



Emerging TOSSD Reporting Instructions: eligibility of costs in provider countries – scholarships and imputed students costs

TOSSD Task Force Issues Paper¹ - Agenda item 7.a

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I. INTRODUCTION: DEFINITION OF SCHOLARSHIPS AND IMPUTED STUDENT COSTS AND THEIR CURRENT TREATMENT IN INTERNATIONAL STATISTICS ON DEVELOPMENT CO-OPERATION

1. Scholarships – financial aid awards granted to individual students to follow full-time studies in public or private institutions of higher education – is a common modality of development co-operation, including by South-South providers. In addition to higher education, development co-operation providers award financial aid to trainees for non-academic, practical or vocational training in their countries.
2. Scholarships and traineeships are explicitly mentioned in SDG target 4.b on education: *“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.”* Scholarships and traineeships are thus recognised as a means of implementation of sustainable development – they bring many benefits to awarded students and allow them to gain knowledge and skills which can then be applied for the benefit of their home countries.
3. In countries with a non-fee charging educational system, or when the fees do not cover the total cost of the studies, students usually do not receive individual grants in the form of scholarships but can benefit from educational services in the same manner as the nationals of the country. This can also be considered as support to students, but its financial value can only be estimated (“imputed” based on the general costs of tuition and the number of students from developing countries over total number of students).
4. Both scholarships and imputed student costs are currently eligible to be reported as Official Development Assistance (ODA) if students are from ODA-eligible countries. Imputed student costs are eligible only if the presence of students reflects the implementation of a conscious policy of development co-operation by the host country, that is, if as a minimum these costs are specifically recognised in official budgets, and there is an appropriate degree of involvement by the authorities responsible for ODA programmes in the formulation of policy on the intake and tuition of students.

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II. RATIONALE FOR INCLUSION IN TOSSD (PILLAR 1)

5. The majority of scholarships or traineeships are awarded for studies in the provider country, and therefore do not involve transfer of funds to TOSSD-eligible countries. However, they are being recorded in the balance of payments since the expenditures imply a resource transfer between the residents and non-residents of the country, which is considered a cross-border flow. As per the 6th edition of the Manual for compiling the balance of payments (BoP), people who go abroad for full-time study continue to be considered resident in the territory in which they were resident prior to studying abroad². The same treatment is given to imputed student costs in the BoP, where the fact that students do not pay fees is considered as a “travel credit”³, regardless of whether the credit is provided in the form of a scholarship or not.

6. The question of scholarships and imputed student costs has been discussed in the context of the TOSSD pilot studies conducted in partner countries. The pilot for Nigeria concluded that the inclusion of scholarships in TOSSD would be appropriate as long as the students return to their countries of origin, but that imputed students costs should be excluded because of a lack of transparency on the related budgets and expenditures but also the fact that these programmes cannot be monitored by the partner countries. The Costa Rican stakeholders agreed with the inclusion of both scholarships and imputed student costs, but also emphasised the need to ensure that students return to their home countries. In their view this modality of development co-operation might not always promote sustainable development, but rather attract and drain talent from their country.

7. Based on the above, the inclusion of scholarships and traineeships in TOSSD seems uncontroversial as long as it can be ascertained that they indeed contribute to sustainable development (see the following section), while the inclusion of imputed student costs will need to be further discussed.

III. TOSSD ELIGIBILITY ASPECTS TO BE CONSIDERED

8. A clear eligibility criterion for including scholarships and traineeships (and possibly imputed students costs) in TOSSD would be that the students come from TOSSD-eligible countries. Less straightforward is the criterion of sustainability, given the risk of brain drain.

9. During the interviews in the context of the TOSSD pilot study, the Ministry of Foreign Affairs of Costa Rica explained that they had developed an agreement with some countries and institutions by which the country which hosts Costa Rican students communicates to Costa Rica any cases of students requesting a working visa. The government then has the options of either approving a waiver so that the students can get the visa or demanding that the students return to their country of origin. The existence of such a coordination mechanism could be proposed as an eligibility criterion for TOSSD but its pros and cons should be discussed.

10. Another aspect to be clarified is whether the eligible costs should only cover the tuition fees or also the living expenses. It can be reasonably argued that if scholarships only cover tuition fees, they would in most cases be supporting the richer students from developing countries who can afford to live in

² See section 4.120 page 71 of the VI edition of the Manual of Balance of Payments and International Investment Position of the IMF available at <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>.

³ See paragraph 10.86 of the Manual of Balance of Payments and International Investment Position of the IMF.

a given country for a period. To avoid reinforcing existing inequalities in developing countries, support for the living costs of students should also be counted. This aspect could even be considered as an eligibility criterion for scholarships and imputed student costs.

11. Finally, if scholarships and imputed student costs are considered as eligible for TOSSD, it will be necessary to decide on the text of the concrete reporting instructions. In the sixth TOSSD Task Force meeting, during the discussion of TOSSD modalities, Task Force members supported maintaining a balance of payments approach i.e. including scholarships in Pillar 1, which is also in line with the findings of the TOSSD pilot studies of Costa Rica and Nigeria. As a minimum the costs should be broken down by the country of origin of the students. Ideally, the costs should also be broken down by sector (assigning sector codes according to the field of the study or training e.g. agriculture, health, etc.) but this might be more difficult to implement.⁴

Issues for discussion

- **Do TOSSD Task Force members agree that scholarships and traineeships in provider countries be included in TOSSD?**
- **Do Task Force members agree that imputed student costs be included in TOSSD? If so, how can transparency of these expenditures and possibility of their monitoring by partner countries be ensured?**
- **Are specific eligibility criteria required for reporting on this modality? In particular, how can it be ensured that the activities actually promote sustainable development in TOSSD-eligible countries and not brain drain?**
- **If scholarships and imputed students costs are included, how shall they be geographically and sectorally classified in TOSSD?**

⁴ In ODA reporting, it is recommended that a separate computation be made for each faculty, since education in some disciplines is more costly to provide than in others. Moreover, faculties not directly related to development concerns and expenditures connected with research facilities are excluded. However, in practice, in 2017 data, while 97% of imputed student costs were broken down by country, only 7% of those costs were broken down by the sector of the field of study, the remaining 93% being reported against unspecified, higher education or development awareness sector codes.