Higher education in Brazil: trends and recent developments in resource allocation policies

by

Jacques Velloso

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Preface

The financing of education is one of the major concerns of the IIEP research and study programme expressed in its Fifth Medium-term Plan.

Within the field of financing of education, the role and place of financing mechanisms are of crucial importance. The resource allocation process may be evaluated in two complementary ways, from the standpoint of consequences on the distribution and utilization of resources, and by analyzing the impact of changes. For higher education, autonomy of institutions, cost-sharing mechanisms or privatization and efficiency are important issues in many countries.

In Brazil, many policy issues concerning higher education have consistently come forth over the years. In this context, the IIEP has commissioned Professor Jacques Velloso from the University of Brasilia to present and analyse the trends and the recent development in resource allocation policies for higher education in Brazil.

The IIEP wishes to thank Professor Jacques Velloso for his contribution.

Jacques Hallak
Director, IIEP
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1. Introduction

In Brazilian higher education, a number of policy issues have become increasingly prominent over the years. University autonomy is one of those issues. Policies generally implemented up until now have been based on a rather restrictive notion of autonomy, especially as far as public universities are concerned. Privatization is another issue often discussed, but only in the past few years has policy-making begun to address it openly. Efficiency in the organization and management of higher education was one of the main principles of the higher education reform. Although efficiency has not been discussed at length over the years, it was formally included as an item on every policy agenda. Again, only in the recent past was it brought to the forefront of policy-making. Autonomy, privatization and efficiency are three major issues discussed in the analyses presented here, concerning resource allocation policies for higher education in Brazil.

The analyses concentrate on public higher education, given its increasingly important role in the training of highly skilled human resources and in research development in the country. Particular attention is paid to federal universities, for which data is more readily available, but pertinent references are made to other public universities and to the private sector. Occasionally, when comparisons are relevant and can be made
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easily, reference is also made to higher education systems in Latin America.

Section 2 sketches the scenario of higher education to which resource allocation policies are addressed. Broadly speaking, this Section describes the paths followed by public and private institutions, the former often associated with rising standards in research and the latter with expanding enrolments to make more profit. Section 3 outlines a conceptual discussion of efficiency. It is pointed out that the conventional concept of economic efficiency is useless for resource allocation in the real world. A possible alternative, that of technical efficiency, while much more limited in scope, entails, like the original concept, decision-making in the political arena. The notion of efficiency is also a political one. Section 4 begins the discussion on funding. It approaches the issues of autonomy and efficiency against the historical background of the past two decades or so, the period covered by most of the remaining text. It is argued that the restricted autonomy granted to public universities, and the associated pattern of core funding, has restrained the pursuit of increased efficiency in management. On the other hand, the relatively autonomous institutional setting enjoyed by graduate training and research programmes, and their alternative funding patterns, have allowed for more efficient management and better academic results.

An enlarged perspective of funding is taken in Section 5. It begins with a description of funding models being used, which provide an outline of current mechanisms and criteria for resource allocation, followed by a brief discussion on the continued use of the incremental model for core funding of public universities. But understanding resource allocation policies requires apprehending the conflict setting in which it takes place. Accordingly, the Section discusses a constitutional amendment earmarking tax revenues for education. This political criteria for resource allocation illustrates the conflict setting in which policies take place and has important consequences for the trends in the finance of public higher education. Paths followed by the amendment and by relevant policies implemented show that allocations to education fell when social pressures were restrained and the amendment was abolished, during the authoritarian regime, as compared to allocations during periods of liberal democracy. The last part of the Section deals with processes of resource allocation to federal universities. In these institutions, upward trends in the wage bill,
often originating in improvements in the academic profile of the faculty, have been connected with steady reductions in the proportion of funds allocated to items other than personnel. These sharp reductions, which affected quality standards, particularly those of undergraduate education, have frequently been viewed as an integral part of privatization policies.

Section 6 addresses trends in the 1990s. A brief review of changes in approaches to educational problems such as equity and performance, in the context of a neo-conservative movement in the past decade, sets out the background for the analyses that follow. Next, this Section discusses the issue of tuition in public higher education. This is dealt with in the context of: past and recent efforts to change the tuition-free system; the rationale for and against charging tuition in public universities; past privatization policies for the educational sector; and the very unequal tax burden and a highly ineffective tax collection system. The Section proceeds by exploring the issue of how leading sections of the academic community perceive the current resource allocation policies to federal universities, which are often intended to promote privatization. These sections have positive assessments of research and development contracts with the private sector. However, some of the likely consequences of these assessments may change in view of recent trends in research funding. The last part of the Section addresses the alternative resource allocation policies recently being contemplated. These involve autonomy, evaluations, and public and market funding of federal universities. Evaluations, which are viewed as a necessary counterpart to autonomy, are discussed in regard to their scope and purpose. Autonomy is dealt with in the context of management efficiency and market funding is examined in regard to consequences for the roles that public universities are expected to perform.

2. **Quality profiles, public universities and private colleges**

The 1960s and the 1970s were decades of a rapid expansion of higher education in different regions of the world. As in many Latin American countries, high expansion rates in Brazil began to be observed in the 1970s. A military rule in Brazil began in 1964 and the success of the *coup d'état* was partly due to the support of the middle classes. They demanded more places in higher education for several years after the coup, and
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pressures mounted in the early 1970s, a period of fast economic growth. On the supply side, owners of private colleges, and other businessmen interested in investing in private higher education, pressed for public policies aimed at encouraging the establishment of new institutions. Higher education was becoming a profitable business. These socio-political pressures helped to shape the expansion path during the authoritarian regime.

In the late 1960s a higher education reform bill was passed. It followed the recommendations of a report to expand enrolment but not to increase public spending (Cunha, 1989; Martins, 1989). The reform proposed that new institutions of higher learning should preferably be organized as universities. Yet, public policies implemented at the turn of that decade followed an opposite direction. Policies responded to the demands of owners of private colleges and other businessmen by allowing enrolment to expand without much public spending. Some figures may help to illustrate trends that have been observed. In the late 1960s there were some 400,000 students enrolled in higher education. In the following years, private colleges proliferated and enrolment grew at very high rates (170% between 1970 and 1974, for example), while places in the public sector expanded comparatively slowly (61% for the same period). During the second half of the decade economic growth rates levelled off and so did the demand for places. Nevertheless, by 1980 the total number of students had increased to about 1.4 million.

Expansion brought meaningful changes. By 1980, the share of public sector enrolment was down to 40 per cent from 60 per cent in 1970. Differentiation and segmentation processes evolved, in many respects similar to those observed in other Latin American countries (Brunner 1990; Rama, 1988). Many universities gradually became more complex while others remained basically teaching institutions. Graduate programmes and university-based research developed in some institutions but not in others. Labour market opportunities for graduates from different kinds of institutions became more clearly differentiated, and schisms between distinct types of institutions gradually emerged. In the private sector, newly established colleges generally offered courses in subjects that did not require substantial capital investments, such as humanities and social sciences, and thus allowed quick profits. More often than not, the expansion of the private sector was associated with commercial rather than
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academic concerns. Academic mediocrity tended to predominate among the newly established private institutions.\(^1\) Echoes of this expansion pattern went beyond the Brazilian frontiers. For a well-known analyst of higher education in Latin America, ‘Brazilianization’ appeared in Chile in the early 1980s as private institutions proliferated, the private sector’s share in higher education increased and its quality decreased (Levy, 1976: 112).

Brazilian graduate education and research followed a different course, induced by a modernization project implemented by the State. Graduate training, which in the 1960s was carried out mostly abroad, later underwent a rapid development in national institutions and graduate programmes became the foci of university research. The number of Brazilian doctoral programmes increased from 32 in 1969 to 301 in 1982, and continued to grow in the following years, although at a slower pace, reaching 399 seven years later (Castro, 1991; see also Córdova et al, 1986). The vigorous expansion of graduate education and research was concentrated in public universities. These institutions currently enrol more than 85 per cent of the students attending national M.A. and doctoral programmes. About three-quarters of total public university faculty are full-time, as compared to one-third some fifteen years ago, while in private universities less than 10 per cent of faculty are full-time. As an outcome of the differentiation and segmentation processes, university and non-university enrolment are clearly differentiated across sectors. Among students enrolled in public higher education, three-quarters attend universities. This share drops to about one-third in the private sector. In spite of the fast private enrolment growth in the past, by Latin American standards the total number of higher education students in the country is still small compared to the population. Total enrolment of about 1.5 million students is equivalent to 11 per cent of the 20-24 age group, while

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1. A survey conducted by the Council of Rectors of Brazilian Universities in the mid-eighties revealed that more than a quarter of the private colleges existing at that time (about 800) offered week-end classes only (Velloso, 1986).
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for Latin America as a whole, the corresponding figure is 20 per cent, almost twice as large.\(^2\)

As differentiation and segmentation processes evolved, some sectors of higher education experienced remarkable progress in their quality standards while others expanded with constant or decreasing quality. One common example of a quality indicator is publications. Traditionally, indices based on faculty publications and citations have been an integral part of a scientometric approach to quality and performance indicators. While scientometrics has been increasingly subject to criticism in social science studies, both in science-prevalent and peripheral countries,\(^3\) a crude indicator based on the number of faculty publications suggests tendencies for academic standards in Brazilian higher education. When this indicator is used, one finds that more than 90 per cent of what is published by the faculty of graduate programmes originates in public universities.

More reliable indicators of academic standards are the results of the evaluations of Brazilian graduate programmes in different fields of knowledge, routinely conducted by peers under the co-ordination of CAPES (Co-ordination of Higher Education Personnel Development), an agency of the Ministry of Education. A useful indicator is each university’s proportion of graduate programmes with an excellent standard. Available data for the last evaluation conducted before 1990 show that in 12 top universities at least one-third of the graduate programmes were classified as excellent. Among these institutions, 11 belonged to the public sector (Figueiredo and Sobral, 1991).\(^4\) This group included two institutions of

\(\text{\textsuperscript{2} Actually, if comparisons were made between Brazil and all other countries in Latin America, the difference would be larger, since enrolment in Brazilian higher education alone corresponds to a quarter of the total in the region. Data from Lopez (Velloso, 1986).}\)

\(\text{\textsuperscript{3} For a review of these criticisms and a discussion of the paradigms in which scientific indicators are based, particularly in the context of scientific peripheral countries, see Velho (1989) and also Vessuri and Diaz (1985).}\)

\(\text{\textsuperscript{4} It should be emphasized that these aggregate results for universities have illustrative purposes only. Evaluations conducted for graduate programmes in each field of knowledge (e.g., agronomy, biology, economics, education, etc.) originally are not intended to serve as a proxy for the overall performance of any particular university.}\)
the São Paulo State system, the University of São Paulo (USP) and the University of Campinas (UNICAMP), in addition to major federal universities such as Rio de Janeiro, Minas Gerais, Rio Grande do Sul, Brasília and others. The only private institution among the 12, although it ranked first, was the Pontifical Catholic University of Rio de Janeiro.

This brief outline of higher education in Brazil, which is naturally a product of past policies, helps in understanding current resource allocation policies. It is also why this text is focused on public universities.

3. Resources and efficiency

In discussions of resource allocation in education, the concept of economic efficiency, borrowed from standard economic analysis, is frequently used. This report will often refer to the notion of efficiency. Thus it is only appropriate that the concept be clarified at the outset. Klees (1993, pp. 1, 10), argues convincingly that:

"The concept of economic efficiency that guides conventional approaches to resource allocation may look attractive in the abstraction of perfect competition, but it is completely non-operational and nonsensical in the real world... The efficiency criterion [for resource allocation] is an empty one: attaching social meaning to real world prices has no more basis than magic incantation."

While the conventional concept of efficiency has been formulated in a perfect competition model, one small deviation from this model – i.e., the existence of a single monopoly – is enough to produce such distortions that all markets are unreliable guides to efficiency. Attempts to find 'corrected' market prices (those that would prevail if the model applied) through shadow or imputed pricing is not a solution to the problem. Shadow pricing is based on unreliable ad hoc methodologies, applied on an equally ad hoc basis, with almost as many assumptions as the competitive model itself. In a less competitive model, as in the real world, prices of all goods and services offer no indication of social efficiency (Klees, 1989).
The efficiency argument usually presented, separate from equity concerns, is further flawed because different allocations of resources necessarily imply a gain or a loss to someone or to some social group. In fact, policies which pursue only overall 'efficiency' goals, actually have equity implications. As Thurow argues,

"Every time a tax is levied or repealed, every time public expenditures are expanded or contracted, every time regulations are extended or abolished, an equity decision has to be made."\(^5\)

Since the overall efficiency criterion for resource allocation is devoid of any meaning in the real world, and necessarily has equity implications, a simpler and a much more restrictive notion of technical efficiency might be considered. The concept of technical efficiency in the production of a firm, when applied to social endeavours, in simple terms means that it is desirable to obtain the best output for a given input in any social endeavour. In this sense, efficiency implies using an 'optimum' mix of human and material resources. Such a notion seems sensible. And it certainly is socially acceptable as regards the use of public resources in any public or private activity. For the sake of simplicity, let the argument be restricted to the public sector.

While this seems conceptually straightforward, in reality matters are not so simple because of the views people have on choices to be made. Inputs to and outcomes of public education are evaluated differently by the various citizens, social groups and strata implicated.\(^6\) But prices cannot reflect these evaluations in the real world of monopolies, oligopolies and a number of other deviations from the abstraction of a perfectly competitive economy. The issue has to be addressed in another realm – that of collective decision-making, namely the political arena.


6. One of the reasons, among others, that individual citizens and social groups and strata evaluate differently the choices to be made, i.e., the value of inputs and outputs, is that both the kinds of 'technically' efficient combinations of inputs as well as the outputs to be attained, have equity implications.
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In the political arena, democracy can and should be taken as a universal value to be pursued. Within this context, in principle, any and all public activities are the concern of the citizen. Then to account for the diverse, and often conflicting, evaluations of citizens, social groups and strata, implies settling divergent views by means of democratic procedures. With regard to outcomes and goals of institutions and agencies in the public sector, settling these conflicts involves, for instance, defining courses of action by means of majority rule, as well as delegating power to public authorities to make decisions on behalf of others. These and a number of other decision-making processes constitute a democratic means of settling diverging and conflicting opinions. With regard to decisions on the allocation of inputs to achieve those outcomes or goals, the same principle applies as for major allocations. Conflicting evaluations on their usage are to be settled by democratic procedures. Thus, in the public sector, efficiency means that both outcomes to be obtained, and major choices of the ‘optimum’ mix of human and material resources to achieve it, need to be politically determined by means of these and other democratic procedures.

Another qualification to the concept of efficiency has to do with a characteristic of the education sector (be it public or private). As is the case with a number of activities in the public sector, an ‘optimum’ input mix to achieve a certain outcome is generally speaking not known. This is not to say that there is no knowledge available to date regarding efficiency in the educational production process. The knowledge available suggests choosing certain combinations of inputs to attain more of given outcomes. However, in general, one cannot be certain that the choice made is the best, or one among the best possible combinations of inputs. Given this limitation, it makes sense to speak of choices concerning the allocation of human and material resources in education with a view to obtaining improvements for a desired outcome, rather than speaking of ‘efficient’ choice(s).

From the above discussion, a few key elements of efficiency emerge. They define the meaning of the concept in this text. First, the notion of efficiency in an analysis of the public (educational) sector refers to combinations of human and physical resources that yield more of a desired outcome, without necessarily fulfilling that outcome. Efficiency or efficient courses of action actually mean obtaining more of this outcome than other
alternative choices. Next, since those human and physical resources require funds, for the sake of simplicity they may be simply referred to as 'resources'. In this text, the term 'resources' will be used interchangeably to refer both to human and material resources, as well as to funds in the strict sense of the word. Finally, the notion of efficiency also means that outcomes to be attained and major choices of input mixes, need to be politically acceptable. They should be subject to democratic decision-making through a number of pertinent processes. The concept of efficiency is also political. Recommending an efficient course of action is tantamount to proposing a political debate on the subject.

4. Autonomy, budgets and efficiency

The use of resources allocated to public universities is constrained by a number of elements. Chief among these are limitations on autonomy and budgeting practices. This section briefly discusses the major features of limitations on autonomy and budgeting practices as regards efficiency in the management of resources.

Basic rules regulating the current organization and operation of universities were established by the higher education reform of 1968. Some changes have been introduced over the years, but they are not relevant for the purposes of the present discussion. Passed during the military regime, the reform did not grant adequate autonomy to public universities. University autonomy, which among other things implies freedom of thought and speech, under an authoritarian regime did not appeal to dominant forces within the State. The political-administrative, academic and finance management dimensions of autonomy were defined to establish a close dependency of public universities vis-à-vis the State. Another major feature of the model defined by the reform was its emphasis on productivity. It was concerned with a rational organization of higher education institutions and their efficient management. This approach, however, contradicted the extremely limited autonomy that had been granted and the firm bureaucratic controls that the State had been exerting over public universities, particularly with regard to budget management.

Budgets and internal resource allocation norms for Brazilian public universities, particularly for federal universities, are generally subordinated to rules and norms that apply to the civil service. In most Latin American
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countries, these norms are quite inflexible and are aimed at controlling means rather than outcomes or performance. Funds budgeted for personnel expenditures are not allowed to be reallocated to other line items and vice-versa. Potential reductions in the wage bill very seldom materialize. A faculty vacancy opened due to retirement is immediately filled, even if a more efficient use of resources would recommend reallocating funds in other ways. If a programme is phased out, personnel are transferred to other programmes; otherwise they cannot be included in the institution’s budget for the following year. As far as resources other than those for salaries are concerned, attempts to change the destination of funds originally earmarked for given activities have virtually no chance of succeeding within a reasonable time frame. In practice, resources allocated to a given activity usually have to be spent on that activity, even if original needs have changed or disappeared (Schwartzman 1991). In short, current budgeting norms, reflecting inadequate systems of control, severely restrain any efficient management.

The model defined by the reform emphasized research as a major task of universities. Public policies supplied varied incentives and resources were channelled through research financing agencies in order to enhance the development of research and graduate training. This development initially was fostered by federal agencies like CNPq (National Council for Scientific and Technological Development) and FINEP (Financing Agency for [Scientific and Technological] Projects), by FAPESP (São Paulo State Foundation for Research Support) at the State level, and later by CAPES at the federal level. Over a fifteen-year period, research efforts and graduate training programmes prospered in many different fields of knowledge, especially in public universities.

The achievement of research and graduate training programmes deserves scrutiny. A major factor accounting for this success is the institutional setting enjoyed by research and graduate training programmes. These programmes were not dependent politically, academically and

7. For a discussion on these restrictive civil service norms as applied to universities in Latin America, although in a different approach from that adopted here, see Winkler (1988). Actually, such restrictions seem to be typical of many Third World countries, as reported by Salmi (1992) pp. 15-17.
management-wise on the State, in the way that the undergraduate division and other sectors of public universities were. They frequently developed as enclaves within departments, more often than not under recognized scientific leadership, being governed by academic instead of State bureaucratic rules. Autonomy and relative flexibility in the management of resources tended to prevail in these environments. Another major factor accounting for that achievement lies in procedures and criteria used for supplementary funding by agencies like CAPES, CNPq and FINEP, at the federal level, and FAPESP, at the State level. This supplementary funding has often been based on peer review and, instead of aiming to control the means, it has been largely attributed on merit and performance, ascertained by a number of procedures. Research projects are reviewed and research programmes are appraised by relevant peer committees, either attached to funding agencies or on an ad hoc basis, depending on the circumstances. Performance evaluations of graduate training programmes have been routinely conducted by peer committees under the co-ordination of CAPES, and appraisals of the development of research and graduate training in different fields of knowledge have been made by peers under the co-ordination of CNPq, although the latter have not followed a systematic pattern over the years. In general, reviews of research projects, appraisals of research programmes and evaluations of graduate training programmes have been enjoying substantial legitimacy in the academy, although there is much room for improving criteria and procedures used. Incentives provided by supplementary funding policies improved management efficiency, contributing to academic achievement as well.

8. For a telling illustration of the setting in which graduate training and research programmes developed, and of their financing patterns, see the report by Castro (1991) on three case studies (a Mechanical Engineering programme, a Parasitology programme and a Political Science/Sociology programme - the former two in public universities and the latter in a private institution).

9. The National Association for Research and Graduate Study in Education (ANPEd), for instance, has argued for significant changes in criteria and procedures for the evaluations, and for an increase in university autonomy as far as control and use of supplementary funding are concerned.
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was small compared to the universities’ budgets,\textsuperscript{10} its effects on research and graduate training development were substantial.

5. Resource allocation to higher education

Section 4 covered issues related to the internal allocation of resources in two distinct autonomy settings in public universities, each with different budgeting and funding patterns. In this section, the wider context of resource allocation to public universities is dealt with. It is appropriate to begin with the funding models being used, since they provide an outline of relevant financing mechanisms and criteria.

5.1 Funding models, the public sector and federal universities

Funding models may be conceptually divided into two main types, following a classification suggested by OECD (1990): core or basic funding and supplementary funding. Broadly defined, public resources allocated to core or basic activities fall into four basic categories: incremental finance based on previous budgets; application of formulae; contractual funding; and subsidizing student fees. Each of these categories will be discussed in turn.

Subsidizing student fees is not a relevant element for resource allocation to public higher education. In Brazil, as in many Latin American countries, public higher education is tuition free for regular undergraduate and graduate courses. Stipends towards subsistence expenses for undergraduate students are occasionally provided by universities but their availability is very limited; a considerable number of students attending M.A. and especially doctoral programmes have fellowships for living expenses, funded by federal agencies such as CAPES and CNPq, and

\textsuperscript{10} In the recent past, however, an exception to the rule was the Pontifical Catholic University of Rio de Janeiro, in which resources from FINEP represented about 50 per cent of the total budget of the institution (Gianotti, 1986). As far as federal universities are concerned, funding by CAPES and FINEP on average represent a tiny fraction of treasury resources allocated to expenditures other than for personnel (Mattos, 1990). In institutions where graduate training and research are relatively important activities, the fraction is not large but it represents an important contribution to the development of these activities.
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sometimes by State agencies as well. For graduate students in the private sector, these fellowships also cover tuition. In the past, since 1976, undergraduate students attending private institutions of higher learning were eligible for loans with highly subsidized interest rates (a nominal interest rate of 15 per cent per year, at a time when rampant yearly inflation rates were increasing from about 45 per cent to about 250 per cent). A significant share of the loans had been granted to students attending small private colleges, which were often profit-oriented and of substandard quality. In a large number of these small colleges, students with loans made up nearly 30 per cent of the total enrolment (Velho, 1983). While formally granted to students, the loans represented an important mechanism of support for the expansion of commercial and substandard higher education. This loan scheme was phased out in 1983, with a US $80 million deficit due to high default rates. Eventually the deficit was financed by public funds (Velloso, 1987). The new loan scheme, effective from the following year, does not provide subsidies, requires collateral, seems to have lower default rates and has served about 10 per cent of the private student enrolment in each year.

Core funding of public higher education is usually based on incremental finance. In the general definition of incremental finance, which is said to be typical of expanding systems, attention is centred on the growth of relevant activities and decisions are usually made according to ad hoc judgements, formulae or proportionate increases. The incremental finance model applies to the core funding of most public universities in Brazil, both at federal and State levels. Core funding of federal universities has been related, on various levels, to: enrolment expansion; faculty and staff growth; career patterns for faculty and staff; changes in the academic profile of the faculty and in the professional qualifications of the staff; growth of existing activities; and implementation of new projects. Decisions on how to allocate resources according to each of these categories were mediated by ad hoc judgements, negotiations and, of course, subject to the prevailing political scene.

Whilst enrolments were expanding, these factors were relevant for funding, and faculty and staff played a major role as far as the amount of resources allocated is concerned. But since the mid-1980s, rather stagnant undergraduate enrolments and the new political setting that followed authoritarian rule altered the scenario. While significant changes in budgets
continued to depend on faculty and staff, other variables gained importance. For instance, the success or failure of union struggles to improve faculty and staff wages in the face of rampant inflation rates were important in defining patterns and levels of resource allocation to federal universities. Equally important was government policy to eliminate large differences in wage schedules that had developed over time between two types of federal universities, autarchies and foundations.

The incremental finance model's continued use over the years is explained by a complex set of socio-political and economic phenomena. It is beyond the scope of this paper to delve into these phenomena, but a couple of interpretations deserve mention. Conflicts about the allocation of federal resources to public and private higher education, and the approach used by the State to solve these conflicts, are likely to have contributed to that continued use of the model. The growth of private higher education in the past has benefited from varied kinds of government subsidies, in addition to the student loans discussed above. This was particularly true during the period of the authoritarian regime. Most of this period coincides with the epoch in which private enrolment was expanding rapidly. While the supply of private higher education was growing at high rates, more often than not with low quality standards, and pursuing commercial rather than educational purposes, the public sector, with significantly higher quality standards, faced a demand for vacancies much larger than its supply. Incremental funding may have served the purpose of avoiding open conflicts regarding competing demands for resources to private and to public higher education. Under the practices adopted by the regime for the dissemination of information on public funds that were being allocated, neither the amount of nor the criteria for subsidies to the private sector were publicized. 11 On the other hand, budgets approved for federal universities were known to segments of society that were directly involved or interested in public higher education. During that period of rapid expansion of higher education, while the State continued to grant unknown subsidies to the private sector, increments were added to the budgets of federal universities each year in order to convey the image that

11. This does not apply, of course, to the criteria for eligibility for student loans, which were widely disseminated.
the public sector was given priority, or at least receiving its fair share of public funds.

By the mid-80s, however, the scenario of higher education finance had undergone drastic changes. In the wider socio-political setting, the authoritarian regime had yielded to a transition period known as the ‘New Republic’, in which the President was elected by the Congress. Under the liberalizing political climate of the New Republic, procedures for solving conflicts about the allocation of federal resources to public and private higher education were likely to follow a somewhat more open – or less covert – approach. In higher education, enrolment growth rates in the public sector had been small since the beginning of the decade. The incremental finance model, which is said to be typical of expanding systems, could no longer be as easily justified as before.

Furthermore, trends in the finance of higher education in industrialized nations were having repercussions on the Brazilian scenario. In Western Europe, for instance, up until the 1980s there was an implicit and stable agreement between higher education and the government, whereby the former provided the training and the education for all deemed qualified to enter, while the latter provided the necessary funding. But since the beginning of the 1980s, the amount of public expenditures assigned to higher education started to reduce and governments began exerting greater control over the usage and allocation of public funds (Neave and Vught, 1991).

In Brazil, proposals for changing the incremental finance model emerged a few months after the inauguration of the New Republic in 1985. The recommendations of a national commission responsible for considering a new higher education reform, as well as the report of an executive group subsequently established by the Ministry of Education, proposed that the funding of federal universities should be linked to the results of evaluations conducted. As described by the head of the national commission (Schwartzman, 1988), the proposal also involved other changes in higher education. One of the most important of these changes concerned the establishment of a new juridical body, the university. The new juridical body gave public universities much of the autonomy that they needed to gain efficiency in the performance of their roles. The proposal initially faced staunch opposition on the part of faculty and staff unions, particularly with regard to the item on evaluations and the associated
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funding. This opposition soon extended throughout large segments of the academy. Although evaluations of public universities ought to be the analogue to their autonomy, in the mid-80s academics' fears of performance evaluations were much more widespread than they are today. Further, and contrary to the beliefs of the Head of the National Commission, evaluation procedures proposed were rather vague and did not clearly suggest that the Ministry of Education would relinquish much of its bureaucratic control over budgets. More importantly, the agency in charge of the proposed evaluations – the Higher Education Department – was regarded by most of the academy as lacking technical competence and, therefore, political legitimacy as well. It may be recalled that evaluations of graduate programmes and research, conducted by peers under the coordination of CAPES and CNPq, enjoy substantial legitimacy in the academy. Thus it was no surprise that the proposal set off the kind of reactions it did, and that it was eventually abandoned. Renewed attempts to replace the incremental model of funding would only appear again several years later.

In 1992, the MOE had designed a formulae model for the core funding of federal universities, to be used in the 1993 budget. Under the envisaged model, allocation of resources for each institution would consist of (i) a basic allocation defined as a function of the 'ideal' (as opposed to the actual) number of faculty and staff; (ii) a budget supplement based on the academic qualifications of the faculty; (iii) an adjustment dependent upon the basic cost per student, estimated as a function of the 'ideal' number of faculty members; (iv) a specific allocation for maintenance of facilities; (v) another specific allocation for institutional development projects. Whenever budgets thus defined were lower than the personnel payroll, additional funding would be negotiated with each institution by means of a management plan aimed at more rational use resources. This intended use of formulae funding in core funding of federal universities, however, ended abruptly by late 1992, when the incumbent President of Brazil was impeached by the Congress.

12. Elsewhere I discussed the issue of autonomy and evaluation of public universities in connection with the roles played by faculty unions, which have been increasingly associated with 'populist' demands in university governance and policy-making (Velloso, 1991).
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Other than the intended application of formulae in 1992, this kind of funding is not customarily nor officially applied at the federal level, although, within the MOE, formulae have sometimes been used as an internal mechanism to negotiate supplements to federal university budgets, whose real values rapidly dwindle in face of high inflation rates. At the State level, a noteworthy application of formulae funding occurs in the State of São Paulo. Some elements of formulae funding are employed by the Council of Rectors to allocate resources within the São Paulo State university system.

Contractual funding, defined as the practice of inviting institutions to tender for funds to carry out pre-established activities, is seldom used to allocate government resources to core activities of public higher education. In supplementary funding, as far as the MOE is concerned, a marked exception was the allocation of a relatively substantial sum of resources for contractual funding under a new programme for higher education in 1986.

But this arrangement was gradually phased out in the following years. One example of contractual funding that has had some degree of success over the years is that of the Programme for Supporting Science and Technology Development (PADCT), partly financed by a World Bank sector loan. This Programme includes members of the academic community in its advisory committee and is designed to give priority to thrust areas in the field. As a rule, the occasional contractual funding

13. Under this programme, guidelines for projects were set and institutions bid for funds (Miranda, 1986). Resources initially allocated to this programme corresponded to roughly one third of the total amount of funds allocated to federal universities by MOE for outlays other than personnel. Federal institutions were awarded the largest share of programme funds but private colleges and universities obtained relatively larger benefits. My estimates indicate that in 1986 the total amount of subsidies granted by MOE to private colleges and universities increased by about 300 per cent (Velloso, 1987).

14. Thrust areas include biotechnology, materials science and computer science, among others. For an in-depth discussion of financing mechanisms of thrust areas in higher education in the context of a developing country see, for instance, Sharma and Sanyal (1990).
with public resources has had very little effect on the budgets of the higher education institutions concerned.

5.2 Social conflicts, resource allocation and earmarked revenues

Funding models are useful to describe the chief characteristics of resource allocation policies. Usually framed in a technical perspective, they give a summary view of major mechanisms and criteria being used. But resource allocation policies are known not to be an outcome of decisions based on technical inputs. Rather, they are designed and implemented in economic and socio-political settings, where conflicts define major resource allocation decisions to be made; these, in turn, find their expression and become operational with the help of technical inputs. Thus an additional insight can be gained by looking at the economic and socio-political contexts in which these policies are designed and implemented.

Policies for the allocation of public funds are the outcome of conflicting interests among social groups and/or classes in society, in the context of resources available in a given time-frame. As has been noted, the State faces competing demands for its resources, ranging from funds to increase the profitability of capital to those that promote enlarged social opportunities and the expansion of democratic rights (Carnoy and Levin, 1985). Resources spent to satisfy the latter two demands belong to a general category that is often termed social spending, which embraces education, health and a number of other areas. Social spending is frequently viewed as aimed at enlarging social opportunities and/or at expanding democratic rights. Public spending in education sometimes depends on the outcomes of social conflicts on the allocation of fiscal funds to the education sector, as opposed to other sectors, including those that enhance the profitability of capital. Changes in federal spending on education in the 1980s are a case in point.

These social conflicts are illustrated by the processes that led to the reinstatement of a constitutional amendment earmarking fiscal funds for education and by the subsequent funding policies. Both had a significant impact on the level of public spending on education in the 1980s.

Under the Brazilian Constitution voted in 1946 after the fall of the Vargas dictatorship, minimum percentages of tax revenues collected by the federal government, States and counties (municipios) had to be spent on
the "maintenance and development of education" (henceforth MDE). This category, as defined by the ensuing legislation, comprised public expenditures on educational systems with funds from tax revenues but excluded spending on social assistance even if these outlays were connected with educational activities (e.g., expenses with free textbooks or lunches distributed in public elementary schools). The legal provision earmarking resources for education, an explicitly political criterion for resource allocation, was abolished in the constitutional amendment imposed by the military regime in 1967. Federal spending on education dropped sharply in the following years. Available estimates suggest that the ratio of federal outlays on MDE to tax revenues fell from about 11 per cent in the late 1960s to about 5 per cent in 1973 and 1974 (Lima, 1990: Table 10). Those were years of high economic growth rates (14 per cent and 9.5 per cent, respectively) but also of strong authoritarianism. During most of the 1970s, but particularly during the early years of the decade, large shares of public outlays were directed to infrastructure and other investments, bringing direct benefits to private capital accumulation while social spending was substantially cut down.\(^{15}\) During the late 1970s, as the strength of the authoritarian rule was being somewhat reduced, federal expenditure on education gradually increased to a level similar to that of the 1960s; it is estimated that by the end of the 1970s about 8 per cent of federal tax revenues were spent on MDE.

In the early 1980s, the military regime was nearing its end. During this period, often known as an ‘opening’ of the authoritarian rule, social pressures to increase social spending, particularly in education, were beginning to emerge. From 1980 to 1982, before the recession in 1983, total federal social spending was going up and the share of education in this total was increasing (\emph{Tables 1 and 2}). In 1983, a constitutional amendment reinstated minimum levels of yearly public expenditures on “maintenance and development of education”: 13 per cent of federal tax revenues (25 per cent of State and county tax revenues).

\(^{15}\) For evidence regarding the relative (and absolute) fall in social expenditures see Von Doellinger (1983).
<table>
<thead>
<tr>
<th>Year</th>
<th>Education (1)</th>
<th>Health (2)</th>
<th>Housing and urban development (3)</th>
<th>Nutrition and food (4)</th>
<th>Social security (5)</th>
<th>Other (6)</th>
<th>Total (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>1981</td>
<td>121.6</td>
<td>93.1</td>
<td>78.3</td>
<td>104.5</td>
<td>107.5</td>
<td>116.3</td>
<td>103.1</td>
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<td>97.1</td>
<td>82.3</td>
<td>131.3</td>
<td>114.8</td>
<td>114.0</td>
<td>108.5</td>
</tr>
<tr>
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<td>103.2</td>
<td>77.7</td>
<td>63.7</td>
<td>145.9</td>
<td>101.4</td>
<td>95.6</td>
<td>92.1</td>
</tr>
<tr>
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<td>99.5</td>
<td>81.0</td>
<td>37.5</td>
<td>158.0</td>
<td>86.7</td>
<td>67.6</td>
<td>80.0</td>
</tr>
<tr>
<td>1985</td>
<td>133.3</td>
<td>93.2</td>
<td>37.3</td>
<td>289.8</td>
<td>96.4</td>
<td>114.7</td>
<td>93.5</td>
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<tr>
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<td>183.6</td>
<td>99.8</td>
<td>32.9</td>
<td>429.4</td>
<td>107.3</td>
<td>144.5</td>
<td>105.7</td>
</tr>
<tr>
<td>1987</td>
<td>217.5</td>
<td>144.4</td>
<td>36.0</td>
<td>460.1</td>
<td>94.9</td>
<td>203.0</td>
<td>113.1</td>
</tr>
<tr>
<td>1988</td>
<td>239.7</td>
<td>136.3</td>
<td>63.1</td>
<td>422.7</td>
<td>96.7</td>
<td>192.9</td>
<td>117.3</td>
</tr>
<tr>
<td>1989</td>
<td>224.8</td>
<td>153.8</td>
<td>22.0</td>
<td>383.0</td>
<td>114.2</td>
<td>520.0</td>
<td>124.7</td>
</tr>
<tr>
<td>1990</td>
<td>155.6</td>
<td>128.3</td>
<td>46.1</td>
<td>428.3</td>
<td>114.4</td>
<td>1352.2</td>
<td>122.9</td>
</tr>
</tbody>
</table>

*Note: Funds from tax revenues (treasury), from social security contributions and from all other sources.

Source: Piola, Viama and Carmago (1992: Table 5).
Table 2. Total federal social spending*, by sector, 1980-1990 (per cent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Education</th>
<th>Health</th>
<th>Housing and urban development</th>
<th>Nutrition and food</th>
<th>Social security</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
</tr>
<tr>
<td>1980</td>
<td>9.6</td>
<td>19.0</td>
<td>12.4</td>
<td>0.1</td>
<td>54.5</td>
<td>4.5</td>
<td>100.0</td>
</tr>
<tr>
<td>1981</td>
<td>11.3</td>
<td>17.2</td>
<td>9.4</td>
<td>0.1</td>
<td>56.8</td>
<td>5.3</td>
<td>100.0</td>
</tr>
<tr>
<td>1982</td>
<td>11.0</td>
<td>17.0</td>
<td>9.4</td>
<td>0.1</td>
<td>57.6</td>
<td>4.9</td>
<td>100.0</td>
</tr>
<tr>
<td>1983</td>
<td>10.7</td>
<td>16.1</td>
<td>8.5</td>
<td>1.0</td>
<td>60.0</td>
<td>3.7</td>
<td>100.0</td>
</tr>
<tr>
<td>1984</td>
<td>11.9</td>
<td>19.3</td>
<td>5.8</td>
<td>1.3</td>
<td>59.1</td>
<td>2.7</td>
<td>100.0</td>
</tr>
<tr>
<td>1985</td>
<td>13.7</td>
<td>19.0</td>
<td>4.9</td>
<td>2.0</td>
<td>56.2</td>
<td>4.3</td>
<td>100.0</td>
</tr>
<tr>
<td>1986</td>
<td>16.6</td>
<td>18.0</td>
<td>3.9</td>
<td>2.6</td>
<td>55.3</td>
<td>3.7</td>
<td>100.0</td>
</tr>
<tr>
<td>1987</td>
<td>18.4</td>
<td>24.3</td>
<td>3.9</td>
<td>2.6</td>
<td>45.7</td>
<td>5.1</td>
<td>100.0</td>
</tr>
<tr>
<td>1988</td>
<td>19.6</td>
<td>22.1</td>
<td>6.7</td>
<td>2.3</td>
<td>44.9</td>
<td>4.5</td>
<td>100.0</td>
</tr>
<tr>
<td>1989</td>
<td>17.3</td>
<td>23.5</td>
<td>2.2</td>
<td>1.9</td>
<td>49.9</td>
<td>5.2</td>
<td>100.0</td>
</tr>
<tr>
<td>1990</td>
<td>12.1</td>
<td>19.9</td>
<td>4.6</td>
<td>2.2</td>
<td>50.7</td>
<td>10.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: *Funds from tax revenues (treasury), from social security contributions and from all other sources.

Source: Piola, Vianna and Camargo (1992: Table 5).
The amendment was expected to bring new levels of educational spending. Equally important, earmarking resources to education was supposed to protect the sector from large fluctuations in public policies, hopefully contributing to increased social opportunities. All of this, of course, assumes that governments abide by the Constitution. But for several years, public policies would not comply with it. In 1984, for instance, the authoritarian regime included in the MDE category a number of budget items that did not belong to the category, as defined by the legislation (Velloso, 1990). When the military rule yielded to the inauguration of the New Republic in 1985, public pressures to increase social spending were mounting and education was an important issue among these demands.

Federal expenditures on MDE then began to increase steadily, growing from less than 10 per cent of tax revenues in 1984 to values close to but still below the minimum of 13 per cent in 1987 and in the federal budget for the following year (Table 3). In response to social demands, other expenditures in education, not included in the MDE category, also increased over time. Total federal spending on education, including both MDE and other kinds of expenditures, grew about as fast as MDE outlays (compare Table 1, column 1 and Table 3, line 2b).

A new Constitution was voted in 1988. It brought a tax reform, following a decentralizing approach to taxation, in an opposite direction to that adopted by the constitutional amendment imposed by the military. Approximately one-fifth of federal tax revenues were transferred to the States and counties. In order to compensate for this reduction in revenues, the minimum share to be spent on MDE was nominally increased to 18 per cent. The new Constitution also empowered the Congress with wider budgetary prerogatives. This law had been voted a few years before, under the liberalizing political setting of the New Republic. In this renewed political setting, conflicts over resource allocation to education were resolved differently than in the past. By the end of 1988 expenditures in MDE had exceeded the minimum standard (Table 3).

The overall trend of federal spending on MDE over the last few decades illustrates social conflicts within the State, reflecting conflicts in society at large. Evidence suggests that as the character of the political regime changes, so do the outcomes of these conflicts.
Table 3. Tax revenues of the federal government and expenditures on maintenance and development of education, 1984-1988 (billion 1989 new cruzados, index and %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>1a. Net Revenues</td>
<td>53.87</td>
<td>67.07</td>
<td>73.06</td>
<td>66.13</td>
<td>23.87</td>
</tr>
<tr>
<td>1b. Index</td>
<td>100.0</td>
<td>124.5</td>
<td>135.6</td>
<td>122.8</td>
<td>44.3</td>
</tr>
<tr>
<td>2a. Expenditure on maintenance and development of education</td>
<td>4.98</td>
<td>6.31</td>
<td>8.61</td>
<td>8.34</td>
<td>2.99</td>
</tr>
<tr>
<td>2b. Index</td>
<td>100.0</td>
<td>126.7</td>
<td>172.9</td>
<td>167.5</td>
<td>60.0</td>
</tr>
<tr>
<td>3. Line 2a/line 1 (%)</td>
<td>9.25%</td>
<td>9.41%</td>
<td>11.79%</td>
<td>12.62%</td>
<td>12.53%</td>
</tr>
<tr>
<td>4. Deficit (percentage pts.)</td>
<td>3.75</td>
<td>3.59</td>
<td>1.21</td>
<td>0.38</td>
<td>0.47</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-2.48</td>
</tr>
</tbody>
</table>

Notes: Line 1 = Revenues net of constitutional transfers to the States and of transfers to the Federal District and Territories (billion NCr$).
Line 2a = Expenditures with tax revenues on education (plus pertinent science and technology items), net of expenses not meeting criteria for 'maintenance and development of education' (billion NCr$).
Line 4 = Cols (1) to (5) based on the 13 per cent minimum; col. (6) computed based on the 18 minimum; a negative sign means surplus.

Sources: Lima (1 990) [cols. (1)-(4)]; Velloso (1 990) [col. (5)].
In Brazil, during the periods in which authoritarianism prevailed, expenditures on education (and social spending as a whole) were at a much lower level than in periods when liberal regimes predominated.

Gradual increases in MDE expenditures by the federal government were not a consequence of changes in the political scenario alone. Changes in the economic setting also had some relevance. As the New Republic was being inaugurated in the mid-1980s, Brazil was beginning to recover from an economic recession.

The first two years of the New Republic witnessed high rates of GDP growth, while in two out of the following three years no growth was observed. The overall performance of the economy in the second half of the decade was positive – albeit modest – and this certainly contributed to real increases in MDE expenditures.

The relevance of the new political setting can be adequately appraised when it is recalled that during the strong authoritarianism of the early 1970s very high growth rates were associated with sharply falling outlays in education.

5.3 **Allocations to federal universities and privatization**

Increases in MDE expenditures and in federal spending on education as a whole benefited all levels of schooling since the mid-1980s. Overall, secondary education reaped the largest benefit until 1989, followed by elementary education and then by higher education. While rates of growth in outlays on elementary and secondary education varied substantially, expenditures on higher education grew steadily (*Table 4*). In point of fact, allocations to federal universities (the bulk of federal expenditures on higher education), which increased during most of the 1970s, fell during the recession in the early 1980s and shifted to an upward trend since 1984 (*Table 5*, col. 3).

16. Roughly comparable data on expenditures on all levels of schooling during the early 1980s are found in Velloso and Carvalho (1990).
Table 4. Federal expenditures (treasury resources)* on education by budgetary programmes/levels of schooling, 1984/1989 (index)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary education</td>
<td>100.0</td>
<td>168.2</td>
<td>295.6</td>
<td>300.1</td>
<td>274.1</td>
<td>259.9</td>
</tr>
<tr>
<td>Secondary education</td>
<td>100.0</td>
<td>156.5</td>
<td>216.3</td>
<td>211.8</td>
<td>257.7</td>
<td>276.7</td>
</tr>
<tr>
<td>Higher education</td>
<td>100.0</td>
<td>130.7</td>
<td>147.8</td>
<td>200.3</td>
<td>233.9</td>
<td>245.1</td>
</tr>
<tr>
<td>Other programmes</td>
<td>100.0</td>
<td>140.6</td>
<td>150.7</td>
<td>184.7</td>
<td>149.8</td>
<td>194.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>148.0</td>
<td>209.6</td>
<td>237.8</td>
<td>241.7</td>
<td>247.3</td>
</tr>
</tbody>
</table>

* Funds from tax revenues.

Source: Columns (1)-(4): Fagnani and Quadros (1991: Table 5).
Growth trends in these periods were associated with increases in enrolment, development of graduate programmes and research laboratories, the construction of new facilities and the establishment of new programmes for the provision of community services. Periods of growth in allocations were also directly connected with changes in the wage bill of federal universities. During the 1970s, expanding enrolments called for an enlarged number of faculty and staff.

Among the newly recruited faculty, the proportion of members with graduate degrees – obtained in Brazil and abroad – grew over time. During the 1980s, enrolment growth slowed down. But in both periods, as a consequence of the profile of the new faculty, and as a result of incentives that were being provided for the graduate training of the teaching staff without graduate degrees, the academic credentials of the faculty were upgraded.

The process of upgrading academic credentials of the faculty, with its corresponding improvement in the teaching and research potential, had continuous effects on the payroll (Table 5, col. 1). In the 1980s these effects were compounded by the length-of-service premiums associated with an ageing faculty and staff. Improvements in the professional profile of the non-teaching staff also had impacts on the wage bill, as increasing numbers of the staff attended night classes and graduated from public high schools or private colleges. Since the mid-1980s the largest impact on the payroll was brought about by the establishment of a single wage scale for the faculty and staff by the end of 1986, abolishing large pay-scale differences between autarchies, the traditional pattern of public university organization, and foundations, the newer pattern encouraged by the higher education reform.

Funds allocated by MOE (treasury) to items other than personnel, commonly known as other current and capital expenditures (henceforth ORC), usually followed the general upward and downward trends of the wage bill, but at a quite different pace (Table 5, column 2). Actually, since the early 1970s, the proportion of funds for ORC declined steadily. In the past decade, lagging much behind the growth of personnel spending, ORC funds were cut to about a quarter of the share in 1980 (Table 5, column 5). Over an eighteen-year period, the proportion dropped from 28 per cent to 4 per cent. Effects of these reductions were compounded by the time-frame in which ORC funds were actually delivered to universities.
### Table 5. MOE resources (treasury)* allocated to federal institutions of higher education, selected years and 1980-1989 (index and per cent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Personnel expenditure (1)</th>
<th>Other current and capital expenditure (ORC) (2)</th>
<th>Total (3)</th>
<th>Personnel expenditure (4)</th>
<th>Other current and capital expenditure (ORC) (5)</th>
<th>Total (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.72</td>
<td>0.28</td>
<td>1.00</td>
</tr>
<tr>
<td>1975</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.80</td>
<td>0.20</td>
<td>1.00</td>
</tr>
<tr>
<td>1980</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>0.85</td>
<td>0.15</td>
<td>1.00</td>
</tr>
<tr>
<td>1984</td>
<td>91</td>
<td>58</td>
<td>88</td>
<td>0.91</td>
<td>0.09</td>
<td>1.00</td>
</tr>
<tr>
<td>1985</td>
<td>120</td>
<td>71</td>
<td>114</td>
<td>0.91</td>
<td>0.09</td>
<td>1.00</td>
</tr>
<tr>
<td>1986</td>
<td>130</td>
<td>103</td>
<td>127</td>
<td>0.88</td>
<td>0.12</td>
<td>1.00</td>
</tr>
<tr>
<td>1987</td>
<td>180</td>
<td>122</td>
<td>273</td>
<td>0.90</td>
<td>0.10</td>
<td>1.00</td>
</tr>
<tr>
<td>1988</td>
<td>220</td>
<td>110</td>
<td>226</td>
<td>0.93</td>
<td>0.07</td>
<td>1.00</td>
</tr>
<tr>
<td>1989</td>
<td>251</td>
<td>71</td>
<td>228</td>
<td>0.96</td>
<td>0.04</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**Note:** *Funds from tax revenues.

**Source:** Brasil (1990: 21-22).
While resources for the payroll have consistently been transferred on a monthly basis, funds for ORC usually lagged several months behind. To illustrate, in 1990 approximately 80 per cent of ORC funds were delivered to federal universities during the last quarter of the year, and half of that share was delivered about ten days before the end of the fiscal year (Brazil, 1991).

With very high inflation rates throughout most of the period under study (three-digit inflation rates since the late 1970s, sometimes reaching four digits in the 1980s), this means that ORC funds in constant prices on a monthly basis often lagged far behind their value in nominal prices; accordingly, the figures for ORC funds in Table 5 tend to be overstated as compared to payroll expenditures.

Some analysts argue that the steady reduction in the proportion of ORC funds was simply the result of measures taken in order to counteract pressures on the federal budget originating from a growing wage bill. Such measures would follow standard procedures of budget cuts, as described in the general case by Tibi (1989), whereby reductions in non-salary recurrent expenditures are made before cutting personnel outlays. But evidence indicates that, in this particular case, large decreases in the proportion of ORC funds were already occurring during the 1970s, when high economic growth rates were observed, government revenues were undergoing rapid increases, and increases in the wage bill were modest. In point of fact, other analysts argue that those reductions accompanied a decline in social spending during the military regime which adversely affected the distribution of social opportunities. At that time, private enrolment expanded at rapid rates, in response to a mounting demand for higher education, while places in public institutions grew at a much slower pace. The proliferation of private colleges, which were frequently oriented toward commercial rather than educational concerns, benefited from government subsidies that could otherwise have been allocated to enrolment growth in the public sector. In this setting, the substantial decreases in the proportion of ORC funds have been frequently viewed as an integral part of a privatization policy. Over almost twenty years, the continued reductions in the share of treasury resources for ORC compelled many public institutions to search for alternative sources of funds. The compelling need to search for funds in the private sector confirmed the feeling that policies favoured privatization.
The two major and opposite trends in resource allocations from MOE to federal universities led to equally opposite effects over time. Upward trends in the wage bill, often resulting from upgrading faculty credentials, were also associated with the establishment and expansion of graduate training and research programmes. Over a twenty-year period these developments led to an increased number of highly qualified human resources supplied to different sectors of society, including those other than higher education, to beneficial effects in teaching in undergraduate courses, and to an extraordinary increase in research. The relative fall in ORC treasury resources affected graduate training and research programmes but it was partially offset by the supplementary funding provided by key federal agencies fostering the development of these programmes. In addition, a number of these programmes, especially those in the hard sciences or enjoying a good academic standing, were able to obtain supplementary funding from contracts for the provision of services to the government, to public enterprises and to private firms. Other sectors of federal universities, particularly the undergraduate division, did not benefit directly from funds originating in those federal agencies and were not usually able to draw successfully from other sources. The sharp reductions in ORC funds deeply affected their standards. These reductions have caused, among other things, impoverished teaching laboratories, shrinking collections in libraries, restricted availability of teaching materials and a number of other cutbacks affecting the quality of learning.

6. Trends in the 1990s: tuition, privatization and market funding

Prospects for the 1990s do not seem very encouraging for a number of reasons. While reductions in the share of ORC have stabilized after reaching a 4 per cent low, there are no signs that they will return even to the slightly higher levels of previous years. The slowdown of economic growth in 1990, followed by restrictive monetary policies pursued by a new Administration, and the pressures of the external debt coupled with political turmoil in the country in 1992, led to a negative growth rate of about 1 per cent this year. Political turmoil was due to increasing charges of corruption against the Administration, resulting in the impeachment of the incumbent President of Brazil by the Congress in October. The new
Administration, headed by the elected Vice-President, as of early 1993, had not clearly indicated whether policies for higher education, that were being pursued by the previous Administration, would change.

But certain policy changes that were being discussed, or about to be implemented in the early 1990s, may well undergo further development in the years to come. One of these changes, recently envisaged, has to do with tuition-free public higher education. This is a well established practice, and in 1988 was made a constitutional provision. Early in 1992, there were efforts to modify this constitutional provision and the issue is likely to come up again in late 1993. Alternative resource allocation strategies also have recently been considered. Autonomy is to be granted to federal universities, evaluations conducted, and new funding mechanisms related to evaluations and contracts with the private sector. The envisaged alternative strategies have a number of features that may bring benefits to universities and to society. But there remains much to be discussed with regard to criteria and procedures for evaluations. And since private funding sources would gain in importance under the new resource allocation strategies, the issue has to be approached in the light of the roles to be performed by public universities. In addition to these envisaged shifts in policy, within the academic community – a relevant actor in policy debates – there have also been some signs of change regarding views on educational policy. Research development over time has generated, among some leading segments of the academic community, a positive assessment of contracts with the private sector as a supplementary source of funding for public universities. These assessments may have implications for the views that a number of factions in the academy have on policies for allocating ORC funds to federal universities, which are often regarded as fostering privatization. Each of these issues will be discussed in this concluding section.

National discussions on issues like tuition, autonomy and privatization have either been influenced by educational debates in the international setting at large or by domestic concerns. Thus it is appropriate to begin their analysis with a brief reference to trends in debates on education in the international setting.

During the 1970s, in both developed and developing countries, problems of equity and effectiveness in education were frequently discussed. Approaches to these problems often called for an enlarged role
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of the government in improving and expanding education, as well as additional taxes to pay for it.

During the 1980s, in view of the persistence of these problems, there have been continued calls for improving equity, effectiveness and performance of public higher education. Yet dominant views proposed altogether different approaches to the same problems. Along with the rise of neo-conservative policies in the decade a strong movement to reduce fiscal revenues allocated to the education sector emerged. In the 1980s, under this neo-conservative perspective, international agencies such as the World Bank have been recommending systematically that developing countries improve the equity and performance of their educational systems by charging ‘user fees’ and increasing privatization (Easton and Klees, 1990). This has been particularly true in public higher education, where issues such as tuition and equity, performance and efficiency have been increasingly seen in a privatization perspective, including the search for new funding sources as an alternative to government treasuries.¹⁷

The rise of neo-conservatism – or neo-liberalism, as it is usually known in Latin America – occurred in a scenario of an increasing external debt in developing countries. The neo-liberal policies were associated with the ‘structural adjustment’ loans forcefully advanced by the International Monetary Fund and other major international agencies, leading to structural adjustment economic policies,¹⁸ which in turn resulted in drastic cuts in

¹⁷ A typical illustration of this perspective, including user fees or cost recovery proposals for Third World countries, as presented by members of the World Bank staff, is found in Psacharopoulos et al. (1987). The roots of these proposals, of course, do not originate in the educational sector. They lie in the belief that economic development is dependent upon competitive markets supported by a leaner and more effective public sector. In the straightforward words of a senior advisor to the World Bank, ”a greatly modernized, efficient, and supportive public sector is key to the success of a development strategy that rests on a larger role for the private sector” (Israel, 1991: 41). For more recent proposals on the diversification and mobilization of resources for higher education, but incorporating qualifications and alternatives not found in approaches put forth in the 1980s, see Salmi (1992).

¹⁸ In Latin America, structural adjustment strategies have been known as an integral part of ”neo-liberal” policies. The label, however, may be misleading. While neo-liberalism is a ”political-economy approach based on incentives for privatization, deregulation, reduction of the role of the State and greater free trade and finance policies”, neo-liberal policies in
public expenditures as well as in resources allocated to education, especially in several economies of Latin America (Carnoy and Torres, 1992). In point of fact, during the 1980s, the size of the debt was negatively correlated with public expenditures and with spending on education in a number of countries in Latin America, the most indebted region in the world (Reimers, 1990a).\textsuperscript{19}

In Brazil, the debt burden had various adverse effects on the economy over time. But the Brazilian experience regarding these effects on education finance is different to that of many other countries in the region. Federal spending on education has been growing during most of the past decade, except during a couple of recession years. It was only in 1990 that the strict economic adjustment policies then being implemented began to drive down public expenditures in the sector. As discussed, the reinstatement of a constitutional provision in 1983, defining a minimum percentage of tax revenue to be spent on education, the subsequent resource allocation policies and the mounting demands for social spending in a liberalizing political setting, following an authoritarian period, associated with an overall performance of the economy that was modest but positive, all contributed to the observed upward trends in public spending on education during most of the 1980s.

\textit{Tuition, equity and privatization}

In this scenario, until recently national debates on tuition in higher education have not usually been in keeping with trends observed the region are rather an expression of neo-conservative policies implemented in the United States and the United Kingdom (Carnoy and Torres, 1992: 3).

\textsuperscript{19} While the external debt and structural adjustment policies often have affected public spending on education, the interpretation of these correlations may deserve further scrutiny. In the case of Costa Rica, for instance, Carnoy and Torres (cit.) show that most of the spending cuts were not an outcome of the educational policies during structural adjustment, as argued by Reimers (1990b); although those cuts may have been a goal of these policies, they were mostly a result of the 1980-82 recession, before the beginning of the structural adjustment process. In the case of Brazil, the absence of a clearly positive association between the size of the debt and educational spending is discussed below.
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elsewhere. These debates have frequently been based on views prevailing in many other Latin American countries: the provision of education is conceived as a duty of the State and access to education as the right of every citizen.\textsuperscript{20}

Tuition fees have not been charged in public higher education in Brazil for several decades. In the early 1980s, when the signs of an economic recession were beginning to show, the government contemplated policies aimed at changing the de facto practices of tuition-free public higher education that prevailed. Studies conducted at that time revealed that additional revenues to be obtained from charging tuition would be relatively small compared to the total outlays of federal universities.\textsuperscript{21} The envisaged change was abandoned because the political costs involved appeared to outweigh the benefits deriving from the resources to be generated. A few years ago, de facto tuition-free practices were changed into a de jure system by the new Constitution. A vivid public debate on the issue of tuition preceded the enactment of the Constitution. In the following years, although the debate lost its momentum, a number of proposals with varied tuition schemes were still being discussed. These ranged from charging tuition to all students enrolled in public higher education to partial cost recovery by means of charging tuition to wealthier students and/or granting loans or fellowships to students from low income families (e.g., Melchior, 1992; Mello e Souza, 1991).

\textsuperscript{20} As Levy (1986: 7) puts it in regard to higher education, although in a critical perspective, "Many Latin Americans, unlike all but a few of their U.S. counterparts, regard higher education as a responsibility of the State exclusively, allowing for delegation only to public institutions. ... many are concerned that private sectors have grown inappropriately powerful and that the State has abdicated too much".

\textsuperscript{21} My estimates, for instance, assuming a zero elasticity of demand with respect to price (tuition), suggest that charging tuition in federal universities would generate resources at best equivalent to 9.7 per cent of total MOE expenditures (treasury funds) with these institutions. This assumes that all students with a family monthly income equal to or above US $1,150 would pay an annual fee of US $900, equivalent to the average fee charged by private colleges and universities (Velloso and Tramontim, 1981).
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A recurring argument in favour of charging tuition in Brazilian public higher education is that there is an inequitable distribution of opportunities across public and private institutions. It is argued that enrolment in the former harbours a large share of youngsters from the middle classes and upper social strata, who pay no tuition, while, in the latter, the majority of students are from middle and lower middle class families and pay for their studies. The argument is sometimes associated with the proposal that funds obtained from tuition in public institutions be used to expand opportunities at the elementary schooling level; this might help to reduce the deficit in compulsory attendance. This argument has been sustained by genuine beliefs in its rationale. But more importantly, it also has been counting upon the support of vested interests. Owners of private colleges and universities are quite in favour of charging fees at the ‘going market prices’ in public institutions of higher learning.

Analyses have suggested that such interests are related to different degrees of competitiveness of entrance exams for higher education and to prospects of profit. Public universities generally offer educational services of higher quality than private institutions, and likewise their entrance exams are much more competitive. Charging fees at the ‘going market prices’ in public universities is tantamount to reducing the relative price of services supplied by private institutions. This would eliminate one of the comparative advantages of public universities, thus shifting demand toward private institutions and therefore allowing larger total profits

22. The distribution of opportunities across public and private higher education may not be as clear-cut as the argument suggests. There is evidence indicating that in some areas of the country differences in the students’ social origins depend more on the subject of study (career) than on the type of institution attended. For some evidence in this regard - but not related to the tuition issue - see Paul and Wolf (1992).

23. To illustrate, national averages of the ratio of candidates to places in public universities range from about 7:1 (federal institutions) to 12:1 (state institutions), although in exams for careers like medicine and computer science and/or in prestigious institutions it can be a few times larger than this; in private institutions, national averages are about 4:1 but in a large number of private colleges the number of candidates barely matches that of places available. These average figures do not reveal, however, that in the past few years ratios of less than 1:1 have been prevailing in entrance examinations for some careers in low demand, both in public and private universities, but especially in the latter.
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(Cunha, 1991). The argument against charging tuition fees in public higher education also depends on the adverse effects of public policies implemented in the past. It is pointed out, for instance, that the current distribution of social classes across public and private institutions is, by and large, an outcome of past educational policies. Privatization policies for higher education, which led to a relatively smaller supply of places in the public sector, also led to changes in the distribution of social classes across sectors. Evidence suggests that a few decades ago attendance in private and public institutions of higher learning was not clearly differentiated by social class. In the 1960s, before the rapid expansion of the private sector, the small differences noticeable at that time suggested that some private universities tended to enrol a somewhat larger share of well-to-do students, as is currently observed in many Latin American countries, where wealthier students generally attend private institutions.

It is further argued that privatization policies for secondary education also contributed to foster the current pattern of opportunities in Brazil. They led to a virtual disappearance of good quality public secondary education. The effects of family wealth on access to higher education were strengthened. Access became more heavily dependent on the ability to pay for good secondary schooling, particularly for preparatory courses to entrance examinations, concentrated in the private sector (Cunha and Velloso, 1991). The analyses of privatization policies for secondary schooling and higher education are also cast in the context of relatively limited public spending on education. In spite of observed upward trends in federal expenditures on education in the recent past, the amount of resources spent has been small by Latin American standards. The ratio of public outlays on the educational sector to GDP has been below the 4 per cent average of Latin America. It appears that only by 1989 was Brazil attaining this regional average. Under these circumstances, it is argued that policies aimed at an equalization of opportunities in higher education should not be geared towards charging tuition in public institutions. Rather, they should be aimed at improving the quality and increasing the supply of public secondary schooling.

This argument is also related to views on the distribution of social and economic opportunities in society at large. Income is highly concentrated in Brazil and income inequality has been growing during the past three decades. As a matter of fact, income inequality in Brazil is the largest in
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Latin America. Public policies aimed at an equalization of incomes would have rather substantial effects in the distribution of opportunities at secondary and higher education. Moreover, the taxation system is very regressive and tax collection highly ineffective. Workers earning minimum wages pay about one-third of their earnings in indirect taxes, while these taxes represent a small proportion of the earnings of wealthy individuals. In recent years, only 60 per cent or less of taxes due have been collected; the size of the debts of private and public firms to the social security system, financed by public funds (i.e., by the public deficit), has been by far greater than total public spending on the educational sector. Therefore social spending, including resources allocated to the education sector, could be substantially increased if tax collection were at least moderately effective. The same benefit could be achieved with a progressive taxation system which would, in addition, generate a more equitable distribution of economic and social opportunities.

Despite this scenario of inequitable taxation and ineffective revenue collection, policies that were being recently envisaged included changing the tuition-free system. While these policies were prompted by equity concerns within higher education, as indicated by the argument presented, it seems that they also reflected the neo-conservative movement to reduce fiscal revenues allocated to higher education and to increase privatization. In 1991, the Minister of Education announced that the Brazilian constitutional provision establishing public higher education as tuition-free should be changed. Under the envisaged alternative, students from higher income families would pay an additional income tax. The intended change did not materialize given the political conjuncture at the time, which eventually resulted in the impeachment of the incumbent President of

24. As reported by Melchior (1992), who argues for tuition free public higher education plus financial assistance for low-income students, and for charging tuition to wealthier students.

25. This approach shares some common elements with the perspective adopted in a comparative study on the issue of equity and tuition in higher education. It is argued that the least imperfect policy to solve the equity issue in higher education is a strongly progressive tax system supplemented with student aid policies in order to increase the access of low-income groups to higher education (Jallade, 1978).
Brazil the following year. Under the new administration, levying additional taxes on university students or charging tuition apparently is not an item on the policy agenda for higher education. But a revision of the Constitution is due to begin in late 1993, as established by the Constitution itself. The issue of tuition in public universities is likely to come up again. One can only speculate about the prospects of changing the current constitutional provision on the matter, but its likelihood of success does not seem to be substantial if one refers to the aborted tuition policy of the 1980s.

6.2 Research and perceptions of privatization

Research and development efforts have been increasingly successful in a number of public universities in the past few years. Since the early 1990s, some departments and several researchers in these universities have been engaged in research and development contracts with the industry (R&D). Continued involvement with the industry on a rather stable basis is still circumscribed to a few areas in those universities, and does not generally involve large sums of resources nor large R&D projects; but other than that this involvement tends to follow patterns that in most respects are similar to those of the industrialized countries. As a result of these developments, some leading segments of the academic community have a positive assessment of R&D contracts as a supplementary funding source for public universities. This, in turn, may affect the amount of ORC funds allocated to federal universities, since they are often viewed as privatization policies.

R&D contracts with the private sector bring additional resources for maintaining or improving the standards of laboratories, funding activities of research groups and a number of other activities in public universities. Thus they may be welcomed by the faculty as a useful source of additional funding. But when contracts are sought and established as a means of institutional survival due to shrinking ORC funds, they may be looked upon with suspicion to the extent that they do not coincide with research

26. These patterns are described, for instance, by OECD (1990; 1992).
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interests or with the roles that the institution is supposed to perform. In this instance, they may be viewed as detrimental to professional advancement and as an undue interference with university autonomy. However, when R&D contracts with the private sector are not a response to imperative funding needs, coinciding with the professional interests of the faculty or with those institutional roles, the perception may turn into a positive one.

Changes introduced in the finance and institutional setting of universities of the São Paulo State system are a case in point. These universities are enjoying a new autonomy since 1989. About 10 per cent of revenues from the major State tax are earmarked for their current and investment expenditures. Under the new autonomy provisions, allocation of these resources among the State universities is under the mandate of their Council of Rectors. The Council also determines wage schedules for faculty and staff, within budget limitations and with the proviso that the wage bill should not exceed 75 per cent of the total budget. In other words, ORC funds from treasury sources are about six times as large as the share that has been allocated to federal universities in the past few years. This suggests a completely distinct scenario from that faced by federal institutions. Resource allocation patterns, management's degrees of freedom, and relations with the state government are altogether different. This scenario is one of a rather stable flow of resources – as stable as fiscal revenues can be – with an adequate share for ORC expenses, associated with large degrees of freedom in management and institutional autonomy. In this setting, at institutions like USP and UNICAMP, it is likely that R&D contracts established since the new autonomy do not respond quite so much to pressing needs for funding. Rather, they respond to research, professional and institutional interests. The finance and institutional setting prevailing in these universities, and the patterns of interaction that were established with the private sector, would have led various segments of the faculty to hold a positive view of contracts with the private sector.

27. Published interviews with the past rector and with the current rector of UNICAMP, a major university of the São Paulo State system, are suggestive of the relevance of this new setting in establishing contracts with the industry (Cooperação, 1990).
In fact, there is recent evidence suggesting this is true not only in the São Paulo State university system, but in some federal universities as well. Leading researchers were interviewed in the departments of Biology, Chemistry, Engineering and Physics at UNICAMP, the University of Brasília and the University of São Carlos, three institutions among those in which research has been highly developed in the country. As reported by Velho (1993), more than two-thirds of the leading researchers interviewed positively assess R&D contracts. These perceptions originate in the increasingly narrow dividing line between scientific research and technological development, in the contribution of the contracts to the improvement of researchers' work and teaching activities, and in the generation of additional resources. In the interviewees' assessment, contracts with the private sector help to fulfil professional interests and enhance the roles to be played by public universities.

These positive assessments may have implications on funding policies for federal universities. Empirical evidence is not available on how these leading sectors of the academy regard the steady proportional reduction in ORC funds allocated to federal universities. But for leading researchers in federal universities, as well as for the research, graduate training, and research and development programmes under their leadership, reductions in ORC funds did not have as strong a detrimental effect as it had on other sectors within the institutions. For one thing, in the recent past, supplementary funding from federal agencies partially offset such effects on most programmes, particularly as far as leading programmes are concerned. Thus, for these leading researchers in federal universities, contracts with the private sector were not a response to pressing needs for alternative funding sources. This is even more so in regard to leading researchers in the universities of the State system of São Paulo. For both of these segments of the academic community, the steady reduction in ORC funds to federal universities may still be a matter of concern, but it is less likely to be viewed as a privatization policy as in other quarters. A couple of years ago, chances were that the academic leadership exerted by prominent researchers would assist in the wider diffusion of these

28. The University of São Carlos is located in the State of São Paulo but is a federal institution, like the University of Brasília.
perceptions in the years ahead. Supplementary funding from federal agencies, however, has changed significantly. There were drastic cuts in 1992. The new cuts, which are unlikely to be reversed soon, may accordingly change those otherwise likely paths.

6.3 Autonomy, market funding and public universities

Policies designed in early 1992 addressed the issues of autonomy and funding of federal universities. The new Constitution established that universities should enjoy autonomy but this has not been implemented, with the exception of the São Paulo State university system. The past administration designed a proposal for a constitutional amendment defining rules for the autonomy and funding of federal universities. Since a few years ago both of these issues, autonomy and funding, have also been dealt with in the debates of a new education bill, the Law of Directives and Bases of National Education – LDB, which is supposed to lay down the ground rules for every major aspect of the organization and operation of Brazilian education. The current Administration has not explicitly addressed the proposal on autonomy and funding, originating in the past (impeached) Administration. But its contents are an integral part of the debates on the LDB and thus are worth examination.

Under that proposal, a proportion of tax revenues would be earmarked for federal universities. It is not at all clear if resources to be earmarked referred to total funding, as in the São Paulo State university system, of if they referred to a portion of core funding only, although the latter interpretation seems more appropriate. In addition, budgets would be in the form of lump sums or global grants. Autonomy with lump-sum budgets would greatly enhance the amount of freedom given to management in the internal allocation of resources, thus improving efficiency.

The increased autonomy would be coupled with evaluations and with new funding schemes. Performance evaluations of federal universities would be conducted and the outcomes would be connected with finance premiums for efficiency. Incentives would be provided to successful contracts with the private or public sector, patterned after the so-called market model of funding. This model of university autonomy and funding has a number of features that may help to improve the accountability, academic performance and management efficiency of the institutions.
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concerned. The incorporation of this model in the education bill is adequate to the extent that evaluation and accountability should be the counterpart of autonomy. If the evaluations were made public, they would serve as one of the means of making public universities accountable to the society that maintains them. But much more needs to be discussed regarding the scope, procedures and criteria used for the evaluations. Regarding the scope, for instance, evaluations are supposed to serve, among other aims, the purpose of assisting the institutions themselves in identifying shortcomings and achievements in their performance, and in finding ways and means to overcome the former and enhancing the latter. Self-evaluation thus needs to be an element of university evaluations. In addition, the performance of public universities depend upon their management as much as it depends on the faculty and, to a certain extent, on the staff as well, but it also hinges upon government policies. Thus the evaluation of each institution requires a joint discussion of government policies. This, of course, while primarily a matter of scope, raises a number of complex issues regarding procedures and criteria. Likewise, there are many questions to be answered in regard to the outcomes of the evaluations and the funding that would be associated with them.

Among the many questions that need to be answered by the debates on the new education bill and by future policies on resource allocation to higher education, one is of paramount importance. It has to do with the relative weight of contract funding with the private sector as compared to basic core funding from public sources. Public universities are expected to interact with and serve the interests of all sectors of the society that maintains them. In order to perform this role they need to be preserved from dependency on particular sectors or segments of society.

A heavy dependency on contract funding with the private sector is detrimental to the role public universities perform. As the experience of the universities of the São Paulo State system clearly indicates, basic core funding with public resources needs to be maintained in order to avoid such dependency. Otherwise, public universities will increasingly respond to particular interests of specific sectors of society. If autonomy-cum-market funding prevails but adequate basic core funding from public resources is not provided, increased management discretion allowed by autonomy will appear to improve efficiency.
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Over time, more of the outcomes being pursued are likely to be achieved with less inputs, apparently suggesting that better combinations of inputs are being used. But the outcomes thus obtained and the roles then performed by the institutions involved will not be those of public universities.
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