

EDUCATION

PERFORMANCE AUDIT OF THE STUDENT FINANCING FUND (FIES)

FIES is a program intended to finance higher education courses that are not free and that were positively evaluated by the Brazilian Ministry of Education (MEC). Created in 1999, the program underwent significant changes in 2010, when its operations began to be conducted by the National Education Development Fund (FNDE), having as financial agents **Caixa Econômica Federal (Caixa)** and **Banco do Brasil (BB)**. By 2010, **Caixa** itself acted as the operator of the program.

From 2010 to 2015, FIES went through a very significant expansion in both the number of grant contracts signed and in relation to the budgetary allocation aimed at meeting the demands of the program – a growth of approximately 600% during this period.

Audit Objective

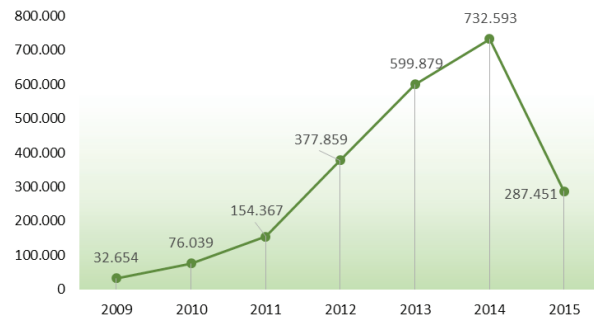
To evaluate the sustainability of FIES, as well as the effectiveness and possible vulnerabilities of its work processes, through the verification of:

- the operational capacity of FNDE to act as the FIES operator, especially considering the change of operator that took place in 2010 and was completed in 2013; and
- the FIES budget and financial capacity with the objective of analysing the sustainability of the program, by identifying possible risks that may impact its continuity

Main Findings

It was verified that FIES went through a period of significant expansion without adequate planning or studies to support the growth of the public policy (**Figure 2**), which has posed risks to the sustainability of the program.

Figure 1: New financing per year



In the short term, it was estimated that, considering December 2015 prices, the cost of maintaining the financing agreements already signed up until 2020 would be R\$ 55.4 billion, of which R\$ 13.8 billion was only for the contracts signed in the first half of 2014. In addition, it was noticed that, despite the increase in the number of enrolments, FIES did not contribute significantly to the growth of the net enrolment rate in higher education.

Figure 2: Adjusted net enrollment rate in higher education (2004 to 2013)



Regarding the operational capacity of FNDE, the following was verified: FNDE's precarious performance in relation to the control of FIES assets and liabilities, and to the supervision of the financial

agents (Caixa and BB), and a strong dependence on outsourced labour in the areas in charge of the program's operating agent duties.

In addition, we identified that extraordinary credit was authorized to reinforce the FIES budget without observing the constitutional premise of unpredictability and, finally, lack of transfer of part of the government bonds owed to the maintainers of Education Institutions, in the year 2015, resulting in a FIES debt with these maintainers of R\$ 3.1 billion.

Main TCU Decisions

TCU decided to hold a hearing of those responsible for the strong expansion of FIES in the period from 2010 to 2015, which, in essence: affected the balance of the public accounts, resulted in the extrapolation of the maximum guarantee limit provided by the Educational Loan Operations Guarantee Fund (FGEDUC), led to the inefficiency of the program in contributing to the educational policy embodied in Goal 12 of the National Education Plan and, ultimately, caused risks to FIES sustainability.

It was also decided to hold a hearing of those responsible for the repeated underestimations of funds allocated to FIES in the budget proposals for the years 2012 to 2015. These led to the issuance of executive orders with the purpose of authorizing credit for FIES without the assumption of the unpredictability of the expenditure being identified - and the publication of regulations that altered the public bonds issuing system within the scope of FIES, resulting in a transfer smaller than what was owed to higher education institutions.

In addition to the above, determinations and recommendations were made to FNDE, MEC and MPDG aimed at remedying the irregularities that were the object of the above hearings, among which we highlight the determination for them to:

- a. present a work plan with actions on: the strategy to be adopted so that FIES can effectively contribute to educational policy; the aspects related to the monitoring, evaluation and mitigation of the fiscal impacts generated by the expansion of the program; the monitoring, evaluation and action strategies regarding the default rates of FIES; and
- b. present a work plan contemplating actions and measures related to: the financing agreements already signed, indicating the sources of financing to be used; the strategy to be adopted in relation to the number of grants to be provided in the following years, indicating the multi-annual estimate of the number of vacancies and also of the cost sources to be used for the expenses generated; and the sustainability of FIES, in order to establish a tendency to reduce the program's dependence on National Treasury resources.

Expected benefits

It is expected that the adoption of the measures proposed by TCU will contribute to the improvement of the FIES management, mitigating risks related to the operational capacity of FNDE to perform as program operator. and especially to the sustainability of the program from a financial-budgetary perspective.

JUDGMENT

Judgment: 3001/2016-TCU-Plenary

Date of the session: 23/11/2016

Rapporteur: Minister Ana Arraes

TC: 011,884/2016-9

Responsible Technical Unit: SecexEducação

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