

BRAZIL: Stipends to Increase School Enrollment and Decrease Child Labor A Case of Demand-Side Financing

Ayesha Vawda

Human Development Network, The World Bank.

Background/Rationale

Education levels of the Brazilian population are extremely low in comparison to those of other upper middle-income countries. An estimated 17 percent of Brazilians over seven years of age are illiterate. In 1990, the average schooling for the adult population was only 4 years, approximately the same as El Salvador, Guatemala and Nicaragua, countries with less than half the income level of Brazil. Brazil's low educational attainment rates are directly related to high repetition in primary education, particularly in the early grades. Each year over 50 percent of students in the first grade of primary school repeat, the highest first grade failure rate in Latin America. The average Brazilian student currently spends 7.7 years in primary school, longer than for any other Latin American country. Yet during those 7.7 years, the average student does not even complete the fourth grade. According to a 1993 report, 63 percent of children drop out of primary school before completing it. One of the main reasons for such high dropout and repetition rates is the need for children to contribute to family income by working either for wages or on family enterprises. Currently, about seven million children work in Brazil.

Bolsa Escola (Stipend for Schooling)

In 1995, Governor Buarque (Federal District, Brasilia, capital of Brazil) established a pilot scholarship program to eliminate poverty-induced school dropout. The program was developed to counter child labor and ultimately reduce school dropout. The stipend (or *bolsa*) guarantees a minimum wage (equal to \$128 per month/per family regardless of the size of the family or the number of children in the family) to every low-income family (only families in the lowest quintile of the income distribution that are employed or actively searching for employment, if unemployed, are eligible) keeping their children aged 7 to 14 years in school, as long as the children attend school regularly. Additional incentives are built into the program to reduce school repetition and dropout: a school savings program provides a deposit of approximately \$90 into a savings account of each child whose family is a beneficiary of the scholarship program, if the child is successful in completing the year and is being promoted to the next grade. Also, repeaters are given extra classes during the school break so that they are not disqualified from the scholarship program.

Program requirements:

- Residency in the city for five years
- Family income less than or equal to \$50 per month (per head)
- All children aged 7 to 14 years enrolled and attending school
- No more than two absences per month from class
- Unemployed parents must be actively looking for work

The *bolsa-escola* program operates in nine cities in Brasilia where it is sponsoring 22,493 families and benefiting 44,382 children (about 12 percent of public school enrollments in Brasilia in 1996) and has a budget of about \$29 million, which represents less than 1 percent of

the Federal District's total budget. The goal for 1998 is to reach 25,000 students.

The *bolsa-escola* program deals with the demand-side (or opportunity cost) of education among the poor. It is an idea that might become relevant in the menu of tools to deal with school dropout due to the need for income from children from very poor families. Other cities in Brazil are experimenting with the same idea.

Governor Buarque's objective is to round up support for a new initiative: an international "*bolsa-escola*" fund. He envisions a fund of \$240 million benefiting a million disadvantaged children every year in several large cities in poor countries. Such a fund would be financed by bilateral and multilateral funding agencies (through grants and loans), and would count on counterpart funding from the local governments involved.

Impact

The program has been evaluated jointly by UNICEF and the Institute for Applied Economic Research, associated with the Federal Government of Brazil. Evaluation results indicate that the program has led to a significant reduction in both school dropout and repetition rates - it is estimated that the dropout rate has been reduced from 10.0 to 0.4 percent. Also, over the last two and a half years, the program has contributed to higher school enrollment rates.

By providing families with supplemental income that can be utilized as the family deems necessary, the scholarship and savings program have contributed to improved nutrition, health care and consequently higher standards of living. Moreover, the scholarship program has indirectly impacted the economy of those cities where it is implemented - the sudden flow of resources into poor neighborhoods has created an immediate growth in demand for basic goods, benefiting the local economy. In addition, the program has contributed to greater citizen awareness, promotion of women, improvement in education quality and a reduction in child labor.

School Savings Program

The scholarship program is accompanied by a program that encourages school enrollment. The School Savings Program provides a deposit of approximately \$90 into the account of each child whose family is a beneficiary of the scholarship program, if the child is successful in completing the year and is promoted to the next grade. Half of the amount deposited can be withdrawn when and if the child reaches the fifth grade. Withdrawals can be made again upon successful completion of the eighth grade, and then upon successful completion of secondary school. If all recipients complete each year of schooling successfully, then the cost of the program is estimated to be \$4.3 million per year.

References

Communications with Mr. Pedro Americo Furtado de Oliveira, Coordinator of International Affairs, Government of the Federal District, Brazil.

Brasilia: Globalization without Social Exclusion. Government of the Federal District, Brazil.

Schiefelbein, Ernesto. School-Related Economic Incentives in Latin America: Reducing Drop-Out and Repetition and Combating Child Labour. Innocenti Occasional Papers, Child Rights Series (CRS 12). UNICEF International Child Development Center.

