The World Bank and the City of Rio de Janeiro

September, 2011
1. **Global Events**

- Rio + 20
- Confederations Cup
- 450th Anniversary of the city
- Rio2016

2. **Global Visibility**

3. **Political Alignment – Federal, State and Municipal Governments**

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Reasons for Rio’s turnaround

- Increasing public awareness, reflection and mobilization

- Along with macroeconomic stability the oil boom is bringing a remarkable boost to the local economy
  - Policies to spread the benefits for future generation

- Both at state and municipal level we are observing the adoption of appropriate public policies, marking an important difference from the past
Strong Fiscal Adjustment
- Primary surplus of **US$ 700 million** (12% of Total Revenues)
  - Review of all contracts, reduction of at least 20% in expenditures of goods and services + 30% with commissioned staff (higher earners)
  - All investments were also re-evaluated and new priorities were set

Strategic Planning ➔ Thinking Rio in 2020
- Project Management Office
- Implementation of a performance-base model ➔ **MERITOCRACY**

Improving Business Environment
- Comprehensive program to reduce bureaucracy
- Formalization of business and attraction of investors
- New Investment Agency: [www.rio-negocios.com](http://www.rio-negocios.com)

For further information: [www.pcrj.rj.gov.br](http://www.pcrj.rj.gov.br)
Fiscal Sustainability

- Fiscal Transparency Report (*)
- 30% increase in Total Revenues
  - US$7.5bn in 2009 to US$11.6bn projected for 2011 (54% increase)
  - Improvement in Collection Systems
- US$1bn World Bank Loan

-> Expanding Rio de Janeiro's investment capacity: US$ 468.7mm in 2009 to US$2.2bn in 2011

INVESTMENT GRADE (Moody's)

(*) Available at http://www.rio.rj.gov.br/web/smf
# Investments x Total Budget

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INVESTMENTS [A]</th>
<th>TOTAL REVENUES [B]</th>
<th>% [A]/[B]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>348.3</td>
<td>4,882.0</td>
<td>7.1%</td>
</tr>
<tr>
<td>2006</td>
<td>426.6</td>
<td>5,439.8</td>
<td>7.8%</td>
</tr>
<tr>
<td>2007</td>
<td>545.5</td>
<td>5,946.6</td>
<td>9.2%</td>
</tr>
<tr>
<td>2008</td>
<td>527.1</td>
<td>6,847.3</td>
<td>7.7%</td>
</tr>
<tr>
<td>2009</td>
<td>250.4</td>
<td>7,292.0</td>
<td>3.4%</td>
</tr>
<tr>
<td>2010</td>
<td>975.1</td>
<td>9,527.0</td>
<td>10.2%</td>
</tr>
<tr>
<td>2011 *</td>
<td>2,193.8</td>
<td>11,790.9</td>
<td>18.6%</td>
</tr>
</tbody>
</table>

* LOA 2011 (Budget Law 2011)

**Current:** US$ 2,9 bi (23.5% of Total Expenses)

Source: City Hall
Baa3 with a positive outlook (from Ba2 with a stable outlook)

“The City of Rio de Janeiro's issuer ratings have been upgraded to a Baa3 with a positive outlook (national scale rating upgraded to Aa1.br from Aa3.br) reflecting a strong track record of financial performance, solidified by the city's demonstrated resilience to the economic downturn in 2009 - during which time budget outcomes strengthened. These trends are underpinned by prudent fiscal management that includes ongoing improvements to tax administration and expenditure controls. Predictable and stable transfers from the federal and state government also underpin positive performance. The rating also incorporates the steady decline in the city's now more manageable debt burden and the recent improvement in the debt structure through a refinancing of debt at better terms. An enhanced liquidity position and plans to capitalize the pension fund also bolster credit quality.”

(Moody’s, 12/02/2010)
World Bank Loan

- US$ 1.045 billion
- First Development Loan for a Municipality in the world
- Support to (ongoing) structuring programs in Rio:
  - Fiscal Adjustment
  - Improvements in public health and education services
  - Innovations in public sector management

Decrease in Rio’s debt total cost:

(i) The interest rate of the Federal Government debt was reduced from 9% to 7.5% p.a. in 2010, through the prepayment of 10% of the total debt. A new reduction to 6% p.a. (with an additional prepayment of 10%) will occur in 2011

(ii) Exchange of an expensive debt (with Federal Government: IGP-DI + 9% p.a.) for a World Bank debt with longer tenor and lower interest rate (dollar linked)

- Up to R$ 300 million of savings in total expenditures annually
  - Estimated gains of R$ 2.2 billion in present value
Sharp Decrease in Debt Burden

Ratios of Debt Expenses (Principal and Interest) compared to Revenues

OBS - In 2010 and 2011, the accounting effects of the World Bank loans (debt swap with Federal Treasury) were excluded.

RLR = Receita Líquida Real (Provisional Measure 2185-35); RCL = Receita Corrente Líquida (Fiscal Responsibility Law): measures of current revenues.
### Long Term Debt

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Amount as of Dec, 2010 (US$ million)</th>
<th>Current Cost</th>
<th>Final Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Treasury (in R$)</td>
<td>4,125.0</td>
<td>IGP-DI + 7.51%</td>
<td>2029</td>
</tr>
<tr>
<td>World Bank</td>
<td>567.5</td>
<td>US$ + 0.65%</td>
<td>2040</td>
</tr>
<tr>
<td>BNDES</td>
<td>1.9</td>
<td>TJLP + 2.50%</td>
<td>2012</td>
</tr>
<tr>
<td>CEF (Caixa Federal)</td>
<td>103.8</td>
<td>UPR + 8.48%</td>
<td>2030</td>
</tr>
<tr>
<td>Federal Treasury (in US$)</td>
<td>32.5</td>
<td>US$ + 5.11%</td>
<td>2024</td>
</tr>
<tr>
<td>IADB</td>
<td>280.6</td>
<td>US$ + 4.43%</td>
<td>2025</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,111.3</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

OBS: All loans have an amortization schedule, avoiding concentration of disbursements

IGP-DI = inflation index  
TJLP = rate used in BNDES’ loans (currently, 6% p.a.)  
UPR = rate used in CEF’ loans (currently, 0.69% p.a.)
World Bank as partner in Rio’s sustainable development

- Signed in August, 2010
- First tranche already disbursed (2010)
- Second tranche expected to the 3rd quarter of 2011
  - Pension Fund capitalization approved last week

- Two main programs
  - Fee-Based Services (FBS)
    - Development of Rio´s PPP unit (June 2011)
  - Technical Assistance Loan (TAL)
    - Consultation Letter submitted to the Federal Gov’t in April, 2011
    - Divided in three pillars, connected to the DPL
    - Initial value = US$ 16.2 million
## Technical Assistance Loan

### Fiscal Space
- Full implementation of the MTEF (Medium Term Expenditure Framework)
- Enhance the processes related to the long term investments

### Services to citizens
- **Education**
  - Impact assessment of the programs supported by the DPL
  - Support to the development of new programs
- **Health**
  - Accreditation of health units
  - Development of a cost-based system for the services
  - Impact assessment of the programs supported by the DPL

### Innovations in Public Management
- Review of the results’ agreements signed in 2010
- Support the “UPP Social” Program at City’s level governance
- Development of monitoring systems and processes to innovative programs, including environmental practices
✓ The MTEF is a medium-term budget that matches, in a clear and detailed way, fiscal resources and spending priorities

✓ It was developed with support from the World Bank and is a way to enhance transparency and commitment to the targets of the city’s strategic planning

✓ The development of MTEF is a process that involves a series of detailed discussions between different agents of government until being approved by the Mayor

✓ 2011 was the first year of the MTEF implementation and our objective is to increase its quality in coming versions

✓ It’s important to note that this is the first formal experience of the World Bank with a MTEF (Rio is pioneer in this kind of initiative)
The document is divided in nine sections:

i. **The economic context**: Analyzes the economic variables relevant to the performance of the city’s revenues and expenses.

ii. **The recent fiscal performance**: Explains the recent development of tax revenues and expenses and makes a prospective evaluation of their behavior.

iii. **Forecasts of macroeconomic variables and tax revenues**: Summarizes the expected economic developments and assesses the main risks involved in this process. Also presents the measures underway to expand the tax base and improve the efficiency of tax administration.
iv. Medium-term fiscal objectives: Defines the medium-term goals for key fiscal indicators

v. Financing needs and debt amortization: Describes the impact of fiscal targets over the borrowing needs

vi. No policy change scenario: Shows the basic scenario of city’s expenses, and therefore corresponds to that which covers all expenses related to existing programs

vii. Priorities and Objectives: This section aims to present topics related to Strategic Planning of the municipality
Cont:

viii. Medium Term Fiscal Risks: This section aims to present the risks to the medium-term fiscal performance - showing the time profile of contingent liabilities.

ix. Detailed Expenditures by Secretariat: This section presents a greater detail of expenditures by secretariat. Are presented the large groups of expenses - staff and other current expenses -, including the current expenses resulting from new investments.
✓ A great opportunity to consolidate Rio’s turnaround

✓ Focus on investments that generate a permanent legacy for the citizens

“The Olympic Games should serve the city. More than organizing the event itself, we want to make Rio a better place for our citizens and guests through profound transformations in transportation, urban infrastructure, environment and social development”

✓ Olympic venues are being financed mainly through partnerships with private investments
Transportation

- Implemented new intermodal system linking in the express ways (BRTS), trains, ferry and subway
- Increase of high capacity transportation from 16% to 50%

Urban Infrastructure

- Harbor area renewed
- 4 Olympic areas re-qualified, with full accessibility (benefits for 2 million inhabitants)

Environment

- Recovery of lagoon systems
- 24 million trees (state)
- More than 700 thousand people with access to sewage (AP5)
- Duplication of the City bike tracks (+150 km)
- Reduction of 16% on gas emissions by 2016

Social Development

- All the favelas re-urbanized (until 2020)
- 100 thousand new residential unities built and legalized
- English teaching in the municipal schools
- Practice of sports spread in the whole public schools system
The portfolio of strategic projects is ambitious in terms of scale and impact to the population.

**Strategic projects**

- **Housing**
  - Morar Carioca
  - “Minha Casa, Minha Vida”

- **Health**
  - Primary care
  - First Aid Centers (UPAs)

- **Sanitation**
  - West Zone
  - Jacarepaguá drainage

- **Transportation**
  - Transcarioca
  - Transolímpica
  - Transoeste

- **Education**
  - Day Care Centers

- **Urban revitalization**
  - Sea Port Area
Incentives business formalization

Provides better knowledge to the Municipality about economic activities and businesses

Other cities experienced significant revenues increase

5% to 10% real growth on revenues (ISS) – about US$ 100M/year

Incentives for citizens – IPTU´s discount and a lottery ticket (prizes in Reais)
City Solutions – Electronic Tax Service

Setembro é o mês para indicar imóveis para redução de IPTU!

Acesse o sistema e indique imóveis para usar seus créditos para abatimento no IPTU de 2012!

$SORTEIO DA NOTA CARIoca

Cada NFS-e emitida para pessoa física gera um número para participar de sorteios de prêmios em dinheiro. Peça a NFS-e, informe seu CPF e Boa Sorte!

O que é Nota Fiscal de Serviços Eletrônica?

A Nota Fiscal de Serviços Eletrônica (NFS-e) é um documento que substitui as tradicionais notas fiscais impressas.

A NFS-e é implantada pela Secretaria Municipal de Fazenda simplifica a vida dos prestadores de serviços, dos cidadãos e das empresas da cidade.

1) Peça Nota Fiscal

Ao pagar um serviço, solicite a emissão da Nota Fiscal de Serviços Eletrônicos (NFS-e). Informe sempre ao prestador de serviços o seu CPF. Esta é a sua garantia para obter o benefício da NFS-e.

2) Acesse ao sistema

Veja abaixo os números relacionados a NFS-e no município:

- Contribuintes autorizados a emitir NFS-e: 93.233
- NFS-e emitidas: 105.126.432
- Pessoas Físicas Cadastradas: 110.801
Sanitation
Rio’s West Zone

- The city’s west zone covers 48% of Rio’s area (590 km²) and is home to 27% of its total population (1.7M)
- Today, only 2% of the houses have their sewage treated and a concession seems to be the answer to the problem
- An investment of ~R$1.2bi will be necessary to bring basic sanitation to the whole population. An extra R$ 1.5-2.0B will be necessary for drainage and paving
- The Human Development Index of the area will increase dramatically. The infant mortality rate and incidence of water-bourne diseases will drop, reducing the pressure on the public healthcare system
- The west zone will gather conditions to play its role as Rio’s new development area. The economic growth of the region will benefit the whole economy, generating jobs, real estate development and taxes
The program is, above all, a social inclusion tool for millions of people who live in poor communities with limited access to infrastructure and services.

The program’s scope includes urbanization, social actions, land ownership and development of public institutions to support it all (Total Inv: R$ 8 billion).

Phase 1 (planning / construction under way): 72,952 homes – completion planned for 2012

Phase 2 (to be contracted in 2011): 89,059 homes – completion planned for 2016

Phase 3 (remaining units) 93,746 homes – completion planned for 2020

Phases 1 and 2 have improved the lives of 540K people, living in 140 communities. A few numbers:

- 550km of water and sewer networks
- 1.7M m² of paved roads
- 600K m² of leisure areas

Phase 3 targets 38 communities, home to 60K people. Amongst other investments, it includes 30 day care centers.
Only 7% of Rio’s population was covered by primary care programs, ranking lowest among major Brazilian cities (6x less than the national average)

The lack of investments on prevention leads to high costs in hospital treatments. In Rio, hospitals used to consume 82% of the health budget (twice the average)

Our goal is to increase the coverage to 80%, by increasing the 124 teams to 1528

One new clinic per week until 2012 (31 already inaugurated, 40 more to come) – Average investments of U$2 million each

The prevention/early treatment of common diseases or health problems will reduce the pressure on the hospitals

In the long term, this program will increase the efficiency of public health spend and reduce the need for funding/resources

+ First Aid Centers (UPAs):
  - 24-hour service, treating major and minor emergencies
  - 10 municipal and 15 state UPAs established so far
  - Population benefited ⇒ 2.5 million
  - Target ⇒ build another 15 UPAs by 2012
### Education – Ongoing Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RIO CRIANÇA GLOBAL</strong></td>
<td>English as 2nd language for all municipal schools</td>
</tr>
<tr>
<td><strong>ESCOLAS DO AMANHÃ</strong></td>
<td>151 schools located in vulnerable areas with full-time classes, health support and equipped with science labs</td>
</tr>
<tr>
<td><strong>GINÁSIO EXPERIMENTAL CARIOCA</strong></td>
<td>Leading edge learning approach</td>
</tr>
<tr>
<td><strong>PRÊMIO POR PERFORMANCE</strong></td>
<td>Performance to reward teachers’ achievements</td>
</tr>
<tr>
<td><strong>CARTÃO FAMÍLIA CARIOCA</strong></td>
<td>Cash transfer for lower income families whose kids have 90% of school attendance and an additional reward if grades increase</td>
</tr>
</tbody>
</table>
The project’s main objective is to gradually expand and improve the teaching of English to all students from 1st to 9th grade until 2016.

The project targets all 1,065 municipal schools and 530,000 students. The estimated investment is of R$ 30 Million from 2010 to 2013.

Hiring and training more than 1,400 teachers by the end of 2012.

Increase in 32% the number of students with English classes.

Reaching 300,000 students until 2012.
Projeto Empresa Bacana atende mais de 100 pessoas no Complexo do Alemão
Social Legacy

Technology by IBM.

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Rio Green Capital ("Rio Capital Verde")

Perspectives until 2016:
- Recuperation of bays, beaches, lakes and rivers
- Reforestation of 24 M trees
- Sanitation for additional 700 k people
- Integrated solid waste management system

<table>
<thead>
<tr>
<th>Year</th>
<th>Reforestation (acres per year)</th>
<th>Greenhouse Gases reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>200</td>
<td>2012 8%</td>
</tr>
<tr>
<td>2011</td>
<td>1.200</td>
<td>2016 16%</td>
</tr>
<tr>
<td>2012</td>
<td>1.200</td>
<td>2020 20%</td>
</tr>
<tr>
<td>Until the end of 2012</td>
<td>1.500</td>
<td></td>
</tr>
</tbody>
</table>
Urban revitalization
Sea Port Area

Project Information and Investments

- Large scale urban intervention to revitalize the sea port. The 3.2 ha area currently lacks infrastructure to attract real estate development and to receive 400K tourists who arrive annually on cruise ships.

- The project involves improving the whole physical infrastructure (road, water and energy), besides creating conditions for cultural and economic development.

- The project will also benefit the poor communities who live inside the area.

- Developing a new urban space, home to 100K people (vs 22K people today). Construction of ~3 MM m² to be used in both residential and commercial buildings.

Impact

- Consolidation of Rio de Janeiro as a “homeport” city in Latin America, with improvements in the passenger terminals and services.

- Reintegration of a historical area to the city’s population.
Urban Infrastructure

Waterfront Renovation: The main urbanization project in the city

Main Distances from Porto Maravilha

- Aeroporto Internacional Tom Jobim: 11 km
- Maracanã: 5 km
- Corcovado: 7 km
- Copacabana: 8 km
- Pão de Açúcar: 6 km
- Aeroporto Santos Dumont: 2 km

Porto Maravilha Area and Surroundings

- Operational Docks
- Novo Rio Bus Terminal
- Future High Speed Train Terminal
- Cidade Nova Subway Station
- Central do Brazil Train Station

Largest PPP in Brazil (USD 4.5 bi in 15 years) works begun in 2010 and ends by 2015

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Urban Infrastructure

- Central Bank
- Tunnel
- Museum of Tomorrow
- Via Binary & VLT
- Aquarium
- Art Gallery
- Olympic Port
- Urbanization and Perimetral Elevated Highway demolition
- Reurbanization of Hills

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The Transcarioca, Transoeste and Transolímpica corridors represent a revolution in terms of Rio’s public transportation system. It will provide a highly-demanded route from the north to the western zone, linking Rio’s traditional residential areas to the new workplaces in the Barra region

- Bus Rapid Transit (BRT) expressways linked with more than 37 feeder lines and integrated with the main rail systems.
- Total investment of more than US$ 2.5 billion

- +400K passengers/day will benefit from a reduction in travel times of up to 40% thanks to the express lines
- Feeder-trunk system will replace ~2000 regular buses operating in the region. The buses will run on biofuels and significantly reduce emissions and traffic
- This optimized corridor will help reduce the resistance to re-organizing Rio’s current public transportation network
- By investing in BRT (Bus Rapid Transit) lines, integrated with trains, ferries and the metro, 50% of passengers will be using high-capacity transport systems by 2016 (x today =16%)
Olympic legacy – BRT System

- **Transcarioca** – 30,000 passengers per hour in each direction, 39 km, 42 stations, cost: R$1,300 million

- **Transoeste** – 10,000 passengers per hour in each direction, 56 km, 56 stations, cost: R$800 million

- **Transolímpica** – 10,000 passengers per hour in each direction, 26 km, 16 stations, cost: R$2,270 million

- **Transbrasil** – 40,000 passengers per hour in each direction, 20 km, 13 stations, cost: R$1,300 million

All BRTs will work on a concession basis.

- **Railroad system** – State government to invest around R$2.4 bi

- **Metro Line 4** – State government to invest around R$5 billion. The 14-km line linking the South Zone to Barra da Tijuca, and connecting with the Transoeste, will be fully completed in December 2015.
Transportation Projects

US$ 8 bi investments in new transportation projects and enhancement of the existing infrastructure

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Thank you
Rio, the best place to live and work of the Southern, I do believe!