



MINISTRY OF EDUCATION

Te Tāhuhu o te Mātauranga

Export Education Innovation Programme
Strategic Overview and Operational Guidelines

International Division, Ministry of Education
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Introduction

1. This report provides a strategic overview and operational guidelines for the “Export Education Innovation Programme” (EEIP). As part of its 2004 Budget package “Moving Forward in International Education” the Government announced funding for this initiative to encourage innovation in international education. Funding allocated is \$0.5 million (GST incl) in 2004/05, and \$1.0 million (GST incl) in 2005/06 and outyears.
2. This document describes the:
 - Purpose of the programme.
 - Activities to be funded.
 - Criteria for allocating funding.
 - Governance and accountability structures.
 - Risks and how these will be managed.
 - Indicators to judge the success of the programme.
3. An earlier version of these guidelines was circulated in October 2004 for stakeholder discussion and input, and a further update was done in April 2005. The Management Group of the EEIP (Ministry of Education, New Zealand Trade and Enterprise and the Education New Zealand Trust) wish to thank those that made submissions and otherwise participated in discussions during the initial development of this programme. We look forward to ongoing work together and input on the future development of the programme.

Executive Summary

Funding to support export education innovation

4. As part of its 2004 Budget package “Moving Forward in International Education” the Government announced funding for this initiative to encourage innovation in international education. Funding allocated is \$0.5 million (GST incl) in 2004/05, and \$1.0 million (GST incl) in 2005/06 and outyears.

High level targeting

- **Innovation** - Funding is to be directed to support activities that are a significant change and development for an organisation on the previous way of doing things (innovation). Innovation in this context can cover development of new markets; new business models and structures; expansion into new modes of delivery; development of new educational programmes and products; or qualitative increases in scale of operation.
- **Offshore initiatives** – During the first four years funds will be targeted mainly towards encouraging offshore education activities. New Zealand, when compared to its main competitor nations, has a heavy weighting towards onshore delivery of international education – students coming to New Zealand. Encouraging greater exploration of offshore opportunities will help open new markets and diversify risk. It also has benefits for the sustainability of the onshore education provision – by directly acting as a marketing presence and pathway to New Zealand for students, and by improving New Zealand’s education diplomacy profile.
- **Asia and the Gulf** – Funding will initially focus on supporting offshore activities in China, other Asian markets and the Gulf States. This recognises the current areas of activity and demand, but does not exclude proposals relating to other areas.

Activities to be funded

- **Funding** - is available for directly supporting the development of innovative services and products by organisations or consortia – this can also encompass the development of new markets and the establishment of strategic alliances and consortia. As there is an element of private benefit, and to ensure sufficient commitment, funding under this category is a 50/50 co-payment basis of eligible costs, subject to a ceiling of \$125,000 (GST incl) government contribution.

Funding criteria

5. While the programme is aimed at encouraging innovation and development in the more commercially focused aspects of international education, short-

medium term financial criteria will only be one factor in assessing whether or not to support a project. Criteria considered will be:

- Alignment with the high level targeting priorities of innovation, offshore education activity, and initial emphasis on China, other Asian countries and the Gulf States.
 - Benefits resulting from the project – e.g. short-medium term financial, longer term financial, marketing of New Zealand education, linkages to education diplomacy and overseas aid, benefit to other New Zealand export educators, and benefits to domestic education outcomes.
 - Likelihood of success of the project and the level of risk associated with it.
 - The proposal's fit with the applicants overall education and business strategies.
6. In assessing a project considerable emphasis will be given to the track record of organisations applying, and on their capacity and capability to undertake the proposed project. Funding will only be available for operating expenditure, not capital investment, and will be available for the development stages of projects only, not to assist or underwrite ongoing operation and business as usual.

Governance and management

7. Major decisions for the EEIP will be made by a Management Group comprising representatives of the Ministry of Education, New Zealand Trade and Enterprise and Education New Zealand. Education New Zealand will be responsible for day-to-day administration of the programme. An expert advisory body will assist the Management Group on the assessment of funding applications.

Risks and Risk management

8. Risks centre on:
- ensuring there is adequate information and expertise to assess the efficiency and effectiveness of the programme.
 - ensuring information and knowledge generated through the programme is available to and used by the sector.
 - the possibility that the use of funds might be either too concentrated or too widely dispersed.
 - that funds are directed to activities that would have happened in any case (“deadweight loss”), or are directed away from more useful activities.
9. Robust governance and management structures and thorough processes and procedures will be central to managing the risks identified above. Work programmes will be developed and proposals and project outcomes assessed drawing on industry expertise and experience. Contracts will be specified in appropriate detail and regularly monitored against agreed progress points

and milestones. Thorough protocols will be in place to manage any potential conflict of interest issues arising relating to the expert advisory body.

Timeline

10. The Management Group for the EEIP has been established, and the Expert Advisory Body is in place to assist with the assessment of funding applications.
11. A call for tenders for innovative industry projects is being issued in parallel to this revised version of the Strategic Overview and Guidelines document and is available at www.educationnz.org.nz. Please refer regularly to the Education New Zealand website (above) for further details.

Purpose

12. Innovation is central to the health of the export education industry – while demand is growing, so is competition – and new providers and modes of delivery are developing rapidly. In the short-term innovation usually entails more risk than continuing with the tried and true. However in the medium/long-term insufficient innovation can prove a big detriment to competitiveness and sustainability.
13. The overall purpose of the EEIP is to assist the long-term development of a sustainable and high-value added export education industry. It will help sustain and improve the long-term economic performance of the export education industry, as well as increase reputational benefits to New Zealand (with wider diplomatic and trade spin-offs) and benefits to the domestic education system (e.g. through knowledge exchange and professional development). It aims to make a contribution to the development of international perspectives and experience among New Zealand’s education community, through exposure to an increasing range of different environments and opportunities.
14. The EEIP is a means of providing support for organisations to take some of the risks necessary to move the industry forward, while helping to provide a framework for limiting and managing those risks. The EEIP is intended to encourage well-managed innovative activity among education exporters.
15. The programme is not only aimed at innovation and change when seen from the perspective of one organisation or group of organisations, but also on the effects on the structure and potential of the industry as a whole – for example, encouraging increased involvement in offshore delivery modes. This follows on from widespread agreement among stakeholders that increased diversity, in markets and modes of delivery, is desirable – tempered by the understanding that there are market limits to this.

16. In summary the EEIP will:
- Help support New Zealand organisations to develop their export education services to meet changing market demands and to take new opportunities that arise.
 - Help ensure the industry is diverse and not overly exposed to risk concentrations (e.g. over-dependence on one or two supplier nations, or limited delivery options).
 - Help ensure that business risks and domestic educational risks associated with innovative activities are identified and managed.

How the EEIP will Support Innovation

17. For the purposes of the EEIP, innovation is broadly defined as activities that are a significant change and development for an organisation on the previous way of doing things. This can encompass:
- Development of new markets.
 - New business models and structures.
 - Expansion into new modes of delivery.
 - Development of new educational programmes and products.
 - Qualitative increases in scale of operation (e.g. moving from pilot phase into full implementation).

Industry Capacity Building – Education New Zealand

18. Education New Zealand will provide the core resource for the administration of the programme and also a limited range of co-ordination, information and research related services. This complements and builds on the services that Education New Zealand already provides to the export education industry.
19. Education New Zealand's responsibilities include:
- a) Collection and distribution of statistics and information on New Zealand's involvement in particular activities with an innovative focus (eg offshore delivery) and on international markets and competitors in these activity areas. This supplements similar activity already undertaken that focuses mainly on education delivered on-shore in New Zealand.
 - b) Establishment of an expert advisory body for the programme.
 - c) Encouraging and facilitating communication and co-operation among those involved in offshore education activities, and also those looking to get involved – this could take the form of networks/clusters or helping to facilitate consortia for specific initiatives. Active networks are an important way of keeping research and statistical information up-to-date in fast changing markets.

- d) Establishment and administration of tender processes, initial selection procedures and recommendations to the Management Group, and administration of contracts.
 - e) Arrange a visit/short term contract/secondment for an internationally recognised expert in offshore delivery – tasks to potentially include: assistance in development of research/resource development programme; assistance in assessment of initial tenders; provide one-on-one meetings/assistance to offshore providers; assist in the establishment of an offshore providers network. Not all of this work would have to be undertaken in New Zealand.
20. A Management Group comprising representatives of the Ministry of Education, New Zealand Trade and Enterprise and Education New Zealand is responsible for oversight and high-level decision making on the above activities (see under Governance and Accountability Structures later for further detail).

Support for Service and Product Development

21. This covers funding to support innovative initiatives on the part of individual institutions or groups of institutions (e.g. in consortia). It is to directly support the development of innovative education services and physical products. This can also encompass the development of new markets and the establishment of strategic alliances and consortia.
22. As there will be a mix of direct commercial benefit to the institution(s) and wider industry benefits, funding will be available on a co-contribution basis, with 50% contribution from the EEIP. Co-payment funding from the EEIP would be subject to a limit of \$125,000 (GST incl) per project. EEIP funding will only match eligible costs as indicated in paragraph 31 below.
23. As there will be an element of commercial sensitivity to some aspects of these projects, some of the information generated would not be widely available throughout the industry, or would be subject to appropriate time restraints on disclosure. However it is expected that reports on these projects and sharing of general information and lessons, would be made available to the industry.
24. Funding would be available for activities such as:
- a) Studies into whether an institution or group should undertake a proposed activity – e.g. establish a specific joint venture overseas. This would not cover basic strategy and planning for an organisation, or initial feasibility work (**i.e. solid homework would have to be done before an application could be made**).
 - b) Latter stage development of business/marketing plans for the development and distribution of innovative products/programmes. Assistance would be targeted towards finalising plans and assisting in filling gaps in expertise, rather than at the early stages of plan

- development - which the organisation will need to complete in order to put forward a robust proposal for funding.
- c) Accessing expert advice and assistance in the latter-stage development of overseas partnerships.
 - d) Development of pilot projects/prototypes.
25. The activity would have to be additional to current activity – not already scheduled and resourced “business as usual”, and as such funding could not simply be used to subsidise the salaries of current staff. Funding could be used to contract in specific expertise, or to second staff onto a project as long as their regular role was filled. Some funding would be available for travel where required. Funding would be available for the early and developmental stages of initiatives (however there is the expectation that reasonable research and investigation would have already been undertaken by the organisation), but would not be available to help fund or underwrite full implementation or ongoing operation. Funding would be for operational expenses only – not for capital contributions or investment.

How Funding will be Targeted

1 Focus on offshore delivery

26. Provision of education services and products is seen internationally as a very significant growth area – possibly becoming more important than onshore export education over the next ten to fifteen years. While New Zealand has developed a strong onshore industry since the 1990’s, our offshore involvement lags behind that of our competitor countries – and we have only a handful of institutions that could be said to be well-established in this area.
27. While not wholly excluding good proposals relating to other aspects of export education, the first four years of the programme will emphasise the development of New Zealand’s involvement in offshore delivery of education. Priority will be given to projects that enhance the ability of New Zealand institutions to undertake offshore initiatives, and to directly assisting the development of such initiatives. This focus will be monitored and reviewed as the programme is implemented and knowledge increases.
28. Export education services are commonly categorised in four modes following a WTO model (with 1,3 and 4 being “offshore”):
- Mode 1: **Cross-border supply:** where the service moves (e-learning or distance education with the provider based in New Zealand).
 - Mode 2: **Consumption abroad:** where the student moves (international students visiting New Zealand – onshore provision).
 - Mode 3: **Commercial presence:** where the provider moves (New Zealand providers establishing offshore programmes or campuses).

- **Mode 4: Movement of natural persons:** where the educator moves (New Zealand based lecturers visiting overseas providers).
29. In practice delivery often involves a mix of two or more modes – for example a programme may involve an initial stage of study in an offshore campus of a New Zealand institution, supplemented by access to e-learning, followed by a stage of the student moving to New Zealand to continue their programme of study.
 30. In addition to the trade in services there is also a trade in physical products such as text books and software, and a trade in consultancy services that New Zealand is active in.
 31. Offshore initiatives can have direct economic benefits for New Zealand organisations, and can also act as a marketing presence and a gateway to study on-shore in New Zealand. In addition offshore activities are also very likely to have reputational/diplomatic benefits for the industry with some student source nations – for example China has expressed a desire to see more offshore involvement by New Zealand institutions. Successful high profile initiatives, can have useful diplomatic and marketing spin-offs through media coverage and ongoing visibility of a New Zealand presence (conversely of course, high profile failures can have a negative effect).
 32. Anecdotally, some reasons for lack of involvement in offshore delivery include:
 - Focus on growth opportunities in onshore development.
 - Lack of information on opportunities, and how to develop them.
 - Lack of information on obstacles and risks, and how to manage.
 - Need for significant up-front investment and long lead-in times.
 - Perception of high-risk and low/uncertain returns.
 - Lack of fit/perceived lack of fit with domestic education objectives.
 - Real and perceived obstacles relating to scale and resource availability (e.g. establishing “blended delivery” overseas may require expertise in identifying and working with overseas institutions, managing staff overseas and the development of e-resources and delivery platforms).
 33. Offshore delivery could prove an area for significant expansion and development for New Zealand institutions, but it is also an area with significant costs and risks. Support under the EEIP could help institutions and groups identify and develop opportunities, and overcome obstacles while also helping to manage risk.
 34. It should be emphasised that the EEIP is not intended to encourage inappropriate involvement in offshore education – for example where this would put domestic education outcomes under threat. Offshore education is not an area that all institutions should seek to become involved in. While some onshore delivery can be added relatively straightforwardly to domestic programmes, offshore delivery requires considerable forward planning and also skills not necessarily available in all institutions. It is usually more

suited to larger institutions (and/or consortia) that already have established export education involvement and overseas experience. Offshore delivery may not fit with the domestic education goals or needs of some institutions, and it is not an activity that should be contemplated by any institutions with significant issues to address in their domestic operations.

2 Initial emphasis on China, other Asian markets and the Gulf

35. Initial emphasis will also be placed on improving knowledge of, and resources for, markets where New Zealand already has a presence and where significant future activity is envisaged and/or encouraged – for example at the 2004 Education New Zealand conference a representative of the Chinese government re-emphasised the message that China would like to see an increase in offshore partnerships with Chinese institutions. This message had previously been emphasised by the Chinese Minister and Vice-Minister of Education. Countries such as Singapore that are aiming to become regional educational hubs in Asia are also of particular interest.
36. Initial emphasis will be given to proposals focusing on China, other Asian countries and also the Gulf states. This emphasis will not be to the exclusion of quality proposals covering other areas, but would be used as a factor where funding is oversubscribed or otherwise making calls at the margin. This emphasis will be revisited in future, based on experience and further information.

Criteria for Assessing Applications

37. The following criteria will be considered for funding applications:
 - a) **How well the proposed project matches with the high level targeting priorities** of innovation, an emphasis on developing offshore education activities and an initial emphasis on proposals relating to China, other Asian countries or the Gulf States.
 - b) **The benefits that will result from the project** for example:
 - Short-medium term financial return from the project itself.
 - Longer-term financial returns that are likely to result from opportunities the project opens up – what is the scale and nature of future opportunities? For example will the project have flow-on effects in attracting students to study onshore in New Zealand.
 - General benefit to New Zealand's profile as a provider of education services – linkages to education diplomacy and overseas aid considerations.
 - Benefits to other New Zealand export educators (and associated industries).

- Benefits to domestic education outcomes through greater internationalisation, knowledge exchange, professional development opportunities and opportunities for student mobility.
- c) **The likelihood of success of the proposal and the level of risk associated with it.** This will require a robust, thorough and well researched proposal. Realistic timelines and costings will be required, along with a plan for risk management and mitigation. The applicant must also demonstrate the ability to undertake any subsequent stages of a project, resulting from the work co-funded through the EEIP.
- d) **The financial and business planning underpinning the proposal.** The importance of the following sections in the assessment of project applications must be stressed to all applicants, particularly relating to the quality, detail, and depth of the following:
- Project **risk analysis** (including internal and external factors);
 - **Business planning** (including expected revenue streams, business plans, marketing plans, etc);
 - A high level of **budgetary detail** (including clear definitions and itemisation of ‘overhead’ expenses); and
 - Proof of the **sustainability** of the proposed project. These projects must be sustainable once EEIP funding is complete.

The track record of the applicants will also be important here. The applicant must have fulfilled all appropriate registration and quality assurance requirements, and be well-managed and financially sound. Applicants must demonstrate that they are in compliance with all statutory requirements and Quality Assurance Bodies' policies and criteria (and have been for a reasonable period). Quality indicators such as length of audit cycles, compliance notices and complaints will also be considered in the selection process as appropriate. A record of achieving high quality educational outcomes will be required.

- e) **The proposal's fit with the applicant's overall education and business strategies** – e.g. if a provider of domestic education how will the proposed project impact on domestic education performance and resources? It is important that any risks to domestic education outcomes are identified and managed, as well as potential benefits.

Fit with other Government Programmes

38. There are other Government programmes available that are designed to support or assist innovation. New Zealand Trade and Enterprise (NZTE) and the Foundation for Research, Science and Technology (FRST), for example, run programmes targeted at various stages of product development and innovation. The Ministry of Education and the EEIP Management

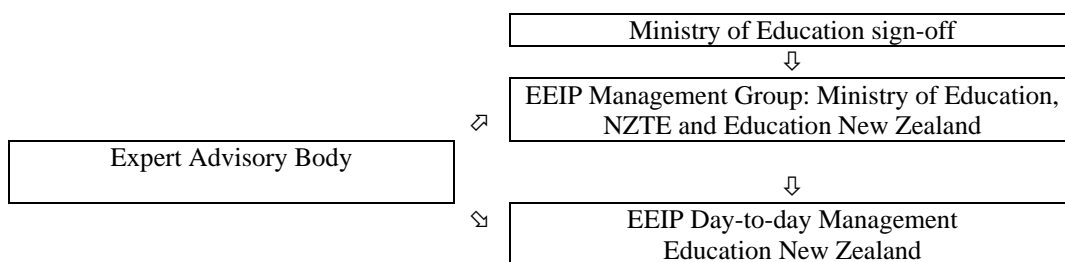
Committee will co-ordinate with other agencies to ensure that there are not overlaps of applications or opportunities for double-funding. Providers will need to make a statutory declaration regarding any government funding they are receiving for the project or funding they are applying for. They will also need to affirm that their organisation's contribution is from organisational resources (and not from a charitable donation for example).

Eligibility

39. All New Zealand educational organisations (including suppliers of consultancy services and educational products), public or private, that have fulfilled the appropriate quality assurance and registration processes can apply for funding. As noted earlier, applicants will have to be well-managed and financially sound, and to have a record of high quality educational achievement. Other individuals or organisations involved in the provision of export education related goods and services (e.g. course materials, consultancy and advisory services) may also apply for funding.
40. The export education industry is unusual in that the majority of activity is undertaken by organisations that are either government owned, or that receive large amounts of government funding to undertake their operations. Public institutions have historically had less access to the assistance available through NZTE and other Government schemes. The EEIP will not distinguish between applications on the basis of whether they are from public or private institutions.
41. The export education element of a public organisations' activities does not attract Government funding and the organisation is required to cover its costs through fees. However these public institutions would benefit from the assistance, and it would also help them mitigate and manage the risks associated with innovation – risks that ultimately are partially borne by the Crown.

Governance and Accountability Structures

42. Accountability for the EEIP programme rests with the Ministry of Education, acting on the advice of the Management Group, as administrator of the Vote funds and ultimately with the Minister of Education. Ministry sign-off will be required on all major decisions – i.e. work programme, tender programme, awarding of contracts – but would not be required on Education New Zealand's internal prioritisation of resources.
43. An expert advisory panel has been set-up to assist the Management Group. The panel assists in the development of work programmes and the assessment of proposals. The committee may also call on additional expertise where needed and will co-ordinate its work with that of the relevant reference groups advising on the use of export education levy funds. The figure below illustrates the management and accountability structures:



44. The contractual arrangements, payment structures and processes, and monitoring and reporting arrangements with Education New Zealand will be aligned with the existing arrangements for management of export education levy work-streams. Education New Zealand will make quarterly progress reports and an annual summary report on its role in the programme.

Success Indicators

45. The aim of the programme in its first years is to encourage sustainable development of offshore delivery modes. Offshore projects often have long lead-in times before implementation, several years not being uncommon. This means that it will be difficult to gauge the overall impact of the EEIP on offshore delivery for at least five years (and then there is the issue of attributing the effect of various influences). That being said there are a range of indicators that can be used - moving from output to outcome focus, some criteria for judging the success of the EEIP are:
- a) Projects are: relevant, high quality, on-budget and on time.
 - b) A network(s) of offshore suppliers is established and sustained, encompassing the majority of offshore providers. Characterised by regular, if not frequent, meetings and communication. Seen as valuable by participants.
 - c) Information and data services provided are: relevant, accurate, timely and cost effective – receive a high customer satisfaction rating.
 - d) A high percentage of funded projects lead to implementation and a high percentage of these are successful. It is important to note that innovative activity inevitably involves risks and that some projects won't be as successful as anticipated. Where projects do not lead to implementation, or where implementation is not fully successful it is important that lessons are also drawn from these experiences and the knowledge base of the industry increased.
 - e) Project volume targets are met.
 - f) New Zealand's involvement in offshore delivery of education services increases significantly, is successful and is sustained over the next five years. Indicators of this include: the number of programmes and initiatives; number of students; percentage of students relative to total foreign fee-paying student enrolments; and number of institutions. Comparison with international trends will also be an indicator.

Risks and Risk Mitigation

46. The following risk areas have been identified for the EEIP:
- Insufficient information of the right sort is collected to make a judgment as to efficiency and effectiveness of the programme.
 - Poor monitoring systems and collection/distribution of knowledge – ie it will not be sufficient to generate and collect information, but also it must also be distributed and used.
 - Too much concentration of resources in one or two projects – threat of “headline failure” doing significant damage to scheme and/or New Zealand’s reputation.
 - Insufficient concentration of resources – funding spread too thin to have a significant impact, high transaction and compliance costs relative to benefit.
 - Funds are directed to activities that would have happened in any case (“deadweight loss”), or are directed away from more useful activities.
47. Robust governance and management structures and thorough processes and procedures will central to managing the risks identified above. Work programmes will be developed and proposals and project outcomes assessed drawing on industry expertise and experience. Contracts will be specified in appropriate detail and regularly monitored against agreed progress points and milestones.
48. Given the small size of the New Zealand international education sector and the limited experience in offshore provision of New Zealand providers, many potential members of the expert advisory body are also active participants in the industry. Potential conflicts of interest would arise if members of the expert advisory body are employees of, or otherwise closely linked to, institutions applying for funds and/or where they can have access to commercially sensitive material of potential competitors. Strict protocols will be in place to manage such conflicts, with advisory body members required to sign conflict of interest and commercial sensitivity declarations, and absent themselves from deliberations and decisions where a significant conflict exists.

Timing of Implementation

49. The Management Group for the EEIP has been established, and the Expert Advisory Body is in place to assist with the assessment of funding applications.

50. A call for tenders for innovative industry projects is being issued in parallel to this revised version of the Strategic Overview and Guidelines document and will be available at www.educationnz.org.nz. Please refer regularly to the Education New Zealand website (above) for further details.