

Prosperity Fund - China Skills Programme: Summary Note

1. BACKGROUND

1.1 The Prosperity Fund was announced in the 2015 Strategic Defence and Security Review and represents a key component of the prosperity pillar of the UK Aid Strategy. It is a cross-government fund that aims to reduce poverty through inclusive economic growth. Many developing countries, including middle income countries, where around 70% of the world's poor live, still face considerable challenges such as rapid urbanisation, climate change and high and persistent inequality, including gender inequality, which can lower long-term growth prospects.

1.2 The Prosperity Fund supports the broad-based and inclusive growth needed for poverty reduction to make development sustainable in line with the International Development Act (2002), the Gender Equality Act (2014) and the Sustainable Development Goals (SDGs). The UK has expertise in a range of sectors which countries will need as they develop, including education, healthcare, finance and infrastructure. Helping partner countries develop these sectors and improve their business environment will give firms and people, greater opportunities to work in a stronger, more productive economy. As a secondary benefit, the Fund also seeks to improve trade links between partner countries and the rest of the world, including the UK. Higher growth in a partner country offers greater trade opportunities for international and UK business.

1.3 All Prosperity Fund programmes are funded primarily from the UK's Official Development Assistance (ODA) allocation. As such, all spend must comply with OECD Development Assistance Committee (DAC) ODA rules and with the International Development Actⁱ.

1.4 Education and skills are critical to escape both chronic poverty and to prevent the transmission of poverty between generationsⁱⁱ. With poverty inversely correlated with education attainment, investment in education and skills is the basis for progress and sustainable development at all levels and in all social contextsⁱⁱⁱ.

1.5 As China transitions to a new economic growth model, one of the main challenges is the size and scale of the skills gap. The mismatch between the skills Chinese employers' need and those that workers actually possess represents a huge opportunity cost, estimated to be US\$250 billion or 2.3 percent of GDP in 2020^{iv}. Only around 4 per cent of the country's workforce are classified as highly qualified and a significant 36 per cent of workers have a lower secondary-school qualification; these include some 200 million migrants from rural areas.^v

1.6 One of the key factors constraining the workforce is skills gaps in *tertiary vocational and professional skills*^{vi}, with the most significant gaps occurring in health and social services, manufacturing and education. In order to fill these gaps and move up the value chain, the workforce in China needs to be more productive and their skills must be aligned to the fast-growing sectors of the economy^{vii}.

1.7 The Chinese government's 13th Five Year Plan, published in 2016, sets out the need for investing in high-end skills to raise productivity and support China's economic transition. The country subsequently published three strategy papers: "Made in China 2025"^{viii}, 'Healthy China 2030'^{ix} and the 'Belt and Road' Action Plan^x which set out the country's future strategic priorities, providing a framework for development and skills.

1.8 The value of China's education and skills market in 2015 was US\$240 billion, set to rise to US\$450 billion by 2020. Estimated UK exports in the Skills sector to China in 2015 totalled £370 million. Education collaboration is a key cornerstone to UK-China relations and featured strongly in high level government dialogues.

1.9 The China Skills Programme is one of the seven programmes making up the Prosperity Fund China Portfolio. The seven integrated programmes include: China Business Environment, Financial Services, Energy and Low Carbon, Infrastructure, Health, Sustainable Urban Environments and Skills.

2. OBJECTIVES

2.1 The primary objective of this China Skills Programme is to support sustainable and inclusive economic growth in China, through improved education and skills levels. As a secondary benefit, it will also create opportunities for international business and position the UK as a key partner for China in skills reform.

2.2 The Programme will match China's specific reform needs with UK Skills sector strengths, to enable China to have a better equipped and skilled work force ready for productive employment, whilst also increasing commercial opportunities for international business. It will strategically focus on improving standards and progression pathways at a national level, and supporting better education-industry alignment at provincial level.

2.3 The Programme aims to achieve five key outcomes:

Key Outcomes	Indicative Metrics (including but not limited to)
1. Students and workers (particularly from disadvantaged groups) have access to improved quality of skills training and career progression opportunities	Number of students and workers who have been upskilled and subsequently benefited directly or indirectly through the programme Number of standards and or qualifications introduced in targeted sectors Learning distance travelled Increased salary, job level of students and workers
2. Systemic reform supports TVET (Technical and Vocational Education and Training) provision to be more responsive and aligned to local economic development needs	Number of new partnerships between business and TVET institutions in targeted provinces Value/impact to employers
3. UK Suppliers have improved access to the education and skills sector in China	Increased value, volume and type of UK skills sector exports to China
4. International business (including UK) in China have access to upskilled workforce	Percentage increase in international business satisfaction with local workforce Labour market and skills shortages trends
5. Policy reflects global best practice in TVET system design and provision	Number of best practice policies, regulations or standards adopted by the Chinese government

2.4 The outcomes and metrics above are indicative at this stage and will be finalised following additional market testing or during the inception phase of the programme.

2.5 In line with the Programme's strategic focus and key outcomes, three project interventions have been identified. These include:

- Early Years Teacher Development
- Green Manufacturing Development
- Regional System Reform Projects (specific sectors to be identified based on regional priority and needs)

3. Scope of Services

3.1 The FCO intend to procure one or more lead contractors (Delivery Partners) who will be expected to design and manage a Programme that delivers the outcomes listed above. The Delivery Partner will be expected to offer additional ideas and recommendations for a prioritised and achievable

programme of activity that achieves coherence between each output, and offer the best prospects for delivering the outcomes above.

3.2 The FCO intend to procure the programme via three separate Lots. Each project intervention (see 2.4) will form one individual Lot. Bidders may submit proposals covering one or more Lots depending on their capacity to offer the full service required under each sub-programme.

3.3 The Programme will specify fixed targets to be achieved, while also allowing flexibility for activities to be demand-led and responsive to the changing priorities of the partner governments, industry, employers and other skills sector stakeholders. The Delivery Partner will be responsible for identifying the content for individual projects to be delivered under the programme, in support of the overall Programme strategy and in agreement with FCO.

3.4 The Programme is committed to supporting the UK skills sector to have improved access to education and skills opportunities in China. In relation to this, the Delivery Partner will be required to build and lead a consortium of sector suppliers to implement the programme. The depth and breadth of opportunities provided for such suppliers to be involved in the delivery of the programme will be assessed as part of the evaluation of proposals. Subcontracting of programme delivery must be conducted as part of a fair, open and transparent procurement procedure.

4. DELIVERABLES AND OUTPUT

4.1 The Programme consists of three interventions. The approach to achieving may be adjusted as part of additional market testing or during the inception phase of the programme, however indicative areas for engagement and outputs are set out below:

Strategic Focus	Intervention and Outcomes	Indicative Outputs (Including but not limited to)
Standards and Progression Pathways	Early Years Teacher Development The project will develop curriculum and standards for Early Years Education teachers and adopts a ‘train the trainer’ model to develop a cohort of high calibre backbone in-service early year education leaders, teachers and lecturers who will lead and support local school-based improvements in selected counties. This will also include capacity building of small number of Early Years teacher colleges and universities to introduce standards, qualification and curriculum to raise the overall standards pre-service training.	<ul style="list-style-type: none"> • Policy workshops on standards • TVET institution leader and teachers trained (xx vocational trainers/assessors) • Standards, qualifications and curriculums developed for Early Years practitioners • Benefit to local communities (xx new kindergarten training places created, xx new kindergarten places created)
	Green Manufacturing Standards Development The project support China raise standards in three manufacturing related disciplines, with a particular focus on embedding green skills to support a more sustainable development. This will include policy research, capacity building of TVET colleges to introduce standards, qualifications and curriculum to train students as well as provide upskilling training to local communities.	<ul style="list-style-type: none"> • Policy workshops on standards • TVET institution leader and teachers trained (xx lecturers trained, xx trainers trained) • Standards, qualifications and curriculums developed for manufacturing workers • Benefit to local communities (xx students accredited/enrolled, xx local workers trained)

Education-Industry Alignment	Regional System Reform Projects The project support skills reform initiatives in targeted regions focusing on developing a TVET system that better responds to regional economic and industrial needs. This will include capacity building a critical mass of TVET colleges in selected regions to introduce standards, qualifications and curriculum to train students as well as provide upskilling training to local communities, particularly those from poverty areas through a pairing system. This project will be the most flexible in terms of determining targets during the design/inception phase and will be heavily demand-led.	<ul style="list-style-type: none"> • Policy workshops on education-industry alignment • Modern apprenticeship pilot scheme developed and established in line with industry needs • TVET institution leader and teachers trained (xx lecturers trained, xx trainers trained) • Standards, qualifications and curriculums developed in priority sectors • Benefit to local communities (xx students accredited/enrolled, xx local workers trained)
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4.4 This Technical Assistance Programme will have significant demand-led elements; hence, the programme will be expected to respond to the priorities of government, industry, employers and other skills stakeholders. The Delivery Partner will also be expected to demonstrate innovation in responding to the agenda set out above, and design the programme using the best model to deliver against the programme's objectives.

4.5 The Programme and individual project interventions must be designed in such a way that they are sustainable and scalable. This must be clearly demonstrated throughout the design and implementation of the Programme, including in the approach for monitoring, reporting, evaluation and learning (MREL).

5. GEOGRAPHIC SCOPE AND POINT OF DELIVERY

5.1 We anticipate the majority of the work will take place in China, with some workshops, training or study trips in the UK. The actual provinces and municipals the project will land will be determined later. They will likely include Sichuan, Liaoning and Guangdong provinces, but could include others. The Delivery Partner will be required to work closely with HMG staff.

6. BUDGET

6.1 The total budget allocation for the entire programme will range between £12-15 million.

7. PROGRAMME TIMESCALE

7.1 Programme activities are expected to commence by the end of 2019 and should be completed not later than 31 March 2022, with the possibility of extension to 31 March 2023 (subject to confirmation through the next Spending Review). As a design and deliver programme, four months is expected to be spent in the design phase at the start of the programme.

8. PROCUREMENT TIMETABLE AND ROUTE

8.1 It is anticipated that an invitation to tender for the Programme will be issued over Summer/Autumn 2019. Prospective suppliers may wish to register on the Foreign & Commonwealth Office eSourcing Portal (<https://fco.bravosolution.co.uk>), where further notifications and updates regarding the procurement process will be communicated.

Please note that the programme has yet to receive Ministerial approval and that information contained in this summary should not be shared outside of your organisation. This information is provided in good faith for market engagement purposes only. All contents are subject to change, restructuring or

withdrawal without notice, and the Authority accepts no liability or responsibility to any person or organisation as a consequence of any reliance upon the information provided. Potential bidders will not be prejudiced by any response or failure to respond to this initial soft-market testing. Potential bidders must also note that a response to this notice does not guarantee an invitation to participate in any future procurement that the FCO may conduct, nor that the FCO will procure any such supply and services or accepts any proposals offered. Any procurement of the supply and services by the FCO will be carried out strictly in accordance with the Public Contracts Regulations 2015.

ⁱ Further information at <https://www.gov.uk/government/publications/cross-government-prosperity-fund-programme/cross-government-prosperity-fund-update>

ⁱⁱ UNESCO (2014) *Sustainable Development begins with Education*. http://en.unesco.org/gem-report/sites/gem-report/files/UNGA_PR_en.pdf

ⁱⁱⁱ World Bank *Sustaining Gains in Poverty Reduction and Human Development in the Middle East and North Africa*. http://siteresources.worldbank.org/INTMENA/Resources/Poverty_ch3_06.pdf

^{iv} McKinsey & Company report (2013) *The \$250 Billion Question: Can China Close the Skills Gap?* <https://www.mckinsey.com/industries/social-sector/our-insights/the-250-billion-question-can-china-close-the-skills-gap>

^v ILO (2010) *A Skilled Workforce for Strong, Sustainable and Balanced Growth*. <https://www.oecd.org/g20/summits/toronto/G20-Skills-Strategy.pdf>

^{vi} J.P.Morgan Chase report (2016) *Skills Shortages in the Chinese Labour Market*. <https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/skillsgap-in-chineselabor-market-exec-summary.pdf>

^{vii} McKinsey & Company report (2013) *The \$250 Billion Question: Can China Close the Skills Gap?*. <https://www.mckinsey.com/industries/social-sector/our-insights/the-250-billion-question-can-china-close-the-skills-gap>
http://www.gov.cn/zhengce/content/2015-05/19/content_9784.htm

^{viii} http://www.gov.cn/zhengce/2016-10/25/content_5124174.htm

^x http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm