

CPG/2440/2017 – SCOPING STUDY FOR A CHINA PROSPERITY FUND SKILLS PROGRAMME

Introduction

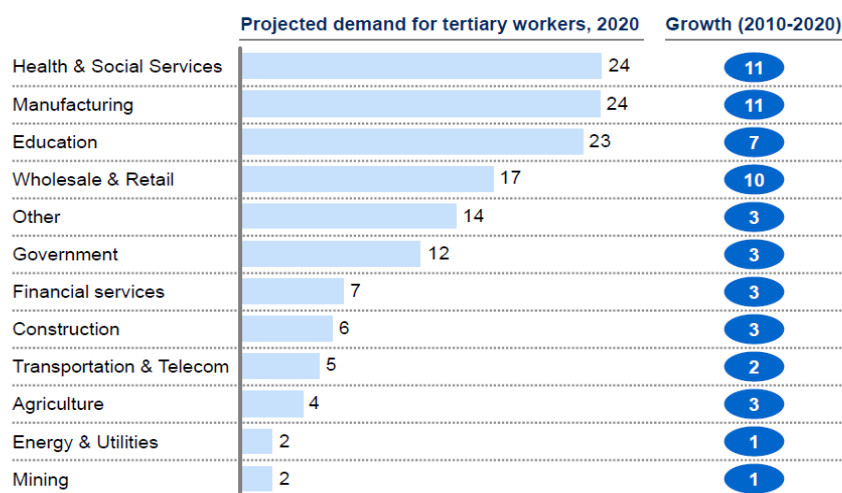
1. The UK Government's 2015 *Strategic Defence and Security Review* announced a £1.3 billion cross-Government **Prosperity Fund** to run over the next five years (2016/17 to 2020/21). Its primary purpose is to promote the economic reform and development needed for growth in partner countries. As well as contributing to inclusive economic development and a reduction in poverty in recipient countries, it is expected that Prosperity Fund will also deliver a secondary benefit which is to create commercial opportunities for international business including UK companies. The role of the Fund is also set out in the UK aid strategy, *Tackling Global Challenges in the National Interest*.
2. The China Prosperity Fund Programme has seven integrated strands: Rule of Law for Business, Financial Service, Energy and Low Carbon, Infrastructure, Health, Future Cities and Skills. Among these, Skills and Rule of Law for Business are two cross cutting components.
3. Under the **Skills** strand, the Foreign and Commonwealth Office (FCO) is seeking to commission a scoping study to assess China's skills development needs and potential market, and make recommendations on the scope, nature, prioritisation and cost of a set of interventions that might make up a Prosperity Fund Skills programme. Currently the programme intends to cover three broad themes:
 - Skills System Development
 - Skills for Industrial Growth
 - Skills for Regional Development

Context

4. McKinsey estimates the mismatch between the skills Chinese employers' need and those that workers actually possess represents a huge opportunity cost (of US\$250 billion per year by 2020)ⁱ. This skills supply-and-demand gap is primarily in tertiary *vocational and professional skills*ⁱⁱ with the greatest demand lying in health and social services, manufacturing and education.

Demand growth for tertiary-educated workers will be strongest in the service and manufacturing industries

Millions of workers



SOURCE: China National Bureau of Statistics; McKinsey Global Institute analysis

The FCO is now designing a multi-million pound Prosperity Fund Skills programme, worth between £10-20 million over 3 years (2018-21) to support China to close the skill gap and better meet its economic development needs. All Prosperity Fund programmes are funded primarily from the UK's Official Development Assistance (ODA) allocation. As such, all spend must comply with OECD DAC ODA rules and with the International Development Act. The China Prosperity Fund Skills programme therefore seeks to serve two purposes:

- The Primary Purpose is to support China improve its skills system to produce pipelines of better skilled workers that China will need to sustain its inclusive economic growth and support its ambitious economic transition.
- The Secondary Purpose is to improve market access and commercial opportunities for international business including UK business. The value of China's education and skills market in 2015 was US\$240 billion and is set to rise to US\$450 billion by 2020ⁱⁱⁱ. Estimated UK exports in the Skills sector to China in 2015 totalled £370 million.

Scope of Requirements:

The FCO seeks to appoint a supplier to deliver a scoping study which will make clear, robust, evidenced recommendations on the scope, nature and focus of this proposed China Skills Programme. The budget for this scoping study is up to £90,000.

The findings from the scoping study will inform the Prosperity Fund Skills Programme to develop a set of priorities for interventions, including the sectoral and geographical focus. The study should cover:

1. China macroeconomic and skills system analysis

- 1) analyse China's macroeconomics: development trends, opportunities, challenges and the corresponding skill needs;
- 2) analyse and quantify China's skill gap and its social and economic impact (in totality and by key sectors);

- 3) analyse the current skills structure, legislation and barriers in China, including policy direction, the regulatory environment, TVET system, education-industry engagement, key players, market access as well as operational risk and constraints;
- 4) map China's skill needs against the UK's strengths and capacity, including system advantage, key players and their respective roles, and vice versa (i.e. where China has strength that the UK could potentially benefit from);
- 5) research other major interventions currently under way or planned by major actors in China (e.g. World Bank, UNDP, Asian Development Bank, EU, Australia, Germany etc.), particularly with a view to minimising the risk of duplication and maximising potential synergies.

2. Sectoral and geographical assessment and prioritisation

- 1) assess the potential and benefits for UK engagement in up to ten sectors and five geographical areas;
- 2) develop an assessment matrix (covering those sectors and geographies) which should include but not be limited to:
 - a. Potential for primary benefit: how significant is the potential impact in China?
 - b. Secondary benefits: what is the likelihood that it will generate significant commercial benefits for international companies, including from the UK?
 - c. Compatibility with UK strength and capacity: are there readily available UK resources, capacity and willingness to engage?
 - d. Ease of market access: Is it feasible to engage? How high is the barrier to this market? What are the major risks? Is there already buy-in from key partners in China? Is there a successful business model?
 - e. Sustainability and scalability
 - f. Complementary with other China Prosperity Fund programmes
- 3) agree a set of criteria to calculate the potential primary and secondary benefits from the proposed interventions, following HMT Green book guidance, providing methodology and data sets ;
- 4) put forward recommendations on sectoral and geographical prioritisation based on evidence and the above analysis;
- 5) based on our current understanding of areas of need, areas of strength and alignment with other strands of the China prosperity Fund programme, the sector based analysis should cover at least the following seven sectors:
 - a. Health and Social Service (Elderly Care in particular)
 - b. Advanced Manufacturing (possible further breakdown to sub-sectors)
 - c. Early Year Education
 - d. Logistics
 - e. Construction
 - f. Hospitality
 - g. Creativity
 - h. Others identified through the macroeconomic analysis
- 6) the geographical analysis should look into provinces or municipalities in at least the following five China regions:
 - a. Yangtze River Delta
 - b. Pearl River Delta
 - c. Beijing-Tianjin-Hebei
 - d. North East China
 - e. Central and West China
 - f. Others identified through the macroeconomic analysis

3. Assess and recommend project interventions that deliver best impact, VFM and sustainability

- 1) based on the above macroeconomic and system analysis and sectoral/ geographical market prioritisation, assess potential areas for interventions that the programme should focus on;
- 2) identify and prioritise options for how the UK could deliver impactful interventions in these areas that promote inclusive growth and business opportunities, including testing and validation of potential themes for interventions (see list below) and identification and consideration of alternative themes that meet the goals;
- 3) put forward a set of clear and evidenced recommendations for Prosperity Fund Skills Programme interventions; identify and propose up to 15 main projects and interventions which the UK should prioritise to achieve maximum impact against the Prosperity Fund's primary objective to promote inclusive economic growth and poverty reduction and the Fund's secondary objective to open up commercial opportunities for which businesses, including UK businesses, can compete;
- 4) assess and set out what impacts and outcomes can be reasonably expected for these recommended interventions and how these will be measured (KPIs); Where possible, baselines are established and provided;
- 5) assess the recommendations are gender sensitive and support inclusive growth;
- 6) assess the main risks to the success of the recommended interventions and how these can be mitigated;
- 7) identify which UK companies, organisations and other entities are well placed to add value to proposed interventions and the scale and nature of the potential UK commercial and export potential associated with them;
- 8) estimate and set out the likely financial requirements of each of the recommended interventions in terms of anticipated budget requirements in each of the financial years 2018/19, 2019/20 and 2020/21;
- 9) Potential interventions could include
 - a. policy research to support China improve its skills progression pathways including National Qualification Framework, credit bank transfer system and modularised learning
 - b. policy recommendations on an holistic approach to skills challenges running through education stages and workplace
 - c. benchmarking China's current qualification system with UK's National Qualification Framework
 - d. develop a Modern Apprenticeship Scheme Pilot, focusing on funding models, education-business engagements, development of dual-professionalism teachers
 - e. capacity building of policy makers to improve evidence based decision making
 - f. policy research to develop incentive mechanisms for business engagement and investment in skills training
 - g. capacity building of Chinese industry associations to provide sector input to influence education provision
 - h. support China to develop national occupational standards in selected sectors to raise standards and ensure compliance
 - i. introduce UK qualifications that enable international mobility including to third countries (Belt and Road Initiative etc.)
 - j. build national skills training centres in selected sectors
 - k. training of technical and vocational education teachers
 - l. build national and regional entrepreneurship education centres for teachers
 - m. introduce UK qualifications and curriculum to secondary and tertiary vocational education institutions

- n. TVET college leadership development
 - o. establish the first UK-China joint vocational college in East China
 - p. training programme to upskills laid-off workers in Northeast China
- 10) the recommendations should also include
- a. a theory of Change and/or project logframe
 - b. a summary in a table along these lines:

Proposed Intervention	Cost of intervention in years 1, 2, 3, 4	China impact	UK commercial and export potential	Outcome (KPIs)	Risks and mitigating actions	Key Partner (China / UK / both)	Likelihood of success

RESEARCH METHODOLOGY

1. To perform a high-level analysis of China’s economic development and Skills policies, policy trends, and their potential impact on inclusive economic growth and poverty reduction
2. To perform a high-level analysis of Skills sector structures, legislation and regulation and data.
3. To map the key individuals, agencies and entities with the power to deliver or impede significant progress towards this work.
4. To scope 15 priority UK interventions as set out in the “Scope the Requirement” above.
5. To map out the UK commercial landscape for the 15 priority UK interventions and identify the potential UK commercial benefits which could accrue from them.
6. Others as necessary and appropriate

NB: throughout the assignment, the service provider will have to consider the political economy its potential impact on recommended priority interventions.

DELIVERABLES

1. An **inception report**, refining the methodology proposed in the technical proposal, with an updated work-plan and a preliminary list of interviewees. The approval of the inception report will trigger the first payment, per Attachment 5a “Schedule of Prices & Rates” **and must be delivered within 2 weeks of contract commencement.**
2. **A presentation to FCO and British Council** in Beijing after the first round of consultations and desk review: this will provide the service provider with the opportunity to test some initial ideas about possible major work streams. The second payment per Attachment 5a “Schedule of Prices & Rates” will be due on completion of this deliverable. **The second deliverable is to be completed within 3 weeks of deliverable one.**
3. **A live presentation to FCO and British Council** in Beijing of the main conclusions, recommendations and key supporting evidence to be presented in the comprehensive scoping study. The third payment per Attachment 5a “Schedule of Prices & Rates” will be due on completion of this deliverable. **The third deliverable is to be completed within 8 weeks of contract commencement.**

- 4. A comprehensive scoping study report** for the proposed Programme detailing key findings and the 15 major interventions which the UK should prioritise to achieve maximum impact against the Prosperity Fund's primary objective of promoting inclusive economic growth and poverty reduction and secondary objective of opening up opportunities for which businesses, including UK businesses, can compete. It should cover the "Scope of the Requirement" above. The final payment per Attachment 5a "Schedule of Prices & Rates" will be due on approval of the final scoping study report. **The fourth and final deliverable is to be completed within eight weeks of contract commencement, but no later than 31 March 2018.**

EXPECTED TASKS

Desk top reviews of relevant policy paper, industrial analysis and data set. It's anticipated this scoping study will require in-depth desk and secondary research including data analysis.

Interviews with key informants: government agencies, donors involved in the issues, think-tanks, private sector entities, civil society, HMG personnel). There might be two rounds of interviews. The supplier may also chair or participate in market engagement workshops in China and the UK.

Working independently: Whilst it is expected that the supplier checks in with the British Embassy Beijing at identified key milestones and that country visits may offer the opportunity for representatives of the British Embassy Beijing to join the supplier if suitable; the Contractor is nevertheless required to complete this project with minimal draw of the British Embassy Beijing's resources (time and personnel). It is important that the deliverables are objective and where possible remain independent of the British Embassy Beijing's view.

DELIVERABLES AND TIMEFRAME

The British Embassy Beijing requires completion of the Scoping Study within eight weeks of contract commencement.

REPORTING STRUCTURE, LOGISTICS AND OTHER ARRANGEMENTS

The service provider will report to the FCO's Programme Manager who will establish a steering committee consisting of appropriate FCO and UK Government representatives. The service provider will also appoint a member of staff to liaise with the FCO's Programme Manager for China on contract management issues.

In terms of logistics, the consulting team will work independently in setting up their own meetings with key stakeholders, arranging transport etc. Where appropriate, the FCO's Programme Manager for China may assist in accessing government agencies or other key, senior stakeholders if this should prove necessary.

TENDER SUBMISSION

Details are attached at Annex A: Information from Bidders & Evaluation Criteria.

DUTY OF CARE

The supplier of the consulting services is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property. FCO will share available information with the Supplier on security status and developments in-country where appropriate.

ATTACHMENT 6: TERMS OF REFERENCE

The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract and ensuring that their Personnel register and receive a briefing as outlined above. Travel advice is also available on the FCO website and the Supplier is responsible for and must ensure they (and their Personnel) are up to date with the latest position.

Suppliers must develop their Tender on the basis of being fully responsible for Duty of Care. They must confirm in their Tender that:

- They fully accept responsibility for Security and Duty of Care.
- They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

Acceptance of responsibility must be supported with evidence of capability (no more than two A4 pages and the FCO reserves the right to clarify any aspect of this evidence).

In providing evidence Suppliers should consider the following questions:

a) Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by the FCO)?

b) Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?

c) Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?

d) Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?

e) Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?

f) Have you appropriate systems in place to manage an emergency / incident if one arises?

i The \$250 billion question: Can China close the skills gap?, McKinsey & Company report, 2013

ii Skills Shortages in the Chinese Labour Market, J.P.Morgan Chase report

iii *The Learning Generation: Investing in education for a changing world*, International Commission on Financing Global Education Opportunity report, 2016