



Brazil: Education Market

Paulo Rodrigues
October 09

Summary

The United States has always been a reference point in quality education for Brazilians and as such, Brazil has always been among the main countries of origin of international students to the United States. In 2008 the American Embassy in Brazil issued a total of 22,033 F and J Visas (F and J are the main categories of student visa), a 6.8% increase from 2007. However, for a variety of reasons, in the past decade, there has been a significant drop in the number of Brazilian students going to study in America.

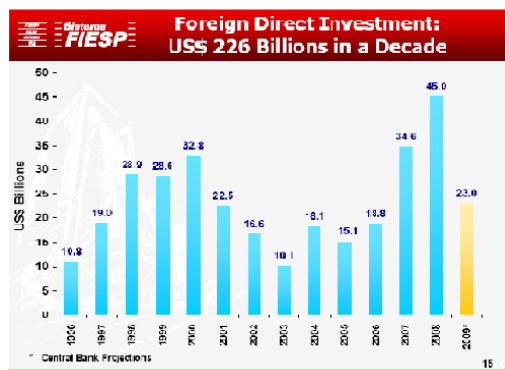
This report is a collection of official and non-official information recently published as well as insights provided by market experts on how Brazil has become an even more important market for the U.S. education industry. Professionals involved in the marketing and recruiting of international students should pay special attention to the opportunity that this report presents.

This document will provide a general economic overview highlighting the main points impacting the education sector; taking a closer look at the High School, Undergraduate/Graduate, and Intensive English Programs segments; present some figures and insights about the competition; and talk about some of the market's best recruiting practices and alternatives.

Country Overview

Brazil has over 198 million inhabitants and accounts for about half of South America's territory and economy. About 86% of the population lives in urban areas. Brazil's GDP (purchasing power parity) reached a historical US\$ 1.99 trillion in 2008, which makes it the 10th largest economy in the world. Per capita nominal GDP grew 5.1% to R\$ 15,240, or roughly US\$ 7,620. During the past decade, the country has maintained sound macroeconomic policies to control inflation without sacrificing economic growth. This kept the inflation rate to 5.8% in 2008, and unemployment at 7.89%, an overall decrease as formal jobs have replaced informal employment.

Back in 2001, when Goldman Sachs Chief Economist, Mr. Jim O'Neill coined the expression BRIC, to describe the largest emerging markets in the world (Brazil, Russia, India, and China), Brazil barely made it in the select group that has caught the attention of the world since then. In March 2009, when asked by a BBC journalist about where the BRIC countries stand in the face of world economic crises, Mr. O'Neill said: "Brazil is possibly the best placed because in many ways it has more attributes of a developed country in terms of its policies and its society".



Of the four members of the BRIC group, Brazil is the one that has the most advanced capitalist structures and boasts the most modern society when compared with the other three. Brazilian society is the most integrated at the linguistic, cultural, ethnic and perhaps religious level, which in principal allows it to have better forms of political administration in conditions that are more favorable to its modernization.

After almost 15 years of structural changes implemented by the country, Brazil today presents a healthy economy and solid institutions, which put it in an advantageous

position to counter the global crisis. Its solid economic, political, and institutional setting leaves Brazil among the largest modern democracies. That combined with a diversified industry, a relatively open market, a strong internal consumption market, controlled inflation, a robust reserve of hard currency, and a financial system that is well-adjusted and solvent, gives Brazil an even more advantageous position among the developing countries.

In terms of its society, of the four members of the BRIC (Brazil, Russia, India and China), only Brazil and India have obtained the status of a "free" country by the Freedom House which looks at country's political rights and civil liberties. That played an important role in Brazil's "investment grade" rating by risk assessment agencies in 2008. The country also switched from being a long time debtor of the International Monetary Fund and World Bank, to an international creditor.

In the past five years, the real gains of the salaried population reached 30%. Credit expansion is another factor that has boosted Brazilian growth, especially for consumption such as autos, housing, personal loans and durable consumer goods in general. It is important to say that the government keeps tight control of the quality of debt thus avoiding current and future subprime issues. In addition to that, it is estimated that about 35 million Brazilians on low income have migrated to the middle class over the past three years.

The general conditions of Brazil's economy and society have translated into increasing volumes of foreign direct investments (FDI). According to the Brazilian Central Bank, FDI into Brazil reached a new record of US\$45.1 billion in 2008, exceeding 2007 by 30.3%.

The Education Challenge

Brazil is the largest education market in Latin America and 5th in global terms having approximately 70 million students. Ninety-three percent are enrolled in basic education, with 7 percent in undergraduate and graduate schools. Eighty-one percent of Brazilian students attend public schools, and the remaining 19 percent go to private schools.

Along with a slow and insecure legal system, over protective labor-law, very heavy taxation, and social inequality; education is recognized by many as Brazil's major challenge as it continues its path into growth and development. Today, Brazilian multinationals such as Petrobras, Vale, Votorantim, Gerdau, Usiminar, just to mention a few of the largest ones, represent 9.9% of the country's GDP. In order to sustain its competitiveness, Brazil will need more and better qualified people. Not only companies, but also Brazilian families and individuals are increasingly concerned with the importance of investing more in education.

Research conducted by the Institute of Applied Economic Research (IPEA) shows that seven out of 24 sectors of the Brazilian economy have an outstanding competitive advantage: the aeronautical complex; the petro-chemical and natural gas sector; mining; steel; paper and pulp; ethanol and meats. Out of 72,000 companies surveyed – all of which have ten or more employees – some 1,200 are designated as innovators that can obtain premium prices for their exported goods and services. Their workers have an average of 9 years of schooling, compared to 6.8 years for the 55,000 companies that do not innovate, do not export, and do not have product differential. The study demonstrates a direct correlation between education and competitiveness.

Back in the 1980s and early 1990s, Brazilian business leaders had no idea of the impact that globalization would have on business. In general, companies were less lean, less competitive and one would hardly ever hear about outsourcing, home office, networking, diversity, corporate governance, and sustainability. Business leaders who did not adjust to the new demands of the corporate world lost out. At the same time, a new generation of executives emerged in the organizations with more education than their predecessors, more diversified corporate experience and a global business outlook.

The Brazilian entrepreneurial spirit is another major factor driving the demand for higher quality education. According to the Global Entrepreneurship Monitor (GEM 2007), Brazil has a 12.7% rate of entrepreneurial

activity, i.e., practically 13 in every 100 adult Brazilians are involved in some entrepreneurial activity. In 2007 the report placed Brazil in 9th place out of 42 countries.

It is clear for Brazil that it needs to invest heavily in its people in order to create innovative products that will keep it competitive. Some of the statistical figures show significant improvement, for example, according to the Brazilian Ministry of Education, school enrolment for those 15 and older is at the rate of 88.6%. However, the quality and standard of education is still a major challenge. Mr. Renato da Fonseca, managing executive of the National Confederation of Industry (CNI), recently said "Our crucial problem is education. The Asians changed their educational standards and are now benefiting from this. Correcting the problem takes two decades, but it can be our great opportunity".

High School

Brazil currently has 8.36 million kids enrolled in high school, which include both public and private schools. The great majority of schools are run by the states, and 86.5% of all high schools students are in state-run schools. Overall, only 10.7% of high schools are private but in more developed and wealthier regions such as the Southeast, as many as 15.1% of high schools are private. In Brasilia, the country's political capital with one of the highest per capita incomes in the country, private schools have the largest share of high school enrolments with 21.7%.

Primary and secondary education has been a priority for the Brazilian government when it comes to how the total amount of investments is distributed. The most recent data published by the Ministry of Education shows that Brazil invested 4.7% of its GDP in education in 2007. Of that total, 80% was dedicated to primary and secondary levels. A recent United Nations' report on Brazilian education recommended that Brazil increase education investments to up to 8% of GDP but the Ministry of Education's goal is to raise it to 6% which is the average of developed countries.

High School Enrollment

2006-2007 Evolution of Public and Private High School Enrollment by Geographic Region

Region	Type of School							
	Public				Private			
	Enrollment		Variation		Enrollment		Variation	
	2006	2007	#	%	2006	2007	#	%
Brazil	7,838,086	7,472,301	365,785	-4.7	1,068,734	897,068	171,666	16.1
North	702,734	687,268	-15,466	-2.2	53,039	43,231	-9,808	18.5
Northeast	2,413,605	2,304,132	109,473	-4.5	278,907	222,179	-56,728	20.3
Southeast	3,105,037	2,931,027	174,010	-5.6	492,654	422,239	-70,415	14.3
South	1,059,546	1,018,084	-41,462	-3.9	153,985	128,978	-25,007	16.2
Center East	557,164	531,790	-25,374	-4.6	90,149	80,441	-9,708	10.8

Source: Brazilian Ministry of Education/Inep/Deed.

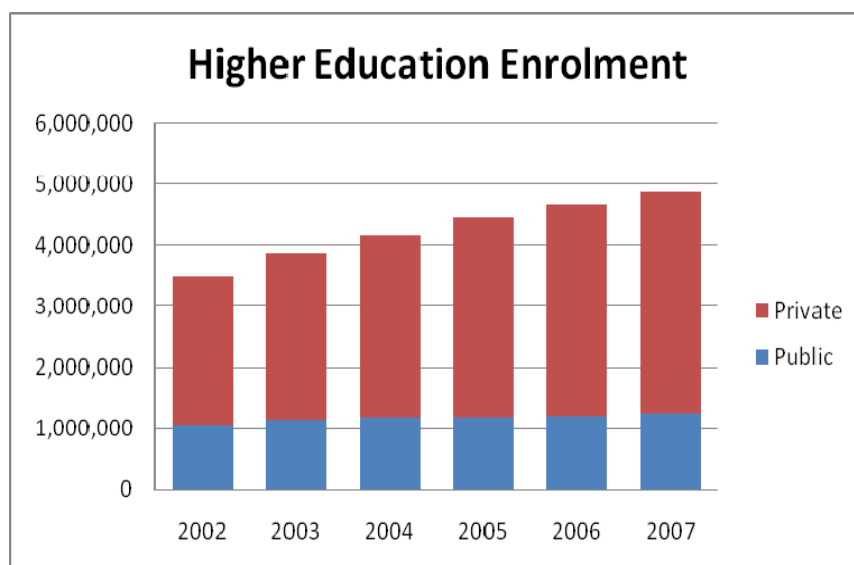
From 2006 to 2007, the overall enrollment in high schools reduced by 6% due mainly to demographic changes Brazil is currently going through, the main ones being a reduction in the birth rate and aging of the population. However, it is important to consider that recent changes in counting methodology to avoid double counting may have revealed a rather large gap in enrollment figures from 2006 to 2007. Nevertheless, it is important to note that private high schools had the highest drop in enrolment with 16.1%.

According to Open Doors, in 2007, Brazil sent the second largest number of public high school exchange students to the United States, for a total of 2,497 students going for six month or one year programs. Although Brazil is well ranked in that program, when considering the size of the entire Brazilian student population, the participation is very small. Looking at the universe of students in private schools alone, since this is most probable group to invest in international education, it represents only 0.2% of that student population. That shows an enormous potential for growth of such programs should they become more affordable and available. Even then, public high school exchange programs are much less expensive than the equivalent private option, it stills a big financial commitment for an average Brazilian middle income family. This also creates an opportunity for American private High Schools that may be able to offer exchange programs as an alternative to the public ones as long as the cost is not that much greater. One aspect of public high school exchange programs that often receive complaints is the uncertainty about where students are going and with whom they will be staying, and that is certainly more manageable by private schools.

Together with the economic stability and availability of credit, Brazilian families have been able to plan and make longer term commitments. The country is experiencing a boom in the purchase of homes, cars, and other durable goods. As the lower income portion of the market becomes more sophisticated and families more aware of the importance of quality education, the opportunities for educational service will become even larger. Currently, foreign schools interested in recruiting in Brazil should come up with more creative ways of offering affordable programs as well as offering some financing options.

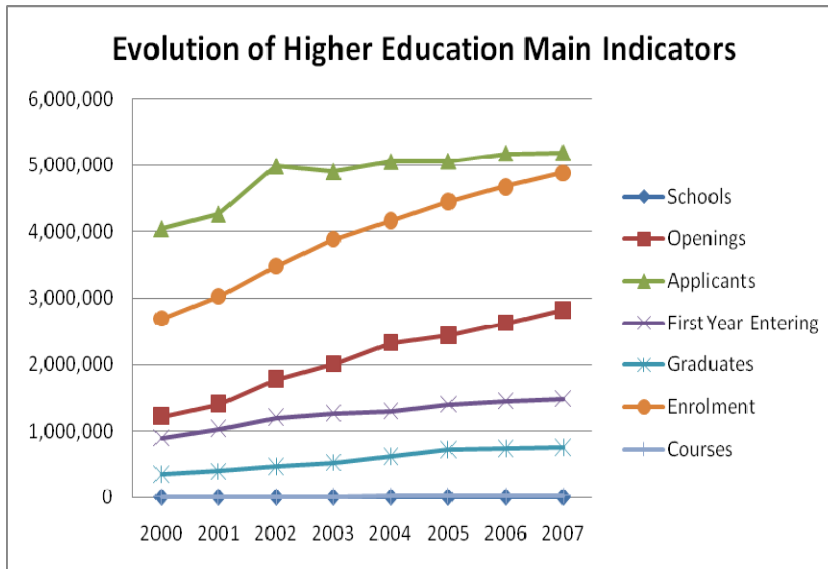
Undergraduate and Graduate

According to the 2007 Higher Education Census published by the Brazilian Ministry of Education, the country currently has 2,281 higher educational institutions. Just the opposite of what is primarily a public system of primary and secondary education, 89 percent of undergraduate and graduate institutions are made up of private organizations. Experts note that the actual number of institutions is growing less rapidly over the last couple of years mainly due to a major consolidation process recently initiated through mergers, acquisitions, and IPOs of some of the major private educational groups in the country. The sector has also seen increasing participation of foreign direct investment, mainly from educational organizations and investment funds from the United States.



Source: Brazilian Ministry of Education/Inep

The government has neither the resources nor the intention of playing a bigger role in higher education, so the private sector will remain dominant. Brazil currently has about 24 million people between the ages of 18 and 24 years old. The government's goal for 2010 is to have 30% of the young population in that age range attending a higher education program. The 2007 figures show that there are about 4.8 million students currently enrolled, which represents 20% of the universe of potential students, and shows the potential of growth for the Brazilian higher education market.



Source: Brazilian Ministry of Education/Inep

In 2007, over 5 million students took the undergraduate school access test called the “vestibular”. Although it is changing, the application and acceptance process into higher education in Brazil is quite different than in the United States. All students wanting to enter undergraduate programs must take a test and will be admitted based on his/her performance on the test. The competition to enter school is very strong, especially for those wanting to study in public colleges. In 2007 there were 7 applicants for each opening in higher education public system, down from the 10.5 applicant/opening ratio in 2003.

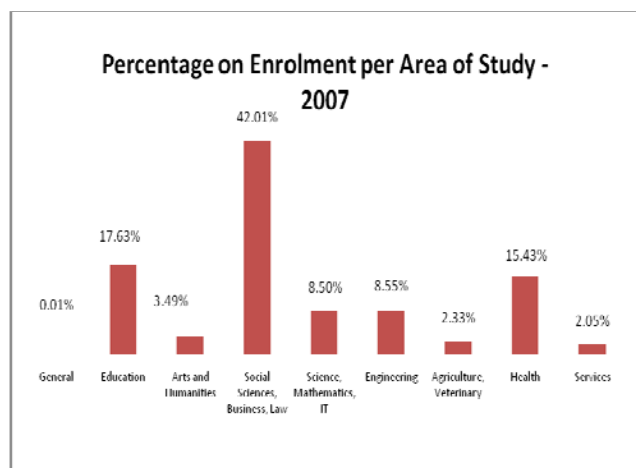
The reason for wanting to go into public universities is both because it offers the best quality education and is free of charge. The scenario in private schools is much different, with an average 1.2 applicants/opening.

One of the government’s objectives is to reduce the gap between the students that enter undergraduate school and the ones that actually finish it. The 2007 figures show that only 58.1% of the students admitted in 2002 graduated in 2006. Public schools performed better with 66.2% of graduates, and private schools with just a little over 55%, which has been its average for the last six years.

Despite the fact that the government has created a variety of incentives for making undergraduate education more accessible, especially through student loans, the majority of students work and study, which is why nearly 70% of students in private schools are enrolled in evening programs. These are mid-low-income class students that depend on their work for both paying for education as well as contributing to the subsistence of their families. The percentage of students attending evening classes in public colleges is much lower, only 37.4%. The majority of these students belong to middle or upper class families and are less pressured to enter the job market while studying. Most of them attended private primary and secondary schools and are much better prepared to take and pass the university access test or “vestibular”. This scenario is slowly changing as the government is developing other methods of evaluating students’ performance along their primary and secondary education years and shifting away from relying only on the “vestibular”.

In 2000, Brazil listed 12th in the ranking of leading countries sending undergraduate and graduate students to the United States. By 2006, Brazil was already sending 18% less students to America than it did in 2000. Currently, Brazil is ranked 17th in the Open Doors report with 7,578 students, a 6.3% increase from 2007. About 50% of those students are in undergraduate programs, another 37% are graduate students, and the remaining are enrolled in Optional Practical Training programs. Brazilian students represent only 1.2% of the international student population in the United States. These are certainly not big numbers when compared to the top three countries of origin of international students (India, China, and South Korea). However, that shows a huge opportunity for growth as the stability of the economy continues, a favorable exchange rate persists (currently below R\$2 for US\$1), and Brazilians invest more in education. Another important point is that foreign schools have increasingly realized the importance of diversity and noted that Brazilian students have become an “asset” as they bring in a more fun, outspoken, easy-going, and friendly attitude to the school environment.

Because of the strength of the Brazilian Education market and availability of a wide variety of programs at very reasonable cost, it is unusual for an average Brazilian student to consider going to college in the United States. There is a general perception that the costs associated with doing that are very expensive. Besides, Brazilians are not used to looking at the year cost of a school since tuition fees are paid monthly. Offering credit, scholarships, and flexible means of payment can be a good recruiting strategy. So, even though recruiting undergraduate students in Brazil may be quite challenging there is likely still a great opportunity and pent up demand.



Source: Brazilian Ministry of Education/Inep

In terms of the main areas of interest among college students, the chart on this page shows that 42% of all university students are enrolled in Social Science, Business, and Law related fields of study, followed by Education with 17.63%, and Health with 15.43%.

15.43%.

Intensive English Programs

The formal teaching of English as a Second Language (ESL) in Brazil dates back to 1809 when D. João VI, then the Prince of Brazil as a Portuguese colony, officially declared the teaching of English and French, creating the first school for that purpose. Since then, the main drivers for someone investing the time and resources to learn the language have been two: Educational and Professional. It is widely assumed in Brazil today that being able to properly communicate in English is a key differentiating factor for competing in the job market. Actually, the best jobs offered will almost naturally assume that applicants have at least English as a conversational language.

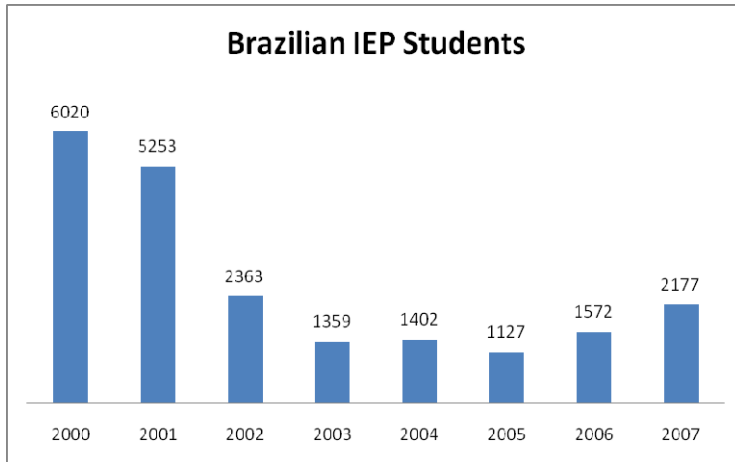
For a long time, English has been taught in public schools and today it is part of the official curriculum starting with 5th grade until the last year of high school. However, the reality is that there are not enough qualified teachers in the public education system that can teach English properly, besides, classes normally have an excessive number of students and the support material is mostly inappropriate. The great majority of kids that rely on what is taught in public schools will acquire only a very shallow grammatical notion of the language and close to zero speaking ability.

In the 1930s the first Binational British and American centers were opened in Rio de Janeiro and São Paulo with the main objective of promoting the language. Today, there are about 70 British English Schools around Brazil, and about 40 American Binational Centers.

The inefficiency of the public system left a huge room for the private sector to fill with regards to the teaching on English. In the 1960s some of the today's well known franchise chains of language schools started their operations. Today, there are over 5,000 English schools operating in Brazil under the franchise system, and many more independent ones, a number that is very difficult to estimate. Approximately two million students attend English classes in these private language schools.

Private primary and secondary schools normally offer significantly superior level of quality teaching of English but still many of those students will take side classes in private language schools as well.

An average English course in one of the franchise-chain schools will last about five years as kids normally have two classes of one hour per week. Obviously the results obtained by each student vary tremendously, but it would not be incorrect to assume that the majority of students, even after spending all of that time in class, are not completely confident in expressing themselves in English. A good number of those students do consider and desire spending sometime in an English speaking country in order to practice in the real world.



Source: Open Doors

There are a lot of opportunities for recruiting ESL students in Brazil, especially for short four to eight-week intensive programs as that seems to be the most attractive for the majority of students due to cost and availability of time. Many schools have been successfully using the language programs as an entry offer and exposure to the school.

In 2007, Brazil was ranked number six by Open Doors with 2,177 students enrolled in Intensive English Programs, a 38.5% increase from 2006. The average number of weeks that Brazilians stay is 8.7. The opportunity for growth is also shown by the fact that the number of Brazilian English

students to the US is recovering from an all time low since 2000 of 1,127 students in 2005. Also if we consider that in 2000 Brazil sent 6,020 students to the United States, the 2007 figures could theoretically be tripled.

Competition

Until 2001, the United States was the number one destination in the minds of Brazilian students for mostly all kinds of educational programs but since then, the market has changed significantly in terms of the preference of where to study abroad. In 2007, approximately 88 thousand Brazilian students were sent to study overseas in an English speaking country. The United States was the second destination with a 23% share, behind the United Kingdom with 29%. In 2008 we saw a 36% increase in the overall



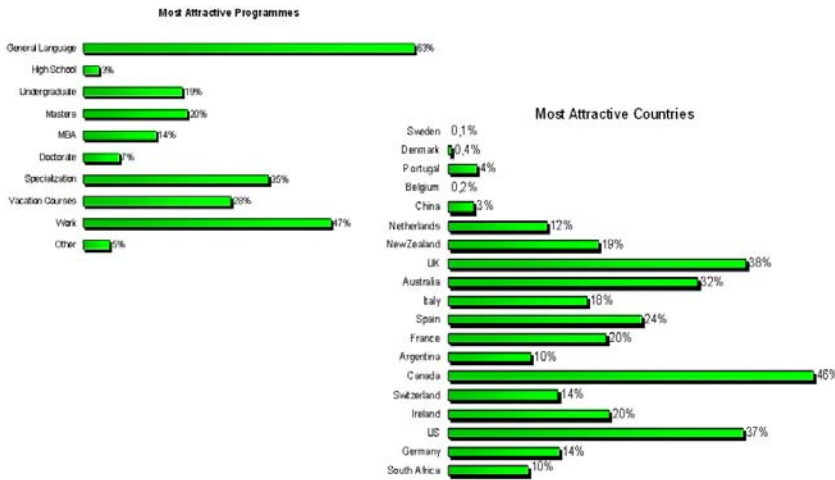
Source: BELTA – Brazilian Education & Language Travel Association; and Consulates of each country. Note: The Canadian Embassy does not publish the total number of visas issued, so

number of international Brazilian students, among a total of 120,000. Although the 2008 market share figures are not available yet, an informal survey carried among the members of BELTA – Brazilian Education & Language Travel Association, reveals that the ranking may change as Canada's numbers have grown significantly.

That trend was confirmed in the survey carried out during the last edition of the ExpoBelta education fair in March 2009, when 46% of attendees indicated Canada as the most attractive country to study in, especially for Intensive English programs.



VISITORS



There are many reasons why there has been such a shift in the market place. This report intends to cover some of the main ones as a way to make American schools aware of where adjustments in the recruiting strategy may be necessary:

Visa Concerns: Bad press has created a very negative and to some extent misleading idea that it is very expensive and very difficult to get an American visa. The truth of the fact is that legitimate students do have preferential waiting time and will take no longer than two

weeks to obtain a visa. A series of training sessions and relationship development with the agents' community and the press in general has been carried out by the American Embassy and the Consular Section at the U.S. Consulate in São Paulo in order to improve that perception.

Visa Requirement Comparison Table

Country	USA	U.K.	Canada	Australia	Ireland
Cost	Total cost of visa application is US\$390 for students enrolled in programs of 18 hours/week or more.	No cost and no need for a visa to study less than 6 months. For programs of 6 months or longer, a student visa is required, the application fee is £145	C\$75 for tourist visa which can be used for programs shorter than 6 months. For programs of 6 months or longer, a student visa is required, the application fee is C\$125.	Approximately US\$87 for a tourist visa which can be used for programs shorter than 14 weeks. For programs of 14 weeks or longer, a student visa is required, the application fee is around US\$450	No cost and no need for a visa whether a tourist or student. Students wishing to stay longer than 6 months can change status in country. The cost is €150.
Application and Processing time	10 - 15 days	N/A	5 days for tourist, 30 days for student	20 days for tourist, 30 days for student	N/A
Work Option	Only at college campuses	Yes	NO	Yes	Yes
Comments	SEVIS fee considered for calculation was US\$200	Schools may charge additional support documentation posting fees			

Cost: U.S. schools tend to be more expensive than alternatives in Canada and Australia. It is important that schools price competitively and also offer payment terms in order to compete.

Work Permit: A good number of students do want to have some type work activity while studying not only to assist in covering expenses but also to get even more exposure to the environment and real life situations. Countries such as Australia, the United Kingdom, and Ireland do have many work-study options that attract a lot of students.

Recruiting Strategy: Competing countries have been better organized and engaged in promoting their schools. In addition to that, schools from other destinations have shown to be much more flexible in terms of using various recruiting tools, such as partnering with agents and participating in a variety of recruiting fairs. Not to mention the financial commitment that some schools make in addition to the support that the various governments offer, which include bringing schools to exhibit in local fairs and also funding of familiarization tours for agents to their countries and schools.

Local Education Options: Brazil does have a well developed private and public education system at all levels of education to serve its student base. Therefore, students willing to invest in international education will expect the highest standards of teaching and school infrastructure.

Using Agents

Agents play an important role in the Brazilian market. The Brazilian Education & Language Travel Association was founded in 1992 and currently represents 90% of the international education market in Brazil with 73 members that together have approximately 600 offices throughout the country. Agents and education advisors/consultants do have a key role in providing students with information about where and how to study abroad by making recommendations of the most suitable cities, schools, and programs.

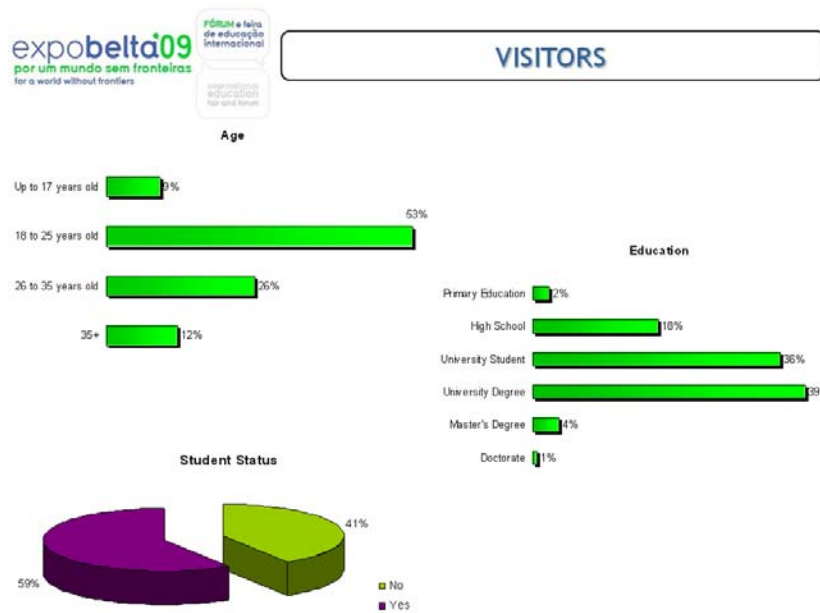
Agents will normally give students all the information about the service included in a package price, including necessary documentation, health insurance, travel tickets, home stay, as well as follow up during the program. Agents' success in Brazil has a lot to do with the professionalization of this type of service and also the perception of security that it transfers to parents and students. The Brazilian culture is very family-oriented and it is neither easy nor natural, as it may be in some European cultures, for a 16 year-old teenager to spend six months or one year away from their homes. That is normally a tense process that the agent figure can help alleviate considerably.

Agents are widely used by all types of foreign schools and programs, including language, high school, undergraduate, graduate, postgraduate, and work-study.

Recruiting Events

There are a variety of education fairs that take place around the country every year. The U.S. Commercial Service in Brazil has elected two to focus on and promote to U.S. schools interested in Brazil.

The first one is ExpoBelta. This annual fair is organized by BELTA – Brazilian Education & Language Travel Association and takes place every March. The event will take place in São Paulo on March 20 and 21, 2010. The fair brings together exhibiting schools from the main countries of interest to Brazilian students as well as local agents representing different schools and programs. Every year, BELTA invites a country or region as the guest of honor, last year was Europe and in 2010 it will be the United States of America.



We believe this is a unique opportunity for American educational institutions to promote themselves and the United States as a premier destination for Brazilian students. Being the Guest of Honor implies that the entire promotion of the event will revolve around the educational opportunities, cultural and social activities the United States may be able to bring to ExpoBelta. The United States Diplomatic mission in Brazil is committed not only with the recruiting of schools to exhibit but also to show the various social, political, economic, and cultural aspects of the United States as a way to open a wider door for Brazilian Students to the United States

and make this a milestone in the recovery of the status that the country once had as the number one choice for Brazilian students wanting to study overseas.

In 2009, ExpoBelta received over 10,000 visitors looking for information on how to study abroad, 79% of which were between the ages of 18 and 35 years old.

The second event is Education USA. The EducationUSA Fair is organized by the EducationUSA Advising Centers in Chile, Peru, Argentina, Ecuador, Colombia and Brazil – all affiliated with the U.S. State Department and committed to promoting higher education in the USA. This is also an annual event that takes place around September, and it features the United States and American Schools only.

Resources & Contacts

Education USA
 Contact: Ms. Thaís Burmeister C. Pires, Education Advisor
 E-mail: thaispires@alumni.org.br
 Web site: www.alumni.org.br
 Phone: 5511-3067-2913
 Address: Al. Jaú, 1208
 01420-001 – São Paulo, SP – Brazil

BELTA – Brazilian Education & Language Travel Association
 Contact: Ms. Maria Eglantine Gabarra (Mariglan), Executive Directors
 E-mail: mgabarra@belta.org.br
 Web site: www.belta.org.br
 Phone: 5511-3254-4333
 Address: Av. Paulista, 2006 5th floor – cj. 507
 01310-920 – São Paulo, SP - Brazil

For More Information [NOTE: only use this format, do not change it.]

The U.S. Commercial Service in São Paulo, Brazil can be contacted via e-mail at: Paulo.Rodrigues@mail.doc.gov; Phone:5511-5186-7186; Fax: 5511-5186-7445; or visit our website: www.focusbrazil.org.br

The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice. The Commercial Service reference to or inclusion of material by a non-U.S. Government entity in this document is for informational purposes only and does not constitute an endorsement by the Commercial Service of the entity, its materials, or its products or services

International copyright, U.S. Department of Commerce, 2007. All rights reserved outside of the United States.