTION

The present policy commentary attempts to analyze the role of private sector and suggest ways and means to improve efficiency and effectiveness of it in the context of educational needs of the GCC countries. People need education to know the available opportunities and scope for improvement as well as to empower themselves to seize such opportunities and keep on learning (Ghose, 2003). Education is the resource that drives a knowledge-based society in the present global economy. Generating human capital is the key to foster economic growth in any nation (Pessova, 2007). Initially the governments were able to cater to the educational needs of citizens by funding and running institutions on a free and not-for-profit basis, when demands were meager and basic. But as the demands started growing in quantity, quality and variety, they were unable to deliver. Even the most resource-rich countries find themselves constrained (OBG, 2016; GFH, 2016). Private sector includes non-government organizations, faith-based organizations, trade unions, private companies, small-scale informal providers and individual practitioners (Lusk-Stover & Patrinos, 2015). Though profit-oriented, the private sector has the finances, capacities, capabilities, flexibility, innovativeness and efficiency to meet the rising and varied demands to deliver educational services in a cost-effective, transparent and accountable manner. The governments have to play their role in creating a regulatory framework to channelize the private sector energies towards benefiting the cause of education, rather than indulging in greed for profits. Thus governments, spared of running into fiscal deficits, may concentrate on matters of governance for creating and managing regulatory institutions and bodies for ensuring quality, equity and sustainability in delivery of education to its citizens (Lusk-Stover & Patrinos, 2015; Shanker, 2016). A holistic long term plan with privatization initiatives covering all major sectors of the economy, including education, is needed to transform the GCC economies, narrow the innovation gap with other developed countries, enhance delivery of and access to government services and improve infrastructure (Halaoui, Ghazaly, Aly, Malek & Samad, 2017).

REVIEW OF LITERATURE

The state-led oil-dependent model uplifted the GCC economies, but a decline has set in from over-dependence on a single commodity, lack of workforce diversity in skills, growing need for public services, and insufficient innovation. The Public Private Partnership [PPP] remedy, used on a short-term tactical basis, has failed to tap the full potential. A long-term plan of privatization in all the sectors, including education, shall transform the economy, narrow the innovation gap with other countries, enhance delivery of and access to government services and improve infrastructure. It would lower the state's fiscal burden, lead to a workforce with improved skills and ensure a broad-based stable economy. To achieve this, a rigorous and comprehensive approach to private sector participation and a clearly articulated, long-term implementation plan encompassing all economic sectors are required. The three elements forming the basis for such an approach include 1. A governing policy: for private sector participation [PSP], either a standalone policy or as part of a broader national policy, 2. A legal framework: new laws or modifications to existing laws to facilitate PSP activities, and 3. An institutional setup: clearly defining and allocating authority over PSP to existing government entities, or newly established entities to govern it (Halaoui, Ghazaly, Aly, Malek & Samad, 2017).

With state-support and advantages, like cheap foreign labor, cheap state-provided energy and no taxes, the private sector surpassed its peers in the wider Middle East North Africa region [MENA] in scale of operations, and sophistication. But it has not ventured outside its zone of comfort into diversification, technology up-gradation, reform, and alignment with wider society through employment, investment and taxes. Any crisis and loss of state support would ruin it. What has happened in the poorer MENA states after revolutions may happen in the GCC without a revolution. The current situation is mostly the outcome of structural forces beyond the control of businesses. Gulf business is currently too comfortable to undertake any strategic moves voluntarily (Hertog, 2014).

GCC economies have evolved significantly over the past decade [2004-2014]. They have implemented many policies for economic diversification, like reforms to strengthen business environment, infrastructure development, increased financing for companies (particularly small and medium-sized enterprises), and improvement of educational outcomes. While the share of non-oil output in GDP has increased steadily, export diversification has been more limited. The international experience in such diversification efforts shows obstacles, like economic volatility, corroding effect on governance and institutions, and over-valued real exchange rates from single commodity dependence. Amidst many examples of failure, there are only a few relatively successful cases. GCC countries do not suffer from the third obstacle from the ready available low-wage expatriate labor not pushing up wages in the private sector. But still the incentive structure in the economy affects national workforce and the private sector firms. The risk-return tradeoff encourages the former, especially the low-skilled, to opt for better paying public sector jobs and seek education only suitable for such jobs. The latter opt for producing goods and services to meet consumption and investment needs of the domestic market (non-tradables) relying on low-wage foreign labor, rather than attempting to enter riskier export markets by producing 'tradables'. All the earlier measures were important, but not sufficient. The incentive structure, the missing link in current policies, has to be changed. Targeted measures for the national workforce include: 1. limits on public sector employment in terms of number and wages, and 2. strengthening safety nets, like unemployment insurance, job search support, and training, retraining and skills-acquisition. Measures for the corporate sector include: 1. export insurance guarantees, 2. financing for export activities, 3. development of a venture capital industry, 4. incubators with university links coupled with research and development funds, and 5. linkages between state-owned enterprises, multinational companies, and small and medium enterprises [SMEs] to promote development of tradables and exports. 6. control of ability to extract monopoly rents in non-tradables sectors, 7. Limiting current reach of State Owned Enterprises [SOE] activities by enforcing competition policies, and 8. control of the sponsorship system involving payment of less than domestic market wages to expatriate workers and low-productivity production and favoring hiring of more-skilled workers and technology to help boost productivity (Callen, Cherif, Hasanov, Hegazy, & Khandelwal, 2014).

GCC countries have been undergoing an exponential growth in their higher education sector. All the GCC nations concur on the policy of expansion of private higher education institutions as a solution to their educational problems. Some of them are purely local institutions funded by investors, while others are either joint ventures or satellite campuses of foreign universities. U.S., Canadian, British, Australian, and Indian universities are seeking to cash in on this very promising market. Privatization is viewed not simply as solution to the increasing demands, but to ensure quality of education to international standards, market-relevance and better employability. Public institutions plagued by mediocre faculty, outdated teaching methods, and poor materials and facilities were unable to deliver such solutions (Coffman, 2015).

Private higher education institutes, in return for opportunities provided for development of higher education infrastructure by the GCC governments, were expected to reciprocate through: 1. larger financial investment in infrastructure to cater to a larger student base, 2. own internal quality improvement programs beyond the statutory quality assurance documentation, 3. regular review and update of curricula catering to the distinctive student groups, like local and expatriate, and revised as per the local corporate feedback, 4. better compensation, career development and mentoring opportunities to attract better teaching faculty, 5. promotion of institutional research and development, besides higher education research to find better alternatives for further growth and development. GCC Governments, for their part, should provide higher level of support by funding their research and development activities (Naithani, 2011).

The education sector in the GCC has picked up with total enrolment (pre-primary to tertiary) growth accelerating from a Compound Annual Growth Rate [CAGR] of 3.6 percent over 2010-13, to a CAGR of 5.6 percent from 2013-15. The education industry has benefited from rising population, high GDP per capita, willingness to spend by people for quality education and sustained government spending on education. The education sector outlook for 2016 revealed an impact on government spending across the GCC from declining oil prices and widening budget deficits. But it has remained resilient at 14 percent average, at par with developed nations, like UK and USA. Overall, the GCC education sector is well poised for growth in the future. The private sector involvement in education would be the only way out to reduce stress on state finances. The quality of education was sought to be improved through regulators for quality assurance, increased teacher training, and attracting foreign players through tax breaks and government funding. This quality focus is desirable for the education sector in the backdrop of a growing demand in the future (GFH, 2016).

Saudi Arabia achieved better statistics in school enrolment and university graduation along with quality and range of learning opportunities. More young Saudis were spending a longer time in education and leaving with higher qualifications. But realigning education to market needs and creating a labor market to utilize their skills remained elusive. Demographic pressures and fluctuating world crude prices made greater private involvement the key to develop education and employment sectors in the long term. The Saudi government was looking to invest in smarter, more efficient ways, and greater private sector involvement in the education sector would be the key in moving forward (OBG, 2016).

The GCC education sector has been witnessing a robust growth in student enrolments coupled with a steady expansion in related infrastructure. GCC education industry data for 2018-2022 [forecast period] revealed: 1. increasing school and college going population, markedly in pre-primary and higher education, both in the public and private sectors, and 2. increasing demand for schools. The underlying reasons for this were an increasing population, increasing personal tax-free income, affordability of quality education, and government support, like increasing budget allocations with long-term strategies and policies favoring the private sector. The challenges faced by the education sector included: 1. Decline in oil prices leading to scaling back of many educational projects and a greater focus by employers on cost rationalization. 2. Increasing competition among private operators from the influx of international institutions and oversupply of local education providers leading to pricing pressures and margin erosion. 3. Shortage of experienced teachers from high costs of living in the GCC and rising demand in home countries. 4. Preference for higher education abroad for global competencies and limited access to reputable international institutions locally. The trends to watch for and respond appropriately include: 1. Encouragement for higher education and career within the region by facilitating renowned international universities to have bases in GCC. 2. Modernizing regional education by smart learning programs and aligning their curricula to the global standards. 3. Encouragement for vocational trainers to overcome shortage of skilled workers. 4. Supply imbalance in the competitive education markets between premium operators and affordable providers with need to adopt newer pricing policies and strategies to remain competitive. The key factors that would help the GCC countries get closer to realizing their vision of building a knowledge-based economy includes increasing student enrolments, emphasis on quality of education, adoption of smart education concepts, focus on streamlining the existing education system, and efforts to privatize the sector (Alpen Capital, 2018).

Some references were consulted beyond the confines of GCC for benefiting from experiences from other developing, emerging and developed nations. Despite responsibility to ensure education as a human right, governments need not be sole providers. Private sector involvement would increase financial resources for education and supplement state's capacity to meet growing demands for education. Government's efforts in creating a strong regulatory framework for quality and equity, while encouraging investment and competition, would be supported by the World Bank tool, systems approach for better education results [SABER] by engaging the private sector [EPS] (Lusk-Stover & Patrinos, 2015).

A research study of 60 countries, states or provinces across Sub-Saharan Africa and South Asia was undertaken with the objective of regulatory compliance with the four key policy goals: 1. Innovativeness in providing for educational needs of local community, 2. Quality of education delivered, 3. Empowerment of parents, students and communities through information for informed decision, and 4. Diversity of supply. It was found that gaps existed between policy intent and implementation: 1. some stringent provisions deterred private schools from registration, 2. non-affordability of private schools for the poorest sections, and 3. lack of information on institutions to students and parents for informed decisions. It was also found that even the poorer sections increasingly depended on private sector for their educational needs for reasons, like 1. Quality, responsiveness and accountability, 2. Alignment with local interests and values, 3. Satisfaction of differentiated educational demands, and 4. Greater flexibility in terms of curricular and program innovations, and improved assessment techniques (Lewis, 2013).

Chronic shortages in professional course admissions, training needs for newly emerging fields, inflexibility in updating facilities, infrastructure or curricula, and varied demands of heterogeneous student groups have necessitated entry of private sector in India (Ghose, 2003). The private sector participation has also posed some problems, like need for caution in selection of courses in line with one's objectives, and disturbance to educational balance from too much focus on high-end technologies, specific industry demands and short-term gains at the cost of long-term success. Despite private sector participation in higher education in India driven by the Government's limited resources, gross enrolment ratio was found to be fairly low, compared to some advanced economies. But regulation of higher education is stringent with University Grants Commission [UGC], All India Council for Technical Education [AICTE] and fifteen professional councils acting as regulators of higher education, and National Assessment and Accreditation Council [NAAC] and National Board of Accreditation [NBA] supervising quality in higher education through institution accreditation and program accreditation respectively (Shanker, 2016).

A study of education system in Brazil has found that private sector participation could reshape education by bringing in managerial expertise, use of technology in creative ways, professional management of funds and resources, and developing inventive global partnerships to offer local education solutions. Governments should encourage policies for attracting the private sector to participate actively in education by creating innovative and financially viable projects to improve quality of education (Pessova, 2007).

RESEARCH METHODOLOGY

The present study was focused primarily on review of literature on the education sector of GCC countries. A few parallel studies of some Asian, African and Latin American nations were also included for comparison and context. The present study is based on secondary data and is not empirical. The scope of study might be further extended to cover the countries of the Middle East and North Africa (MENA) region, if more time and efforts can be spared. The conclusions might guide the way forward for aligning the educational sector policies towards facilitating transformation of the GCC economies from commodity-based to broader, knowledge-based ones, thereby safeguarding the past achievements and ensuring a brighter future through balanced sustainable growth based on financial and economic stability. The findings and conclusions might as well apply for other developing and emerging nations of the world after due consideration of their unique socio-economic characteristics.

FINDINGS

The GCC countries, by wisely managing their natural abundance in oil and gas and adopting modern technologies in extraction and supply, have achieved great progress in transforming their economies from developing towards advanced, beyond the expectations of anyone in the pre-oil era. But the going is now getting increasingly tough due to population growth, rising expectations of people, fluctuation in international oil prices, prospect of dwindling oil reserves, advances in non-renewable sources of energy, and risks from a narrow commodity-based economy. Transformation into broad and knowledge-based economy is the need of the hour to preserve and maintain the progress achieved so far. To fulfill this need for transformation, an educated, well-trained and multi-talented human resource is essential, which can be achieved through policy changes towards greater investments and innovations in delivery of education in the Gulf area.

Studies with focus on GCC education sector have revealed the following facts (Table-1):

Table-1: Gross Enrolment Ratio in the GCC with Comparisons (2016)

Parameters	Pre-primary	Primary	Secondary	Tertiary
Bahrain	55.3%	101.1%	103.9%	46.6%
Kuwait	67.9%	100.6%	93.6%	27.0%
Oman	57.0%	108.6%	107.1%	44.6%
Qatar	60.1%	103.7%	92.5%	15.4%
Saudi Arabia	25.0%	116.2%	109.3%	66.6%
UAE	81.9%	110.9	95.8%	36.9%
GCC	35.6%	113.5%	106.2%	54.7%
World (2016)	49.3%	104.1%	76.8%	37.5%
Germany (2016)	108.5%	103.0%	101.9%	68.3%
UK (2016)	110.9%	101.4%	152.2%	59.4%
US (2016)	71.94%	101.4%	98.7%	88.9%

Source: Alpen Capital, 2018

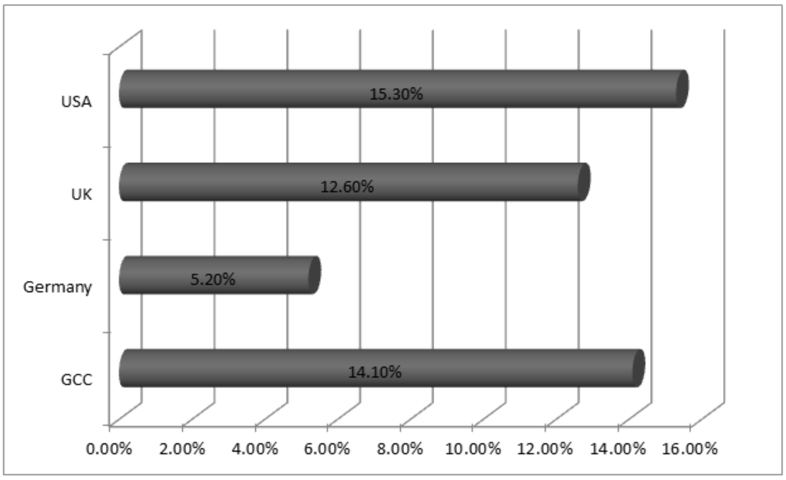

Fig- 1: GCC Govt. Spending on Education (% of Total Expenditure for 2018)
Source: Adapted from data in Alpen Capital, 2018

1. Population projection was 62 million in 2022 with over 12.1 million below 18 years.
2. Despite oil price fluctuations, GCC spending on education remained resilient at 14% (9%-23% range) of government expenditure at par with developed nations (Fig. 1).
3. Number of students was expected at 14.5 million (2022) from 12.9 million (2017) with a compound annual growth rate (CAGR) of 2.3%.
4. Pre-primary and higher education segments were expected to grow faster than others.
5. The primary & secondary students at 10.9 million (2022) form three-fourths of the total student population.
6. Students studying in private schools was expected at 3.2 million (2022) with 4.1% CAGR and those in public schools at 8.8 million with 1.3% CAGR.
7. GCC region’s demand for schools was expected at 36747 (2022) at 1.9% CAGR with a requirement of over 3200 schools in the next 5 years, mostly in Saudi Arabia.

It is difficult for governments, even in the advanced and resource-rich countries, to meet increasing, varied & special education needs of growing populations. It is a wise to involve private sector in education at the earliest and adequately. The advantages include more finances for education supplementing state’s finite capacity, better professional expertise enabling better quality at lower cost, and innovations in curricula, programs and assessment techniques difficult to achieve in the inflexible public sector, besides raising standards of both the sectors by offering competition. Public Private Participation enables better management of funds using technology in premier government institutions, technology upgradation to deliver newer programs and improved service quality, sustainable business models for new schools and universities, redesign of malfunctioning institutions and developing local solutions through global partnerships.

Governments, besides involving the private sector in education, have responsibility to create a regulatory environment to oversee quality in education and equity in opportunities and to pay attention to key policy areas of innovation, accountability, empowerment of stakeholders and promotion of diversity in supply, while ensuring accountability, transparency and strong regulatory capabilities.

The private sector, on its part, should come out of its comfort zone. It should become self-reliant, grow out of expectations of eternal state support, and be always aware of social responsibilities for all the benefits enjoyed. It should discharge its responsibilities in the educational sector with an enlightened self-interest. Changing times demand changing strategies for survival.

CONCLUSION

- Infinite growth in a finite physical world is not possible.
- In a globalized economy, one can't change worldwide trends, but can adapt them to secure one's interests. "You can't direct the wind, but you can adjust your sails!"
- The private sector involvement in the economy, especially in the education sector, is not an option, but a necessity, as it supplements investment, creates a workforce with broad-based skills, and saves governments from fiscal deficits. This requires suitable legislation and policy changes.
- Governments of the GCC, like all others, should create a strong regulatory environment and suitable institutions and bodies to supervise quality & equity in education, while encouraging investment and competition.
- The vision of GCC countries to transform into broad knowledge-based economies hinges on creating a strong education base through private sector involvement and participation.
- The private sector has to come out of the shadows of state support, become more assertive, self-reliant and socially responsible in its enlightened self-interest and strive to assure quality, equity and accountability in education for the greater good.

REFERENCES

- Alpen Capital. (2018, November 13). G.C.C. education industry. Accessed from: https://argaamplus.s3.amazonaws.com/9e55ad53-477f-48f0-b202-2c2f03d6a03d.pdf
- Callen, T., Cherif, R., Hasanov, F., Hegazy, A., & Khandelwal, P. (2014, December) Economic Diversification in the GCC. Accessed from: https://www.elibrary.imf.org/ view/IMF006/22194-9781498303231/22194-9781498303231/22194-9781498303231_ A001.xml?language=en& redirect=true
- Coffman, J. (2015). The Gulf: Privatization & Americanization. International Higher Education, 33/ 17-19. Accessed from: https://doi.org/10.6017/ihe.2003.33. 7393
- GFH. (2016, October). G.C.C. education [Education Sector Report]. GFH Financial Group. Accessed from: http://gfh.com/wp-content/uploads/GFH-Education-Sector-Report. pdf
- Ghose, J. (May 4, 2003). Role of the private sector in education. Times News Network, Lucknow. Accessed from: https://timesofindia.indiatimes.com/Role-of-the-private-sector- in-Education/articleshow/45325841.cms
- Halaoui, H., Ghazaly, S., Aly, K., Malek, J.Y., & Samad, R.A. (2017). Private sector participation in the G.C.C. -Building foundations for success. Strategy & Company- Ideation Centre Insight. Accessed from: https://www.strategyand. pwc.com/m1/en/ ideation-center/media/private-sector-participation-in-the-GCC.pdf
- Hertog, S. (2014). State and private sector in the GCC after the Arab Uprisings. Journal of Arabian studies, 3(2), 174-195. Accessed from: https://doi:org/ 10.1080/ 21534764.2013.863678
- Lewis, L. (2013, December 19). Is there a role for the private sector in education? [Blog post]. World Bank's "Education for Global Development". Accessed from: http://blogs.worldbank.org/education/there-role-private-sector-education.
- Lusk-Stover, O., & Patrinos, H. A. (2015, April 6). Education for all: The private sector can contribute [Blog]. World Bank Group. Accessed from: https://blog.private-sector-and-development.com/2015/04/06/education-for-all-the-private-sector-can-contribute/
- Naithani, P. (2011). Foreign higher education institutes in GCC countries. The Alternative: Journal of Management. Studies and Research, 10(1), 46-52.
- O.B.G. (2016). Expanding the role of private sector in Saudi Arabia's education and training sector. The Overview: Saudi Arabia/Education-2016. Oxford Business Group. Accessed from: https://oxfordbusinessgroup.com/overview/time-change-focus-beginning-shift-towards-expanding-role-private-sector-developing-education
- Pessoa, A.G.M. (2007). Getting involved: An opinion. Re Vista- Harvard Review of Latin America [Brazil-Education & Equity]. Accessed from: https://revista. drclas.harvard.edu/ book/education-role-private-sector
- Shanker, A. (2016, January). Role of private sector in higher education. PRS India Legislative Research, New Delhi. Accessed from: https://www.prsindia.org/policy/ discussion-papers/role-private-sector-higher-education