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FINANCIAL SUSTAINABILITY AND DEBT RENEGOTIATION IN FIES: CHALLENGES AND PERSPECTIVES FOR HIGHER EDUCATION IN BRAZIL

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ABSTRACT
This article addresses the financial sustainability of the Student Financing Fund (FIES), one of the main mechanisms for access to higher education in Brazil. The study analyzes the economic and administrative challenges that the program faces, focusing on the high delinquency and fiscal consequences for the federal government. Based on a critical review of the literature and data analysis, the paper explores the reforms implemented in recent years and discusses possible alternatives to ensure the financial viability of FIES in the long term. Among the proposals presented, the adoption of income-contingent payment mechanisms, the expansion of partnerships with the private sector and the improvement of student credit management policies stand out. The article concludes that, although FIES has been essential for the democratization of access to higher education, its sustainability depends on a reformulation that balances social and financial interests

Keywords: FIES. Financial Sustainability. Default. Student Financing. Public Policies.

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INTRODUCTION

The Student Financing Fund (FIES) is one of the most relevant public policies for the democratization of access to higher education in Brazil. Established in 1999, FIES was conceived with the purpose of granting student credit to low-income students, facilitating the entry and permanence in higher education courses in private institutions. For more than two decades, the program has consolidated itself as one of the main instruments of educational inclusion in the country, favoring thousands of Brazilians who would otherwise have difficulties in entering a higher education course. Despite its socially transformative role, FIES has faced a number of challenges related to its financial sustainability, calling into question its long-term viability.

The financial sustainability of a program of this magnitude is very important for its continuity and expansion. In the case of FIES, the high delinquency among beneficiaries and the growing fiscal impact on the federal government have raised concerns about the state's ability to maintain financing without compromising fiscal balance. The issue becomes even more demanding when we consider that FIES, in its original configuration, was not designed to deal with the high levels of delinquency recorded in recent years. As a result, the reforms implemented since 2017, such as the introduction of income-contingent payment mechanisms, have been attempts to adjust the program to the new economic and fiscal realities. However, these reforms have not yet been sufficient to address the structural problems of the programme.

In the present context, the present research aims to investigate the main economic and administrative challenges faced by FIES, with emphasis on its financial sustainability. For this, a critical review of the literature will be carried out, in addition to an analysis of recent reforms and their implications for the future of student financing in Brazil. The central objective is to explore possible alternatives to ensure the long-term viability of FIES, considering both the interests of the beneficiaries and the fiscal limitations of the federal government.

Among the solutions pointed out by the specialized literature, the adoption of income-contingent payment mechanisms stands out as a measure that seeks to align the beneficiary's ability to pay with his future income, which could minimize the levels of delinquency. The importance of increasing partnerships with the private sector is also discussed, in order to share the burden of financing and reduce dependence on the State. Improving student loan management is often mentioned as a necessary strategy to ensure that resources are allocated efficiently and that financial risks are reduced.

The present work intends to contribute to the debate on the financial sustainability of FIES, showing that, despite its undeniable contributions to educational inclusion, the program requires a careful restructuring that balances social and economic interests. Only with well-planned reforms will it be possible to ensure that FIES continues to play an active role in access to higher education in Brazil, without compromising the country's fiscal stability.

METHODOLOGY

The literature review was carried out with the objective of detecting the main challenges and solutions pointed out by academia and institutional reports, regarding the financial viability of FIES. For this, academic articles, dissertations, theses, and government documents published between 2017 and 2023 were selected, the period in which the main reforms of the program took place.

The databases used to search for sources were Google Scholar, SciELO, the CAPES Journal Portal and institutional repositories of Brazilian universities. Descriptors such as "financial sustainability", "default in FIES", "student financing", "educational public policies" and "public-private partnerships" were used.

The present work used documentary analysis to examine official reports issued by government agencies, such as the Ministry of Education (MEC) and the Federal Court of Accounts (TCU), in order to understand the impact of recent reforms on the program.

The methodology applied sought to ensure a broad view of the problem, allowing the construction of a critical discussion that addresses both the challenges of financial sustainability of FIES and the viable solutions to ensure its continuity.

THEORETICAL FRAMEWORK

FIES AS A PUBLIC POLICY FOR STUDENT FINANCING

The Student Financing Fund (FIES) was established in 1999 by the federal government as a response to the growing demand for higher education and the limitation of places in public universities. The policy's main objective was to promote access to higher education for low-income students, financing courses at private institutions, with more affordable payment conditions after graduation. Since its creation, FIES has represented a milestone with regard to educational inclusion in Brazil, being widely recognized as an instrument for the democratization of education (Becker and Mendonça, 2021).

Throughout its existence, FIES has undergone several reformulations, aiming to adapt to the demands of the educational market and the fiscal restrictions of the State.

Early versions of the program were based on subsidized interest rates, which at the time seemed like a viable solution for large-scale student financing. However, the evolution of the economic scenario and the significant increase in students enrolled in the program generated a huge fiscal impact, which required profound changes in its operation. In 2017, for example, a reform implemented the income-contingent payment, which links the value of the reimbursement installments to the beneficiary's ability to pay (Bezerra and Meneguin, 2021).

FIES, as a public policy, highlights the tensions between the need to expand access to higher education and the fiscal limits of a country with great socioeconomic inequalities. The search for solutions to balance the equation between inclusion and sustainability is a constant challenge for the federal government. Several scholars point out that, without effective management and long-term planning, programs such as FIES run the risk of becoming unsustainable, from a fiscal and social point of view. Beneficiary defaults and student indebtedness are central issues in this debate, requiring a careful analysis of how credit policies can be more effective and egalitarian (Dantas et al., 2023).

FIES arises in a context of increasing privatization of higher education in Brazil. With the insufficiency of vacancies in public universities, private institutions have become increasingly relevant in the training of qualified labor. Student financing, in this sense, became a very important tool to ensure that the less favored layers of the population had access to higher education. However, as many authors point out, the success of policies such as FIES depends on the supply of credit, and on conditions that favor the employability of graduates, so that they can afford the payment of the financing (Henriques Júnior and Dias, 2023).

In this scenario, FIES has consolidated itself as a public policy that meets the interests of educational inclusion and the need to support the private sector of higher education. However, the conservative model, based on subsidies and facilitated credit conditions, proved to be vulnerable to macroeconomic changes and labor market volatility, highlighting the need for periodic reviews of the program. These revisions are intended to ensure the continuity of student financing, while reducing the fiscal impact and ensuring the viability of FIES for future generations (Marciano, 2021).

In this way, FIES represents an example of public policy that seeks to address inequality of opportunities in Brazil. However, as the country faces fiscal crises and changes in the economic landscape, the future of the program depends on a balanced management, which manages to reconcile the objectives of social inclusion with long-term financial sustainability. The challenge of ensuring accessibility to higher education for all, without compromising public finances, remains one of the most complex and urgent issues in Brazilian educational policy (Scudeler, 2022).

THE CHALLENGE OF DEFAULT IN FIES

Default in the Student Financing Fund (FIES) emerged as one of the main challenges to the sustainability of the program. Initially, FIES was designed with the promise that students, upon graduating, would be able to enter the job market and, consequently, pay off their debts gradually. However, the Brazilian socioeconomic reality, marked by instabilities in the labor market and difficulties in professional insertion for recent graduates, resulted in high default rates, compromising the recovery of amounts lent by the government. This scenario puts at risk the continuity of FIES and the government's ability to bear the growing expenses associated with the program (Bezerra and Meneguin, 2021). The huge default, which has demonstrated a persistent problem over the years,

highlights a series of connected factors. Among them, the difficulty of beneficiaries in positioning themselves in the labor market with sufficient income to honor the payment of the financing stands out. Studies show that the insertion of graduates in the formal market is slower than expected, especially in less economically valued areas, which impacts the ability to pay off FIES installments. This challenge is increased in periods of economic crisis, when unemployment rates among young people tend to increase, further aggravating the situation of delinquency (Dantas et al., 2023).

The policies of contingent payment to income, implemented in the most recent reforms of FIES, were designed to reduce the impact of delinquency. These mechanisms allow the beneficiary to pay their installments based on their disposable income, relieving the financial pressure on recent graduates. However, even with these measures, delinquency remains high. Part of this can be attributed to the lack of rigorous monitoring mechanisms and the lack of more effective incentives to encourage regular debt repayment. There is also criticism about the lack of flexibility in the conditions for renegotiating the debt, which could facilitate the recovery of values by the government (Henriques Júnior and Dias, 2023).

Another important factor in the debate about default in FIES is the unequal distribution of the program's benefits. There is evidence that, although FIES has increased access to higher education, many of its beneficiaries belong to groups that have historically faced greater economic and social difficulties. This factor, added to the difficulties in monitoring the graduates and the lack of articulation between educational training and the real demands of the labor market, creates a scenario of vulnerability for the beneficiaries.

Many of them are unable to enter jobs that offer sufficient remuneration to cover the costs of the debt acquired during the years of study (Marciano, 2021).

Default in FIES raises questions about the very viability of the student financing model adopted. The exclusive dependence on public resources, without a consolidated counterpart from other sources, such as the private sector, puts pressure on the government budget. In the long run, this dependence may become unsustainable, especially in a context of fiscal constraint. Studies show us that public-private partnerships could be a viable solution to share the burden of financing and reduce default rates, while increasing the supply of student loans (Scudeler, 2022).

Default in FIES is one of the biggest challenges to its sustainability, requiring an integrated and innovative approach by public policies. In addition to financial measures, it is necessary to rethink the role of FIES in the training of professionals and its relationship with the labor market, ensuring that investment in education results in better employability opportunities. In this way, the problem of delinquency cannot be analyzed in isolation, but as part of a complex system that involves the economy, the labor market, and the efficient management of student credit (Becker and Mendonça, 2021).

RECENT REFORMS IN FIES AND MECHANISMS FOR PAYMENT CONTINGENT TO INCOME

In recent years, the Student Financing Fund (FIES) has undergone several reforms in order to reduce the financial impacts caused by default and to make the program more sustainable. These reforms, introduced mainly from 2017 onwards, focused on restructuring financing, creating credit ranges more adapted to the beneficiaries' ability to pay and, above all, implementing income-appropriate payment mechanisms. The central objective of these measures was to link the value of the installments to the student's future income, making reimbursement more feasible and less exorbitant in periods of low or salary instability (Bezerra and Meneguin, 2021).

The income-related payment mechanism, inspired by models adopted in countries such as Australia and the United Kingdom, was one of the changes in the recent FIES reforms. In this system, the payment of the financing installments is proportional to the beneficiary's income after entering the labor market. This model seeks to adapt the reimbursement to the student's financial reality, providing that the installments are paid according to the financial capacity of each individual, avoiding the accumulation of debts in times of economic difficulty. The adoption of this mechanism was seen as an attempt to reconcile increased access to higher education with the fiscal sustainability of the program (Dantas et al., 2023).

The current income-related payment system faces challenges in its implementation. One of the main problems detected is the difficulty in monitoring the financial conditions of the graduates, which compromises the efficiency of the model. This mechanism requires strong coordination between government agencies and financial institutions, which often does not occur efficiently. Without adequate monitoring of the beneficiaries' salary evolution, the payment of installments can become irregular, compromising the recovery of credits and the sustainability of FIES (Henriques Júnior and Dias, 2023).

Another highlight in recent reforms was the introduction of different funding ranges, which vary according to the socioeconomic profile of the student and the type of course attended. This measure tried to reduce the fiscal impact on the federal government, directing resources more strategically. However, critics point out that while segmentation of funding can alleviate fiscal pressures, it can create inequalities among students, especially those from vulnerable socioeconomic backgrounds, who may have difficulty accessing the highest funding brackets (Marciano, 2021).

The reforms also sought to encourage the participation of the private sector in student financing. In the present context, the government has started to encourage public-private partnerships, with the objective of minimizing the exclusive dependence on public resources. Although these partnerships are still in their early stages, they represent a promising alternative to ensure the sustainability of the program, while diversifying funding sources. Greater participation of the private sector can help share risks and reduce pressure on the public budget, without compromising students' access to higher education (Scudeler, 2022).

The recent reforms of FIES and the introduction of income-contingent payment mechanisms represent an important advance in the effort to make the program more sustainable and adapted to the economic reality of the beneficiaries. However, the success of these measures depends on efficient implementation, which ensures the continuous monitoring of beneficiaries' income and promotes the active participation of the private sector in student financing. Only with more efficient and collaborative management will it be possible to ensure that FIES continues to play a role in the democratization of access to higher education in Brazil, without compromising the country's fiscal stability (Becker and Mendonça, 2021).

PUBLIC-PRIVATE PARTNERSHIPS AS AN ALTERNATIVE TO EDUCATIONAL FINANCING

In view of the fiscal challenges faced by the Brazilian government to maintain the sustainability of the Student Financing Fund (FIES), public-private partnerships (PPPs) emerge as an alternative for the continuity and expansion of educational financing. PPPs allow the private sector to act as a co-financier of public policies, relieving pressure on the government budget by expanding the possibilities of access to higher education. In the context of FIES, such partnerships aim to diversify funding sources, making the program less dependent on exclusively public resources and more resistant to economic fluctuations (Bezerra and Meneguin, 2021).

The introduction of PPPs in educational financing is not a phenomenon exclusive to Brazil. In several countries, collaboration between the public and private sectors has been used as an efficient strategy to finance higher education. Such partnerships can take different forms, such as the granting of student loans by private financial institutions with public guarantees or the creation of specific funds for the financing of education, with joint contributions from the government and private companies. In Brazil, the proposal for PPPs in FIES seeks to ensure the viability of the program, improving its operational efficiency, reducing delinquency levels by involving the financial sector more directly in the management of credits granted (Dantas et al., 2023).

The participation of the private sector in educational financing through PPPs can bring additional benefits, such as the introduction of more rigorous risk analysis and credit management practices, with the aim of minimizing financial losses. Private financial institutions have greater expertise in risk management and credit recovery, which could contribute to a significant reduction in delinquency in FIES. By sharing financial responsibility with the private sector, the government can focus on ensuring social inclusion through education access policies, while the private sector is in charge of promoting the financial sustainability of the program (Henriques Júnior and Dias, 2023).

PPPs can encourage the development of new educational financing models that are more flexible and adapted to market needs. The private sector, motivated by the search for financial returns, tends to be more agile in creating innovative solutions, such as more affordable financing plans or the development of specific financial instruments for low-income students. This type of innovation could contribute to the creation of a fairer and more efficient financing system, which ensures access to higher education and the permanence and completion of courses by students (Marciano, 2021).

The implementation of PPPs in educational financing presents challenges that must be considered. One of the main risks is the possible reduction of the government's responsibility in ensuring equal access to higher education. If not properly regulated, the greater participation of the private sector in FIES can lead to a prioritization of students with greater ability to pay, to the detriment of those with low incomes. Partnerships with the private sector require clear and efficient regulation to prevent abuses or the creation of additional barriers for students, especially in a context of high demand for educational credit (Scudeler, 2022).

Public-private partnerships have become a promising alternative for educational financing in Brazil, especially in the context of FIES. However, for them to be effective and contribute to the sustainability of the program, a careful balance between private sector interests and the government's social inclusion objectives is necessary. The proper regulation of these partnerships, together with the creation of monitoring and evaluation mechanisms, will be very important to ensure that FIES continues to play its central role in the democratization of higher education in the country, without compromising the principles of equality and accessibility (Becker and Mendonça, 2021).

RESULTS AND DISCUSSION

One of the main results detected was the direct relationship between the default of the beneficiaries and the insertion in the labor market. The literature highlights that graduates of courses in areas with less demand in the market have greater difficulty in finding jobs with salaries that allow them to afford the FIES installments, which results in a persistent default cycle. This data corroborates the analyses of Bezerra and Meneguin (2021), which suggest that the current model needs to be more flexible in relation to the profile of the courses and the employability potential of the beneficiaries.

Another outstanding result is related to the effectiveness of recent reforms, especially the adoption of payment related to income. As Henriques Júnior and Dias (2023) highlight, without continuous monitoring of the beneficiaries' salary evolution, the mechanism ends up losing its efficiency, compromising the government's ability to recover credits.

Public-private partnerships, discussed in the reforms as a viable alternative to expand FIES funding sources, also showed mixed results. On the one hand, PPPs offer an opportunity for tax relief to the government and greater participation of the private sector in student financing. However, the results suggest that the implementation of these partnerships is still at an early stage and faces regulatory and operational barriers that limit their impact. As Scudeler (2022) points out, it is very important that these partnerships are properly regulated to ensure that access to higher education continues to be democratized, without harming low-income students.

CONCLUSION

The financial sustainability of the Student Financing Fund (FIES) has proven to be one of the biggest challenges for public education policies in Brazil. Throughout this study, it has become clear that while FIES has played a huge role in increasing access to higher education, financial obstacles such as default and fiscal impact on the federal government continue to jeopardize the program's viability. Recent reforms have not yet been sufficient to solve the structural problems that affect the continuity of FIES.

The payment mechanisms related to income, adopted in the last reformulations, brought an advance in the adaptation of the program to the economic realities of the beneficiaries. However, the challenges of implementation and monitoring continue to demonstrate that, for these policies to be successful, a more efficient system for monitoring graduates is necessary. FIES's dependence on exclusively public resources requires the government to explore other alternatives, such as public-private partnerships, to ensure greater diversification of funding sources.

The present study also highlighted that default in FIES cannot be addressed in isolation, since it is deeply linked to the conditions of the labor market and the employability of the beneficiaries. The creation of employment opportunities for graduates should be a priority in discussions about higher education and in the country's economic development policies. Without this, delinquency rates will continue to increase, further compromising the financial sustainability of the program.

Thus, the continuity of FIES, as an instrument of educational inclusion, depends on a reformulation that considers social and fiscal demands. The future of the program is linked to its ability to adapt to new economic realities and the development of more efficient student credit management strategies. Partnerships with the private sector, more rigorous management and the strengthening of employment policies are very important elements to ensure that FIES continues to play its role in democratizing access to higher education in Brazil.

It is concluded that FIES, although irreplaceable for educational inclusion, needs adjustments in its structure and governance. Only with a broad approach, which balances the issues of financial sustainability and the promotion of social equity, will it be possible to ensure that the program remains viable and continues to provide opportunities for personal and professional growth for millions of Brazilians.

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