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International Institute  
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the Caribbean



Exploring international aid

for tertiary education:

recent developments and current trends

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# Glossary

This report uses the UNESCO standard definitions of key concepts in tertiary education (TE) as developed for the Global Convention on the Recognition of Qualifications concerning Higher Education<sup>1</sup> and the UNESCO UIS.

In terms of official development assistance (ODA), this report uses the OECD standard definitions.<sup>2</sup> According to this, ODA is defined by the OECD Development Assistance Committee (DAC) as government aid that promotes and specifically targets the economic development and welfare of developing countries. The DAC adopted ODA as the “gold standard” of foreign aid in 1969, and it remains the main source of financing for development aid. Geographical aid allocations are national policy decisions and responsibilities. The list is revised by the DAC every three years.

**Donor country personnel:** Experts, consultants, teachers, academics, researchers, interns, volunteers and financial contributions to public and private bodies for sending experts to developing countries. Supplementation payments by the donor country to its experts employed by developing countries or international aid agencies should also be included, as well as the cost to the reporting government of civil servants seconded to developing countries.

**Experts and other technical assistance:** The sum of donor country personnel and other technical assistance. This category covers financial provisions, outside projects as described under item I.A.3, of know-how in the form of personnel, training, and research.

**Grant:** Transfers made in cash, goods, or services for which no repayment is required.

**Higher education:** All types of study programs or sets of courses of study at the post-secondary level which are recognized by the competent authorities of a state party, or of a constituent unit thereof, as belonging to its higher-education system.

**Higher-education institution:** An establishment providing higher education and recognized by a competent authority of a State Party, or of a constituent unit thereof, as belonging to its higher-education system.

**Higher-education program:** A post-secondary program of study recognized by the competent authority of a State Party, or of a constituent unit thereof, as belonging to its higher-education system and the successful completion of which provides the student with a higher education qualification.

**Imputed student costs:** Costs borne indirectly by the official sector in respect of tuition in the donor country of students from aid recipients.

**Loans (also credits):** Transfers for which repayment is required. Only loans with maturities of over one year are included in DAC statistics. Data on net loans include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total net ODA over the life of the loan is zero.

**Multilateral Agencies:** In DAC statistics, those international institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (e.g., World Bank, regional development banks), United Nations agencies, and regional groupings (e.g., certain European Union and Arab agencies). A contri-

1 [http://portal.unesco.org/en/ev.php-URL\\_ID=49557&URL\\_DO=DO\\_TOPIC&URL\\_SECTION=201.html](http://portal.unesco.org/en/ev.php-URL_ID=49557&URL_DO=DO_TOPIC&URL_SECTION=201.html)

2 [https://www.oecd.org/dac/dac-glossary.htm#DAC\\_List](https://www.oecd.org/dac/dac-glossary.htm#DAC_List)

bution by a DAC member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency. Unless otherwise indicated, capital subscriptions to multilateral development banks are presented on a deposit basis, i.e., in the amount and as at the date of lodgement of the relevant letter of credit or other negotiable instrument.

**Private flows:** Consist of flows at market terms financed out of private sector resources (i.e. changes in holdings of private long-term assets held by residents of the reporting country) and private grants (i.e., grants by non-governmental organizations and other private bodies, net of subsidies received from the official sector).

**Purpose of AID:** The DAC statistics on the purpose of aid cover three dimensions: the sector of destination, the form or type of aid, and the policy objective(s) of aid. Data are collected on individual commitments in the Creditor Reporting System (CRS), and in the form of annual commitment aggregates in the DAC Questionnaire.

**Project-type interventions:** A project is a set of inputs, activities and outputs, agreed with the partner country, to reach specific objectives/ outcomes within a defined time frame, with a defined budget and a defined geographical area. Projects can vary significantly in terms of objectives, complexity, amounts involved and duration. There are smaller projects that might involve modest financial resources and last only a few months, whereas large projects might involve more significant amounts, entail successive phases and last for many years.

**Scholarships and training in donor countries:** Financial aid awards for individual students and contributions to trainees. The beneficiary students and trainees are nationals of developing countries. Financial aid awards include bilateral grants to students registered for systematic

instruction in private or public institutions of higher education to follow full-time studies or training courses in the donor country

**Sector-allocable aid:** As only a portion of aid can be allocated to sectors, when measuring shares of aid to specific sectors it is recommended to limit the denominator to aid that can be apportioned. Otherwise, there is an implicit assumption that none of the aid, unallocable by sector, benefits the specific sectors under review.

**Sector classification:** The DAC uses a sector classification specifically developed to track aid flows and to permit measuring the share of each sector (e.g., health, energy, agriculture) or other purpose category “non-sector allocable aid” (e.g., general budget support, humanitarian aid) in total aid. The sector of destination is assigned by answering the question “which specific area of the recipient’s economic and social structure is the transfer intended to foster”. It does not refer to the type of goods or services provided.

**Technical co-operation:** Includes both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and program expenditures, and not separately identified as technical co-operation in statistics of aggregate flows.

**Tertiary education:** builds on secondary education, providing learning activities in specialized fields of education. It aims at learning at a high level of complexity and specialization. Tertiary education includes what is commonly understood as academic education but also includes advanced vocational or professional education (ISCED levels 5 to 8).

# Executive Summary

International aid has the potential to become an engine for development and therefore could play a central role in advancing towards the 2030 SDG Agenda. Still, evidence of international aid outcomes shows mixed development results, and scholars engage in intense debates with valid arguments in favour and against the provision of international aid. The international community has organised multiple conferences and created a set of general standards that could lead to efficient international aid outcomes. However, specific evidence around international aid targeting tertiary education (TE) is very limited.

This report aims to fill that critical gap by providing, for the first time, a holistic overview regarding the current trends and characteristics of international aid directed to TE through a literature review, the analysis of aid flows from the Creditor Reporting System and the use of additional indicators. With an exploratory approach, the report contextualizes key narratives and discussions around international aid and presents the historical TE aid within the education and total aid. The main trends and characteristics of TE aid

as well as its regional and country distribution are identified. In addition, the potential links between TE aid and indicators of development and context of recipients' countries are explored. The report concludes by providing high-level recommendations.

The results of this study reveal that international aid targeting TE has almost doubled between 2002 and 2019, reaching US\$5.3 billion in 2019, which represented 2.7% of the total aid provided. In 2019, eight of every ten US dollars for TE aid were provided by Development Assistance Committee (DAC) countries, one by non-DAC countries and one by multinational organizations. Germany (US\$1.71 billion) and France (US\$897 million) were the main donors, providing almost half of all TE aid disbursements between the two of them. The regional breakdown exposes that historically, around 35%-40% of annual TE aid has targeted Asia and the Pacific, and China was the largest recipient in general terms, with 8% of the total TE aid in 2019. The Arab States and Africa received less than half of the funding of Asia and the Pacific.

In 2019, TE aid was provided in over 10,000 individual disbursements of under half million US dollar on average, showing signs of fragmentation. Half of TE aid flowed via governments while 40% did it through universities, colleges or research institutes. Within TE aid, only around 3% was allocated to short tertiary education programs (TVET), and the remaining funds targeted higher education. Imputed student costs and scholarships/training in donor country accounted for almost three quarters (71%) of the total TE aid, which may raise questions about their impact on recipient's TE systems, since those resources are reinvested in donor countries and never reach the recipient countries directly or in the short term.

In addition, from 2002 to 2019, low-middle-income countries had the largest share of TE aid (41%), followed by upper-middle income countries (37%), whereas low-income nations accounted, on average around 10%. A GDP analysis shows that wealthier economies tend to get more TE aid. The human development or the vulnerability of the recipient nations did not ex-

plain the volume of TE aid they receive. For some countries, TE aid represents a substantial proportion of the government expenditure in TE, revealing potential risks of budgetary dependency.

Further analyses are needed to dive into the reasoning behind these figures and actions. Also, the effects of the pandemic need to be accounted for when 2020 and 2021 data is released.

This report aims to serve a baseline for future in-depth studies at a more granular level and as a critical first input to initiate an inclusive global evidence-based and data-driven dialogue. As a result, the international community could improve the understanding of the particularities of TE aid, enhance donors' accountability and harmonization, and rethink the approach of TE aid going forward to ensure that TE aid funds reach those more in need under a common global agenda.

# 1 Introduction

Over the last decades, international aid has evolved as a central policy tool in the global development discourse due to its potential to provide the necessary financial resources to support the development efforts of countries in the Global South, particularly those countries further behind in terms of economic and human development. Although remarkable international efforts have been made to increase the number of financial resources flowing to the Global South, the ability to transform these funds into capabilities, economic growth and overall human development is very complex and still has a large room for improvement.

Even when international aid in general has been broadly researched, when it comes to international aid for tertiary education (TE),<sup>3</sup> the information available at a global level is very scarce. The literature on TE aid is very limited, scattered, and heterogeneous. Existing literature related to tertiary education does not include TVET, and there is only a small number of studies showing the evolution of aid flows, only from a donor perspective and with a very restricted number of countries. Also, the only global data on financial flows and characteristics is available as part of the OECD Credit Report System (CRS) database. Due to difficulty in accessing and systematizing this data, Difficult to access and, systematise, this data has not yet been publicly presented or analysed. This prevents any common understanding of what has or is happening with respect to international TE aid and therefore prevents a global dialogue to promote it.

International aid for tertiary education, if used efficiently and under inclusive principles, could play a role in increasing participation, quality and relevance of the TE system in recipient

countries, improving human capital, which in turn could have a positive effect on national development. Under the consideration of TE as a public good, international aid could be a tool to promote the right to TE throughout life and help achieve TE for all in the recipient countries. However, to know how to improve the impact of tertiary education aid in recipient countries, a better understanding is needed on the historical and current financial flows and practices globally.

In this context, the main purpose of this report is to provide an exploratory holistic overview of TE aid presenting for the first time the historical and current trends and characteristics of international aid directed to TE, including its relative importance compared to other types of aid, its main characteristics and geographical distribution patterns, as well as the identification of the main donors, recipients, and channels. In this way, this report aims to establish a common and global baseline that initiates an evidence-based global reflection and debate around this topic that includes all stakeholders and changes the current paradigm.

This report takes a historical perspective and does not account for the effect of the pandemic but is only the first of a planned series of publications that the UNESCO International Institute for Higher Education in Latin America and the Caribbean (UNESCO IESALC) will produce on this topic. These publications will be developed as part of UNESCO IESALC's ongoing work to map and analyse data on international aid in higher education and to foster discussions among stakeholders, including donor countries, recipient countries, multilaterals, agencies, higher education institutions, NGOs, and public institutions, to identify potential areas for future improvement.

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<sup>3</sup> Tertiary education includes higher education (ISCED 6, 7 and 8) as well as higher technical and vocational education and training (ISCED 5). This term will be used in this report to align with the exact levels in which TE aid data is categorized.

## 2 Aims and Methodology

### 2.1 Aims

The primary aim of this report is to provide a holistic overview of current trends and characteristics of international aid directed to TE. Despite having the potential to contribute to the future development of global TE systems, the empirical evidence on this matter is scarce, which is why the report intends to bridge the gap through an exploratory approach. To do so, the following chapters are framed around five components that contextualize the recent developments regarding TE aid. Therefore, the report:

- i.** contextualizes key narratives and discussions around international aid (chapter 3),
- ii.** presents an overview of aggregate aid allocations to all sectors (chapter 4),
- iii.** identifies the main trends and characteristics of TE ODA based on historical data and explores the regional and country-based distribution of TE aid disbursements (chapter 5),
- iv.** tests the link between TE ODA and a range of variables used to estimate a country's development and explores potential patterns between indicators related to the recipients' context and the total amount of TE ODA that they receive (chapter 6),
- v.** provides high-level recommendations (chapter 7).

### 2.2 Methodology

This report was developed using three different sources.

First, a literature review on international aid was made to provide contextual information in the

absence of specific literature for international TE aid. This included academic papers from peer-reviewed journals, books, and online sources such as published reports from international organizations (e.g., OECD, UNESCO).

Second, this report uses raw data collected from the Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System (CRS),<sup>4</sup> which was extracted and systematized by UNESCO IESALC to measure the financial flows directly reported by main donor countries and organizations. Figures of disbursed official development assistance (ODA) are used instead of data on ODA donor commitments since disbursements represent the executed financial flows that determine the outcomes of international aid.

The CRS quantitative data analysis currently covers a 17-year timeframe, from 2002, when the OECD started to register disbursements, until the latest dataset of 2019. The CRS database is the most reliable and complete set of quantitative information on international aid globally. The annual coverage had improved over time; for disbursements before 2002 it was below 60%, while it is around and over 90% since 2002 and reached nearly 100% starting with 2007 flows. However, some emerging donors, such as Brazil, China and India, do not report to the OECD-CRS, creating a gap in the data and its main limitation.

Third, this document includes other relevant economic, social and governmental indicators to explore their potential relationship with TE international aid. Specifically, this report explores the relationship between TE aid and economic growth (GDP), the Human Development Index

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4 OECD (2021). Creditor Reporting System (CRS). Query Wizard for International Development Statistics. International Development Statistics online databases (IDS online). <https://stats.oecd.org/qwids/>. Accessed on (15/08/2021).

(HDI),<sup>5</sup> and the Fragile States Index<sup>6</sup> through correlation analyses. These correlations include the World Bank June 2020 classification of countries regarding their economic level (low, low-middle and middle, and high-income countries). The ratio of TE aid to government spending on TE is also calculated to provide a baseline analysis of the aid share of current spending levels in the sector. The evolution of commitments and disbursements is also analysed to show the volatility of TE aid throughout the years.

Given the exploratory approach, as well as the broad overview provided by this report, it should be considered only a first approximation to understanding this topic from an empirical global perspective. However, this approximation represents a first critical step in the research and analysis of international aid for TE, since this report analyses global data and evidence on this topic for the first time. Future studies could delve deeper into aid outlays and their impact on growth, focus on specific countries, regions or different indicators, and assess the ratio between commitments and disbursements.

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5 The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions (UNDP, n.d).

6 Index developed by the Fund for Peace that measures the stability of a nation based on 12 indicators grouped around the categories of i) cohesion, ii) economics, iii) political and iv) social vulnerability

### 3 International aid and recent international development efforts

The link between international aid and economic growth has been well documented (Sumner & Glennie, 2015). Historically, economic growth and GDP per capita have been closely associated with development, but today it is clear that they only account for one aspect of the multidimensional nature of development (Sen, 1999). Development can expand capabilities that in turn can lead to ‘freedoms’ such as political rights, access to health and education, civic participation, covering basic goods and services, etc., which are crucial to unleash the individual’s capacity to achieve a dignified life (Sen, 1999).

International aid has become one of the most common policy mechanisms utilized by wealthy countries to support Global South recipients in their development efforts by providing additional monetary resources (Deaton, 2013). However, international aid flows are very heterogeneous in their characteristics, their timing, the way they are assigned, managed and executed, and thus the impact they have in terms of fast-tracking local development. The study of international aid at aggregated level shows that findings on its benefits have been mixed (Qian, 2015). This points to the double-edged nature of international aid.

Since 1969, official development assistance (ODA) has been considered the “gold standard” of international aid and is defined as “government aid that promotes and specifically targets the economic development and welfare of developing countries” (OECD, n.d.). With this in mind, resources provided by international donors are expected to be used effectively and tailored to the needs of recipient countries, since they ultimately aim to fast-track local development while closing global inequalities.

#### 3.1 International conferences on aid effectiveness

International aid effectiveness is a multifactor and complex concept, with effects on multiple stakeholders and many intangible outputs that only appear in the medium or long term. Therefore, this concept is difficult to measure holistically, and economists have often equated their measurement with economic growth. Yet, the final outcomes arising from international aid highly depend on how it is provided (Sumner & Glennie, 2014) and therefore, the international community has been engaged in the development of effectiveness criteria to maximize the impact of the disbursed funds (OECD, n.d.).

The first high-level forum on aid effectiveness was held in Rome in February 2003 (OECD, 2003). The Rome Declaration on Harmonization reinforced the international community, including ministers, heads of agencies and the representations of 28 recipient countries, to focus and agree on international aid efficiency to increase its development outcomes. To do so, donors committed to engaging in specific actions considered “good international aid practices.” These include (i) ensuring that the assistance is delivered within the recipient country priorities, (ii) intensifying efforts to improve the management of country programs, (iii) providing financial support aligned with national budget cycles, and (iv) promoting harmonized approaches at both regional and global level (OECD, 2003). Considering the agreements of the Rome Conference, the 2005 Paris Declaration set five general principles to improve how ODA is being managed to promote coherent collaborations and avoid duplication (OECD, 2005):

- i. the ownership principle highlights that recipient countries should develop their strategies, accounting for their institutional strength and tackle corruption

- ii. the alignment principle establishes that donors and organizations should be in line with the strategy of the recipient's needs
- iii. the harmonization principle implies working jointly to coordinate priorities, actions and information sharing to avoid duplication
- iv. the fourth principle stresses the importance of being results and measurement oriented
- v. the final focus includes accountability for development results

In 2005, the second High-Level Forum on Aid Effectiveness acknowledged the room for improvement and the potential for aid to have a greater impact on aid's contribution to development, particularly in fragile states, reiterating the Paris Declaration and the significance of state cooperation in removing obstacles to grant the realization of the Right to Development (Bissio, 2013). In this sense, the United Nations Committee for Development Policy raised the importance of the role of ODA in financing development, indicating that there is a need to improve the transformative capacity of aid. For this purpose, ODA can adapt to the needs and conditions of recipient countries by strategically supporting international public goods (UNCDP, 2015).

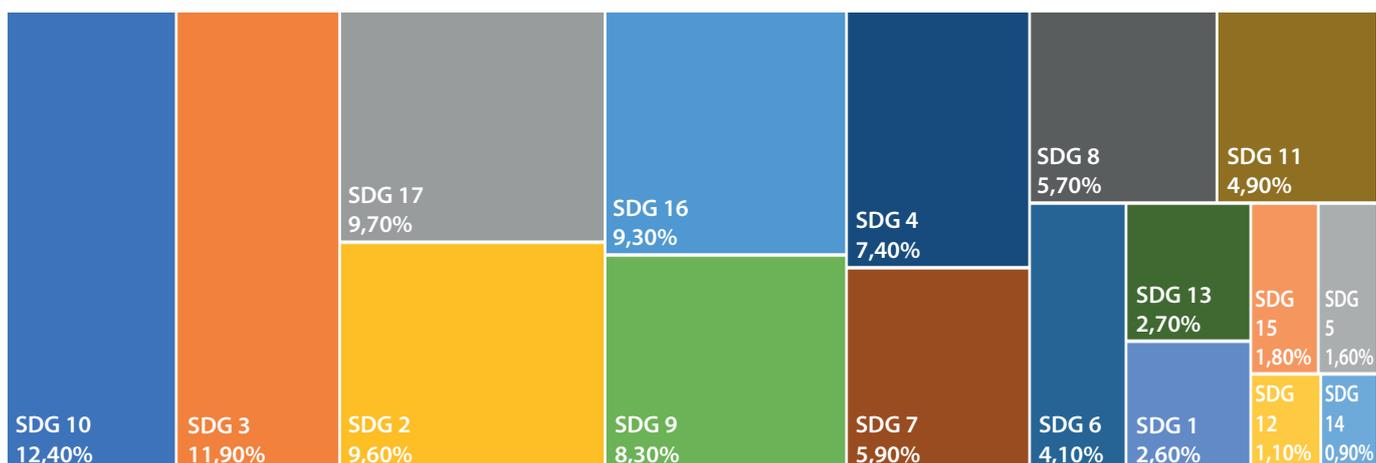
Different initiatives have been deployed to implement the Paris Declaration. For example, Capacity 4dev is the European Commission's platform where different stakeholders, including EU staff, professionals from member countries, partners governments, NGOs, international organizations, civil society, and the private sector share relevant information about EU development cooperation. Led by the Directorate General for International Partnership (INTPA), this platform facilitates collaboration among peers, supports the sharing of lessons learnt, shares thematic expertise, and promotes capacity development and ownership for developing countries based on result-oriented premises.

Further High-Level Forums on Aid Effectiveness were organized in Accra (2008) and Busan (2011) to achieve the objectives agreed upon in the Paris Declaration. For instance, the Accra Agenda for Action stressed that progress was being made, yet additional efforts in terms of i) country ownership, ii) creating inclusive partnerships that engage all stakeholders, and iii) achieving tangible development outcomes were necessary to provide ODA resources impacting the economic and human wellbeing of recipient countries. The Busan Partnership agreement establishes principles, commitments, and actions, under a participatory framework involving donors and recipients, as a base for effective co-operation of all international aid stakeholders that increase the impact of ODA.

Besides the High-Level Forums on Aid Effectiveness, further initiatives from the international community contributing to aid efficiency include the Third International Conference on Financing for Development - Addis Ababa Action Agenda (2015). Under the leadership of the United Nations, the conference made a call to move away from traditional forms of aid, bringing the opportunity to operate with the private sector through public-private investment to deliver sustainable solutions. At this conference, participants stressed the important role played by ODA in mobilizing both public and private resources to improve public services aimed at promoting global growth and development.

The Addis Ababa Action Agenda (2015) reinforced the need for commitment from developed countries to progressively increase aid flows by giving a yearly minimum amount of 0.7% of their gross national product (GNP) in the form of ODA to developing countries and between 0.15 to 0.20% of ODA/GNP to those nations categorized as least developed (United Nations, 2015). In addition to increasing money flows, it also emphasized the need to reduce

**Figure 1: ODA disbursements (2017) contribution to the SDG Agenda**



Source: The SDG Financing Lab, 2021

fragmentation and accelerate the process of untying aid and the importance to promote transparency and data accessibility to accomplish and monitor assessing sustainable development goals (UNSDG, n.d.). Although ODA cash flows have increased, only five donors, namely Norway, Denmark, Luxembourg, Sweden, and the United Kingdom, reached the 0.7% goal by 2019 (Inter-agency Task Force on Financing for Development, 2020).

### 3.2 The connection of ODA with the Sustainable Development Goals Agenda

ODA has been a fundamental element of the recent international development narrative. The additional funding from international aid is expected to complement national budgets, enabling governments to finance public initiatives that would otherwise be absent due to their limited domestic resources (UNIATF, n.d.). In education, for example, ODA directed to the sector strives to increase access, lifelong learning, and opportunities for all (Michaelowa & Weber, 2007; Fredriksen, 2010). At least, in theory, such a financing mechanism could play

a key role in achieving the Sustainable Development Goals (SDGs).

This explains why the United Nations, through the 2015 Addis Ababa Action Agenda, reaffirmed the agreements of previous conferences on financing for development, such as the Monterrey Consensus (2002) and Doha Declaration (2008). Those events represent milestones in the ODA narrative since they led to the commitment of the Global North donors to increase their ODA. More donors should be expected to fulfil the 0.7% goal soon since these commitments were also adopted within the umbrella of SDG 17 on strengthening development partnerships as target 17.2.<sup>7</sup>

Financial flows in the form of ODA are related to each of the 17 SDGs (see Figure 1). For instance, according to 2017 disbursement data, reducing global inequalities (SDG 10), health and wellbeing (SDG 3) and strengthening global partnerships for development (SDG 17) received a third of total ODA flows. Ensuring equitable quality education (SDG4) accounted for 7.4%, ranking as one of the main ODA receptors (SDG Financing Lab, 2021).

<sup>7</sup> Net official development assistance, total and to least developed countries, as a proportion of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee donors' gross national income (GNI).

Out of the different SDG objectives, it is worth highlighting SDG target 4.b<sup>8</sup> that focuses on increasing the volume of ODA flows given in the form of higher education scholarships, particularly for least developed countries, small islands and African nations. While official development scholarships remained stagnant at around US\$1.2 billion between 2010 and 2016 (GEM, 2018), after the instalment of the SDG Agenda this aid gradually increased by more than one-third until reaching its 2019 peak of US\$1.67 billion.<sup>9</sup>

### 3.3 Scholarly debate on ODA efficiency

While international aid could potentially provide the necessary capital injection to finance development processes that alleviate poverty, there is a debate as to whether this aim is always achieved. Some authors argue that, under certain conditions, international aid may end up benefiting donors' interests uniquely and causing no effect or even a detrimental effect on recipient countries (Easterly, 2006; Moyo, 2009; Deaton, 2013). Despite the efforts from the international community to reach ODA related targets, and the clear role of development aid within the 2030 SDG Agenda, empirical evidence reveals that this mechanism carries inherent risks (Moyo, 2009; Deaton, 2013; Qian, 2015) and, consequently, its double-edged nature should be considered by donors when designing their ODA policies.

The main efficiency drivers that determine the outcomes of international aid can be classified into two categories (Sumner & Glennie, 2015): the structural context of the recipient countries, and aid mechanisms. The structural context of the recipient country includes the characteristics

of the local economy and human development levels, as well as government-related aspects like the strength of domestic institutions, political stability, and the quality of democracy. Aid management mechanisms are closely related to donor country policies and practices. These consist of the modality through which aid is given (e.g. loans, grants), the sector where the funds are directed, and the channels of ODA delivery (e.g. bilateral, NGOs or multilateral organization).

In a nutshell, the literature suggests that, in general, the key factors that could hinder the efficiency of official development assistance include but are not limited to (Sumner & Glennie, 2014; Qian, 2015):

- The quality of recipient institutions and their capacity to effectively manage, execute, control, and evaluate the use of the resources from the international community.
- The degree to which aid flows are tailored according to each recipient's characteristics and spending capacity to avoid a long-term budgetary dependency.
- The potential risk of creating market distortions in the recipient country.
- The misalignment between donor priorities and recipient needs.
- The risk of aid misappropriation, particularly in fragile states with little accountability.

Consequently, a heated academic debate has taken place around international aid's net impact for over a decade (Doucouliagos & Paldam 2009; Engel, 2014; Bourguignon & Platteau, 2017). This controversy has divided scholars between those arguing in favour of an urgent increase of ODA

8 Target 4.b: "By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries" (UNSTATS, 2017)

9 These figures only include the disbursed amount under the OECD category scholarships (E01). However, donor countries also cover imputed student costs (E02), which are an additional form of financial support to cover the student's expenses in the donor countries.

flows and others concerned about the risks of aid leading to detrimental long-term effects of being the expected economic and human development catalyst. Although this chapter presents the main arguments supporting each side, this report takes distance from those “binary approaches” and analyse ODA as a policy whose outcome largely depends on several drivers behind its planning and execution, giving the opportunity to generate a more comprehensive picture of aid efficiency to be taken.

### 3.3.1 A potential development catalyst

Arguments in favour of increasing ODA are focused on its potential to become the capital injection required by the least developed countries to make the necessary structural investments to achieve sustainable development, “get a foothold on the ladder of development” and lift their citizens out of poverty (Sachs, 2005, p. 19). The least developed countries face structural challenges arising from the potential lack of six major forms of capital essential for development, namely i) human capital, ii) business capital, iii) infrastructure, iv) natural capital and v) public institutional capital (Sachs, 2005). Under such a scenario, nations struggle to accumulate sufficient wealth to create an enabling environment for development (Sachs, 2005). Hence, international aid may represent a financial mechanism that helps them to counter the constraints from limited economic resources to ultimately break the poverty cycle.

At the heart of this debate lies the fact (and associated risk) that depending on the characteristics of how the international aid is given (e.g. loans/grants or type of ODA), donors may potentially face the entirely opposite outcomes they expected. Box 1 illustrates how the approach towards aid provision can determine the outcome, emphasizing the importance of viewing aid holistically, rather than through the lens of the donor country.

### Box 1: The case of Malaria nets in Sub-Saharan Africa

The initiative led by the non-profit Population Services International (PSI) to distribute malaria nets in Malawi is an example of efficient ODA practices. PSI sold insecticide-treated bed nets for 50 USD cents to low-income Malawian mothers through rural antenatal clinics and the local nurses distributing the nets received nine USD cents per unit. To make the intervention sustainable, PSI opted to sell the same nets through the private sector for five US dollars in higher-income urban areas to subsidize the costs of the malaria nets distributed in the rural clinics. By adopting this grassroots strategy, they effectively targeted pregnant women and children under five, which are the most vulnerable groups for malaria, while increasing the use of insecticide-treated nets for this group from 8% in 2000 to 55% in 2004 (Easterly, 2006).

Contrary, another international aid project in Zambia, which massively distributed nets at cost of zero, determined that around 70% of the recipients never used the nets and some were diverted to black markets or utilized for fishing activities (Easterly, 2006). Not only the objectives behind ODA were not achieved, but free goods have the risk of causing market disruptions. In this case, local mosquito net manufacturers may go out of business because they cannot compete with the heavily subsidized or even free nets donated by high-income countries and as a result the donated nets cannot be replaced.

In this scenario, coined as the “micro-macro paradox,” international aid creates a market disruption that hinders sustainable long-term

development prospects because it harms local producers which play an essential role. This scenario shows how instead of shipping goods produced in donor countries; ODA efficiency could be increased if the funds are used to purchase goods from local manufacturers mitigating the risk of market distortions while stimulating economic activities within the recipient nations (Moyo, 2009).

### 3.3.2 Main risks associated with ODA

One of the most mentioned risks of ODA is that a substantial inflow of external resources over a prolonged time may create a budgetary dependency in the recipient nation, particularly in low-income countries (LICs), while slowing down the creation of solid public institutions (Deaton, 2013). Countries that are no longer considered in the LICs category like China, India, and South Africa, received, on average, less than 0.5% of their national income as ODA, which is a minimal amount that does not affect the functioning of domestic institutions (Deaton, 2013).

There have been substantial efforts to increase the amount of international aid over time, which are reflected in the 150% growth within the 2002 to 2019 period (see chapter 4 for more detail). However, the impact of the large cash flows is not reflected in the three dimensions of their human development index (HDI), namely life expectancy, education and purchasing power parity (PPP). This reality shows that ODA, on its own, is not sufficient to kickstart social and economic development among recipients. A detailed analysis of regional ODA distribution and potential budgetary dependency within the tertiary education sector is provided in sections 5.6 and 6.1, respectively.

Further concerns include issues associated with the drivers behind ODA allocations. Econo-

metric studies have focused on whether aid is effective in the sense of generating economic growth and better economic performance (Guillaumont & Wagner, 2014; Quibria, 2014). Although some studies have attempted to explain that least developed countries might capture more aid, their results do not strongly prove this (Edwards, 2014)

External factors related to economic and geopolitical interests within donor countries, rather than recipients' necessity, are decisive components for ODA allocation (Harford & Klein, 2005; Qian, 2015). The discretionary nature of this policy tool might cause strategic objectives of donor countries to create severe incentive distortions leading to a suboptimal distribution of funds. For instance, there is a direct correlation between the amount of aid provision and historical colonial ties between donor and recipient countries (Alesina & Dollar, 2000). Further factors pinpointed by the academic community as drivers leading to larger allocations of ODA resources are closely related to:

- Political survival and influencing the electorate in foreign countries aligned with donor governments (Faye & Niehaus, 2012)
- Inconsistencies with ODA altruistic objectives arising when connecting aid with international trade patterns and donor's strategic commercial partners (Ali, Banks & Parsons, 2015)
- Self-serving donor's national security concerns (Azam & Delacroix, 2006)
- Limited information about "on the ground" conditions leading to standardized "one-size-fits-all" programs (Easterly, 2006)

Although the increasing ODA could be seen as a positive sign, considering the outcomes arising from this ODA is critical to evaluate the real impact. The international community through the Addis Ababa Action Agenda stresses that international cooperation in the form of ODA

could lead to i) additional resource mobilization from the private and public sectors, ii) improve local tax collection, iii) create enabling environments for public service provision, iv) unlock new financing sources and v) mitigate some risks related to large investments, particularly in infrastructure, that lead to the growth of the private sector (United Nations, 2015).

### 3.4 ODA for education

It is important to identify how education ODA has been historically allocated and highlight its substantive upward trend, but that only provides a partial picture. In this regard, the evidence on education-related outcomes is quite limited since the final impact of these policies requires extended timeframes to become visible and data from developing countries is often incomplete (Niño-Zarazúa, 2016). Nevertheless, the limited academic literature on the impact of education aid suggests that the overall effect of ODA mostly depends on the recipient's characteristics and the education level where the resources are directed (Birchler & Michaelowa, 2016; Riddell & Niño-Zarazúa, 2016). For instance, the impact of international aid flowing into primary education seems to be larger in low-income countries, whereas middle-income nations may benefit more from TE ODA (Asiedu and Nandwa, 2007). A potential reason behind those findings could be that middle-income countries tend to have more robust primary education systems and higher gross enrolment rates compared to low-income countries.

Therefore, aid would consequently have a comparatively larger impact on the local TE sector compared with other levels of education (Asiedu & Nandwa, 2007). Furthermore, in the context of Sub-Saharan Africa, Asiedu (2014) found that basic education ODA had a statistically significant positive effect on the recipient's economic growth when controlling for heterogeneity among countries in terms of income. Still, this

effect became either adverse or marginal when analyzing the post-primary sub-sectors.

Besides the long-term economic growth that may arise due to the increased financial resources, studies that solely focused on education outcomes also suggest an overall positive effect on the sector due to the flow of additional resources. For example, ODA has been linked with increased coverage and expanded student enrolment within aid recipient nations. The positive effect of aid on enrolment rates can be identified throughout the three education levels, but this contribution seems to be more significant at the primary level (Michaelowa & Weber, 2007; Birchler & Michaelowa, 2016). Nonetheless, the analysis of indicators reflected in a long-term horizon, such as the quality standards of the education service and student learning outcomes, do not seem to show a statistical improvement in the presence of ODA (Birchler & Michaelowa, 2016).

### 3.5 Chapter takeaways

Official development assistance (ODA) has the potential to become an engine for development and therefore plays a central role in achieving the 2030 SDG Agenda. Resources flowing as international aid contribute to every SDG, but they do prioritize certain goals from which SDG 4 on quality education has been linked to 7.4% of 2017 total ODA (SDG Financing Lab, 2021). Still, evidence of ODA outcomes shows mixed development results, which is why scholars have engaged in an intense debate with valid arguments in favour and against the provision of ODA funding. Therefore, the international community has been engaged through multiple international conferences in creating a set of standards that can lead to efficient ODA outcomes. However, these principles address international aid from a general perspective, and specific evidence leading to optimal TE ODA outcomes is scarce.

## 4 General overview of ODA distribution by sector

From 2002 (when countries started reporting ODA disbursements) to 2019 (the last year with data available at the time of drafting this report), the total ODA grew almost 150%, from US\$77 billion to US\$192 billion. Its distribution has been highly concentrated in the 'social infrastructure and services sector, the sector where education ODA is located. This has been the largest sector every year, except in 2006, when its lowest point (25%) was recorded and overcome by an exceptional increase of funds directed to 'action relating to debt' (see Figure 2). Despite the total increase of ODA throughout the last two decades, the total amount allocated to 'social infrastructure and services' has recorded a modest increase over the last few years, currently accounting for an average of 36% of total ODA, equivalent to US\$69.3 billion (see Figure 2).

### 4.1 Allocation of ODA within the social infrastructure and services sector

ODA for the social infrastructure and services sector covers government and civil society, education, primary health care, nutrition and safe water and sanitation. Within this sector, the "government and civil society" sub-sector concentrates the most significant aid share (30%), followed by education (20%) and health (20%), shares that remained relatively stable during the period 2002-2019 (see Figure 3).

In 2019, ODA on education represented 21% of the social infrastructure services sector reaching US\$14.3 billion, an increase of 195% compared to 2002. Since 2002, the distribution of financial

flows allocated to the different education levels, namely primary, secondary, and tertiary, has been relatively constant.

### 4.2 Allocation of ODA within the education subsector

Tertiary education, which takes the largest share of education aid, currently accounts for slightly more than a third (37%) of the education sub-sector's total aid, whereas upper-secondary<sup>10</sup> receives 14%. Basic education<sup>11</sup> (26%) as well as an unspecified level<sup>12</sup> (23%) account for roughly a quarter each. The most substantial change over the last decades has occurred in the upper secondary level, which has doubled from its 2003 level of 7% to 14% by 2019 (see Figure 4).

Overall, financial aid flowing to education has almost tripled from US\$4.86 billion in 2002 to its 2019 all-time high of US\$14.34 billion (see Figure 4). By education level, the large difference between tertiary and other education levels is clear in absolute monetary terms, but tertiary education lost some of its comparative advantage because the largest percentual increase was experienced at the upper-secondary level from US\$399 million to US\$2.0 billion (400% growth). Tertiary education grew from US\$1.8 billion in 2002 to US\$5.3 billion in 2019 (193% increase) and 8% over the last five years. Basic education was the level with the smaller growth during the same period (139%), reaching US\$3.76 billion by 2019.

The aid flows by level of education in relative terms in 2019 were equivalent to an investment of US\$ 39,7 per TE student (considering all students enrolled in TE in recipient countries

10 According to ISCED standards, upper-secondary programmes at ISCED level 3 are typically designed to complete secondary education in preparation for tertiary education or provide skills relevant to employment, or both

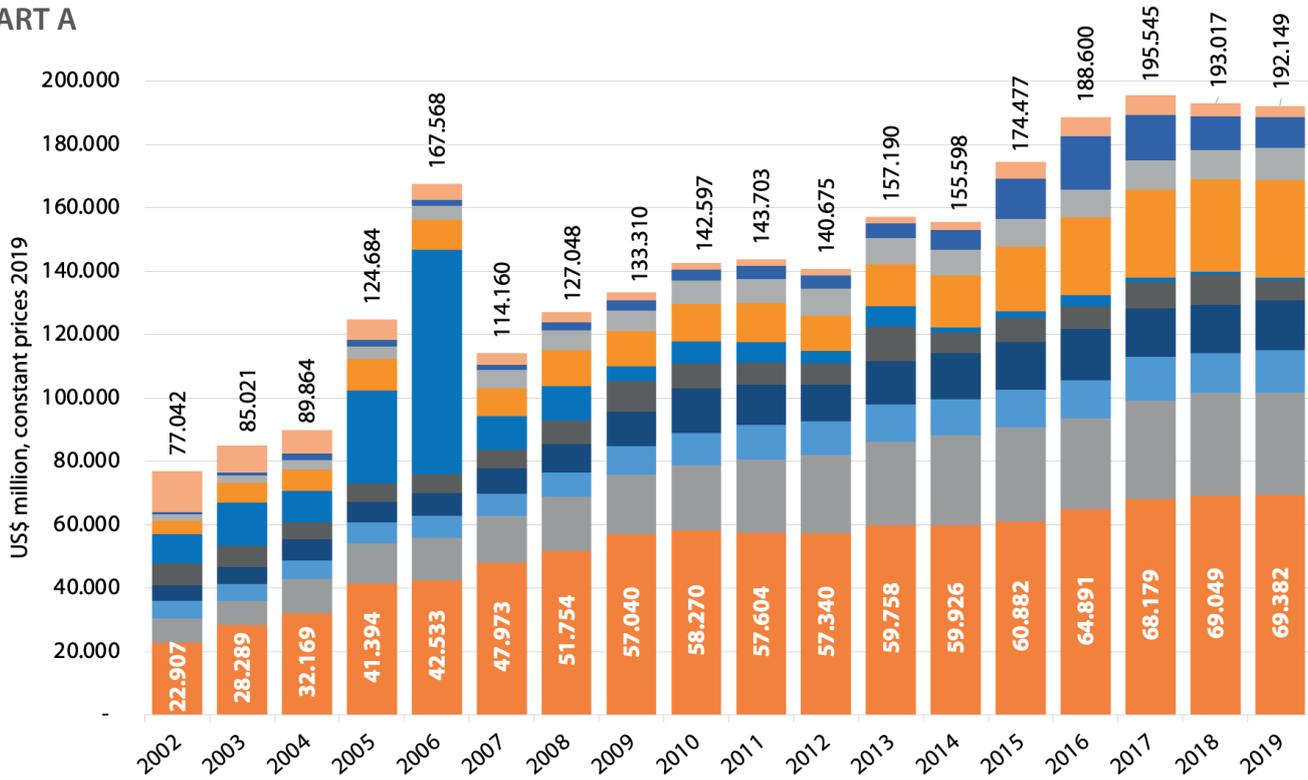
11 According to ISCED standard, basic education comprises primary education (first stage of basic education – ISCED 1 level) and lower secondary education (second stage – ISCED 2 level). It also covers a wide variety of non-formal and informal public and private activities intended to meet the basic learning needs of people of all ages.

12 Used only when the education level of the activities registered is unspecified or unknown.

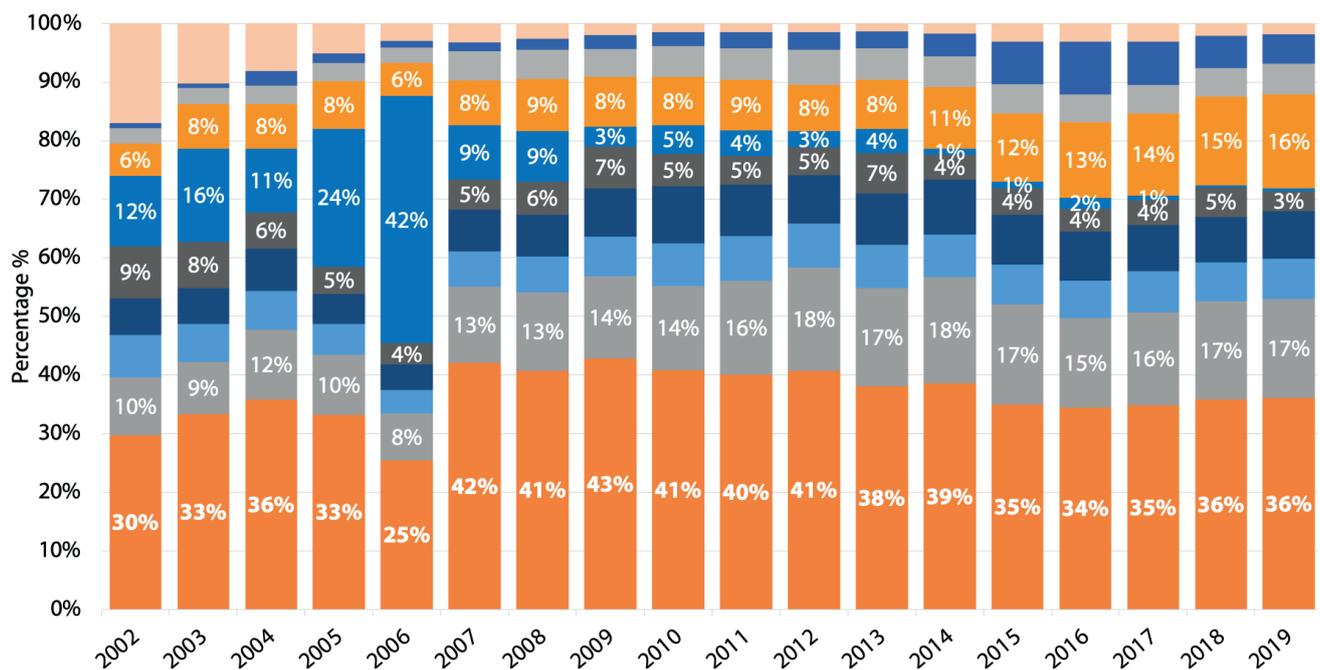
**Figure 2: Total ODA by sector, in US\$ million (part A) and in percentage (part B) (2002-2019)**

- Social infrastructure and services
  - Multi-sector/cross-cutting
  - Humanitarian aid
  - Refugees/asylum seekers in donor C
- Economic infrastructure and services
  - Commodity aid/gral prog. assistance
  - Administrative costs of donors
  - Unallocated/unspecified
- Production sectors
  - Action relating to debt
  - Support to NGOs

**PART A**



**PART B**

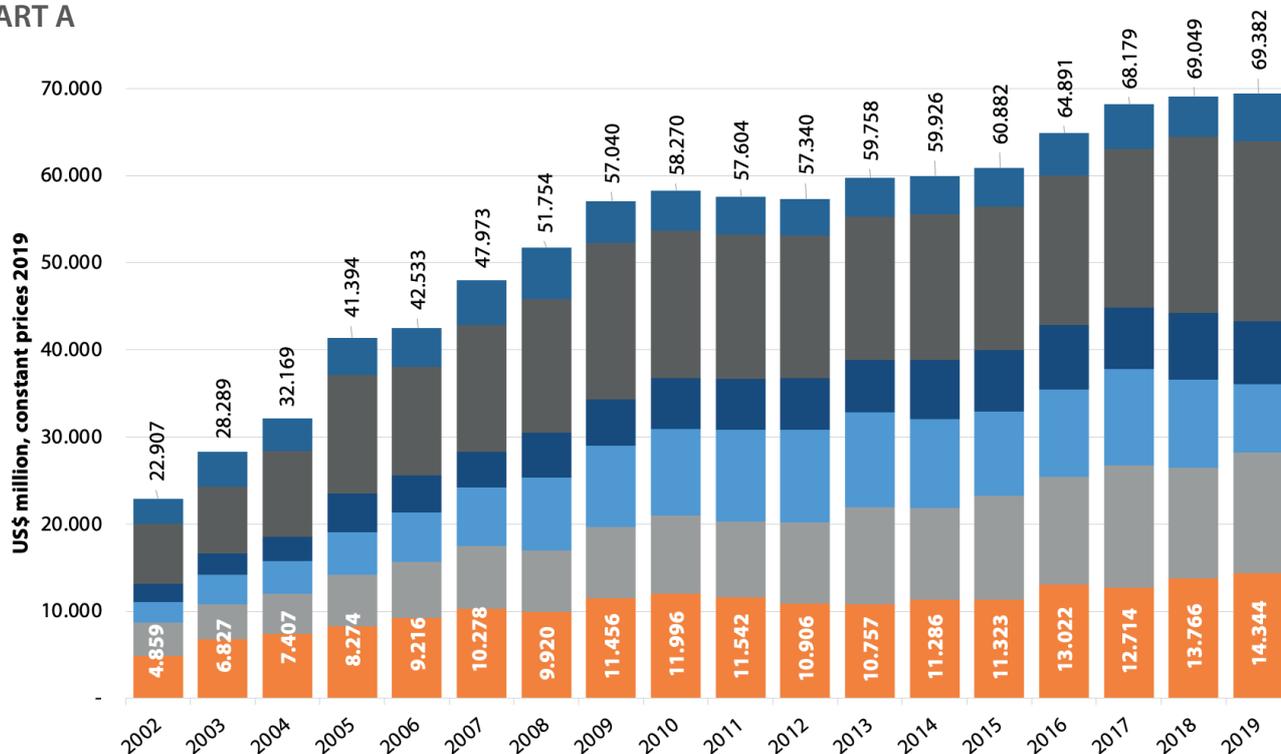


Source: UNESCO IESALC based on data from OECD-CRS, 2002-2019

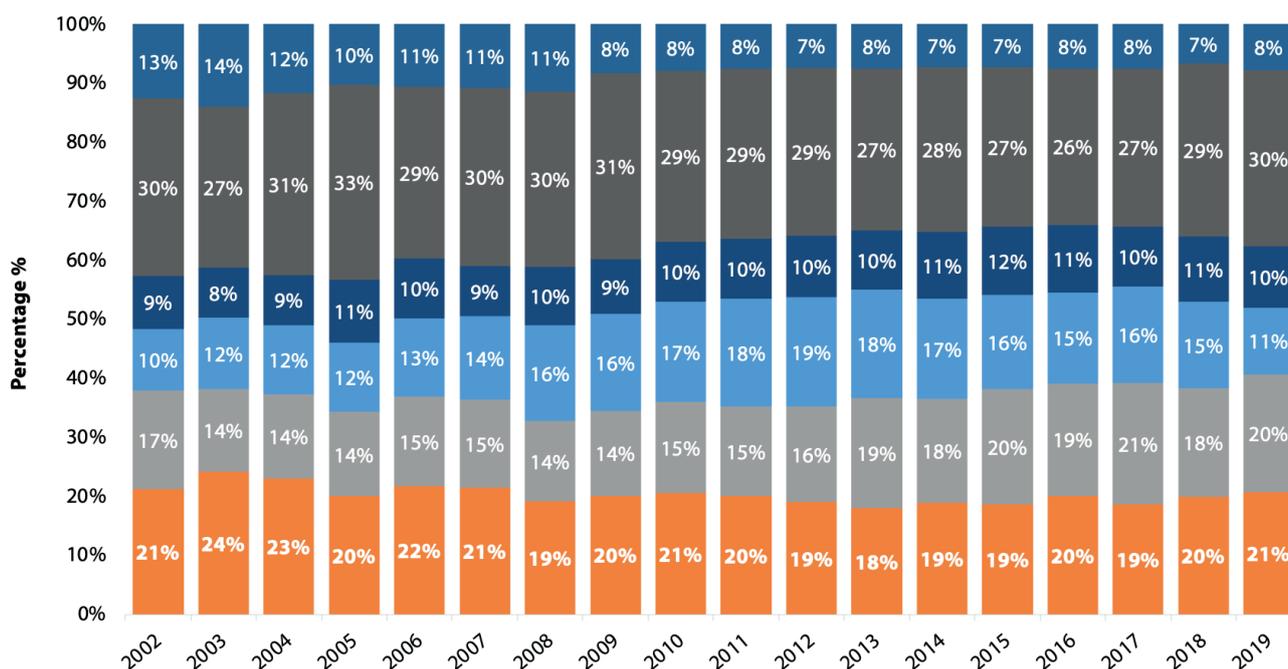
**Figure 3: Total ODA distribution within the social infrastructure and services sector, in US\$ million (part A) and in percentage (part B), (2002-2019)**

- Education
  - Health
  - Government and Civil Society
- Population Policies/Prog.& Reproductive Health
  - Water Supply and Sanitation
  - Other Social Infrastructure and Services

**PART A**



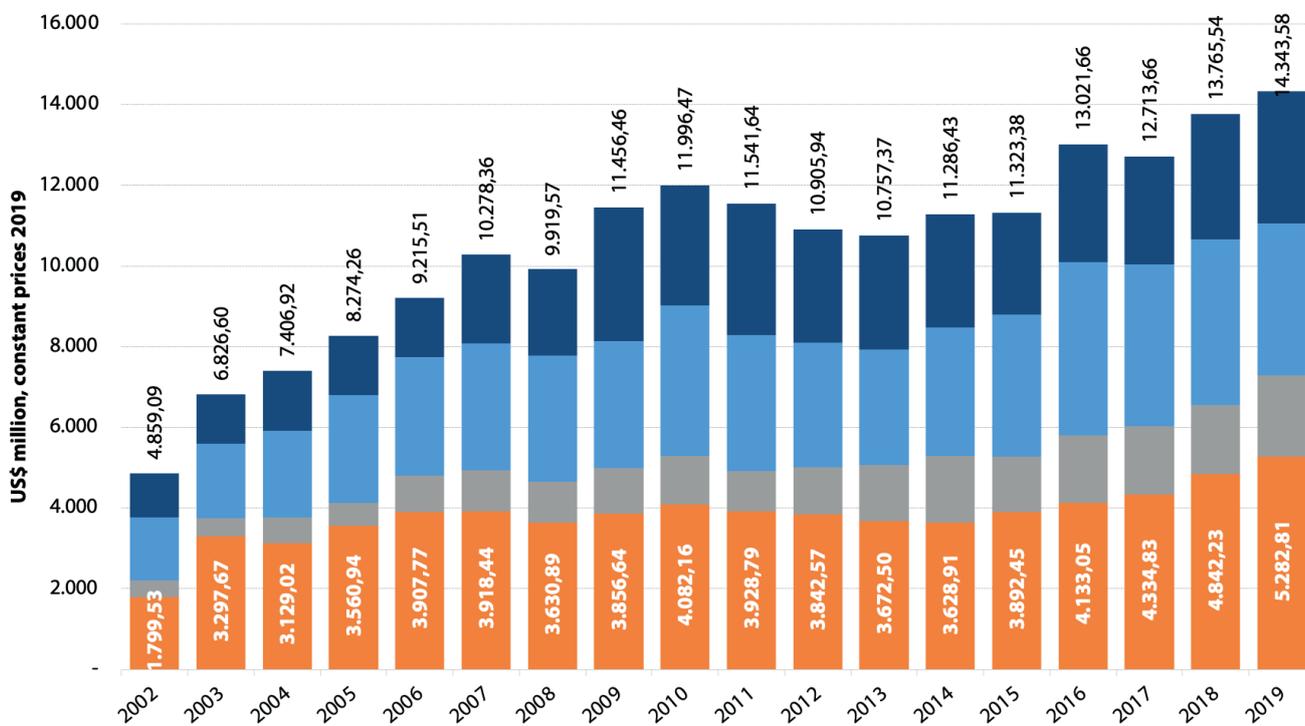
**PART B**



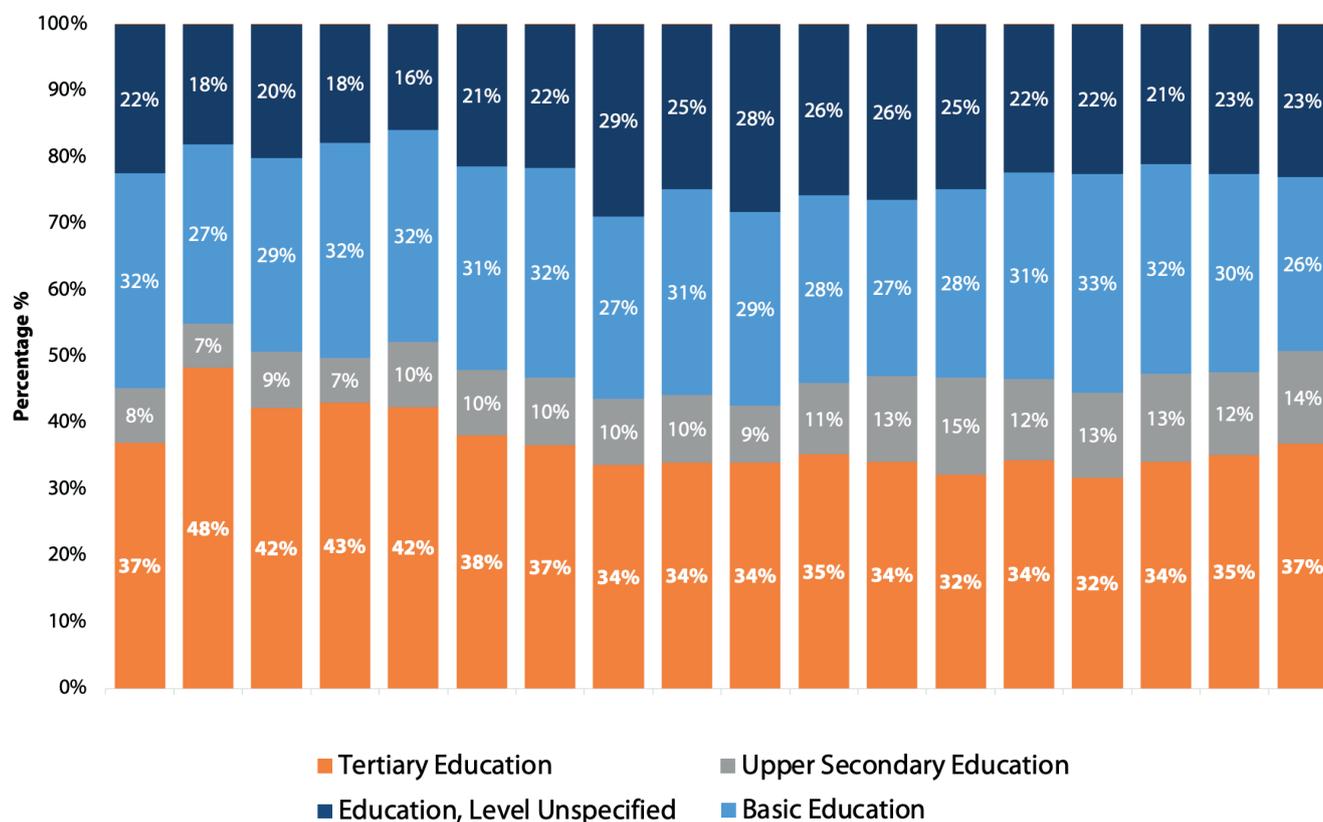
Source: UNESCO IESALC based on data from OECD-CRS, 2002 – 2019

**Figure 4: Total ODA distribution within the education subsector, in US\$ million (part A) and in percentage (part B) (2022-2019)**

**PART A**



**PART B**



Source: UNESCO IESALC based on data from OECD-CRS

reported by UNESCO UIS) . For other levels of education, this was US\$ 11,4 in upper secondary education and US\$ 3,5 in basic education.

### **4.3 Chapter takeaways**

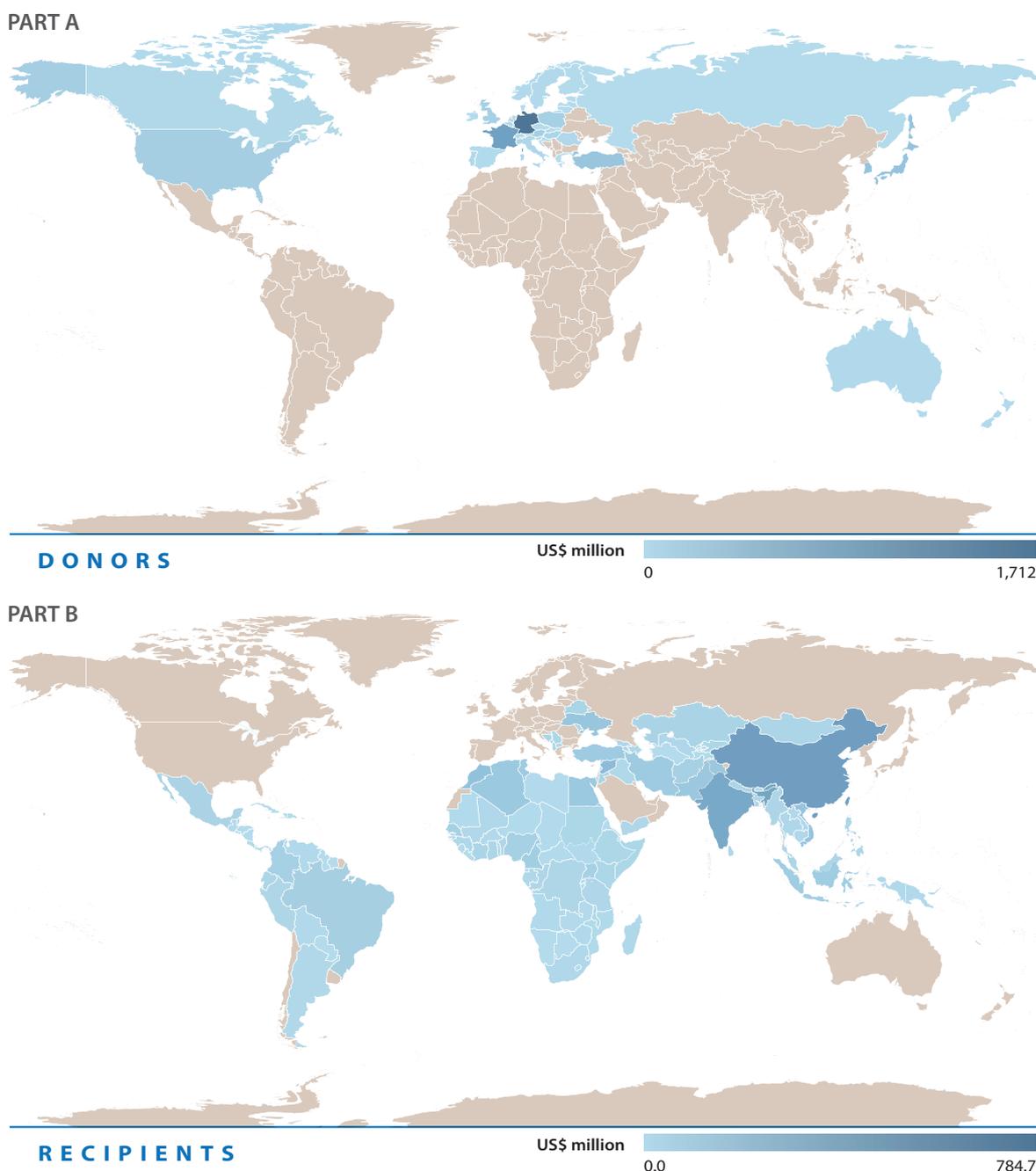
From 2002 to 2019, the international community has increased ODA flows by 150%, reaching US\$192 billion. A breakdown of those funds reveals that, in 2019, the social infrastructure and services sector received US\$69.3 billion (36% of total ODA). Out of those funds, the education subsector got US\$14.34 billion (21% of total ODA) in 2019, an all-time high that almost tripled the US\$4.86 billion in 2002. Within education, tertiary education has historically received the largest amount of funds (US\$5.3 billion in 2019 and 2.7% of the total ODA), which almost doubled since 2002 (OECD CRS, 2021).

## 5 Trends and features of international aid to tertiary education

Tertiary education lies at the heart of any country's development journey since it catalyses human capabilities while greatly contributing to its social and economic prospects (UNESCO IESALC, 2022a). Consequently, it is no coincidence that this education level represented in 2019, 37% of the total education ODA and 2.7% of the global

amount disbursed to all sectors within that year. As shown in figure 5, the distribution of donors and recipients of TE aid responds to acute global inequalities and the power dynamics between the Global North and Global South. Unsurprisingly, ODA resources flow from countries with stronger economies and robust TE systems like Germany and France to comparatively impoverished countries in regions such as Africa, Asia, Arab States or Latin America and the Caribbean, most of which have a colonial past.

**Figure 5: Geographical distribution of main donors (part A) and recipients (part B) of TE ODA, in US\$ million, (2019)**



Source: UNESCO IESALC based on data from OECD-CRS

**Table 1: Top ten donors and recipients of ODA for TE, in US\$ million, (2019)**

No	Donor Name	Amount	% of total	No	Recipient Name	Amount	% of total
1	Germany	1.712,13	32%	1	China	427,31	8%
2	France	897,48	17%	2	India	349,67	7%
3	Japan	344,46	7%	3	Syrian Arab Republic	195,28	4%
4	Turkey	309,36	6%	4	Morocco	176,62	3%
5	United States	162,13	3%	5	Viet Nam	154,90	3%
6	Saudi Arabia	159,62	3%	6	Ukraine	147,80	3%
7	United Kingdom	159,23	3%	7	Pakistan	134,11	3%
8	Austria	134,31	3%	8	Egypt	127,56	2%
9	Poland	130,98	2%	9	Algeria	124,81	2%
10	Korea	96,61	2%	10	Iran	108,99	2%
		<b>4.106,33</b>	<b>78%</b>			<b>1.947,06</b>	<b>37%</b>

Source: UNESCO IESALC based on data from OECD-CRS

### 5.1 Tertiary education ODA provided by type of donor

Financial resources of TE ODA are mainly provided by three actors: i) Development Assistance Committee Countries (DAC),<sup>13</sup> which consist of 30 of the most developed nations worldwide, ii) 26 nations outside of the DAC classified as non-DAC,<sup>14</sup> and iii) multilateral.<sup>15</sup> In 2019, almost 8 of every 10 US dollars (79.2%) of TE aid was provided by DAC donors, and the remaining 2 of every 10 US dollars were almost equally divided between non-DAC donors (10.7%) and multilateral donors (10.1%). Non-DAC donors started to participate in TE aid in 2012 but their participation has been consistently increasing, to the point of surpassing the contribution of multilateral organizations in 2019, while reaching a historic high

amount of US\$ 564 million. The main non-DAC donors in 2019 were Turkey, Saudi Arabia and Romania (see Figure 6).

### 5.2 Tertiary education ODA allocation by education levels

The total ODA disbursement to the TE sector is divided into flows directed to i) “higher education” and ii) “advanced technical and managerial training,” which is an equivalent of tertiary technical and vocational and education training (TVET)<sup>16</sup> at ISCED 5 level, also referred as higher (level) VET by European Union and OECD sources.

The allocation of financial resources among both categories is acutely skewed in favour of higher education, leaving an almost negligible role in fi-

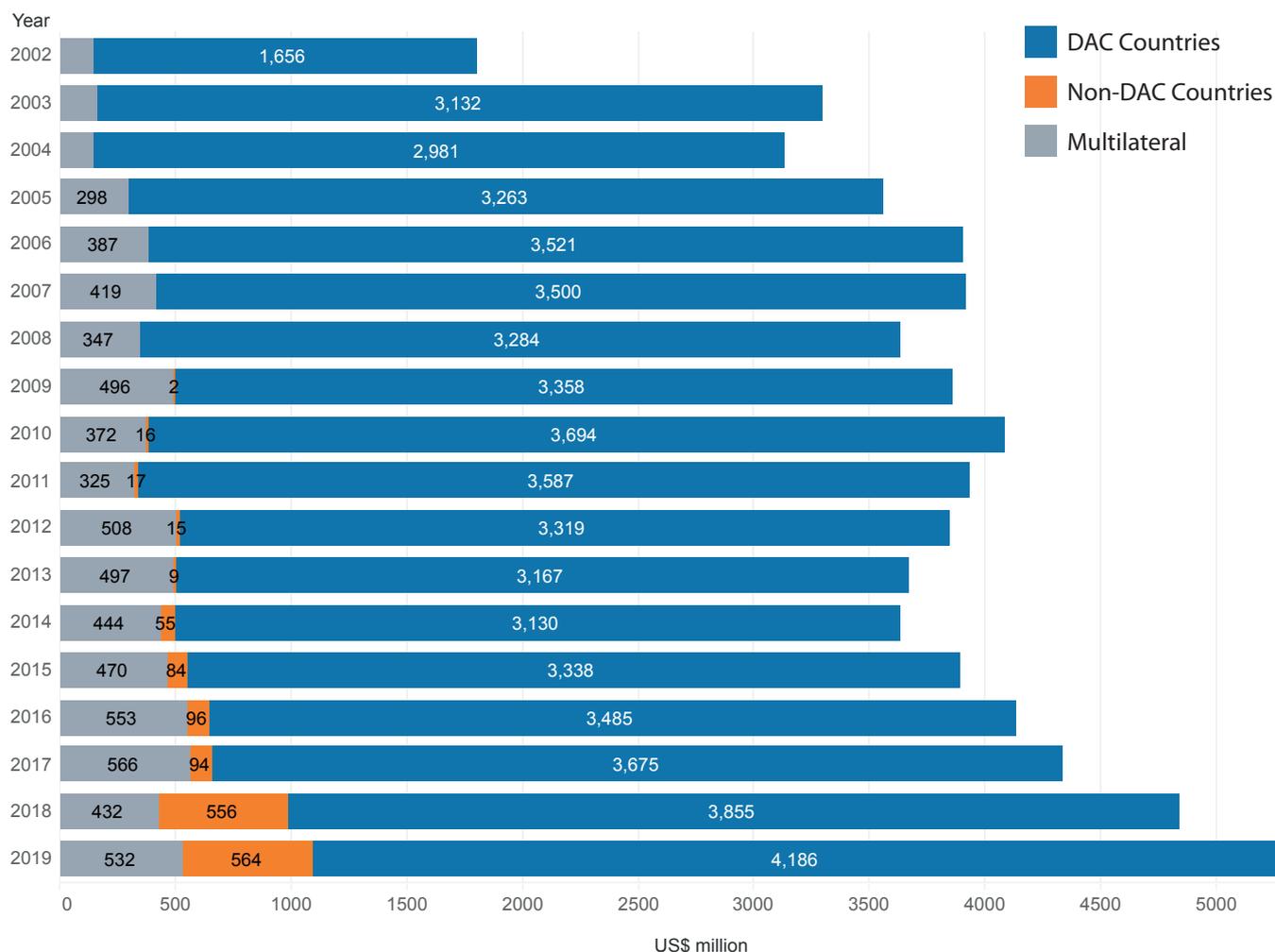
13 DAC countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States.

14 Non-DAC countries: Cyprus, Malta, Turkey, Croatia, Liechtenstein, Bulgaria, Romania, Estonia, Latvia, Lithuania, Russia, Algeria, Libya, Mexico, Iraq, Israel, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, Azerbaijan, Kazakhstan, Chinese Taipei, Thailand, Timor-Leste.

15 Multilateral donors: African Development Bank, African Development Fund, Arab Bank for Economic Development in Africa, Arab Fund (AFESD), Asian Development Bank, EU Institutions, ILO, Inter-American Development Bank, International Development Association, OPEC Fund for International Development, UNDP, UNICEF and EU Institutions.

16 Defined as: Professional-level vocational training programmes and in-service training (ISCED level 5)

**Figure 6: Total TE ODA distribution by type of donor, in US\$ million, 2019**



Source: UNESCO IESALC based on data from OECD-CRS

ancing high TVET efforts. Whereas flows to higher education have been trending upwards, reaching an all-time high of US\$5.125 billion by 2019, financial resources directed to TVET remain marginal and maintained on average the same levels.

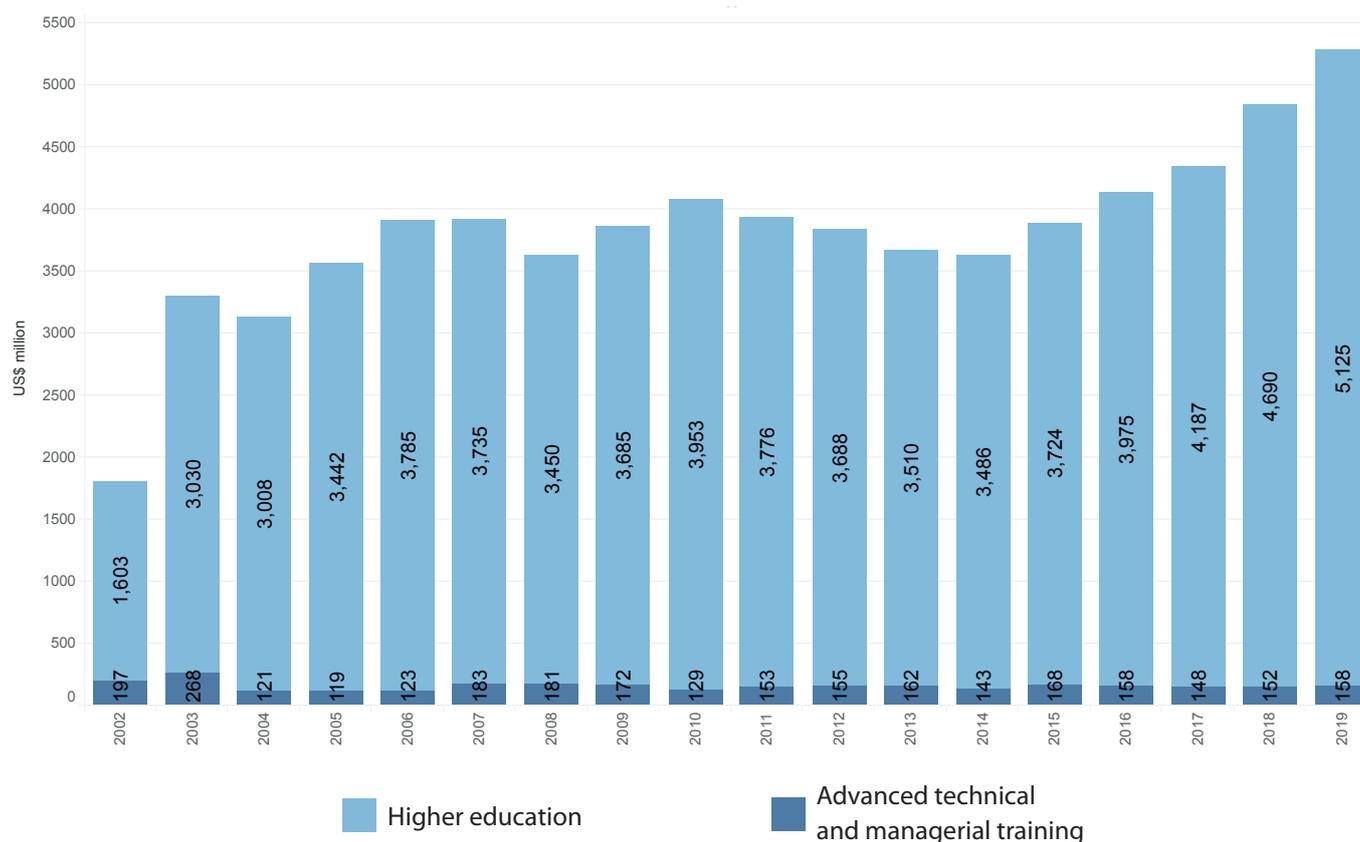
Notably, the highest amount of ODA captured by higher TVET was registered in 2003. However, following that exceptional year, the total amount of TVET ODA has never been close to the ceiling of 268 million USD disbursed in 2003. In fact, its proportional share even hit a historic bottom in 2019, a year in which it fell for the first time under the 3% line, with only US\$158 million (see Figure 7).

Higher TVET has the potential to help access to decent work, entrepreneurship and lifelong learn-

ing opportunities in particular national contexts as well as to contribute to SDGs (UNESCO, 2016). Thus this small share of ODA targeting higher TVET can be a large barrier to the improvement of employability and economic growth in recipient countries, since strengthening TVET systems has been particularly associated with installing the specific employability skills demanded by domestic labour markets (Suarta et al., 2017) as well as becoming a development catalyst for many countries, like China, which leveraged its comparative advantage in the manufacturing sector partly due to substantial investments in TVET educational pathway (Chukwu et al., 2020).

TVET has proven to tackle unemployment caused by structural skill gaps arising from the

**Figure 7: Total ODA distribution within tertiary education, in US\$ million, (2002-2019)**



Source: UNESCO IESALC based on data from OECD-CRS, 2002-2019

mismatch between students’ competencies and the skills demanded by domestic employers efficiently (Marope, Chakroun & Holmes, 2015; Hanni, 2019). TVET also promotes a successful transition from the education system to the labour force, emphasizing a country’s competitiveness prospects, larger tax revenues increasing employability and creating economic growth through qualified human capital at a technical level (Hanni, 2019). The reasons for the lack of focus on TVET by donors are currently unknown and will need to be explored in further studies.

### 5.3 Tertiary education ODA allocation by type of aid

The OECD CSR database divides TE ODA into 12 types, which are clustered into four main areas (see Table 2). Almost half (45%) of the costs of tertiary education ODA are imputed costs to stu-

dents and a quarter of the costs are scholarships, which contemplate training in donor countries. Both categories are related to international mobility and, in aggregate terms account for over 70% of total TE ODA disbursements (USD 3.792 billion), followed by project type interventions with 21,7% and other technical assistance, capturing 3.65% (see Table 2).

In 2010, the categories of types of aid were re-defined by the OECD to reduce the significant amount of “not applicable” ODA that could not be classified. Since then, out of the 12 recorded types of TE ODA, three (imputed student costs, scholarships/training in donor country and project-type interventions) represent between 87% and 93.5% of TE funding (see Figure 8).

This allocation trend also remained when looking at regional level distributions in 2019 (see

**Table 2: Types of TE ODA**

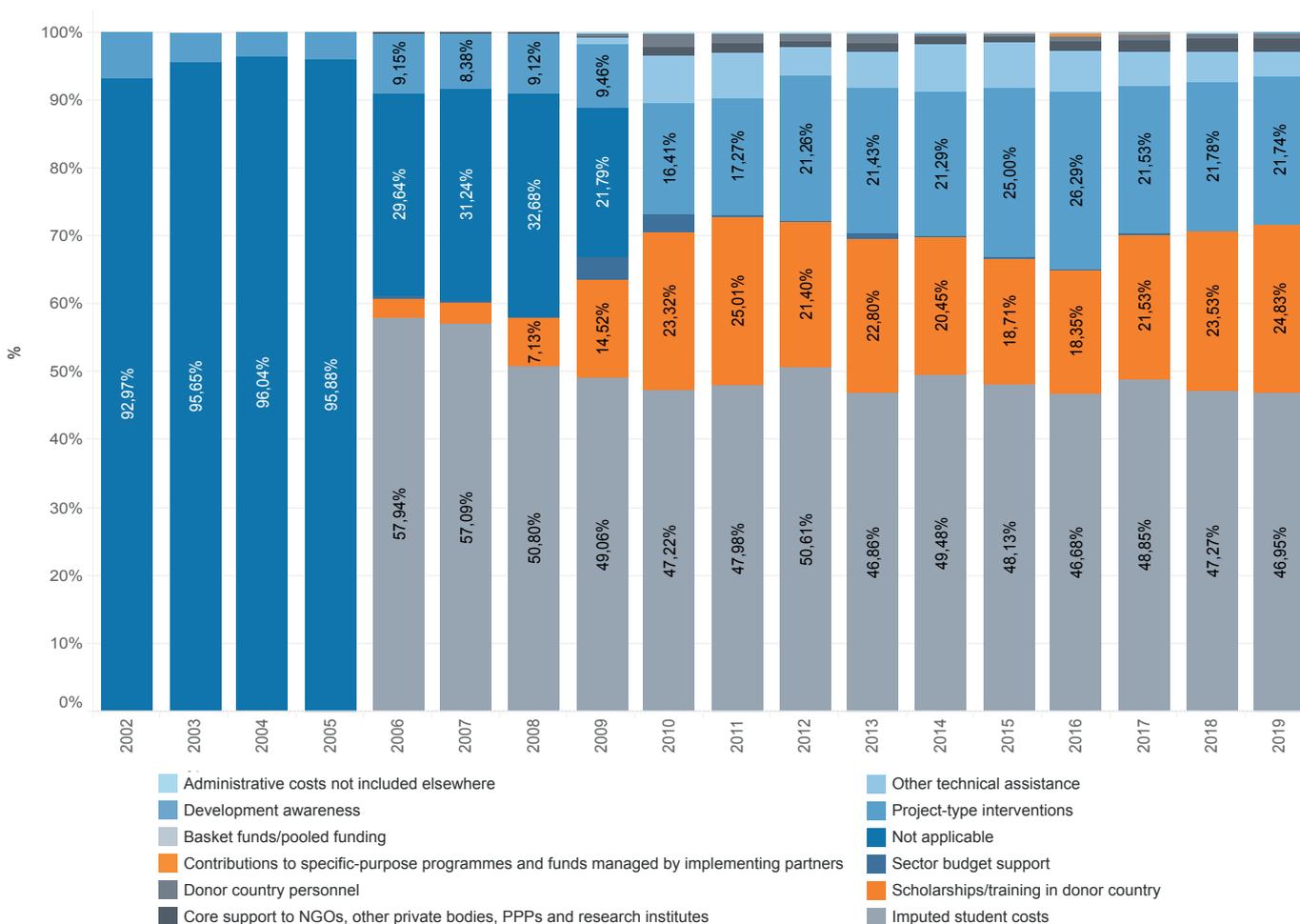
Main Category	Type of ODA	Description
<b>Scholarships</b>	<b>Scholarships and training in donor country</b>	Financial aid awards for individual students and contributions to trainees
	<b>Imputed student costs</b>	Indirect tuition costs of foreign students studying in donors' universities. Costs borne indirectly by the official sector in respect of tuition in the donor country of students from aid recipients
<b>Capacity Building</b>	<b>Project-type interventions</b>	A project is a set of inputs, activities and outputs, agreed with the partner country, to reach specific objectives within a defined time frame, budget and geographical area
	<b>Technical assistance</b>	Experts, consultants, teachers, academics, researchers, volunteers and contributions to public and private bodies for sending experts to developing countries
	<b>Donor country personnel</b>	Experts, consultants, teachers, academics, researchers, interns, volunteers and financial contributions to public and private bodies for sending experts to developing countries
<b>Budget Support</b>	<b>Contributions to specific purpose program</b>	Programmes and funds from multilateral organizations to support a certain theme, sector, or purpose, which contribute to improving the provision of Global or Regional Public Goods
	<b>Basket funds/pull funding</b>	Contributions to a common fund managed jointly with other donors and/or the partner country. The account has defined specific purposes, disbursement and accountability mechanisms
	<b>Development awareness</b>	Support of activities that increase the social awareness of development issues
	<b>Core support to NGOs, other private bodies, programs</b>	Funds given to NGOs and civil society organizations (local, national or international) for discretionary use and contributions to programmes and activities developed and managed by the NGOs
	<b>Sector budget support</b>	General financial support focused on contributing towards the recipient's budget for a specific sector
<b>Administrative Costs</b>	<b>Administrative costs not included elsewhere</b>	Administrative expenses from ODA programmes not included in other categories

Source: OECD DAC Glossary of key terms and concepts

Figure 9). Imputed student costs remain the dominant type of TE ODA. They represent 54% of the monetary flows to Asia and the Pacific, slightly less than half of the funds directed to Africa (47%), and as much as 60% to 70% in the remaining regions. In line with the pattern at the aggregated level, "scholarships/training in donor country" is the second most common type of ODA, ranging between 20% and 25% in all regions except Asia and the Pacific, where project-type interventions have a larger share with almost a quarter of all TE ODA (24%).

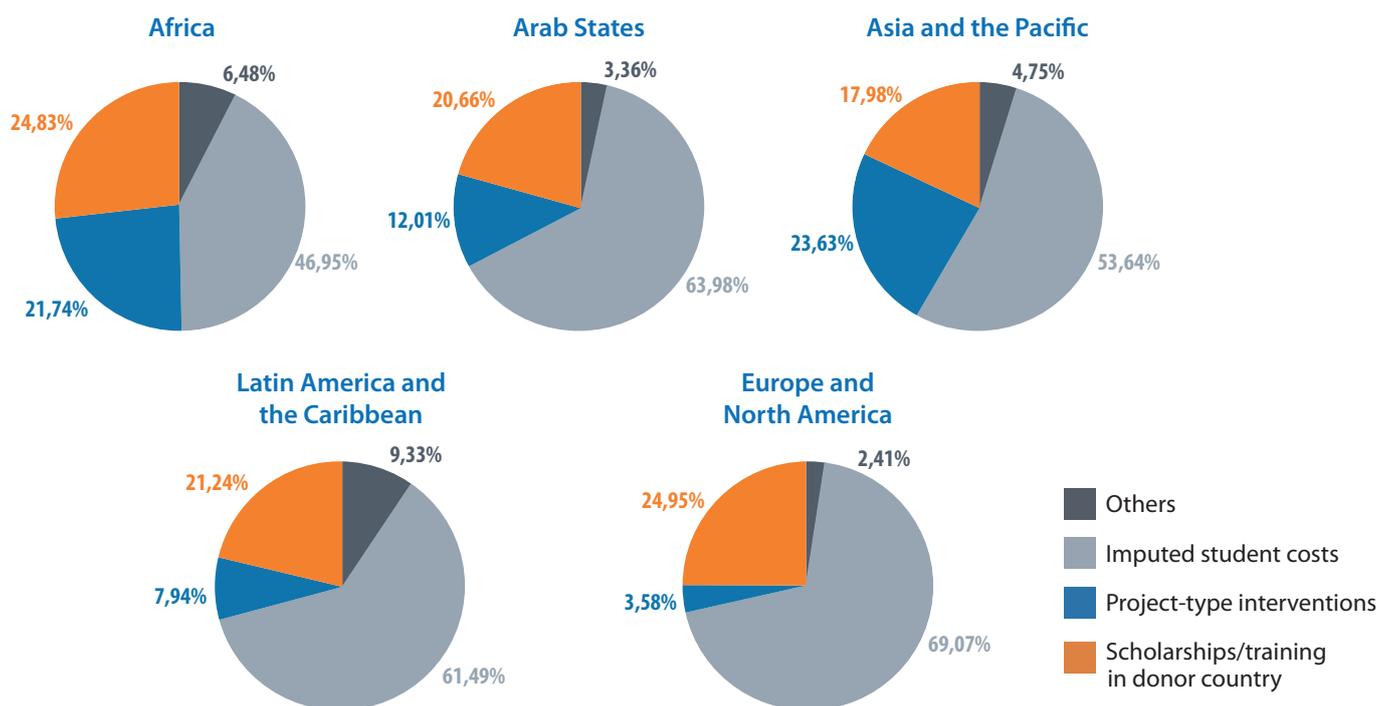
The substantial share of "scholarships/training in donor country" and "imputed student costs" (Figures 8 and 9) may raise questions regarding the size of the contributions towards strengthening foreign TE systems since the disbursed funds are reinvested in the donor country. Even when there are no accurate global figures on this, there is a share of the alumni who do return to the recipient nations due to factors such as the political situation, employment opportunity, and quality of life, among others (Marsh et al., 2016). Even if they return, they do not necessar-

**Figure 8: Total TE ODA distribution by type of aid, in percentage, (2002-2019)**



Source: UNESCO IESALC based on data from OECD-CRS

**Figure 9: Total TE ODA distribution by type of aid and by region, in percentage, 2019**



Source: UNESCO IESALC based on data from OECD-CRS

ily have a direct engagement with the national TE system. ODA-driven scholarships seem to fit the bill of prioritized short-term interventions in favour of the promotion and development of the soft power of the donor<sup>17</sup> or influence public opinion of the donor country (leader model) as they invest in future leaders (Wilson, 2013; Hart, 2016).

### 5.3.1 First glance at the controversy of ODA scholarship programs

Considering that the predominant distribution of TE ODA is given as international scholarships, the following sub-section provides a deeper insight into the intricacies of this type of aid. Although scholarships are the most common ODA mechanism used by donors, the CRS database is reported in monetary terms, so the exact number of beneficiaries cannot be ascertained because of the lack of disaggregated scholarship data.

TE ODA has its allocation particularities, but legitimate concerns arise due to its inbound nature. This means that scholarships, despite benefiting international students, are entirely spent within donor countries and consequently the financial resources never reach the TE systems of the recipient nations. In other words, those funds, although contributing to building qualified human capital due to scholar alumni potentially returning to their home countries, they also represent a form of subsidy for tertiary education institutions within donor countries since they greatly benefit by getting a significant amount of ODA resources through the payment of tuition fees.

Evidence on TE ODA reveals that the monetary flows tend to be largely driven by donor incentives such as promoting the migration of skilled individuals, creating optimum conditions for

future foreign investments, or promoting other geopolitical interests (Bashir, 2007; Norrag, 2011). Inbound scholarships are an example of some of those external factors leading to allocations focused on quick quantifiable results rather than programmatic strategies that build a lasting institutional capacity and enhance the quality of education in the recipient country over time (Riddell & Niño-Zarazúa, 2016).

For instance, the French case shows a strong correlation with the colonial ties of the donor since most of its ODA has targeted francophone nations in Northern Africa, to undertake their studies in France (Varghese, 2010). Moreover, other major scholarship donors also portray similar trends of potential geopolitical interests shaping their ODA distribution. Japan, for instance, used to allocate around 90% of its scholarships in Asian countries (Bashir, 2007) but it has slowly moved towards supporting selected tertiary education institutions in the region through joint research projects (Varghese, 2010). China, on the other hand, through the Chinese Government Scholarship Program (CGSP) offers free education to foreign talents to familiarize them with their culture and build goodwill among future leaders towards China (Dong & Chapman, 2010).

Criticism of ODA-driven scholarships suggesting that they might be tailored according to donors' diplomatic interests could also have legitimate grounds. The criticizing is also related to their limited capability to democratize access to higher education, because in the global higher education context, and despite the increase in international mobility (with or without scholarships), it remains a highly elite pursuit with less than 3% of the world's student population being physically mobile (UNESCO IESALC, 2022b). However, the direct impact of these programs on the alumni as well as the indirect spillover ef-

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17 Soft power is the ability to obtain preferred outcomes by attraction rather than coercion or payment (Nye, 2017).

fect of this group of skilled individuals into their home countries cannot be disregarded. For example, studies focused on the effectiveness of the Australia-Africa scholarship awards tend to focus on the career development of graduates to measure the impact of the program (Amazan et al., 2016).

Another example comes from a survey of master's degree students from Kenya, Uganda and Mozambique who received scholarships to study in Australia. It shows that despite tougher market conditions upon their return, over 80% of them received either a promotion or salary increase, whereas three quarters supervised more employees, got larger financial and technical responsibilities, or assumed a higher-level policy-making role (Abimbola et al., 2016). Apart from the enhanced career prospects, returnees, who account for 86% of the alumni in those countries, arguably became agents of development through a cascade effect arising from encouraging others to study abroad, trainings, as well as mentorships provided by graduates, and by applying their skills and knowledge in the leading positions they tend to undertake (Abimbola et al., 2016). Moreover, the creation of national alumni groups may act as a space that reduces the reliance on the donor country while empowering those highly skilled individuals through local environments where they could seek support to continuously build their networks, skills, and leadership (Amazan et al., 2016).

#### **5.4. Tertiary education ODA allocation by modality of funds**

Another important feature of TE ODA is the modality of financial flows. Over 9 of every 10 US

dollars (92%) disbursed for TE ODA are provided as grants,<sup>18</sup> whereas 7,9% are in the form of loans<sup>19</sup> and a very marginal portion (0.1%) in equity investment.<sup>20</sup> In the period 2002-2019, this distribution has remained relatively stable (see Figure 10).

Considering the types of donors, DAC donors as well as the recently emerging non-DAC donors, heavily rely on grants as their predilect form of TE ODA. Earlier it was mentioned that 7.97% of ODA in TE is in the form of loans; from that proportion, 70% of loans are delivered via multilateral organizations, accounting for roughly 70% of total loans. Over the analyzed period, loans provided by multilateral organizations have increased by 180%, channelling a total of US\$345 million by 2019.

#### **5.5. Tertiary education ODA allocation by channel of delivery**

Regarding the channel of delivery of TE ODA, the classification has historically remained with the same proportions since the 2010 change of reporting methodology. In tertiary education, around half (51%) of the funds are delivered through government and governmental institutions, followed by universities, colleges, and research institutes (40%), NGOs representing 3.8% of the total. Less than 1.5% of the total TE ODA is channelled through Multilateral organizations (0.77%) and the private sector (0.6%) (see Figure 11).

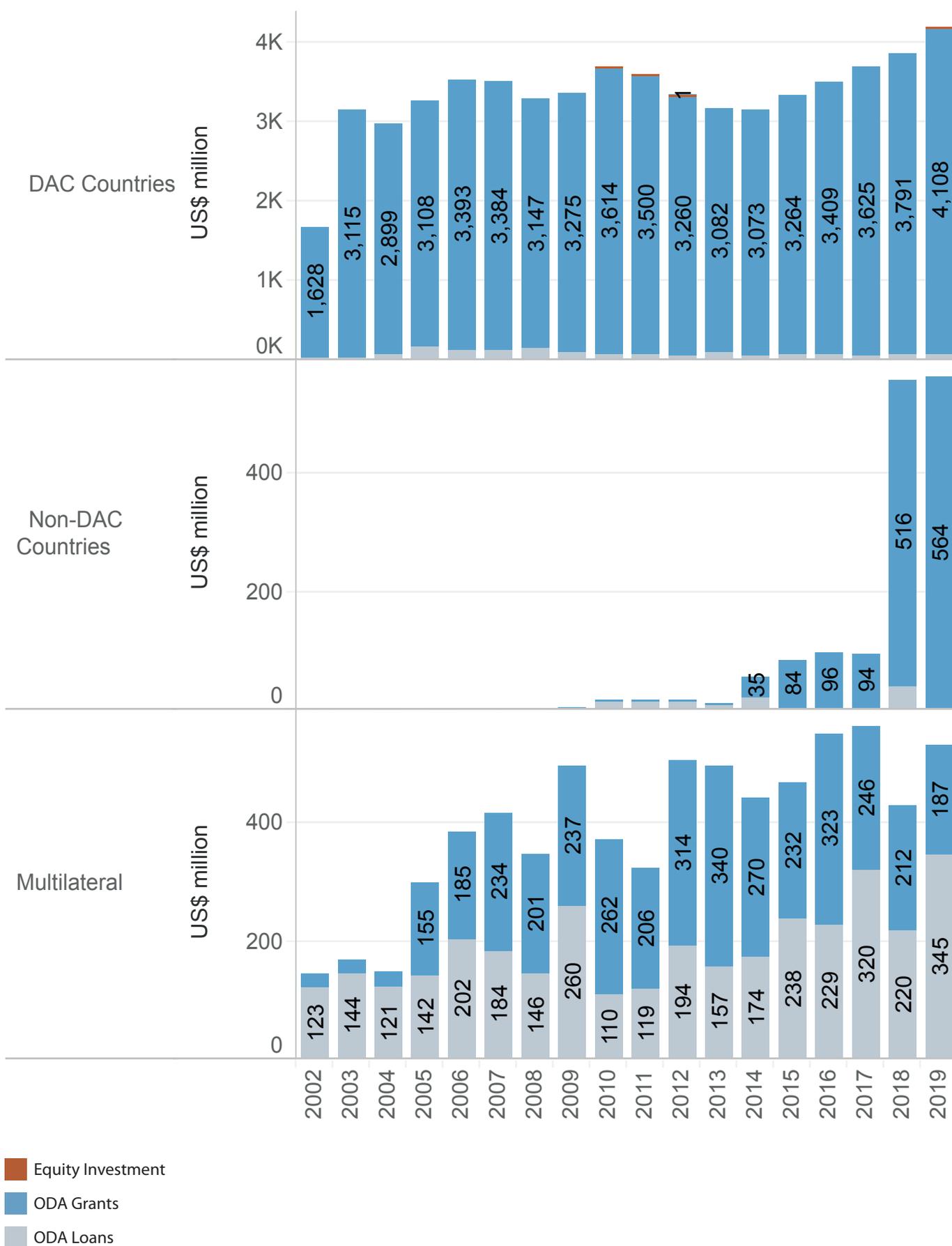
The degree to which the different aid channels are actively engaged in determining how TE ODA funds are managed and executed is unknown. Each channel used to distribute aid can

18 Transfers made in cash, goods or services for which no repayment is required.

19 Transfers for which repayment is required. Only loans with maturities of over one year are included in DAC statistics.

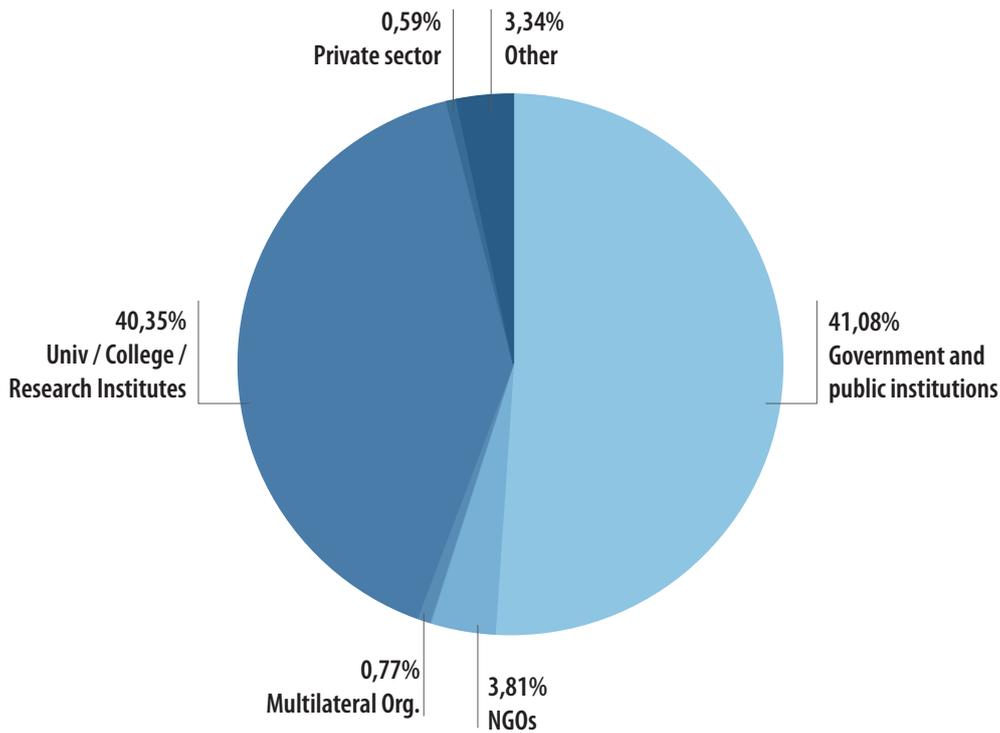
20 Equity investments to private sector entities in developing countries continue to be reported on a cashflow basis. To be ODA-eligible, equities need to comply with the ODA definition i.e. have the economic development and welfare of developing countries as their primary purpose and be in line with the ODA rules.

**Figure 10: TE ODA distribution by modality, in US\$ million, (2002-2019)**



Source: UNESCO IESALC based on data from OECD-CRS

**Figure 11: Total TE ODA by channel of delivery, in percentage (2019)**



Source: UNESCO IESALC based on data from OECD-CRS

have various advantages and disadvantages; however, there is very little evidence of the impact and their contribution to aid effectiveness and transparency. According to the data, the form in which scholarships are distributed might vary across countries as some use NGOs as the primary mechanism to deliver the aid, while others choose public institutions.

The debate about the benefits of using a channel may vary according to the relationship of the particular donor and the recipient. For example, in the case of the scholarships, different criteria could be used to compare the effectiveness of delivery, including the speed of the responses and the procedure required for HEIs or students to claim the scholarship effectively. The same situation may apply to different types of aid; answering this question will necessarily require the incorporation of an accountability mechanism to identify the advantages and disadvantages of each channel.

## 5.6 Tertiary education ODA allocation by income group of recipient country

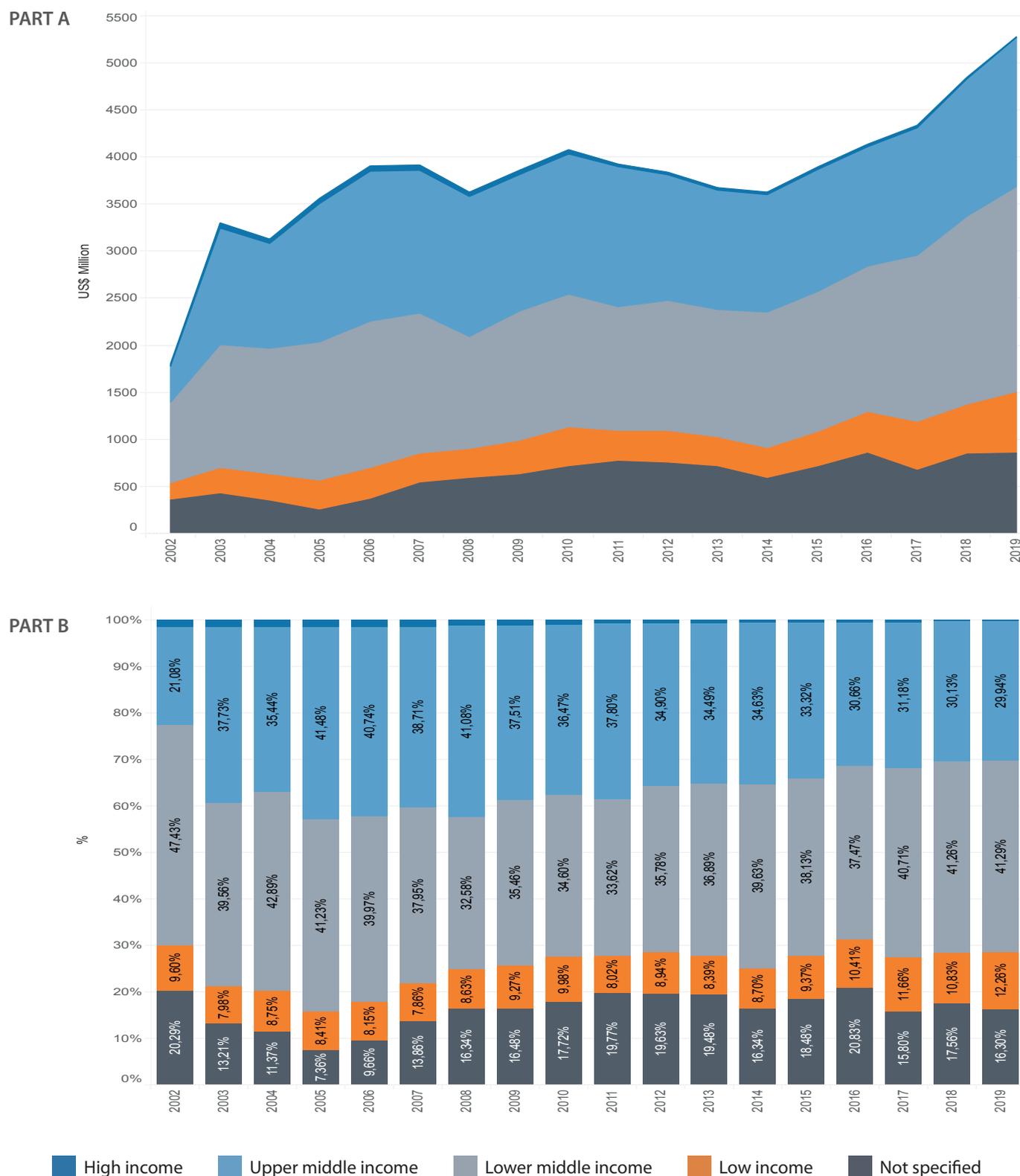
If ODA strives to become a catalyst for sustained development while contributing to financing the SDG Agenda, substantial resources should be expected to flow into countries most in need due to their structural constraints. In line with this, Guillamont (2008) argues that ideally, the principle determining general ODA allocations must be related to equity and social justice. This would mean that to reduce global inequalities and equalize opportunities, ODA should prioritize least developed countries. These are precisely the nations with the lowest ability to generate income from domestic sources and those suffering from unfavourable environments with structural constraints that impede opportunities for human development.

Since 2002, lower-middle-income countries are the group that has received the largest share of funding (41% on average), followed by upper-middle-income countries (36.7% on aver-

age). On average, 10% of the funding has targeted low-income countries (see Figure 12). There is still 16.65% of the funding whose recipient is not specified in the reporting. These percentages have not considerably changed in the 17 years.

Historical data highlights progress in this regard, considering that the share of TE ODA to low-income countries (LIC) has been on a steady upward trend since 2013. Apart from 2018, every year, the proportion of resources

**Figure 12: TE ODA by income group of recipient country, in US\$ million (Part A) and percentage (Part B) (2002-2019)**



Source: UNESCO IESALC based on data from OECD-CRS

allocated to these countries has grown notably, leading to a total increase from 9.60% in 2002 (US\$ 173million) to 12.26% in 2019 (US\$648 million). However, increased efforts from donor countries are required since over 70% of TE ODA was distributed among lower-middle income (LMIC) and upper-middle income (UMIC) countries in 2019.

LMICs tend to have more robust institutions, stronger allocation mechanisms and a larger capacity to efficiently manage and invest international aid funds into their TE systems than LICs. Therefore, its substantial resource allocation could be arguably driven by a logical framework of TE ODA efficiency and the largest TE systems of these countries. Although, the increasing resources flowing into TE systems seems to consider the recipient's capacity to manage those funds and transform them into tangible educational outcomes, donors should also engage in strategies to address the intrinsic inefficiency issues of least developed countries (Miningou, 2019).

However, the share of TE ODA resources received by upper-middle countries is highly controversial. Even when accounting for the number of countries in each income group<sup>21</sup> the TE ODA received per country is still the lowest for the LIC, displaying a disconnect with the equity principle and the narrative of ODA as a policy to close inequalities and finance developing efforts in countries staying behind. Most of these countries have been addressing their structural handicaps and are able to gather sufficient domestic resources to finance the most pressing issues within their TE systems. Nonetheless, this proportion has been significantly reduced from its 41.48% peak in 2005 to the current 29.58% level. Overall, data on TE ODA disbursements hints to important progress over the last years, but there

seems to be further room for improvement in terms of redistributing TE official development assistance from upper-middle countries, mainly towards least developed nations with an imperative need of external resources.

## 5.7 Tertiary education ODA distribution by world regions

The historical record of TE ODA disbursements by region shows relatively stable distribution trends over time (see Figure 13). For instance, the amount of TE funds targeting Asia and the Pacific surpassed those of Africa in 2003 and has remained the leading region ever since. Moreover, the share of TE ODA received by Asian countries has historically ranged between 35% and 40%, whereas the trend of Africa has been in a downward trend since 2008 with a minor upturn in 2017 which coincides with a drop in the share of TE ODA allocated to Arab States. In terms of the total disbursed resources, the three regions peaked in 2019, reaching US\$797 million in the case of Africa, Arab States with US\$978 million and US\$1.9 billion for Asia and the Pacific.

The African region, with the largest concentration of low human development countries receives less funding than other comparatively wealthier regions, but at the same time, it is the region with the lowest TE attainment - only 3.2% of their adult population have completed tertiary education studies (UNDP, 2019). In Asia, around half of the TE ODA allocated within the region targets UMICs (see Figure 13).

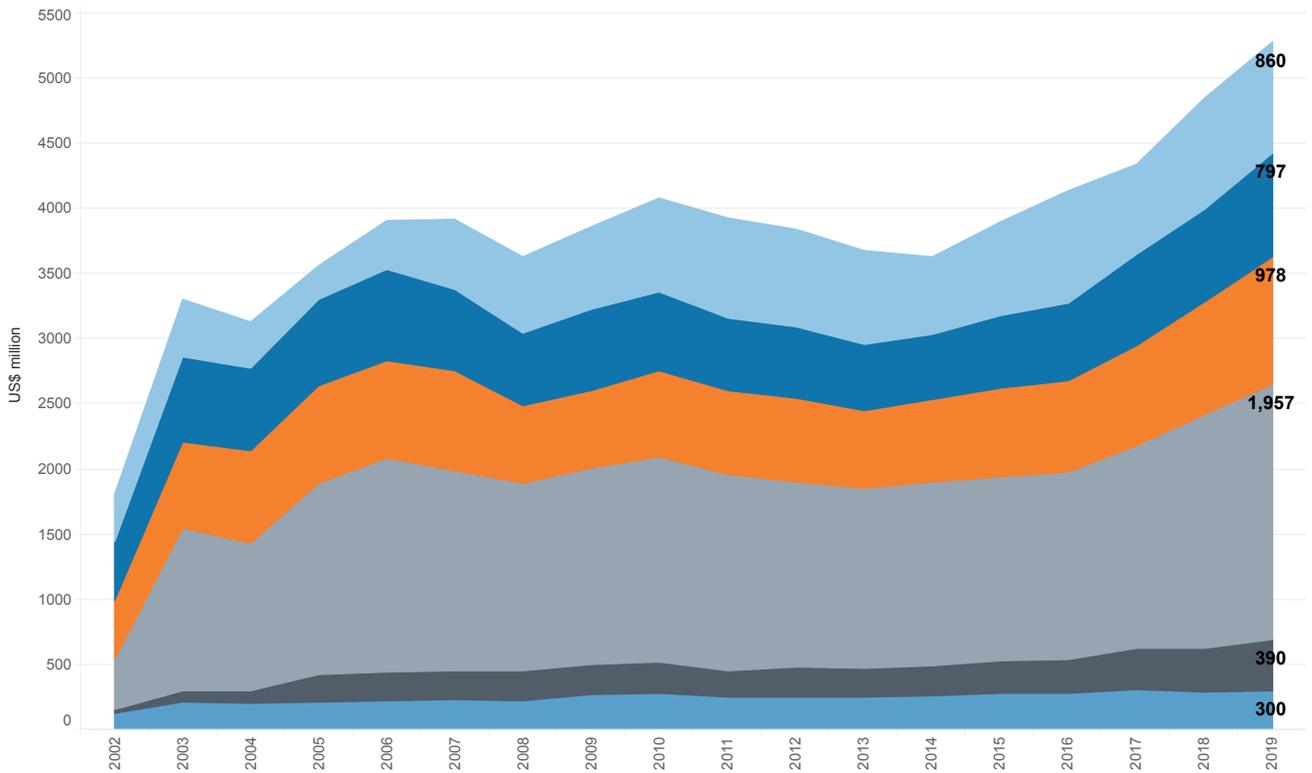
## 5.8 Tertiary education ODA distribution by region

The composition of the key recipients per region had substantial changes between 2002 and 2019. Figure 14 illustrates how the architecture

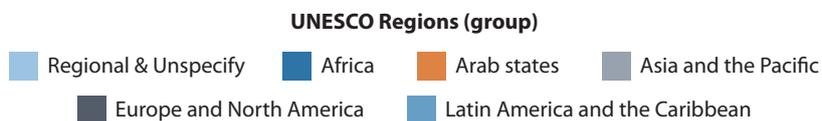
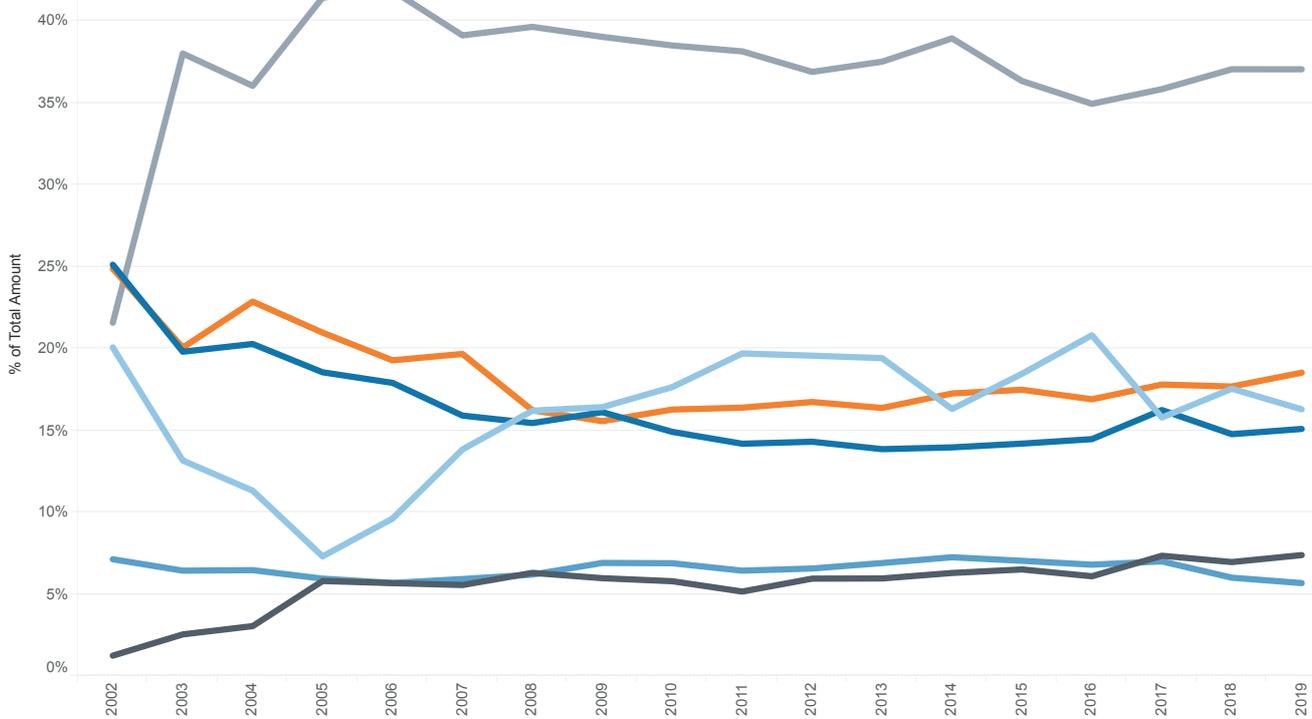
21 According to the World Bank Income June 2020 classification, there were 29 lower-middle-income countries (LIC) 50 Lower-middle income countries (LMIC) , 56 upper-middle-income (UMIC) countries and 83 high-income countries (HIC).

**Figure 13: Total TE ODA disbursements per recipient region, in US\$ million (part A) and in percentage (part B)**

**PART A**



**PART B**



Source: UNESCO IESALC based on data from OECD-CRS

of TE ODA recipients has evolved since the OECD started to register international aid disbursements.

Regarding China, although the country has remained Asia's top recipient in 2019, its global share of total TE ODA had a hefty increase, turning it into the largest global recipient with US\$427 million or 8% of the total TE ODA. Despite this, it is essential to note that China is both a donor and a recipient. Due to this dual nature and the fact that China does not report data on its ODA disbursements to OECD-CRS, Box 2 gathers information from secondary sources to fill the gap and discuss China's role as a major donor country in greater detail.

After Asia and the Pacific, the Arab States have consistently been the second largest recipient of TE ODA. In 2002, only Morocco and Algeria received over 16% of the total TE ODA given in that year. After China and India, Syria emerged as the third most significant global receptor of TE aid in 2019 with over US\$195 million, followed by Morocco with US\$176 million. A deeper look into the Syrian case reveals that 98% of the TE ODA received by its nationals is given either as imputed student costs or scholarships. This is particularly relevant since it occurs under a refugee crisis, and Germany, the main DAC country hosting Syrian asylum seekers, provided US\$132 million out of the US\$195 million allocated to Syria. In sum, this hints towards the use of TE ODA to enhance refugee access to TE systems as part of donor's integration strategies.

In addition, African nations do not seem to be prioritized by international donors in absolute monetary terms. Although Senegal and Cameroon did rank among the top ten TE ODA recipients in 2002, the funds for the region have comparatively decreased since no country appears as one of the top ten TE ODA recipients of 2019. The largest African recipient of TE ODA during that year was Cameroon in the 14<sup>th</sup> posi-

tion with US\$81 million or 1.6% of the global TE ODA share. They have the lowest human development indicators and a rapidly growing youth population but only a small share of the population finishing upper-secondary education (35%), the region has consistently ranked below Asia and the Pacific (77%) and the Arab States (61%), UIS (2021).

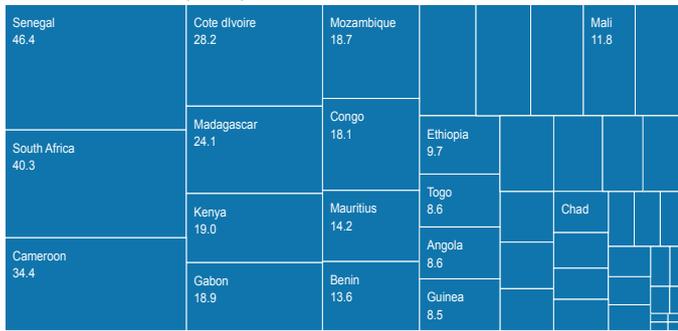
The region of Europe and North America had a marginal share of TE ODA in 2002, but several countries increasingly received more financial resources over time. For instance, Ukraine became the sixth-largest receptor of TE ODA with US\$148 million while Moldova, Albania, Belarus, and Bosnia Herzegovina appear as middle-size recipients. The 2022 invasion of Ukraine is expected to lead to a major increase in TE ODA for the country. Considering the Syrian case, this increase in aid may primarily take the form of international scholarships to support the integration of Ukrainian refugees in European TE institutions, rather than direct support to Ukraine's TE system (see Figure 14).

**Figure 14: Total TE ODA recipients per region, in US\$ million and percentage, 2002 (part A) and 2019 (part B)**

**PART A**

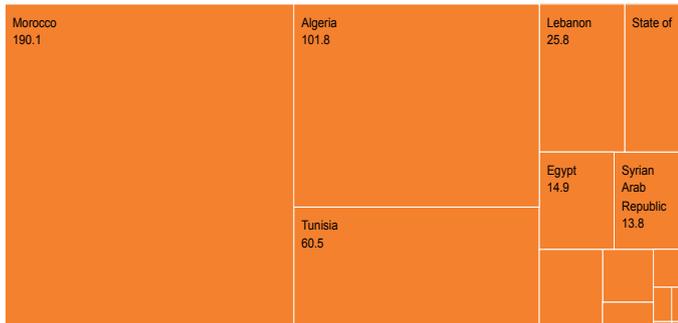
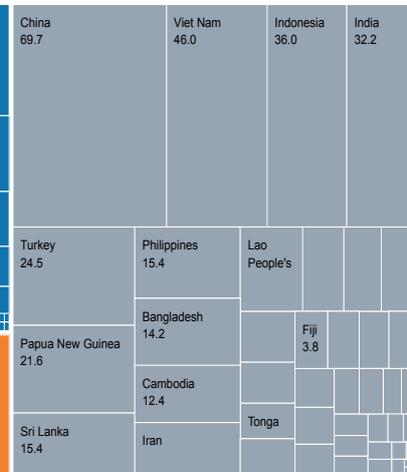
**Africa**

452 US\$ million (31%)



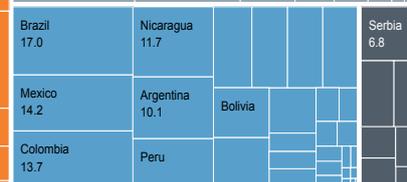
**Asia and the Pacific**

288 US\$ million (27%)



**Arab States**

448 US\$ million (31%)



**Latin America and the Caribbean**

128 US\$ million (9%)

**Europe and North America**

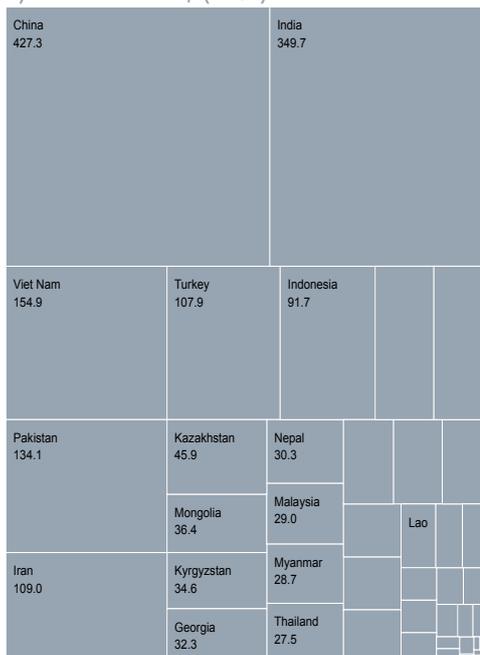
22 US\$ million (2%)

**TOTAL 1,438 US\$ million**

**PART B**

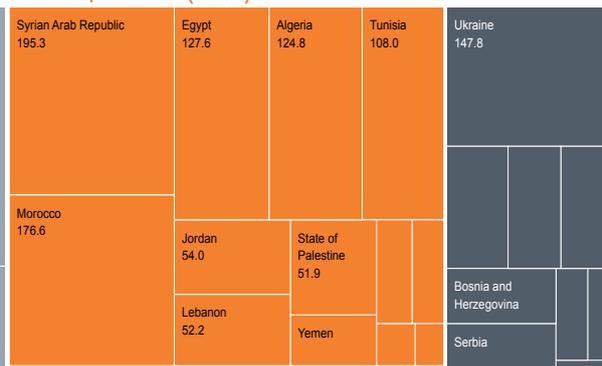
**Asia and the Pacific**

1,957 million US\$ (44%)

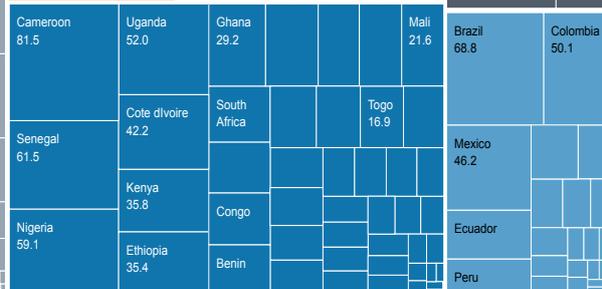


**Arabs States**

978 US\$ million (22%)



**Europe and North America**  
390 US\$ million (9%)



**Latin America and the Caribbean**  
300 US\$ million (7%)

**Africa**

797 US\$ million (18%)

**TOTAL 4,423 US\$ million**

Source: UNESCO IESALC based on data from OECD-CRS

## Box 2: China's role as a donor country

China's State Council Information Office has published four reports on international aid given by China in 2011, 2014, 2020, and 2021, covering the period of 2009-2018, as well as a historical overview of China's aid from the 1950s to 2009. Besides the 2020 report that focused primarily on China's aid for public health matters during the pandemic, all other reports have touched upon the topics of education, in particular higher education.

Throughout those years, the Chinese government's approach to providing higher education aid to other developing countries has focused mainly on the following areas:

- Building infrastructures for higher education institutions and research centres.
- Providing equipment and materials for teaching and research.
- Sending Chinese professionals for knowledge sharing and technical support.
- Offering scholarships to students to pursue degrees in China.
- Training professionals to further human development in other countries.

A closer look at the evolution of TE Chinese ODA reveals the increasing importance of scholarship provision, particularly after 2009, which represents a breaking point. In that year, the Chinese government offered over 11,000 international scholarships, but within the next three years (2010-2012), that figure

climbed to 76,845. Between 2013 and 2018, more than 200,000 trainee scholarships were provided in 17 fields such as politics and diplomacy, public administration, national development, poverty reduction through agricultural development, medical and health care, education and scientific research, culture and sports, and transport. Those ODA allocations are primarily targeting developing countries in Africa and ASEAN, as well as Pacific Islands states. Such a prioritization coincides with the target of SDG 4b (Latief & Leven, 2018; Fedasiuk, 2020).

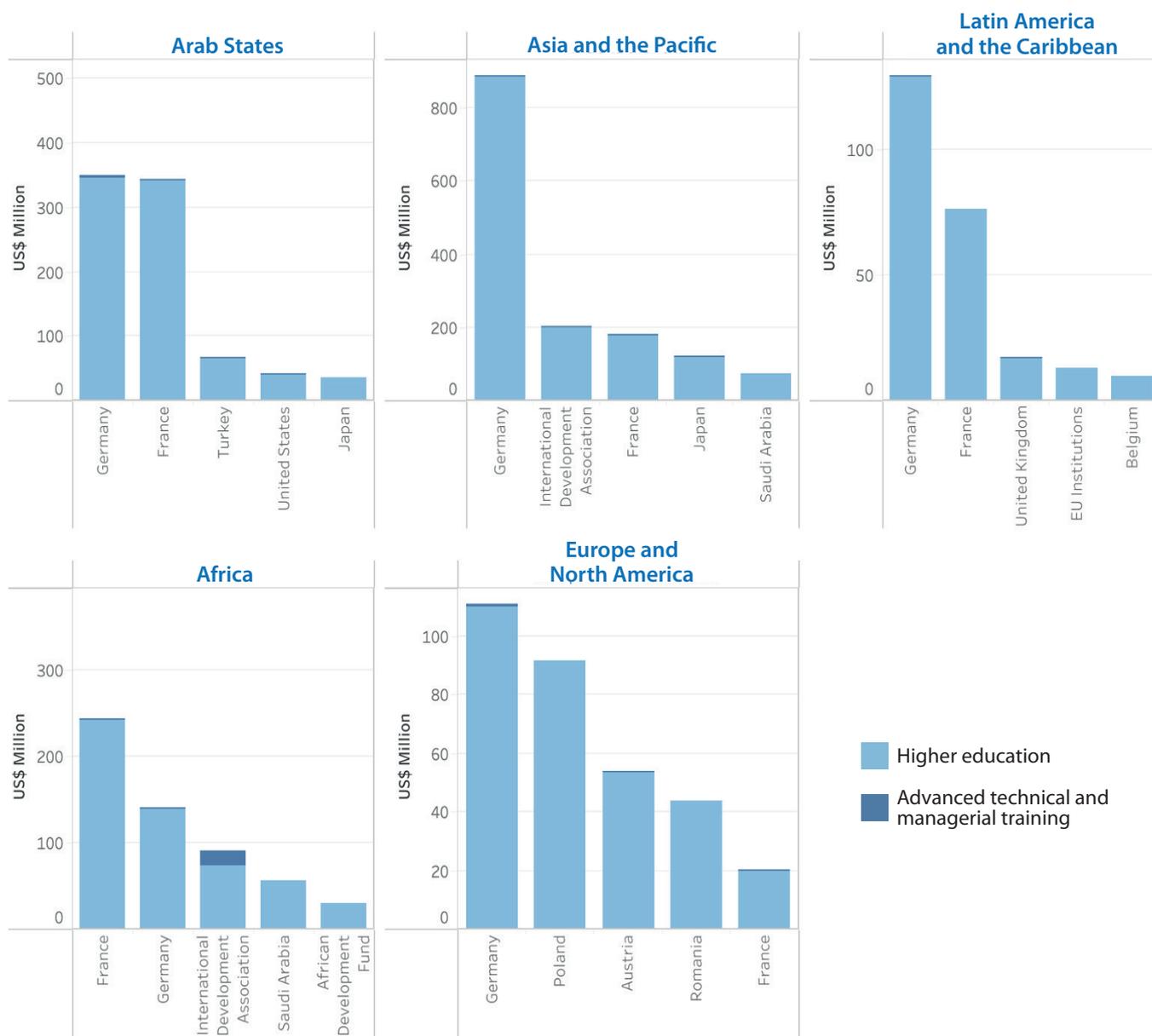
## 5.9 Tertiary education ODA allocation by donors per region

After reviewing the total contribution of the main donors and the total TE ODA received by recipient countries, this section focuses on the specific flows that each region receives from the main donor countries. Overall, in 2019 the largest donors are Germany and France (see Figure 15). In all regions except Africa, Germany has the most considerable support for TE ODA flows, which concentrates 32% of the global TE ODA funds (US\$1.71 billion). France, as the second-largest donor provides US\$897 million (17% global share). France is the first donor in Africa, and the second or third in each of the other regions, except Europe and North America.

In Asia and the Pacific, Germany is by far the largest donor, accounting for US\$884 million or slightly less than half (45%) of the funds captured in the region. It is then followed by the International Development Association (IDA),<sup>22</sup> and France with 10% and 9%, respectively. In comparison, Japan and Saudi Arabia provide roughly 4% each.

22 The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing zero to low-interest loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.

**Figure 15: Total TE ODA distribution by region and donor, in US\$ million, 2019**



Source: UNESCO IESALC based on data from OECD-CRS

Africa has France as the leading supporter with 31%, followed by Germany with 18% and IDA (11%). Like the case of Asia and the Pacific, Saudi Arabia has been an incumbent player since 2018 with an average share of 5%.

In Latin America and the Caribbean, the region receiving the least amount of TE ODA (US\$300 million), Germany and France also lead in support with 43% and 26% respectively. They are followed by the United Kingdom, the EU institutions (4.3%), and Belgium (3.2%). Despite the strong historical ties of the Iberian Peninsula

with the region, Portugal and Spain are in the 10<sup>th</sup> and 11<sup>th</sup> position respectively in terms of their TE ODA to the region.

In Europe and North America, it is Germany and Poland who led the list of TE ODA contributing countries (28.8% and 25.5% respectively) followed by Austria (13.3%), France (4.9%) and Romania (11.75%) who replaced contributions like those made by Greece until 2012 which at that time reached to 16.7%.

In the case of Arab States, out of the US\$978 million the region received in 2019, 70% of those funds come from France and Germany, each one accounting for 35%. They are then followed by Turkey (7%), the United States (4%) and Japan (3%).

Fully understanding the reasons behind TE ODA and their potential disconnection from traditional development and efficiency variables is an area for further study with in-depth case by case analyses. However, Box 3 adds to the conversation by providing concrete data-driven examples of how geopolitical and economic allocation factors, exogenous to those in the Paris Agreement, may influence the distribution of TE ODA.

### Box 3: Potential distribution drivers of key stakeholders

#### The case of China:

Since 2003, China has consistently been the largest recipient of TE ODA. However, questions related to inconsistencies with ODA development objectives have been raised since China is an upper-middle-income country that can generate substantial domestic resources, unlike the least developed ones. In fact, as previously shown in Box 2, the increasing number of inbound scholarships provided by the Chinese government to attract international talent seems to suggest that China has also become a major donor of ODA.

Most TE aid received by China comes from the national scholarship programs of France and Germany. Over 91% of the US\$427 million received as TE ODA in 2019, were “imputed student costs” to fund the temporary migration of Chinese students to France and Germany. China ranks as one of the largest trading partners of both donors, which raises questions of whether these TE ODA inflows are driven by the strategic

goal of strengthening international relations rather than purely developmental reasons.

#### The case of France:

Besides the possible incentives to reinforce international relations with major commercial partners, TE ODA provided by France also displays how the geopolitical priorities of donor countries are reflected in the design of their international aid policies. For instance, French TE ODA seem to be greatly oriented towards supporting former colonial countries (Kim, 2014). In this specific case, sharing the same language is a significant allocation factor since most of those resources finance the international mobility of recipients to study

in French universities, thus strengthening a francophone network with future leaders (Bashir, 2007; Boeren, 2012).

In 2019, according to data from the CRS, France directed over 61% of that year’s international aid to African countries, out of which former colonies like Algeria, Morocco, Senegal and Tunisia, ranked together with China, as the largest recipients. Only those four countries with historical colonial ties received over a third (37% - US\$331 million) of France’s total annual TE ODA. Those funds were almost entirely given in the form of “imputed student costs” and “scholarships/training in donor country” to support international mobility from francophone countries to France (OECD-CRS, 2022).

## 5.10 Chapter takeaways

The reviewed data from the Credit Reporting System (CRS) database reveals key historical trends of TE ODA, which represented 2.7% of the 2019 global aid disbursements to all sectors. Within TE, ODA donors strongly prioritize higher

education and allocate a marginal amount to the recipient's TVET systems, around 3% annually in the period 2002-2019. Within the different types of aid, imputed student costs and scholarships/training in donor country account for almost three-quarters (70%) of the total disbursed funds for TE. However, the reliance on these types of aid, closely related to international mobility, may raise questions regarding their impact on recipients' TE systems since those resources are reinvested within donor countries and never reach the recipient countries. Regarding the most common delivery channels, half of TE ODA flows directly via governments and 40% through universities, colleges or research institutes.

The analysis of recipients by income level shows that in the period 2002-2019 low-middle income countries have the largest share of TE ODA (41%), followed by upper-middle-income countries (37%), whereas low-income nations account, on average around 10%. The regional breakdown reveals that historically, most of the funding targets Asia and the Pacific, representing 35%-40% of annual TE ODA (US\$1.9 billion in 2019). At a far distance, with less than half of Asia and the Pacific funding, the second and third main target regions are the Arab States and Africa, which received US\$978 million and US\$797 million respectively in 2019. The overview of the 2019 main donor and recipient countries indicates that Germany (US\$1.71 billion) and France (US\$897 million), provide around half (49%) of all TE ODA disbursements between the two of them, whereas, in absolute terms, China is the largest receptor with US\$427 million (8% of total TE ODA).

## 6. Exploring the recipients of Tertiary education ODA

As previously described, ODA could play a catalyst role in the development process of the most impoverished nations, but it also has a double edged-sword nature that could lead to detrimental long-term effects. Although these are opposite outcomes, international aid cannot be approached from a dichotomic perspective as there are many nuances in between (Sumner & Glennie, 2015; Qian, 2015). Consequently, donors should consider a series of efficiency drivers to mitigate the potential downsides of ODA and maximize its positive impact on the recipient's development.

Chapter 5 shows the characteristics of TE ODA and how a large share of it (around 70%) is likely to remain in the donor country due to scholarships and associated costs. This suggests that, apart from the characteristics of the recipient countries, the role, strategic interests, and international position of the donor country are also important factors to consider in the TE ODA allocation decisions.

Although considering these special characteristics of TE ODA, the following sections describe the link between TE ODA allocation and a series of variables that are traditionally used to measure different aspects of development to explore the existence of potential patterns in its allocation. This is done from an exploratory perspective only and far from implying any causality between the variables. As there is no information on the reasons why these allocations happened, this chapter does not judge the TE ODA distribution patterns. This way, the upcoming analysis aims to set the ground for further discussions and debates on around TE ODA allocation criteria.

### 6.1 Tertiary education ODA compared to recipients' economic growth

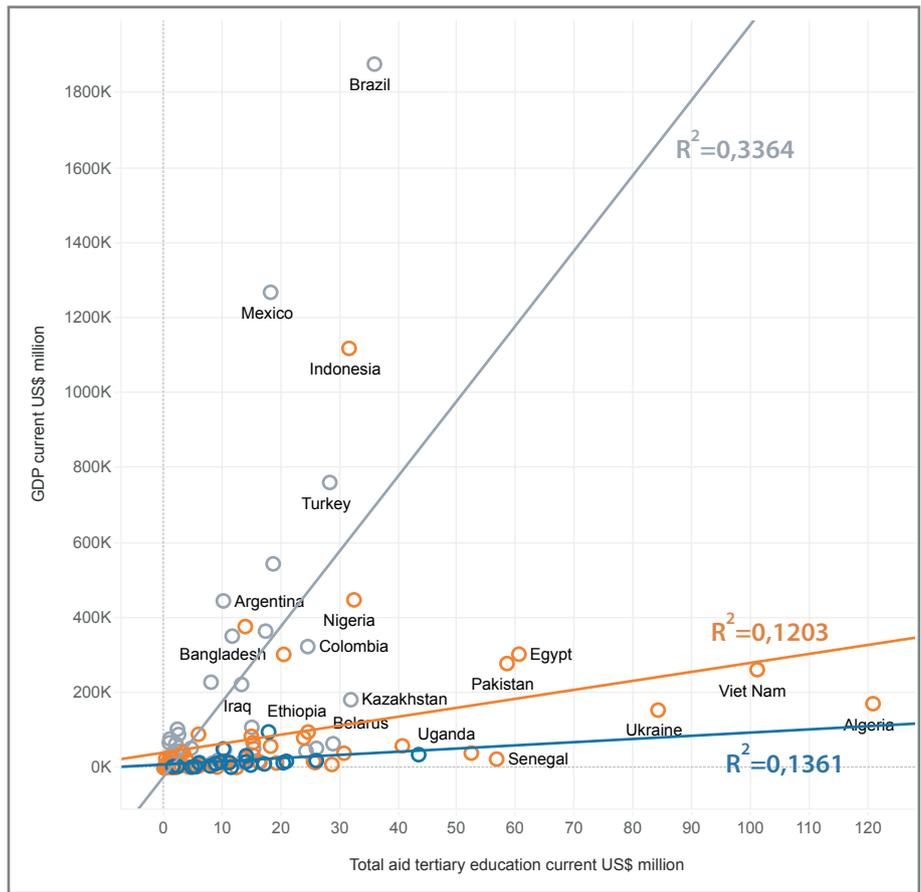
Even when development is a multifactor and complex phenomenon, the economic aspect of development has been the most researched one. Studies focused on the correlation between economic growth (usually measured in terms of GDP) and international aid, suggest that the effectiveness of ODA will vary depending on the total amount of given aid and the structural characteristics of the recipient nations. It seems that the amount of international aid must surpass a minimum threshold to create a significant economic impact, but with large amounts of ODA, the marginal returns diminish and could even become negative due to a limited absorption capacity of recipients (Wagner, 2014).

Countries with high economic vulnerability would, on average, experience the largest aid-driven growth when it represents between 2% to 12% of GDP, whereas recipients with solid economies would experience diminishing returns when the aid-GDP ratio is higher than 2% (Wagner, 2014). In other words, the overall effect of ODA seems to be correlated to an appropriate dosage of external funds relative to the size of the recipient's economy.

Although this range does provide a general point of reference, there is no consensus regarding the exact point at which diminishing returns occur since the minimum and upper threshold tend to vary due to methodological differences in other studies (Sumner & Glennie, 2014) and it is unknown what is this ratio for TE.

To test whether the amount of TE ODA received by any given country is correlated to its GDP, a simple linear regression analysis was conducted, considering the World Bank categorization of countries by income level. In general terms, LMICs receive more aid than LICs, most of which

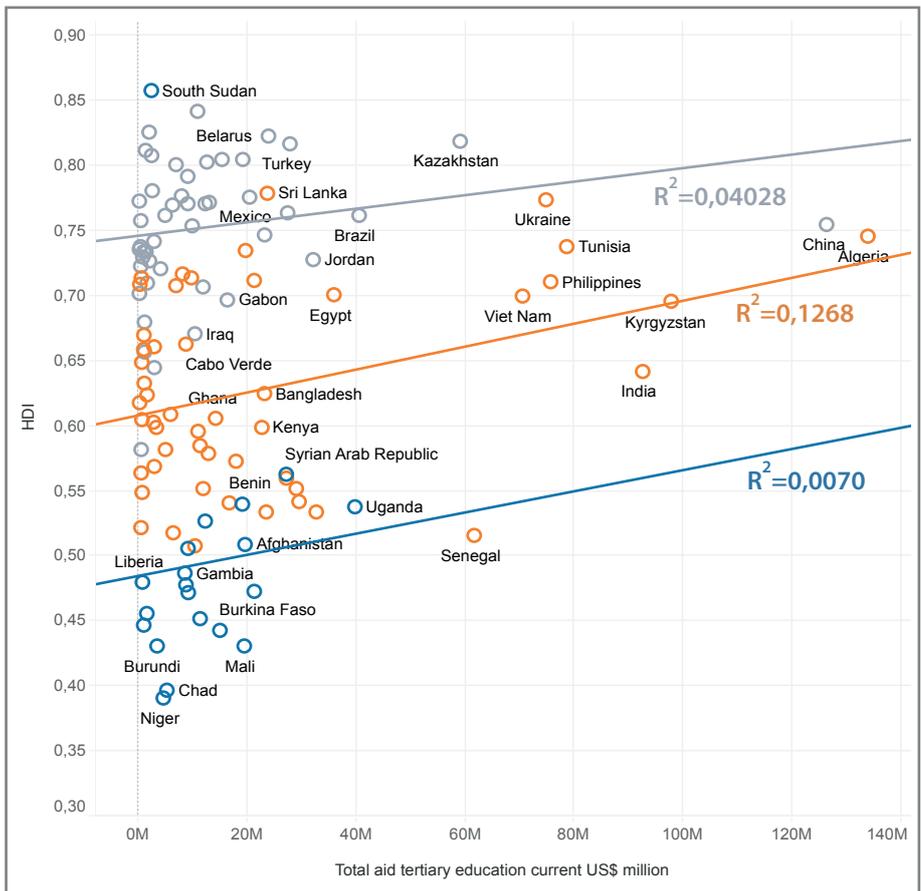
**Figure 16: Total TE aid received vs GDP, in US\$ million, (2019)**



- Low income
- Lower middle income
- Upper middle income

Source: UNESCO IESALC based on data from OECD-CRS

**Figure 17: Total tertiary education aid received compared to the HDI score, (2018)**



- Low income
- Lower middle income
- Upper middle income

Source: UNESCO IESALC based on data from OECD-CRS and the Human Development Index (2018)

received between US\$0-20 million<sup>23</sup> of TE ODA in 2019. That year, TE ODA was positively associated with the GDP for all countries in all income groups (see Figure 16). This is, that the higher the GDP of a country, the higher the TE ODA it received. This relationship was stronger for upper-middle-income countries, but weaker for lower-middle and low-income countries.

This shows that the income level of a country does not explain much of the TE ODA it receives, opening the door to other potential explanatory factors. For example, the fact that low-income countries are likely to have smaller and less developed TE systems with comparatively lower absorption capacity, can partly explain the lower amount of ODA received.

## 6.2 Tertiary education ODA compared to recipients' human development index

Beyond the economic aspect, development has proven to have a large human component. Therefore, the relationship between TE ODA and the Human Development Index (HDI) is also tested. HDI is a composite index that measures the extent of development of health, education and living standard of a country (UNDP, 2020).

TE ODA appears to be mostly allocated to countries around the 0.6 level of the HDI scale, described as a medium development level. In general, there is not a clear trend hinting towards a direct link between the amount of received TE ODA with the recipient country's human development score (see Figure 17). By income group, the HDI score is a better predictor of the sum of TE ODA the country receives for LMICs, in comparison with LICs and UMIC. The consideration of other explanatory variables could better clarify the amount of TE ODA it receives.

## 6.3 Government capacity and commitment towards tertiary education

The ability to create national wealth in the recipient country through ODA will greatly depend on the government's capacity and commitment to manage the ODA execution. The aggregated education aid seems to be particularly correlated with good governance, political and institutional stability, and the recipient government's commitment to financing capacity-building programs within the sector (Miningou, 2019) that in turn develop more robust education systems. The upcoming sections explore whether previous findings on aggregated education ODA also apply to the TE level.

### 6.3.1 Tertiary education ODA compared to government expenditure in tertiary education

Aid could influence the recipient's government expenditure in the sector where ODA is directed in terms of enhancing local development. For instance, ODA may substitute domestic public funding for education, rather than increasing the total available budget. In the presence of aid for any education level, there is a risk that recipient countries might mobilize their national resources to other sectors or simply opt to substitute domestic funding for external ODA, creating a budgetary dependency in the long term (Fredriksen, 2010). However, it is very complex to determine whether ODA flows are unleashing a sustained increase of funding to TE instead of replacing planned government expenditure.

In Sub-Saharan Africa, for example, several countries, such as Burkina Faso, Burundi, Eritrea, Guinea, Malawi, Mali, Mozambique, Rwanda and Zambia, showed throughout the 2004-2010 period a significant financial dependency with at least a quarter of their annual education

23 To not distort the diagram, the graph excludes China and India as the countries that receive the most aid.

**Table 3: Total tertiary education ODA as a percentage of government expenditure, 2018**

Recipient country	UN region	Income Classification	Tertiary Education AID/ Government Expenditure on Tertiary Education
Guinea	Africa	LICs	43,31%
Rwanda	Africa	LICs	33,68%
Jordan	Arab States	UMICs	27,85%
Georgia	Asia an the Pacific	UMICs	21,02%
Senegal	Africa	LMICs	16,69%
Mauritius	Africa	UMICs	16,52%
Kazakhstan	Asia an the Pacific	UMICs	13,40%
Cote dlvoire	Africa	LMICs	12,35%
Myanmar	Asia an the Pacific	LMICs	6,51%
Sri Lanka	Asia an the Pacific	LMICs	6,05%
Azerbaijan	Asia an the Pacific	UMICs	4,61%
Belize	Latin America and the Caribbean	LMICs	3,40%
Lesotho	Africa	LMICs	3,01%
Serbia	Europe and North America	UMICs	2,49%
El Salvador	Latin America and the Caribbean	LMICs	1,06%

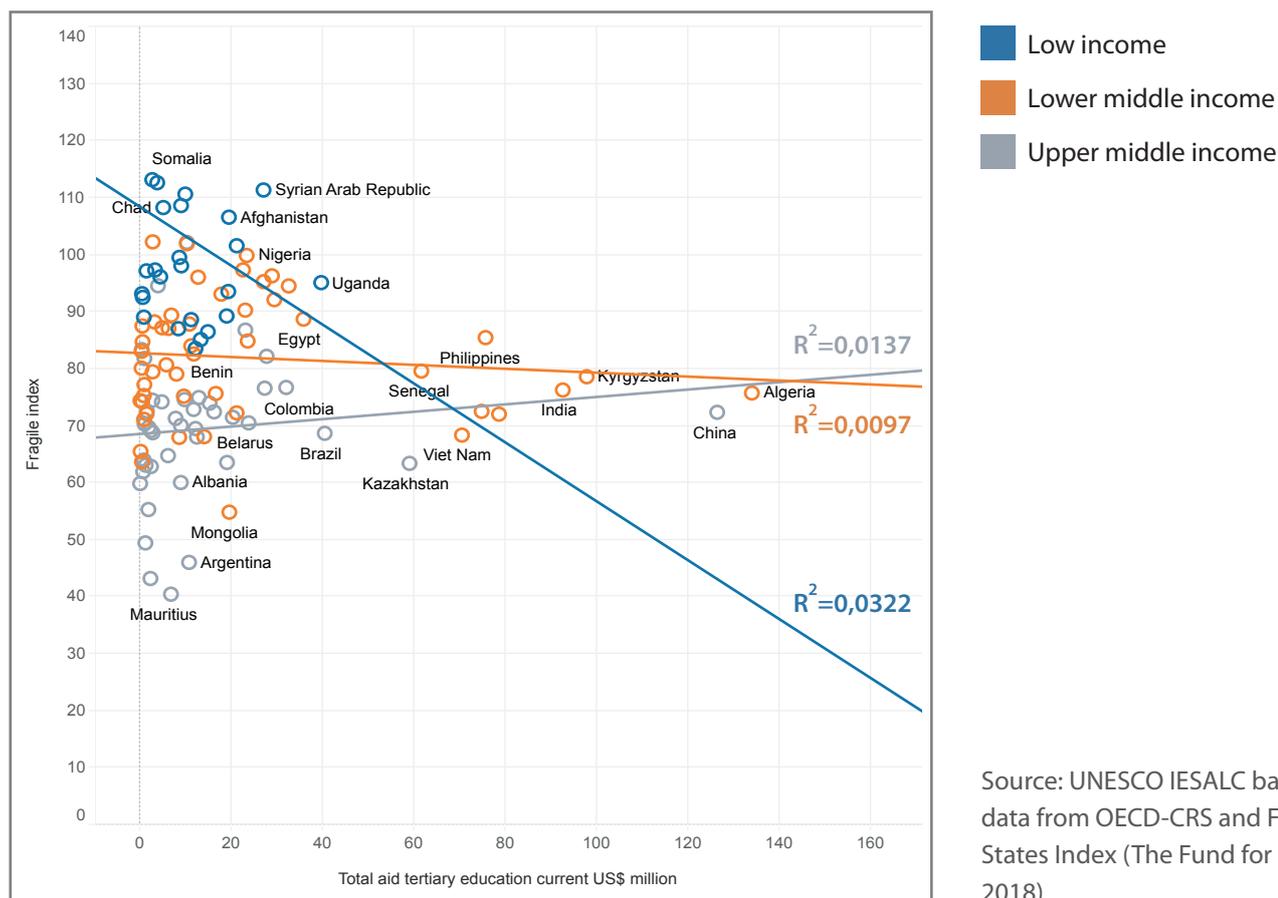
Source: UNESCO IESALC based on data of OECD-CRS and UNESCO-UIS (2021)

spending dependent on ODA (UNESCO, 2012). Public funding and robust government expenditure are the cornerstones to building a strong education system, and thus cannot depend on volatile external resources. However, resources coming from TE ODA represent, on average, a substantial share of the overall budget allocated by low-income nations to the sector. In line with the previous trends in general education, the CRS 2018 data confirms that budgetary dependency remains a key challenge to be solved (see Table 3).

Table 3 shows<sup>24</sup> the ratio of TE ODA to government spending for the 15 countries that reported their 2018 expenditure indicators to the UNESCO Institute for Statistics (UIS). The small sample size prevents generalizing, but it shows that the proportion of TE ODA allocated to some of those countries compared to the total TE government investment is considerably high. Cases of low-income countries like Guinea and Rwanda were identified by a previous UNESCO report (2012) as nations with a general ODA dependency and the current analysis suggests that such a trend also applies to the TE system since their

24 Information available from countries reporting government expenditure on tertiary education. UIS: <http://uis.unesco.org/>

**Figure 18: Total TE ODA received vs Fragile States index score (2018)**



Source: UNESCO IESALC based on data from OECD-CRS and Fragile States Index (The Fund for Peace, 2018)

ODA to government expenditure ratios account for 33.68% and 43.31% respectively. By nature, ODA is highly unpredictable, and in a scenario where resources were suddenly interrupted; recipient nations would seriously struggle to provide the same opportunities to build the human capital that is currently being offered through ODA-driven programs.

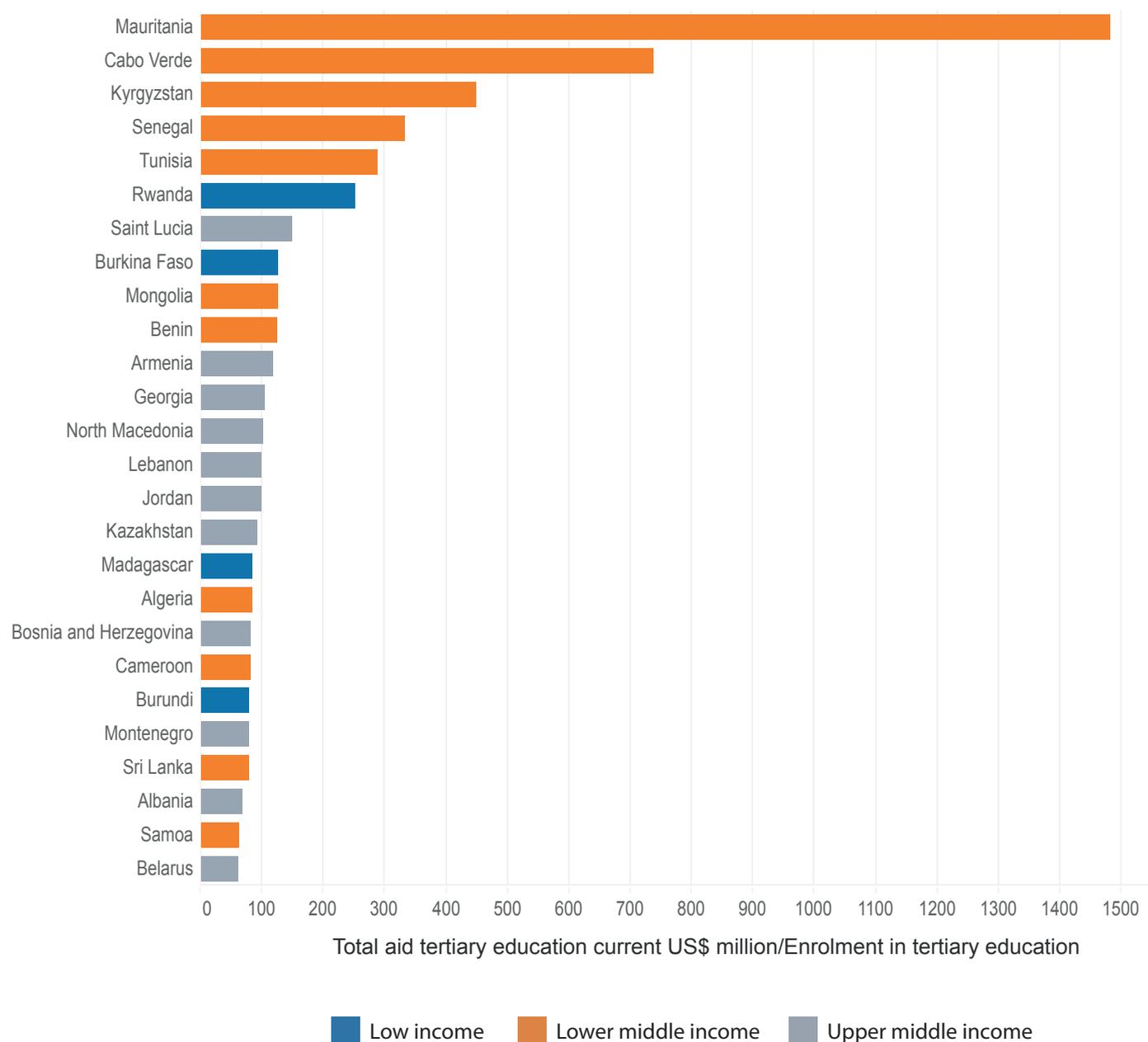
### 6.3.2 Tertiary education ODA compared to recipients' Fragile States Index

The stability of a country, in terms of cohesion, economics, political and social vulnerability can influence its capability to absorb, use, execute and efficiently apply ODA. The Fragile States Index produced by The Fund for Peace (FFP) measures this national stability by assigning a higher score to the most fragile nations. This section explores the relationship between TE ODA and the Fragile States score of the recipient countries.

Fragile and failed states do have an urgency to finance development initiatives. However, in the absence of domestic checks and balances, the risk of diverting ODA funds to support autocratic regimes increases (Deaton, 2013). This might explain why in cases like Syria, donors opted for harnessing mechanisms like scholarships in donor countries to avoid the risk of aid misappropriation.

In the case of TE, data shows a very similar structure to the HDI analysis. Although less concentrated, disbursed funds, with exception of Uganda and Afghanistan which capture more resources than less fragile LMICs, do not seem to be particularly correlated to the recipient's score in the Fragile States Index (see Figure 18). Overall, those countries with a lower score in the Fragile States Index get slightly more funding. This relationship is particularly strong for LICs, while in the case of LMICs and UMICs, it shows

**Figure 19: Total tertiary education ODA received (2018) and enrolment in tertiary education (2018) ratio, in US\$ dollars**



Source: UNESCO IESALC based on data from OECD-CRS

a very weak relationship. Considering these results, there may be other variables such as political or economic factors that can better explain changes related to this variable.

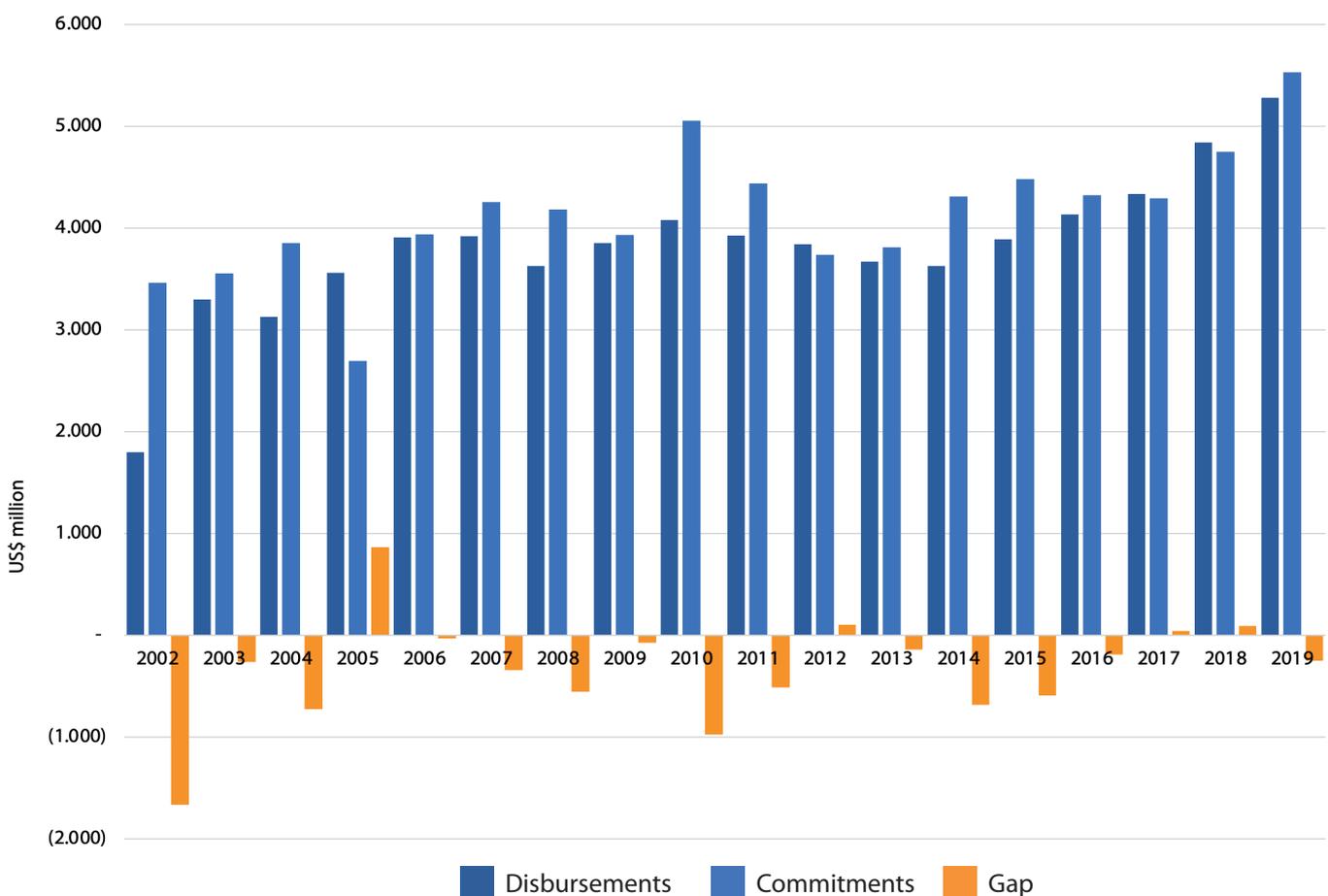
#### 6.4 Tertiary education ODA compared to recipients' size of the TE system

To understand the real dimension of aid in the TE system of a specific country, it needs to be measured in relative terms, this is, considering the

size of the TE system (measured by the number of students enrolled). TE ODA per student shows the likelihood of a student from a certain recipient country benefiting from TE ODA. For example, although China and India are the countries that receive the most TE ODA in absolute terms, their allocation per student is relatively small (see Figure 19).

Figure 19 shows the ratio of ODA as a share of TE enrolment in 2018. The countries that top the

**Figure 20: Yearly gap between donor commitments and disbursed TE ODA funds, in US\$ million, (2002-2019)**



Source: UNESCO IESALC based on data from OECD-CRS

list of more TE ODA per student are Mauritania, Cape Verde, Kyrgyzstan, Senegal and Tunisia. All these countries are LMICs, which not only receive the largest TE ODA overall (as stated in section 5.6), but also receive the highest TE ODA allocation per student. LICs do not appear as the main recipients of ODA per student, with exception of Burkina Faso and Rwanda, whose relative allocation is among the ten highest. Comparatively, UMICs receive less TE ODA per student.

### 6.5 Tertiary education ODA volatility

Donor countries commit a certain amount of ODA annually, but the actual disbursement during that year might differ. A significant difference between ODA commitments and the actual resources flowing into recipient countries could

generate a potential burden on the domestic administrative capacity of recipient nations, leading to readjustments of the initial planning and complicating long-term policymaking (Frederiksen, 2010). If these differences are frequent, they can also result in volatility of the aid over time.

Figure 20 highlights the almost continuing shortfalls of TE ODA, by showing the gap between commitments and disbursements, which reveals the uncertain nature of TE ODA. Since 2016, the volatility is comparatively lower, but the reasons behind it are at this point unknown. Beyond the general volatility (total difference between commitments and disbursements), over time, the allocation of funds also shifts between projects and locations, adding an additional layer of volatility for recipients that is not reflected

**Table 4: Size and number of total TE ODA disbursements (2019)**

Category	"Number of disbursements"	Share of individual disbursements	"Total Amount (in US\$ million)"	Share of financial resources
Over US\$100 million	6	0,10%	934	18%
US\$10 to US\$100 million	73	1%	1.868	35%
US\$1 to US\$10 million	558	5%	1.551	29%
Under US\$1 million	10.060	94%	930	18%
<b>TOTAL</b>	<b>10.697</b>	<b>100%</b>	<b>5.283</b>	<b>100%</b>

Source: UNESCO IESALC based on OECD-CRS data

in this total figure. The instability not only makes the planning process of recipients more difficult, but it could also reduce the positive development impact of ODA by as much as a third in a typical case (Kodama, 2012). In most cases the unpredictability is a donor-triggered situation, caused by changes in the priorities of the donor country, suggesting that a better result could be obtained if donors stick to their commitments (Kodama, 2012).

## 6.6 Tertiary education ODA fragmentation

Aid fragmentation is considered one of the major obstacles to maximizing the efficiency of ODA flows (Paris Declaration on Aid Effectiveness, 2005) since aid concentration tends to be associated with larger impacts on the local economic growth (Kimura, Mori & Sawada, 2012).

When international aid comes from a vast number of donors and the funds are thinly spread among too many programs, the administrative burden placed on the recipient nations leads to increased transaction costs (Kimura, Mori & Sawada, 2012). In practice, government officials and aid workers spend significant time meeting several small donor agencies, filling reports, attending supervisory missions and their overall capacity to manage ODA initiatives is over-

whelmed by administrative activities (Wood et al., 2008).

In addition, fragmentation may disrupt the availability of highly talented human capital in the recipient country, since donor agencies tend to hire the most qualified local professionals (Djankov et al., 2009). This practice can erode the quality of the recipient's public sector because it could shrink the pool of competent government officials, which plays a critical role in the sustainable development of a nation (Knack & Rahman, 2007).

To better understand the current degree of fragmentation, when the 10,697 TE ODA individual disbursements of 2019 are grouped into four categories based on their monetary value (see Table 4), it is revealed that 94% of them (10.060) were given as small flows of less than US\$ 1 million. However, those 10,060 small disbursements account for US\$ 930 million, which represents only 18% of the total TE ODA of that year. On the other end, there are only six disbursements of over US\$100 million, which also account for US\$ 934 million and 18% of 2019 total TE ODA. Overall, the average size of the 2019 individual TE ODA disbursements was below half a million (US\$0.49 million), reflecting that TE ODA was thinly spread among several individual initiatives of small size (Table 4).

## 6.7 Chapter takeaways

Overall, this chapter adopts an exploratory approach to identify potential patterns between development variables and the TE ODA distribution, without implying any causations. For instance, GDP seems to have a positive correlation with the amount of TE ODA a country receives, meaning that wealthier economies tend to get more TE ODA. Unlike GDP, other indicators like the Human Development Index or the Fragile States Index have a very weak relationship and do not explain the TE ODA allocation rationale well, which suggests that there are other more appropriate explanatory factors.

The chapter also reveals that budgetary dependency remains a pressing challenge, since international aid represents in some cases a significant proportion of the government expenditure (43% and 34% for Guinea and Rwanda in 2018, respectively). This chapter also shows that there was a large number of relatively small individual disbursements in 2019, since 94% out of the 10,060 disbursements were below US\$1 million, revealing the fragmentation of TE ODA.

## 7. Conclusions and Recommendations

This report explores a range of key aspects of ODA directed to TE, framing the topic within the larger international aid context, and presenting global data on TE ODA for the first time. It aims to provide a solid initial common understanding of TE ODA of historical and current practices that serves as a baseline for future studies at a more granular level and as a basis to initiate a global evidence-based dialogue on this topic. Further analyses to dive into the reasoning behind these figures and actions.

This report still does not include the effect of the pandemic on TE ODA, which is expected to be large. The data from 2020 (available soon) and 2021 (available next year) will show the changes made during the pandemic years in TE ODA and will be an important input to rethinking the approach to TE ODA going forward.

The exploratory and general nature of this report allows the design of several high-level recommendations to kickstart further in-depth studies with more specific recommendations. Discussions between donors and between donors and recipients, are required to enhance aid accountability and ensure that the ODA funds are reaching those more in need:

### Regarding the ODA information:

■ **Integrate a data-driven approach:** Currently, the most complete source of global TE ODA data is the OECD CRS. However, the raw dataset requires large efforts and quantitative knowledge before it can be translated into evidence that could support policy design and inform a broader audience. Furthermore, the way in which donors fill the description of the aid flows is highly heterogeneous, meaning that key variables such as the main target groups and final objectives of each

disbursement are, in most cases, difficult to identify. To help donors increase transparency and harmonize their data reporting, common standards detailing the essential information required to track the characteristics of each type of aid could be developed. For example, under scholarships, the total number of beneficiaries and the ISCED level could be included, whereas for project-based interventions, the main objectives and expected outcomes should be tracked.

Systematized data with a higher degree of standardization and easy to understand is essential to support decision-making processes. Evidence showing how aid funds are being spent and who receives them should be widely available. Based on that information, action could be taken to ensure that TE aid reaches those who need it most. In that regard, an observatory with the mandate of tracking global TE ODA flows would contribute towards increasing the accountability of future aid flows and ensure, through informed decisions, that ODA ignites the development of recipients' TE systems.

### Regarding the policies and practices of TE ODA:

■ **Get a clear understanding of the main characteristics and practices that lead to better outcomes in TE ODA:** While there is a solid understanding of the efficiency drivers that lead to higher impact from ODA in general, little is known about the factors maximizing the outcomes of TE ODA. Most general drivers might still apply to TE ODA, but in addition further performance indicators should be identified to guide the design and execution of TE aid by all donors and recipients. To find what works best, it is necessary to increase transparency through better reporting, for example, with the publication of standardized and complete information on

the activities. In addition, a raise in accountability through better evaluations of current TE ODA practices, paying particular attention to education outcomes and social impacts.

These evaluations should have a set of common indicators along with others adapted to the specific country's needs and the TE ODA type. For example, for scholarships in the donor country, the percentage of alumni who return and are employed in the recipient country could be a useful indicator. The number of project-type interventions that achieved their planned objectives can also be a sign of efficiency.

- **Explore the potential and the impact of TE aid for higher TVET:** The current proportion of TE ODA leaves TVET financing as a very small option relative to higher education ODA and there is limited information on the practices undertaken or the criteria used to allocate funding within this education level. However, higher TVET has the potential to help access decent work, entrepreneurship, and lifelong learning opportunities as well as to contribute to SDGs. Particularly, acquiring the necessary skills demanded by local labour markets and enhancing graduate employability, which are some of the main traits of TVET education, are particularly relevant factors for students in developing contexts.

Therefore, the current low allocation to higher TVET, the lack of information and its large potential call for the need to further investigate the capability of higher TVET as an engine for development and the most suitable ODA mechanisms to apply at this education level. This will require a long and deep discussion among stakeholders to address the reasons for the current levels and to question whether future ODA should pay more attention to reinforcing recipients' domestic higher TVET systems.

- **Investigate the potential of each of the TE ODA delivery channels:** Currently, half of TE ODA flows through governments and 40% through tertiary education institutions and research centres, while ODA barely flows through channels like NGOs (3.8%) and the private sector (0.6%). It is currently unknown which channels are the most appropriate for each ODA type or modality or which is the criteria by which they are chosen, so this requires an ongoing investigation of their main advantages and disadvantages and a consideration of this evidence when deciding on using a channel. This could contribute to redesigning current practices and or identifying new delivery methods that may be appropriate for the specific delivery channels.

Particularly, based on the fact the NGOs and the private sector have proven to be efficient channels to manage aid in general, it is worth exploring to which extent they can also support governments and tertiary education institutions more and more efficiently in their management of TE ODA.

- **Undertake more longer-term recipient-focused programmatic approaches:** TE ODA heavily relies on scholarships in donor countries and imputed costs. This study acknowledges the important role that these forms of aid can have, particularly in enhancing international mobility, building qualified human capital, and increasing access to TE. However, the large share of scholarships and imputed student costs (over 70% in 2019), implies that 7 out of 10 US dollars invested in TE ODA might not reach the recipient countries unless the beneficiary returns to the country of origin. This raises questions about the extent to which TE ODA outcomes strengthen recipient TE systems, for example in terms of infrastructures, governance, access or quality of local tertiary education institutions.

Given this, further efforts to engage in longer-term interventions focused on building TE system-wide capacities need to be emphasized. Long-term programs tend to be rare practices within the aid sector since donors usually deal with external pressure to show quick results. However, considering the adoption of more programmatic ODA flows may contribute to a faster and sustainable transformation of recipient countries' TE systems.

- **Articulate coordination mechanisms under a common global agenda:** One of the issues affecting efficiency around aid in general is the lack of coordination between donors. The uncoordinated execution of different agendas and priorities could lead to overlapping or even contradictory actions in a recipient country and potentially leave some countries or sectors underfunded. The global flows of international aid are prone to incentive disruptions, leading to fragmented or siloed interventions that do not necessarily reflect the specific needs of the recipient countries.

However, almost twenty years after the Paris Declaration on Aid Effectiveness, better coordination remains a pressing challenge. The need for aid harmonization for education has been stressed by the International Commission on the Futures of Education as a key element moving forward. Better coordination and cooperation under a global common agenda will be essential for the future of education as a common good (UNESCO, 2021) and this can be applied to tertiary education. Only the Donor Harmonization Group constitutes a forum in which some TE donors annually meet, albeit informal. A more formal approach of all donors that translate into systematic actions and binding commitments is needed for a real harmonization, including the participation of recipient countries.

- **Develop global partnerships with recipient countries:** Apart from the coordination among donors, TE aid should be undertaken following the guidelines of SDG17, which promotes the strengthening and revitalization of global partnerships for sustainable development. Global partnerships in TE ODA should be long-term, sustainable, mutually beneficial, based on trust and commitment, include a multitude of countries from both the Global North and the Global South, a wide range of stakeholders within each recipient country (e.g. representatives from government, university leaders, academics and students) and encourage South-South and triangular cooperation.

Since the final impact of international aid will greatly vary depending on how well ODA addresses the needs and constraints within the recipient's TE sector, creating true partnerships as opposed to top-down relationships is likely to lead to greater efficiency. Mechanisms such as spaces of co-creation, in which TE ODA recipients engage with the international community and share what works better in their context, should be put in place as well as a change in approach and mentality around the meaning of true partnerships.

- **Adopt a strategy to target those countries with the lowest levels of development:** Efforts from the international community to finance development initiatives in countries with the most significant local constraints have been substantial. These are clearly reflected in the doubling of TE ODA disbursed to low-income countries between 2014 and 2019. Nonetheless, low-middle and upper-middle-income countries, are still by far the leading recipients of TE ODA despite, being better equipped to raise funds from domestic sources. These are often countries with medium human development index (around 0.6) and relatively low in the Fragile States Index.

The low investment in low-income countries could be partly explained by a series of reasons, including the fact that they tend to have smaller TE systems, a more reduced capacity to manage international aid or, in some cases, more fragile institutions with higher levels of corruption. In addition, political interests, higher levels of trust or closer prior colonial or trade relationships with more developed countries can also influence TE ODA allocation decisions.

This dynamic will increase the gap between upper-middle and low-income countries and thus contradicts the logical framework behind ODA provision, which assists in overcoming financial constraints and enhancing their development efforts. If the intention is to leverage TE ODA as a vehicle to achieve the 2030 Agenda, it should aim to close global inequalities and fast-track local development, by prioritizing countries with low-income and low human development scores so no one is left behind.

Increasing financial disbursements to low-income countries, as stated in SDG target 17.2, is only half of the equation. The other half would be the destination and efficiency in the use of those funds. Although a deeper statistical and qualitative analysis is required, to respond to the concerns that some donors might have about the intrinsic risks of redirecting financial resources towards these countries, their ability to manage funds and the impact of the aid, this report opens the floor to discussions aiming to address the urgent needs of low-income countries and fragile states by designing innovative aid tools and mechanisms that mitigate risks to ensure that their financial resources are benefiting the TE systems of those nations that need it the most.

■ **Consider the amount of funding to a specific recipient to avoid long-term dependency:** While TE aid has a large potential to contribute to human capital formation and act as a development catalyst, concerns regarding risks such as budgetary dependencies of the recipient country also have solid grounds. Education systems require continuous long-term investments to be sustainable. Therefore, the amount of ODA should not constitute a disproportionate share of the recipient's national budget for TE since gaps between commitments and disbursements are common and donor allocation priorities might change over time, leading to undesired volatility and thus risk. Thus, ODA flows should be tailored to the characteristics and absorption capacity of each recipient while keeping in mind the ratio of ODA to avoid dependencies and how additional resources could influence the recipient's government expenditure in the sector where ODA is directed in terms of enhancing local development.

Scholarships to study in the donor country are the main type of aid and represent a low risk of creating budgetary dependencies. However, more scholarships are not necessarily the strategy to control budget dependency since they have their inherent risks. Scholarships do not directly contribute to strengthening the TE system of the recipient country, only to the human capital. And the recipient country will only benefit if this person returns to the country of origin after completing studies in the donor country.

■ **Explore the potential of a global fund for TE ODA:** According to the current data on TE ODA flows, the average individual disbursement is less than half a million (US\$ 0.49 million). However, spreading international aid in a vast number of small-sized projects is

generally associated with lower efficiency and higher administrative costs. To reduce the potential fragmentation of TE ODA, a common global fund pulling resources from multiple donors could be established to reduce the number of micro-disbursements. Under that mechanism, further sources of inefficiencies such as political pressure and donor incentive distortions might be mitigated due to the decentralized nature of a pull fund, increasing the coordination of the funding allocation and execution in favour of the democratisation of access to higher education.

Moving forward, donors and recipients should be involved to determine the main objectives, specific allocation criteria and the type of international aid (e.g. scholarships or project interventions) that a potential global TE fund could promote. For instance, agencies like UNHCR already rely on this funding scheme to provide international scholarships tailored to the needs of refugees.

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