

# Higher Education Finance and Cost-Sharing in Brazil

## I. Higher Education in Brazil

Higher education in Brazil is provided by 2,165 higher education institutions divided into universities (public federal, state, and municipal universities and private universities) that have the highest level of autonomy and carry out research, community outreach and teaching; public and private university centers that are not required to carry out research; and higher education schools, multiple faculty facilities and single faculty facilities. The two types of facilities are non-university institutions (McCowan 2007). Table 1 shows that of the 4,453,156 higher education students in Brazil, over two-thirds are enrolled in private institutions.

**Table 1**  
**Higher Educational Institutions and Enrollments in Brazil,**  
**by Type (2005)**

<i>Type of Institution</i>	<i>Number</i>	<i>Enrollment</i>	<i>% of Total Enrollment</i>
Public Universities	90	1,042,816	23.4
Federal	52	549,171	12.33
State	33	433,692	9.73
Municipal	5	59,953	1.34
Private Universities	86	1,426,962	32
Other Institutions	1,989	1,983,378	44.53
Public	141	149,373	3.35
Private	1,848	1,834,005	41.18
<b>Total</b>	<b>2,165</b>	<b>4,453,156</b>	<b>100</b>

Source: Censo da Educação Superior, Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira.

Enrollments almost tripled between 1999 and 2005, growing from 1.5 million to more than 4.5 million students due to expansion in secondary school enrollments and rapid growth of the private higher education sector. Despite this growth, in 2004, the gross enrollment ratio for tertiary education was only 22.3 percent and the higher educational participation rate for 18 to 24 year olds was only 11 percent (2004 World Bank Development Indicators; Maculan et. Al. 2006). In light of these numbers, the government's 2001 National Education Plan aim to reach 30 percent gross enrollment by 2011 with 40 percent appears extremely ambitious (Morosini 2006).

Brazilian higher education fits the *elite public / mass private* model of higher education, in which the public system has been kept small, relatively well-funded, academically selective, and for the most part socially elite, while a large, tuition-dependent private system of very diverse quality has been encouraged to absorb the rapidly growing demand for higher education.

Each university administers its own entrance examination (vestibular) made up of language, humanities, natural sciences, mathematics and one foreign language. Students

pick their specialization based on these exams and this specialization cannot be changed once they enter the university (World Education Services, 2007).

With few exceptions, public universities are considered better quality than private institutions. The most prestigious are those such as Universidade de Sao Paulo (USP), the Universidade de Campinas (UNICAMP), Universidade Federal do Rio de Janeiro (UFRJ), and Universidade Federal do Rio Grande do Sul (UFRGS) where faculty are better credentialed. Yet many Brazilian university faculty do not hold doctoral degrees, and they engage in relatively little research. Teaching salaries are mediocre and course loads light, although fringe benefits that include early retirement at full salary are substantial.

Estimates in 2004 showed Brazil's public spending on education at 4.1 percent of GDP. About one-fifth of its education budget is spent on higher education, which is close to the OECD average. However, the average cost to the budget of higher education per student is a whopping 150 percent of GDP per capita, or almost four times as high as the OECD average (OECD, 2004). Given that nearly 60 percent of students in the public higher education system come from the top income quintile, this investment is clearly regressive (OECD, 2004).

There are no public universities in rural areas, and most major institutions are located in the South. By contrast, private sector postsecondary education is abundant throughout most of the country and is very diverse, including Catholic universities (generally a select, higher quality sub-sector), many schools of business administration, and a large number of low-quality diploma-mills.

A major (and still controversial) new national policy is a comprehensive exit examination for students graduating from public and private universities. The stated aim is not to evaluate students (grades are not reported), but to evaluate institutional performance.

### *Educational equity and access*

The governmental agenda is built on increasing educational equity and access. Gender inequalities have been significantly reduced and in 2003, women accounted for 56 percent of the students enrolled in higher education, though they remain concentrated in non-technical degree programs. Striking regional and racial inequalities remain that reflect the pattern of economic inequalities in the country. It is estimated that while Afro-Brazilians account for 45 percent of the population, they are only 2 percent of Brazil's university students (Brazil Institute 2005).

In this context, increased cost-sharing --especially the introduction of tuition in the public universities--could make possible the shift of some public resources to the expansion of capacity, and could also modestly increase equity, in that the more affluent (and those whose children stand to gain the most from their higher education) would at least be sharing more of the costs of their children's higher education. Substantially increasing higher educational participation rates, especially among the poor and the rural, will require greatly increasing the quality of public middle and secondary schools that serve these populations, plus greatly expanded and diversified higher educational capacity, plus expanded need-based grants and generally-available loans.

In order to address racial inequalities, the government has introduced affirmative action policies in both the public and private higher education sectors. At the federal level, legislation has been introduced (and is waiting for approbation from the Congress) requiring that 50 percent of all seats at federal universities be set aside for black students. Several state governments have set similar quotas (Brazil Institute 2005). The state of Rio de Janeiro, for example, has introduced a system in which 50 percent of the incoming students at state public universities must have attended public schools and 40 percent of them must be black (Andrade 2004). Several public higher education institutions (Universidade Estadual do Rio de Janeiro; Universidade Federal da Bahia; Universidade Estadual do Mato Grosso do Sul and the University of Brasilia) have reserved a certain number of places for black and mixed race students.

In 2005, Law 11.096 established the Programa Universidade para Todos (ProUni ) that gives four federal tax breaks to private higher education institutions that award means-tested tuition scholarships to students (approximately 10 percent of the number of the institution's regularly paying students) with special needs, teaching degrees for public school teachers and public high school students or full scholarship students. A percentage of these scholarships are reserved for afro-descendants, indigenous people and handicapped citizens that corresponds to the percentage of each group in the population (Maculan, Ribeiro and Haddal, 2006). In 2006, a total of 1,232 institutions participated. Students with a full ProUni scholarship who are enrolled in courses with a duration of at least 6 semesters are also entitled to a Bolsa Permanencia of \$US 136 for educational expenses.

The government's Fundo de Financiamento ao Estudante do Ensino Superior (FIES) program, initiated in 1999 to replace a previous loan scheme, provides loans (paid directly to the higher education institutions) to needy students who are not beneficiaries of ProUni to cover up to 50 percent of their tuition costs (students who are beneficiaries of ProUni can receive a loan of up to 25 percent of their tuition costs). The fixed interest rate for contracts signed in 2006 was 6.5 percent (3.5 percent for students studying to be teachers). The interest rate is set by the Conselho Monetario Nacional (National Monetary Council). While in school, the borrower must make interest payments every three months up to a maximum of R\$50 (Caixa, 2007).

Repayment of the principal begins after graduation. For the first 12 months (phase I) following graduation, the student must pay monthly installments that equal fifty percent of the tuition fee charged in his/her last semester. In phase II the debt balance is divided into equal installments and paid over a period of 6 years. In 2004 the system was reformed to remove guarantor requirements and to introduce weighting in the allocation of loans to minority ethnic groups (McCowan, 2007).

As of 2004, only 35 percent of the funds available to students came from the repayment of previous loans and the rate of non-payment was high at 22 percent (McCowan 2007). While the burden on the government is presently very high (R\$872 million set aside for the loan program in 2004 budget), efforts are underway to create a secondary market using treasury bonds.

Finally, the government's Diversity Program in University funds up to US\$100,000 each to higher education institutions that have experience in managing educational projects

oriented to socially-disfavored groups, have enrollments of more than 50 percent afro-descendents and/or indigenous students (Morosini 2006)

## **II. Cost of Higher Education Borne by Parents and Students in Brazil.**

The data compiled below on student living expenditures can help assess the costs of Brazilian student participate in higher education. While the table includes low, moderate, and high expenses, most as a rent differential, it is important to note that most students attending public universities live with their parents. This is also the case for those in private institutions for the 18-24 cohort. Also, the difference between a high price private institution and a low cost private institution is relatively modest compared to private systems in other parts of Latin America. There are a few high-quality private, primarily teaching, universities that cater to the wealthy who are unable to pass the rigorous public university entrance exam. These institutions also require an entrance exam for admission that is less rigorous compared to public exams, but is considerably more difficult than the exams for lower quality institutions. In this way, while their price is not so much higher than other private institutions, selectivity keeps the student body somewhat elite.

**Table 2**  
**Higher Education Expenses Borne by Parents and Students**  
**First Degree, Academic Year 2006 (10 months)**

[In Brazilian Real; U.S. dollar conversion by 2004 purchasing power parity estimates of \$1 = R 1.11]

	Public Universities			Private Universities		
	Low	Moderate	High	Low	Moderate	High
One Time Fees	R 130 [\$117]	R 130 [\$117]	R 130 [\$117]	n.a.	n.a.	n.a.
Tuition	0	0	0	R 11,765 [\$10,599]	R 12,600 [\$11,350]	R 14,700 [\$13,243]
Books and Other Educational Expenses	R 500 [\$450]	R 500 [\$450]	R 500 [\$450]	R500 [\$450]	R500 [\$450]	R 500 [\$450]
Subtotal Costs of Instruction	R 630 [\$567]	R 630 [\$567]	R 630 [\$567]	R 12,260 [\$11,045]	R 13,100 [\$11,800]	R 15,200 [\$13,690]
Lodging	0	R 4,000 [3,603]	R 7,500 [\$6,756]	0	R 4,000 [3,603]	R 10,000 [\$9,010]
Food	R 1,000 [\$900]	R3,000 [\$2,700]	R 4,000 [\$3,600]	R 1,000 [\$900]	R 3,000 [\$2,700]	R 4,500 [\$4,050]
Transportation	R 800 [\$720]	R 800 [\$720]	R 1,500 [\$1,350]	R 800 [\$720]	R 800 [\$720]	R 2,000 [\$1,800]
Other Personal Expenses	R 1,000 [\$900]	R 1,000 [\$900]	R 2,000 [\$1,800]	R 1,000 [\$900]	R 1,000 [\$900]	R 2,000 [\$1,800]
Subtotal Cost of Student Living	R 2,800 [\$2,522]	R 8,800 [\$7,927]	R 15,000 [\$13,513]	R 2,800 [\$2,522]	R 8,800 [\$7,927]	R 18,500 [\$16,666]
<b>Total</b>	R 3,430 [\$3,090]	R 9,430 [\$8,495]	R 15,630 [\$14,080]	R 15,060 [\$13,567]	R 21,900 [\$19,730]	R 33,700 [\$30,360]

*Key: Low estimates are averages based on a single student living with parents. Average estimates are based on single students not with living with parents. High estimates reflect those students who are head of household.*

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