



AIDE MEMOIRE

Cabinet paper: A strategic recovery plan for the international education sector

Date:	16 June 2020	Priority:	High
To:	Hon Chris Hipkins, Minister of Education	METIS No:	1232126
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Purpose

1. This Aide Memoire provides you with talking points and background to support your discussion at the Cabinet Social Wellbeing Committee meeting on 17 June.
2. It covers the recovery of the international education sector, including COVID-19 context, unique opportunities to take advantage of, considerations about re-opening the border, and a plan for investment to rebuild a better sector.

We get the job done Ka oti i a mātou ngā mahi

We are respectful, we listen, we learn He rōpū manaaki, he rōpū whakarongo, he rōpū ako mātou

We back ourselves and others to win Ka manawanui ki a mātou me ētahi ake kia wikitoria

We work together for maximum impact Ka mahi ngātahi mō te tūkinga nui tonu

Great results are our bottom line Ko ngā huanga tino pai ā mātou whāinga mutunga

Talking points to support discussion on international education sector recovery

- The global COVID-19 pandemic has significantly impacted New Zealand's international education sector. The full scope of this impact is still unknown, but projected revenue losses will be around \$600 million for 2020 alone.
- The closure of our borders was a necessary health response that has allowed New Zealand to eliminate the virus. But it has also prevented many international students from coming to New Zealand. Lower student numbers have significant implications for the sector, and all sub-sectors are feeling the strain.

The international education sector is valuable to New Zealand

- Before COVID-19, export education was New Zealand's fifth largest export industry, bringing in around \$5 billion a year and supporting approximately 45,000 jobs across the economy.
- New Zealand's international education sector can play an important part in our overall economic recovery, but also in the country's future wellbeing. International education strengthens New Zealand's position in the global market, and is a key tool in reinforcing our diplomatic relationships. The sector also brings value to our domestic education and increases the cultural competency of New Zealanders.

We have a unique and rare opportunity to make smart decisions about recovery

- New Zealand's strong response to COVID-19 has put us in an excellent position to take up opportunities that our closest competitors cannot. Through carefully managed actions, reopening the border to international students can take advantage of New Zealand's reputation as a safe and desirable education destination, while still maintaining the public health of New Zealanders.

- s 9(2)(f)(iv)

Investment in recovery is vital for short-term and long-term goals

- Through wise investment and refocusing, we can leverage New Zealand's increased international reputation to create the sector we want, not just reconstruct the one we had. In 2018, we approved a new International Education Strategy and began a shift from "high volume" to "high value". We still have a way to go, but this is an opportunity for renewed focus on the vision set by Cabinet, to achieve the potential of a more diverse, resilient and sustainable sector.
- Without intervention to help the recovery of international education, the sector could see provider closures and significant job losses. We need to invest in the sector to safeguard our long-term goals for the international education strategy and ensure a swift recovery in a highly competitive market.
- The Cabinet paper sets out a proposed recovery plan with three stages: Transition and economic stimulus, Strengthening the system, and Transforming to a more sustainable future state.
- The first phase is already underway and stabilising the sector. But we must also commit to longer-term strategic recovery to provide a much broader and more sustainable range of benefits and improved outcomes for New Zealand.

Next Steps

- Some aspects of recovery can be funded through refocusing of existing resources. However, some aspects will require additional funding so I propose this be funded from the COVID-19 Response and Recovery Fund (CRRF). s 9(2)(f)(iv)
- I directed the Ministry of Education and Education New Zealand to develop a funding proposal to support this Strategic Recovery Plan. They are now working with Treasury officials to assess and progress the proposal for the next round of CRRF expenditure decisions.
- The pace and scale of the recovery work will be shaped by the level of investment that government can make. Without additional funding, some aspects of the plan can only be implemented to a very limited extent. This could significantly hinder the sector's recovery in the short and medium term and the drop in revenue will continue affecting jobs, businesses and export earnings for New Zealand.
- Recovery has already begun but will be phased and tailored appropriately as the global COVID-19 situation evolves. Particular considerations will be made in response to decisions about the re-opening of borders and to meet changing public health requirements.
- The immediate response phase of recovery is already underway and has involved a lot of communication with both students and providers surrounding a wide range of issues. These include repatriation of international students, pastoral care and accommodation issues, and working proactively with providers on border considerations.
- I have publically signalled work on a strategic recovery plan and while there is still uncertainty, the sector has indicated that clear and timely communication about direction, focus, and likely speed of recovery efforts does a great deal to build both student and provider confidence.
- This strategic recovery plan will require ongoing consultation with the sector, building upon the lengthy consultation undergone to develop the International Education Strategy 2018-2030. The longer-term elements of recovery will involve engagement with key stakeholders and the opportunity for the sector to help co-design elements of the work programme.

Background

International education sector in a COVID-19 context

1. International education was New Zealand's fifth largest export industry pre-COVID-19. The sector includes all education with a global component. Not just students studying at our 840 international providers, but people learning anywhere, online and internationally, through quality products, services, and approaches built in New Zealand.
2. COVID-19 has brought a global collapse of the international education industry. Border measures are a particular source of uncertainty and the outlook for New Zealand's international education sector looks challenging. But we continue to keep a keen eye on the global market and our closest competitors.
3. We do not know the full impact of losses, but it will be felt across all sub-sectors of both international and domestic education. English language schools and Private Training Establishments (PTEs) will be most significantly affected. Universities have more resilient portfolios. Schools will also be impacted and I have separate work underway to support them.
4. The sector has grown rapidly over the past decade. But issues of poor student experience and quality-related issues have also risen. The establishment of the International Education Strategy in 2018 marked a commitment to shift from "high volume" to "high value" instead. This is an opportunity for renewed investment in these goals.

Invest in strategic recovery, maximise benefits, minimise risk

5. Sector reliance on certain markets carries a high level of risk. To minimise Crown risk, this strategic recovery plan will look to build diversity, resilience, and sustainability into the sector. We cannot allow these risks to become more deeply entrenched through an unmanaged recovery without government support.
6. International education can be prioritised in the government's recovery plan to maximise the wide range of benefits and public value the sector can bring. Wise investment can minimise future Crown risks while generating jobs, growing the local economy, and providing education opportunities to New Zealanders.
7. Recovery will take time but we have an opportunity to build a better sector. For example, using our strong international reputation as a competitive advantage, capitalising on rapid investment in digital capabilities, redefining how value is generated for the sector, and refocusing on valuable student markets to bring better outcomes for New Zealand and the students themselves.
8. Recovery can be aligned with other recovery efforts for other impacted sectors, like tourism. Work began on establishing a Chief Executives group to provide oversight and guidance of recovery for international education. But more effective oversight can now be provided by a formal governance arrangement being established to guide work on the reopening of borders.

Strategic Recovery in three concurrent phases

9. The *transition and economic stimulus* phase is already underway for the next three to twelve months. It includes reducing pressure on providers to pay the Export Education Levy, providing targeted assistance to struggling providers, reinforcing

our digital capabilities, and developing options for the safe return of international students through the border.

10. The second phase will work to *strengthening the system* over the next one to four years, to ensure our key goals of sustainability, resilience, and broader public value are met. This will involve six key workstreams:
 - Connecting international education's outcomes with government's key goals
 - Strengthening the foundations of the sector to improve education quality and support recovery objectives
 - Ensuring a high quality education offering with excellent outcomes for students
 - Increasing sector resilience and managing Crown risk through diversifying our markets and products
 - Improving our international partnerships and reviewing our offshore capabilities and networks
 - Building stronger relationships with overseas institutions and research partners
11. The third phase is *transforming to a more sustainable future state* through a strategy of investment over the next four years. This will help the sector recover swiftly while also pivoting towards the long-term goals for the international education strategy. Key workstreams for this phase include:
 - Diversifying products and services for delivery offshore
 - Supporting, transitioning and growing international education businesses
 - Activating partnerships and global citizenship opportunities
 - Building international engagement through reciprocal partnerships to achieve wider government objectives on the global stage
12. This recovery strategy will involve management with other government portfolios. I will be working alongside the Ministers for Trade & Export Growth, Economic Development, Research, Science & Innovation, and Foreign Affairs & Trade, with support from a cross-government group of senior officials.

Budget bid

13. The Ministry of Education and Education New Zealand will develop and submit a funding proposal to support the delivery of the Strategic Recovery Plan. They are working with Treasury officials to assess and progress the proposal as part of the next round of COVID-19 Response and Recovery Fund (CRRF) expenditure decisions.
14. The pace and scale of the recovery work will be shaped by the level of investment that government can make. Without additional funding, some aspects of the plan can only be implemented to a very limited extent. This may mean the sector will not recover significantly in the short and medium term and the drop in revenue will continue affecting jobs, businesses and export earnings for New Zealand.
15. The scale and scope of the final plan will depend on and be subject to decisions regarding the funding proposal.