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PUBLIC DEBT AND BEST PRACTICES
MANAGEMENT: THE CASE OF RIO DE JANEIRO

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Introduction

The situation of public debt in Brazil in the 80s and 90s was a high indebtedness of subnational levels. To resolve this scenario, the federal government created a new regulatory framework with the preparation of the Law nº 9.496/97 that refinanced the debts of the States and later the formulation of the Fiscal Responsibility Law. These laws culminated in the implantation, in Brazil, of good practices in public debt management, being evident from the obligation of adopting the Fiscal Adjustment Program by States to adhere to the refinancing by Law nº 9.496/97.

This work will show a history of public debt in Rio de Janeiro State and the evolution of adhesion in good practices in public debt management, and not only in the practices imposed by the federal government through laws, but also other good practices considered by international organizations, like World Bank and International Monetary Fund.

Structure:

The introduction contextualizes the theme of the work, your objective and your structure.

Chapter 1 describes a historical situation of Brazilian subnational levels in the 80s and 90s regarding the public debt and the actions to reverse this scenario.

Chapter 2 will explain what is the Law nº 9.496/97 which make possible the refinancing of subnational levels public debt from adherence to Fiscal Adjustment Program.

Chapter 3 shows the limits createds by the Fiscal Responsibility Law for the subnational levels public debt.

Chapter 4 brings the items that are considered main principles in public debt management by international organizations.

Chapter 5 will present the public debt of the State of Rio de Janeiro and your evolution in adoption of best practices in public debt management.

Conclusion will analyze if the state of Rio de Janeiro is in line with what is considered the best public debt management.

Chapter 1 - History of indebtedness of subnational levels in Brazil

1.1 – National Scenery

The beginning of the 80s was marked by the interruption of foreign capital inflows to Brazil, after the declaration of the moratorium on Mexican foreign debt in 1982, which became known as the debt crisis of Latin American. This scenario took Brazil to sign in February 1983 an agreement with the International Monetary Fund - IMF that among other things had as objective reduce the public deficit. This passed the sanitation of the debts of subnational levels, which, at that time, damaged the fulfillment of the goals of the signed program.

The indebtedness of subnational levels originated in the 70s. Due to centralization of revenues in the federal government, there was a limitation of state revenues, so alternative ways to increase the financing capacity of the states were created. The indirect administration¹ (municipalities, foundations, public companies and mixed capital company) was responsible for increase the options of choices of state governments by new forms of indebtedness. Public companies had greater administrative freedom and therefore could obtain internal and external funding without the Federal agreement.

State banks also had great importance for the financing of states. These worked in both rollover of debt, as in leveraging financial resources, mixing their accounts with the state accounts. Conditions, internal and external, favorable, allowed this situation were perpetuated without major problems.

In the 80s, the easy availability of the financial resources of so-called petrodollars - capital resulting from oil-exporting countries - has turned into a large contraction of resources to indebtedness. The external credit has become very expensive, public debt reached unsustainable levels.

¹ set of administrative people, linked to the Direct Administration, have the power to exercise a decentralized form of administrative activities.

Moreover, in Brazil, in 1988, was promulgated the new Federal Constitution that decentralized tax revenues of the federal government to subnational levels. The decentralization of resources, however, turns more explicit the insufficiency of institutional controls on indebtedness by subnational levels.

1.2 – The Law nº 7.976/89

Despite the changes that have occurred with the promulgation of the 1988 Constitution, the states continued to get into debt through different lines of credit from the national financial system, the ARO (anticipation budget revenues) operations, besides the issuance of public debt securities.

Given the scenario above, was issued in 1987, the Law nº 7614/83, regulated by National Monetary Council – CMN, Vote nº 340/87², which granted new credit line for states and municipalities, and by Vote CMN nº 548/87³, which provided resources to states necessary for the financial restructuring of state banks.

In 1989, happened the first attempt to contain the indebtedness of the states with the edition of the Law nº 7.976/89, which corresponded to the financing and refinancing for a period of 20 years by the Union to pay debts of responsibility of states, municipalities and your indirect administration entities derived bridging loans granted by the National Treasury under the terms of Ministry of Finance - MF notice nº 30/83⁴ and substitutes for payment of external financial commitments.

² It is the creation, by the Federal Government, the lines of credit in accordance with the financial support program for states and municipalities.

³ It is the creation, by the Federal Government, the Temporary Special Administration Regime pertinent to state financial institutions.

⁴ Determined that the Bank of Brazil were honored abroad only commitments to amortization and interest rates higher, in each remitting, the equivalent of U.S. \$ 50,000.00 which: a) possessed guaranty by the National Treasury, or b) if not appraised by the National Treasury, they meet in the foreign capture limit approved by SEPLAN (top priority).

This law also included the refinancing of debts of states and municipalities arising from financial support programs for recovering the finances of those units, supported by CMN Votes n° 340/87 and n° 548/87.

Table 1.1

LAW N° 7976/89

Refinancing by the Union pursuant to Law n° 7976/89, the debts of the State of Rio de Janeiro and its organs and companies with Banco do Brasil, BANERJ and Bank of Montreal, detailed below, with their respective values:

DISCRIMINATION	VALUES		
	US\$ (12/31/87)	CZS\$ (12/31/87)	CR\$ (10/19/90)
1. Anticipation Orcamentary Revenue with Banco do Brasil (1987)		1.062.449.846,00	188.971.553,30
2. Refinancing of debt that agencies and companies had with Banerj, targeting the financial restructuring of the bank under intervention, that year, the Central Bank		112.542.490.407,24	18.647.448.677,11
Installments of overcome arrears of loan entered with the Bank of Montreal, valued at \$ 150 million, to finance the Socio Economic Development Program of the Rio de Janeiro State (1979), who were honored by the Union, as guarantor of the loan.	231.200.918,19		2.625.980.028,80
TOTAL	231.200.918,19	113.604.940.253,24	21.462.400.259,21

SOURCE: SECRETARY OF FINANCE OF RIO DE JANEIRO STATE

The Law 7.976/89 was not enough to solve the problem of indebtedness of subnational levels for did not consider the refinancing of public debt securities, bank debt with financial agents of the states and others contracts with the private sector. Then, on more attempt to reverse the situation was made. On 03/17/1993 was enacted the Constitutional Amendment n° 3, which in its Article n° 5⁵, prohibits the issuance of bonds until 12/31/1999 by States with trying to mitigate the growth of state debt. However, once again the attempt failed.

1.3 – The Law n° 8.727/93

A new measure to try to control the indebtedness States was established in November 5, 1993, the Law n° 8727/93, where in his article 1°:

Will be refinanced by the Union, in accordance with this law, existing debts balances at June 30, 1993, including overdue installments, considered the provisions of article n° 7, all the operations of domestic credit contracted

⁵ Until 31 December 1999, the States, the Federal Distriti and Municipalities may only issue public debt bonds in the amount necessary to refinance the principal duly updated with their obligations represented by this class of securities.

until September 30, 1991 with organs and entities controlled directly or indirectly by the Union, the responsibility of the states and the municipalities, as well as yours local authorities, public foundations and companies which directly or indirectly hold a controlling interest, even if they have been renegotiated subsequently.”

The amortization period was 20 years and payment limit of real net income to the refinancing service was fixed at 9% for 1994 and 11% for subsequent years. This law represented a milestone in the institutional relationship between the federal government and the states, to create an enforcement mechanism that reduces the risk of default. It is the possibility to block the own tax revenues of states to secure the payment of benefits. Thus, the lender had a guaranty payment that did not exist in previous renegotiations.

Table 1.2

LAW 8727/93

Refinancing by the Union pursuant the Law nº 8727/93, the debts of the State of Rio de Janeiro and its agencies and companies with the CEF, BNDES and STN detailed below, with their respective values:

DISCRIMINATION	Balance of Contracts
	CR\$ (06/30/93)
Debt with BNDES assumed by Rio de Janeiro State:	
- contracted by FUNDERJ	488.130.086,43
- contracted by Rio de Janeiro State	25.723.289.745,82
- contracted by Rio de Janeiro State and passed to FUNDERJ	5.722.836.979,21
- contracted by CONERJ	12.174.964,18
Debt with the UNION assumed by Rio de Janeiro State:	
- contracted by Rio de Janeiro State together the extinct EBTU	54.684.923,15
- external loan for Metro	3.212.562.178,30
Debt with CEF of Rio de Janeiro State:	
- contracts of Housing and Sanitation Areas	191.846.853.316,63
- assumption of CEHAB Debt with Banco do Brasil on 05/02/00	468.920.166,04
Assumption of Debt Bank of Rio de Janeiro State - Extrajucial Closeout with Banco do Brasil on 02.05.2000	22.146.256,43
Total	227.551.598.616,19

SOURCE: SECRETARY OF FINANCE OF RIO DE JANEIRO STATE

Nevertheless, the measure did not comprehend all debts, leaving out the debts with private institutions, besides the anticipations of budget

revenues and debt securities. For this reason, the Law nº. 8727/93 was not enough to solve the problem of debt of all states, including Rio de Janeiro, whose debt securities represented more than half of the total debt.

In 1994, with the implementation of the Real Plan, there was a big effort to try to stabilize prices in the economy, which happened, however, also reducing the nominal revenue of the states which were used to defray current expenditures. A framework of financial instability settled in the states, leading them to search short-run bank loans and anticipation of budget revenues (ARO), which aggravated more the situation.

The most damaged was subnational levels that had the largest debts securities and presented difficulties to roll over their debt, which was the case of the State of Rio de Janeiro.

From the scenario installed in state finances, the federal government implemented a group of measures of fiscal adjustment and financial restructuring, with the creation of Program to Support Restructuring and Fiscal Adjustment of States, besides credit lines conditioned to these measures, in an attempt to achieve a balanced budget in the states, once that, refinance debt without being eliminated sources of imbalance of no use. These measures were implemented from CMN Votes nº 162/95 of 5 December 1995, as follows:

- Control and reduction of personnel expenditures;
- Privatization, concession of public services, patrimonial reform and control of state agencies;
- Revenue increased, modernization and improvement of collection systems, control spending and generate tax information;
- Commitment to minimum taxable result;
- Reduction and control of state debt;

For the first time, joined the federal financial assistance to the reform of the state public sector and the patrimonial adjustment. After the implementation of the measures contained in CMN Vote nº 162/95 was

created Provisional Measure nº. 1.560 of December 19, 1996 which established criteria for consolidation, refinancing and assumption by the Union, the debt securities and other that specifies the responsibilities of States with the aim of expanding the base contract states eligible for refinancing with the Federal Government. The Provisional Measure maintained until 1997 when it was converted into Law nº. 9.496/97.

Table 1.3

Debt Stock of Rio de Janeiro State during the period 1996-1998			
	R\$ Millions		
DISCRIMINATION	1996	1997	1998
I - PERMANENT INTERNAL PUBLIC DEBT	8.257,01	13.494,94	21.251,82
I.a - BONDS	5.934,54	7.383,47	9.473,73
I.b - CONTRACTS	2.322,48	6.111,48	11.778,09
BANERJ S/A	411,48	447,46	479,82
BANCO DO BRASIL	1.252,14	1.287,60	2.690,16
CENTRAL BANK	-	-	4.008,25
BNDES	208,40	459,49	507,24
CAIXA ECONÔMICA FEDERAL	385,93	3.847,74	4.029,47
BRAZILIAN SOCIAL SECURITY INSTITUTE (INSS)	-	3,51	3,93
MUNICIPALITY OF RIO DE JANEIRO - PREVI-RIO	64,52	65,68	59,22
II - PERMANENT EXTERNAL PUBLIC DEBT	73,41	183,84	622,18
II.a - BONDS	2,34	1,76	1,90
II.b - CONTRACTS	71,07	182,09	620,28
III - TOTAL BONDS (INTERNAL and EXTERNAL)	5.936,88	7.385,22	9.475,63
IV - TOTAL CONTRACTS (INTERNAL and EXTERNAL)	2.393,54	6.293,56	12.398,38
V - TOTAL (INTERNAL and EXTERNAL)	8.330,42	13.678,79	21.874,00

SOURCE: SECRETARY OF FINANCE OF RIO DE JANEIRO STATE

Chapter 2 - The Law nº 9.496/97

2.1 – General Conditions

The Law nº 9.496/97 authorized the Union to assume public debt securities of states, as well as other obligations of domestic and foreign loans or others contractual loans, relating to unquestionable and liquid expenses of investments, payable by December 31 1994 addition to the loans taken by the States at the Caixa Econômica Federal – CEF.

According to the Law, the refinancing contracts will be paid in 360 (three hundred and sixty) months with successive and monthly installments, calculated based on the Table Price, with the possibility of extension for another 120 (one hundred and twenty) months⁶ and adjusted by an interest rate from 6% apr (six percent per year) to 7.5%. apr (seven and a half percent per year). As security for payment of installments, there was the possibility of linking tax revenue and / or constitutional transfers.

To preserve the ability states to pay, were fixed maximum commitment on the Real Net Revenue⁷, which, in general, ranged from 11.5% (eleven and a half percent) to 15% (fifteen percent), in which should be considered related to other commitments already refinanced with the federal government⁸. If the installments were based on the Table Price exceed these limits, the difference (residue) would be accumulated and subject the same financial burden of the original loan. When the portion of the refinancing was again lower than the percentage of revenue contractually agreed, the residue would be amortized.

⁶ In case of any outstanding balance (residue) after payment of the last installment of the contract, it may be renegotiated under the same conditions of the original contract.

⁷ Law nº 9.496/97 - Sole paragraph. Understand like real net revenue, for the purposes of this law, the revenues realized in the previous twelve months immediately preceding the month in which we are investigating, excluding revenues from credit operations, sell assets, voluntary transfers or donations received for the specific purpose to cover capital expenditure and, in the case of states, transfers to municipalities for constitutional and legal obligations.

⁸ This limit applies only to contractual debts renegotiated in the accordance with the Law nº 7.976/89 and Law nº 8.727/93, external debt existing on 9/30/91 and debts renegotiated in the accordance with this contract.

The Law also established that, while debt exceeds the Real Net Revenue - RLR, subnational levels can not issue bonds in the domestic market as well as hire new loans abroad is conditional on fulfillment targets for debt trajectory established in the fiscal adjustment program, and can not be attributed to its financial institutions the administration of state and municipal bonds along the central custody of securities.

By the Law, there was also the possibility of extraordinary depreciation in value of 20% (twenty percent) of the total refinanced from funds generated by the sale of assets, rights and stocks that would be delivered by the states to the Union which enabled the reduction rate interest of 7.5% apr (seven and a half percent per year) to 6% apr (six percent per year).

2.2 – The Fiscal Adjustment Program

The Support Programme for Restructuring and Fiscal Adjustment in the Subnational Levels implemented from CMN Vote nº 162/95 resulted in the implanation of Restructuring and Fiscal Adjustment Program created with the Law nº 9.496/97, which came to be individually signed⁹ by the states that adhered the program cited in the Law, becoming part of a renegotiation and assumption contract of debt, consisting of a document by which a State purports to take actions that allow achieving goals or commitments.

The Fiscal Adjustment Program, which was signed by 25 States that refinanced their debts (Amapá and Tocantins did not), has annual goals for a three year period, considering the evolution of the state finances, the macroeconomic indicators for the new period and politics tax adopted by state governments. Each year we evaluate the fulfillment of the goals and commitments of the previous year. Also annually update targets for a new triennium will be held. These procedures should be followed as long as the refinancing agreement.

⁹ In the case of Law nº 9.496/97, the refinancing goals of the Restructuring and Fiscal Adjustment Program were agreed by individual State from signing the refinancing contract.

The proposed fiscal targets submitted by Subnational Levels are evaluated by the Ministry of Finance, which manifest your agreement according to methodologies of technical analysis, the responsibility of the National Treasury, which seek to preserve the solvency of the states, particularly in relation to its ability to fulfill commitments contractually assumed.

The Law nº 9496 established the criteria and conditions for consolidation, refinancing and assumption by the Union, the public securities and other debt that specifies the responsibility of states, among them, the necessity to establish Restructuring and Adjust Fiscal Program and these programs necessarily contains the following goals listed below:

I - financial debt in relation to the real net revenue (RNR);

II - primary result, understood as the difference between revenues and non-interest expenses;

III – public employees expenditure;

IV - collecting own revenues;

V - privatization, permit or concession of public services, administrative and patrimonial reform;

VI - investment expenditure in relation to the real net revenue.

2.3 – The State of Rio de Janeiro and the Restructuring and Adjust Fiscal Program

The State of Rio de Janeiro joined the Restructuring and Fiscal Adjustment Program formalized through the signing of the Confession, Promise of the Assumption, Consolidation and Refinancing Debt Contract at 06/24/1998. Considering the operations, in 1999, had not yet been examined and approved by the Federal Senate, the State requested the suspension of the examination of the Refinancing Contract by the Legislative House, in order to revisit the terms and conditions with the Union.

On 10/29/1999, the State signed his new Refinancing Contract pursuant to the terms below:

Debt Stock of the State of Rio de Janeiro on 10/20/1999.....	R\$ 27.474.849.776,66
Debt refinanced in accordance with the Law nº 9.496/97.....	R\$ 18.536.808.277,61
Value of the refinanced debt	R\$ 18.536.808.277,61
Payment of Graphic Account	R\$ 2.039.209.613,36
Value of the subsidy received from the Union.....	R\$ 3.290.385.105,03
Residual value of refinancing	R\$ 13.207.213.559,22

Payment Conditions

Deadline30 (thirty) years, in 360(three hundred and sixty) monthly and consecutive installments

Index CorrectionIGP-DI (General Price Index – Internal Availability)

Interest Rate6% (six percent) per year

Amortization System.....Table Price

Table 2.1

LAW Nº 9.496/97

Refinancing by the Union, with the intervening of the Banco do Brasil, under the Law nº 9.496/97, of the Securities Debt and contractual debts of the Rio de Janeiro State with the CEF and BNDES, with the discrimination below and the corresponding values :

In R\$			
DISCRIMINATION	VALUE CONTRACTOR	COSTS ASSUMED BY UNION AND EXTRAORDINARY AMORTIZATION	BALANCE AT 10/29/99
Refinancing Debt - Fiscal Adjustment Program	18.536.808.277,61	(5.329.594.718,39)	13.207.213.559,22
BNDES - Red Line	111.826.622,93		
Loans from CEF - under the terms of Votes nºs 162/95, 175/95 and 122/96	438.091.558,58		
Contracts with CEF - respect to sanitation, housing and subscription credits	466.874.995,67		
Loan from CEF for the establishment of two accounts	6.070.212.441,86		
Debt Securities	11.449.802.658,57		
Subsidy		(3.290.385.105,03)	
Extraordinary Amortization - Graphic Account		(2.039.209.613,36)	

SOURCE: SECRETARY OF FINANCE OF RIO DE JANEIRO STATE

The State of Rio de Janeiro used the prerogative of Law nº 9.9496/97 could do to make an extraordinary amortization of 20% of the debt value from the assignment of credit rights to which the State was entitled on the participation of royalties oil. The amortization made possible reduces the interest rate signed by the State of Rio de Janeiro from 7.5% apr (seven and a half percent per year) to 6% apr (six percent per year).

In addition, the State has received a subsidy from the Federal Government in the amount of R\$ 3,290,385,105.03 (three billion, two hundred ninety million three hundred eighty-five thousand, one hundred and five reais and three cents) which corresponded to the costs incurred by the Union until the date of signing the contract¹⁰.

Regarding the monthly spending limit, the State of Rio de Janeiro had to observe the limits of 12% (twelve percent) and 12.5% (twelve and a half percent) in the years 1999 and 2000, respectively and 13% (thirteen percent) of Real Net Revenue (RNR), from the year 2001. The state can only stop using the monthly spending limit established when inexistent balance of residue resulting from the application of this limit in previous periods, from that moment the refinancing must be fully amortized by the Table Price.

If the State of Rio de Janeiro fails to comply with any of the obligations under the Refinancing Contract, including late payment and non-compliance with the goals and commitments contained in the Restructuring and Fiscal Adjustment Program, imply, during the period which the failure continues, replacement the financial burden contracted burden equivalent to the average cost of emission domestic securities debt of the Federal Government, plus default interest of 1% apr (one percent per year), and raising the expenditure limit set to 17% (seventeen percent) of Real Net Revenue (RNR).

¹⁰ As authorized in paragraph 4 of Article 3 of the Law 9.496/97, the Union took the resulting value of the outstanding balance of the State of Rio de Janeiro between 07/01/1999 to 10/29/1999 corrected by the IGP-DI plus interest of 6 % per year.

Chapter 3 – The Fiscal Responsibility Law – Complementar Law nº 101/00

3.1 - The Fiscal Responsibility Law

On May 4, 2000, continuing the process control of indebtedness of states and fiscal adjustment was enacted the Law nº 101/00 known as the Fiscal Responsibility Law that established standards of public finance accountability in fiscal management, as transcribed below in its paragraph 1º, art. 1:

"The responsibility in fiscal management assumes the planned and transparent action, in which prevent risks and correct deviations can affect the balance of public accounts through fulfillment the goals of results between revenues and expenditures and obedience to limits and conditions regarding the resignation of revenue, creation staff costs, social security and others, consolidated debt securities, loans, including budget revenue anticipation, granting of guarantee and registration in remains payable. "

The law introduced a number of innovations for the management of public resources. The planning, control, and transparency have become compulsory, as provided the law, under penalty of management responsibility.

Personnel expenditures were limited at 60% (sixty percent) of Net Current Revenue (NCR)¹¹ in the states and municipalities and 50% (fifty percent) for the Union. The law also stipulates the expenditure of personnel by sphere of power. A period of adjustment was granted to those who have not square into such limits. After this period, the states and municipalities that

¹¹ Law nº 101/00, section IV, article 2: net current revenues: sum of tax revenues, contributions, property, industrial, agricultural, services, current transfers and also other current revenues, subtracted:

a) in the Union, the amounts transferred to states and municipalities for constitutional or legal determination, and the contributions mentioned in paragraph a of section I and section II of article nº 195, and article nº 239 of the Constitution;

b) in the States, the parcels delivered for Municipalities by constitutional determination;

c) in the Union, the States and the Municipalities, the contribution of the public servants to their pension funds and social security and revenue originating from the financial compensation mentioned in paragraph nº 9 of article nº 201 of the Federal Constitution.

did not reach the reduction in the time limit, as long as there is excess, would be prohibited from receiving voluntary transfers, obtain guaranty, directly or indirectly from another entity and contract loans¹².

There was the inclusion of reports to compose the Budget Guidelines Law (LDO), namely, the Fiscal Targets Annex in which annual goals are established, in current and constant values, corresponding to revenue, expenditures, nominal and primary results and debt public amount for the year to which they relate and the two following, and Fiscal risks Annex which will be evaluated contingent liabilities and other risks that may affect the public accounts, inform the action to be taken, if realized.

Strengthened integration between the Annual Budget Law (LOA) and other instruments of budget planning, created the contingency reserve based on current net income in order to attend contingent liabilities and other fiscal risks and unexpected fiscal events, besides seal the consignment credit in the LOA with imprecise purpose or with unlimited endowment.

In relation to the indebtedness, the Fiscal Responsibility Law established that would be up to the Federal Senate, in conformity with the Federal Constitution, establish, as proposed by the President of the Republic, the global limits on the amount of consolidated debt of all entities, as well as provide for total limits and conditions for foreign and domestic credit of all entities, of their agencies and other controlled entities, limits and conditions for Union granting of guarantee for external and internal credit and and establish global limits operations and conditions for the securities debt amount of the states and municipalities.

The limits cited in the fiscal responsibility law were established through Resolution nº 40 and nº 43 of the Federal Senate, which will be detailed in this chapter. As occurred with the limits in personnel expenditures, entities that were above the stipulated limits had a period to adjust.

¹² Except those destined for refinancing securities debts and those for reducing personnel expenditures.

The consolidated debt of the entity that exceed the debt limit at the final four months of the year, should be restored until the expiration of three subsequent four months of the year, reducing the surplus by at least 25% (twenty five percent) in the first four months. As long as the excess perdure, the entity will be prohibited from achieve internal or external credit operation¹³, must obtain primary balance needed to reduce the debt to the limit and will be blocked from receiving voluntary transfers.

It is noteworthy that in addition to the penalties and prohibitions on the entities the law also ordered about sanction to public gestors who fail to comply with the limits established by this law.

3.2 – Federal Senate Resolution nº 40/01

The Federal Resolution nº 40/01 ordered about the overall limits for the amount of the debt securities of states and municipalities. As Article 3, establish that the consolidated net debt¹⁴ of the states may not exceed 2 (two) times the current net revenue and in the case of municipalities cannot exceed 1.2 (one entire and two tenths) times to be assessed every four months. The entities will have 15 (fifteen) years to reach the limit, and the state or municipalitie that were above the limit would reduce its consolidated net debt in at least 1/15 (one-fifteenth) per financial year.

3.3 – Federal Senate Resolution nº 43/01

The Federal Senate Resolution nº 43/01 provides for the operations of internal and external credit of states and municipalities, including provide guarantees, limits and conditions of authorization. According to the Article 7, the operations of internal and external credit of states and municipalities must comply with the following limits:

¹³ Including anticipation budget revenue, except the refinancing of the debt securities principal updated.

¹⁴ It is obtained by deducting the Consolidated or Founded Debt values Assets Cash and Financial Assets, net of amounts recorded in Processed Remain to Pay. The Consolidated Debt comprises total financial obligations assumed under laws, contracts, agreements or treaties and loans for payment in more than twelve months period.

- the total amount of transactions in a fiscal year may not exceed 16% (sixteen percent) of net current revenue¹⁵;
- the annual compromising with amortization, interests and other costs of consolidated debt, including amounts to be disbursed of the loans already contracted and hire, may not exceed 11.5% (eleven and a half percent) of the net current revenue;
- the amount of consolidated debt can not exceed the ceiling established by the Federal Senate as provided in Resolution that fixing a global limit for the amount of consolidated debt of the states and municipalities.

To calculate the annual compromising with amortization and charges will be done the annual average of the relation between the expected payments and net current revenues projected year by year, considering alternatively, whichever is more beneficial:

- all financial years in which there are expected payments the intended operation; or
- the financial years in which there are payments until December 31, 2027.

Beyond the limits mentioned above, the Federal Senate Resolution n^o 43/01 also sets other limits:

- the amount of loans may not exceed the capital expenditure¹⁶;
- the overall balance of guarantees issued by states and municipalities can not exceed 22% (twenty-two percent) of the net current revenue;
- the outstanding balance of loans in anticipation of budget revenues may not exceed, in the year it is being ascertained, the 7% (seven percent) of the net current revenue.

¹⁵ For the case of loans with release scheduled for more than one year will be calculated taking into account the annual schedule entry;

¹⁶ For calculation purposes, will be checked separately the previous year and the current year.

Below, is the sheet that the Secretary of Finance of Rio de Janeiro State presents on your website with indebtedness limits regarding the resolutions nº 40 and nº 43 quoted above:

Table 3.1

POSITION : 12.31.2013

In R\$ thousand

INDEBTEDNESS LIMITS OF RIO DE JANEIRO STATE - FEDERAL SENATE RESOLUTION Nº 40/01 AND Nº 43/01						
I - AMOUNT OF CREDIT OPERATIONS CANNOT EXCEED THE CAPITAL EXPENDITURE - (art. 6º, FSR 43/2001)						
	YEAR	CAPITAL EXPENDITURE		CREDIT OPERATIONS	MARGIN	
capital expenditure executed and credit operations revenue realized	2012		7.984.492	4.755.173	3.229.319	
capital expenditure and credit operations revenue contained in the ABL	2013		11.951.004	6.092.358	5.858.646	
II - TOTAL AMOUNT OF OPERATIONS REALIZED IN A FINANCIAL YEAR CANNOT EXCEED 16% OF NET CURRENT REVENUE (CNR) - (art.7º, Incised I, FSR 43/2001)						
	YEAR	NCR LAST 12 MONTHS	LIMIT 16% OF NCR	CREDIT OPERATIONS	MARGIN	%
16% of current net revenue and credit operations realized until the month	2013	47.064.198	7.530.272	5.030.290	2.499.981	10,69%
III - SPENDING WITH ANNUAL AMORTIZATION, INTEREST AND CHARGES OF CONSOLIDATED DEBT CANNOT EXCEED 11,5% OF NET CURRENT REVENUE - (art. 7º, Incised II and § 4º, FSR 43/2001)						
	YEAR	NCR PROJECT	LIMIT 11,5% OF NCR	ANNUAL EXPENSE	MARGIN	%
Annual average of the relation between the expected payments and net current revenue projected year by year, considering alternatively, whichever is more beneficial	2014	48.767.922	5.608.311	6.466.911	(858.600)	13,26%
I- all financial years in which there are expected payments the intended operation; or	2015	50.533.321	5.811.332	6.580.243	(768.911)	13,02%
	2016	52.362.627	6.021.702	6.903.863	(882.161)	13,18%
II- the financial years in which there are payments until December 31, 2027	2017	54.258.154	6.239.688	7.564.212	(1.324.524)	13,94%
	2018	56.222.299	6.465.564	7.976.556	(1.510.992)	14,19%
	2019	58.257.546	6.699.618	8.038.601	(1.338.983)	13,80%
	2020	60.366.469	6.942.144	8.007.037	(1.064.893)	13,26%
	2021	62.551.735	7.193.450	8.095.535	(902.085)	12,94%
	2022	64.816.108	7.453.852	8.187.782	(733.930)	12,63%
	2023	67.162.451	7.723.682	8.298.050	(574.368)	12,36%
	2024	69.593.732	8.003.279	8.532.139	(528.860)	12,26%
	2025	72.113.025	8.292.998	8.510.697	(217.699)	11,80%
	2026	74.723.517	8.593.204	8.648.247	(55.043)	11,57%
	2027	77.428.508	8.904.278	8.780.496	123.782	11,34%
	2028	80.231.420	9.226.613	8.701.094	525.519	10,84%
	2029	83.135.797	9.560.617	8.236.797	1.323.820	9,91%
	2030	86.145.313	9.906.711	4.866.422	5.040.289	5,65%
	2031	89.263.773	10.265.334	4.724.070	5.541.264	5,29%
	2032	92.495.122	10.636.939	4.446.225	6.190.714	4,81%
	2033	95.843.445	11.021.996	3.896.471	7.125.525	4,07%
	2034	99.312.978	11.420.992	3.686.333	7.734.659	3,71%
	2035	102.908.108	11.834.432	3.596.157	8.238.275	3,49%
	2036	106.633.382	12.262.839	3.545.899	8.716.940	3,33%
	2037	110.493.510	12.706.754	3.456.211	9.250.543	3,13%
	2038	114.493.375	13.166.738	3.386.149	9.780.589	2,96%
	AVERAGE	77.204.545	8.878.523	6.525.288	2.353.235	8,45%
IV - AMOUNT OF NET CONSOLIDATED DEBT CANNOT EXCEED TWICE THE NET CURRENT REVENUE (art. 7º, incised III, FSR 43/2001 (art.3º, incised I, FSR 40/2001))						
	YEAR	NCR LAST 12 MONTHS	LIMIT TWICE NCR	CONSOLIDATED NET DEBT	MARGIN	%
twice the net current revenue and net consolidated debt	2013	47.064.198	94.128.395	72.375.122	21.753.273	153,78%
V - THE GLOBAL BALANCE OF GUARANTEES GRANTED CANNOT EXCEED 22% OF NET CURRENT REVENUE - (art. 9º, FSR 43/2001)						
	YEAR	NCR LAST 12 MONTHS	LIMIT 22% OF NCR	GUARANTEES GRANTED	MARGIN	%
total of guarantees granted and 22% of net current revenue	2013	47.064.198	10.354.123	66.775	10.287.348	0,14%
VI - THE OUTSTANDING BALANCE OF CREDIT OPERATIONS IN ANTICIPATION BUDGET REVENUE CANNOT EXCEED 7% OF NET CURRENT REVENUE - (art.10º, FSR 43/2001)						
	YEAR	NCR LAST 12 MONTHS	LIMIT 11,5% OF NCR	OUTSTANDING BALANCE ABR	MARGIN	%
7% of net current revenue and outstanding balance	2013	47.064.198	3.294.494	-	3.294.494	0,00%

OBS1. The net current revenue was projected by applying the update factor publicized by the Minister of Finance in the manual instructions of lawsuits, obtained from the geometric average of the real growth rates of the National GDP in the last 8 years.

In calculating the limit item III - the average until the year 2038, refers to the last financial year that there are debt service payment, of the operations that are in negotiation on National Treasury Secretariat

Chapter 4 – Public Debt Management Principles

4.1 – What is public debt management?

The public debt management comprehends a good coordination between minimizing costs and maintaining a reasonable level of risk, have a sustainable debt, respect all limits imposed by law and be clear in their activities.

As publication "Guidelines for Public Debt Management", the concept of public debt management is the transcribed below:

“Sovereign debt management is the process of establishing and executing a strategy for managing the government’s debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities.”

The World Bank together with the International Monetary Fund considers the following items as required for the implementation of public debt management guidelines:

- Debt Management Objectives and Coordination
- Transparency and Accountability
- Institutional Framework
- Debt Management Strategy
- Risk Management Framework
- Development and Maintenance of an Efficient Market for Government Securities

4.2 – Debt Management Objectives and Coordination

The main objective of public debt management is to ensure that the financing needs of the government are met and that the service is in the lowest possible cost with an acceptable level of risk. The public debt

management should cover all financial obligations over which the entity is responsible, and monitor potential exposures due the guarantees granted.

Is necessary to find a coordination between fiscal and monetary policy with public debt management, since they can impact both, the supply of credit as debt service scenario. Besides the managers in the fiscal and monetary policy areas, for often need information from the debt management area for their decision making.

It is also essential that there is an open communication between managers of public debt and the governors, so that when you need to pass on any relevant information that it arrives on time and without noise.

4.3 – Transparency and Accountability

The public debt management should be transparent, showing what are the goals to be achieved, which is the policy of reducing risk and how are the limits of legal indices.

Transparency leads to greater commitment of managers to reach the proposed objectives, reduces the chance of errors at the time of making decision, and facilitate the clarity and accountability of those involved in the public debt activities. It can also benefit in reducing operational and transactional costs and increase credibility in relation to creditors and investors.

To be having a good transparency is important to have a exclusive staff for the debt area, a legal departament to support and specific legislation regarding the area. There should be a public availability of information regarding the past, present and future (projected) public debt, its composition, flow of payments, stock and what else can be published without damage the public debt management.

Regarding accountability, external auditors should audit public debt annually, these can be independent or private government agencies.

4.4 – Institutional Framework

The legal framework must be clear on the procedures necessary for the governor to borrow and issue debt through bonds. Must be sure that the people involved in debt management are trained and have the legal authority to represent the government.

The system of debt, financial and anyone else who participates in the public debt management should be consistent and efficient, so you can show credibility to investors and other interested parties.

The administrative structure of the public debt management area should have clearly defined roles, with the body of employees aware of their expertise in the sector. However, can have places where public debt management is not restricted to only one organ, where it is more relevant the importance of structural organization.

Most managers of public debt shall prepare an annual report on the activities that occurred in the year, analyzing the data that they consider relevant. These reports are used by the market as a way to assess the extent of the indebtedness of a government.

A public sector debt should be organized in at least two areas, front office, which work with risk management, scenario analysis, among other issues, and the back office, which records, control, pay and monitors the budget debt. This division helps for that does not happened conflict in the tasks execution.

There must be a constant investment in vocational training of all staff of the public debt area, in addition to providing a reliable system which ensures

the necessary information for elaboration of reports, tracking payments, among other activities necessary to the sector of public debt management.

4.5 – Debt Management Strategy

The relevant risks the debt must be permanently monitored. And, when possible, should be minimized. In emerging market countries, may occur accepting a higher rate of funding to maintain the level of risk under control.

To mount a better strategy for the purposes of decision making and risk reduction, debt managers should consider the financial risks and cash flow, rather than looking only at the debt structure in isolation. Should also be considered the risks linked to foreign currency, since, at first moment foreign currency debt may seem cheaper, but it is very risky due to exposure happens in relation to a possible volatility of the exchange rate, even more, considering that most of the times, a contract in foreign currency has an option a variable interest rate.

Another important point to be considered is the possibility of debt rollover, because not all countries or entities may make the rollover. In this case, there is a refinancing risk that can be reduced from the lengthening of the deadline of the new debt.

There must also be a strategy for cash management in order to have a control over the flow of values necessary for the payment of debt service. Highlights the importance of the adoption of this measure by governments that do not have option of issuing bonds to generate cash flow.

4.6 – Risk Management Framework

An analysis to aid public debt managers to identify trade-offs in relation to cost and risk related to public debt should be developed. Generally, the cost of debt is divided into financial cost, which is the cost of paying debt

service, and potential cost, which is the chance to have economic losses resulting from unexpected events.

In relation to risk, debt managers should try to identify what risks are linked to government debt, its magnitude, and try to develop a strategy to mitigate those risks. It is important that the management area did stress tests considering economic and financial shocks, regularly, besides, sensitivity analysis in relation to interest rate and foreign currency.

It is also necessary that managers become attentive with the possible occurrence of contingent liabilities, which would be the emergence of financial claims against the government, may create a new financial obligation to be suffered by the entity. These contingent liabilities can be explicit, such as the enforcement of a guarantee granted, or implied, when there is no contractual obligation, but the government intervenes for finding is the best option.

4.7 – Development and Maintenance of an Efficient Market for Government Securities

Governments that use the bond market should ensure that this market is well developed and efficient, which makes the debt rollover easier, helps in reducing the cost of debt service and the premiums to be paid by the securities issued. It also helps in decreasing the effects of unexpected shocks over the economy.

How often, investors tend to diversify their investments portfolio, the public debt managers should try to present several options on securities, such as, bonds with different maturity and rates of fixed and variable rewards. This attitude also contributes to increasing the attractiveness of government bonds, lower the premium and risk.

The rules to be used in the bond market should be transparent and predictable. The terms and conditions must be publicly disseminated and understood by investors who were to have egalitarian treatments.

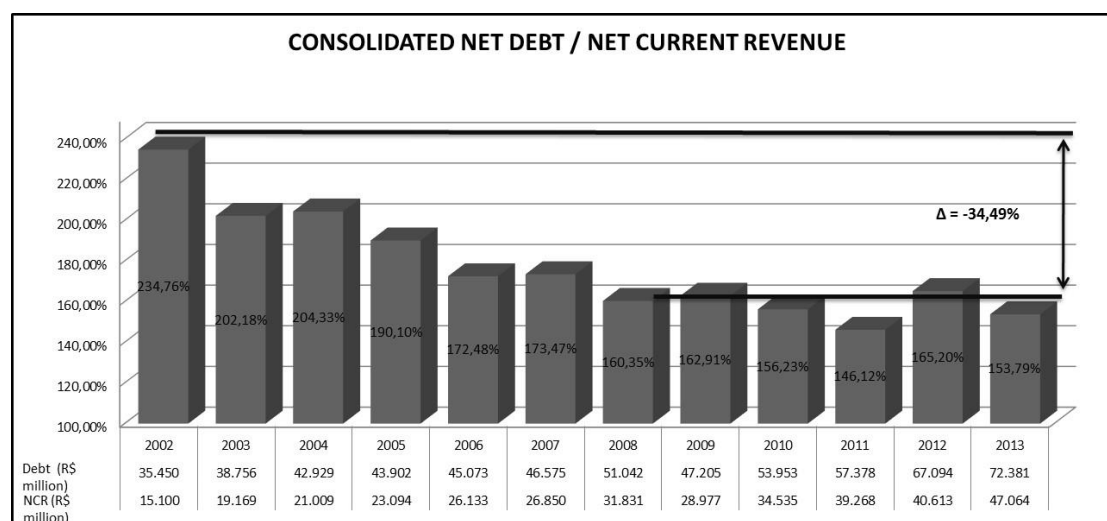
Governments should seek to develop a secondary market that causes the increased liquidity of their securities leading to a decreased risk and consequently a lower premium to be paid.

Chapter 5 - The Rio de Janeiro State and the Public Debt Management Principles

5.1 - The ratio Consolidated Net Debt / Net Current Revenue

After joining the Fiscal Adjustment Program and with the new limits imposed by the Fiscal Responsibility Law, the State of Rio de Janeiro was in a relationship with consolidated net debt / net current revenues greater than 200% (hundred percent).

Chart 5.1



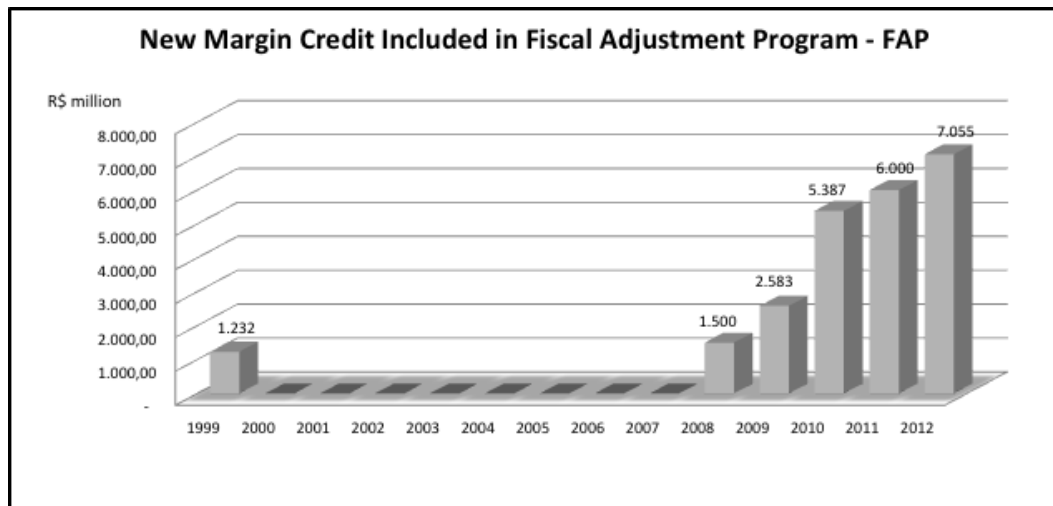
This situation continue until 2004, thereafter the State of Rio de Janeiro came from reducing the CND / NCR relationship over the years, keeping it within the limits set by the Fiscal Responsibility Law and the Resolution of the Federal Senate. The State of Rio de Janeiro has reached the legal limit 12 (twelve) years before the stipulated which is the year 2016.

5.2 - Evolution of Fiscal Space

Fiscal space can be defined as the scope for contracting new loans, authorized by the National Treasury in accordance with the report of revenue and expenditure.

The State of Rio de Janeiro since 2000, could not approve fiscal space, only coming back to make fiscal space for contract new loans from the year 2008, as shown in the table below.

Chart 5.2



This authorization was only possible due to improvement in financial indicators of the state of Rio de Janeiro and the continued growth of its revenues.¹⁷

Table 5.1

YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
NCR	15.100	19.169	21.009	23.094	26.133	26.850	31.831	28.977	34.535	39.268	40.613	47.064
NCR GROWTH	10,96%	26,94%	9,60%	9,92%	13,16%	2,74%	18,55%	-8,97%	19,18%	13,71%	3,43%	15,88%

From the resumption of fiscal space for contract new loans, the State of Rio de Janeiro began to adopt new measures of public debt management beyond those imposed by the Fiscal Adjustment Program and the Fiscal Responsibility Act in order to perpetuate the new tax / financial position of the State of Rio de Janeiro.

¹⁷ Except the year 2009 due to global financial crisis.

5.3 - The new measures of public debt management adopted by the State of Rio de Janeiro

5.3.1 - Bulletin of Fiscal Transparency

In 2008, the State of Rio de Janeiro began to publish the Bulletin Fiscal Transparency, defined in the newsletter itself as follows:

The BULLETIN OF FISCAL TRANSPARENCY is a bimonthly publication of the Department of Finance of the State of Rio de Janeiro. Its preparation is the responsibility of the Secretariat of Fiscal Policy and the Secretariat of Finance. It is called fiscal TRANSPARENCY because it goes beyond the record of macroeconomic figures or associated with fiscal balance goals, which are essential for assessing the solvency of the state. The report also seeks to give a broad overview of the use of public resources by the various functions of the expense. This is a key element for further analysis of the effectiveness and efficiency in the use of tax revenues and other public resources, in order to assess if such use meets the goals of the government and society , properly responding to social demands and acting as inductor element of economic development . The bimonthly newsletter frequency is reflected in the risk assessment for compliance with the fiscal targets set out in Articles 8 and 9 of the Fiscal Responsibility Law (Law 101 /2000).

Since its inception, the Bulletin of Transparency, was dedicated a section with information about the Public Debt of the State of Rio de Janeiro, showing the Evolution of Financial Debt and its expenditure on public debt. Since its inception to date, the part dedicated to the public debt has gone through some changes, always with the goal of improving data dissemination. The Bulletin Transparency is today at its thirty-fifth issue, aiming to improve the mechanisms of control and transparency in the implementation of the state budget.

5.3.2 - Commission of Coordination and Control of Loan and Grant Guarantees – COPEC

In 2009, with the purpose to optimize the implementation of fiscal space gained and align the strategies of state investment, was established by Decree nº 41.997 of 08/10/2009, the Commission for Coordination and Control of Loan and Grant guarantees - COPEC.

This committee aims to analyze the appropriateness and timeliness of loans that can be signed and guarantees which may be granted by the entities and state agencies, deciding on the feasibility of realization of loans and applications for the grant of guarantees submitted to its assessment, and should appreciate the use of resources and level of indebtedness requesting entity of the resource.

5.3.3 - Fiscal Transparency Subportal

From November 2010 (two thousand and ten), to give more transparency to the management of public finances, the State of Rio de Janeiro, launched the Fiscal Transparency Subportal aiming to consolidate into a single portal the information posted in the Website of the Department of Finance of the State of Rio de Janeiro.

In respect of the debt, the subportal had to possess data as to the stock and debt service for greater transparency of its commitments from new contracts for credit operation, in addition to the disclosure of files regarding the status of loans and borrowing limit. These data can be observed through the links below:

- http://www.fazenda.rj.gov.br/sefaz/faces/menu_structure/sitios/sitios-tesouro-navigation/coluna3/menu_sitio_relatorios/Relatorios-

5.3.4 – Investment Grade

In March 2010, the State of Rio de Janeiro for the first time, started to have investment grade, BBB- in global scale and brAAA in domestic scale, by the rating agency Standard and Poor's (S&P), which has already been ratified in August 2013.

In 2011, the State of Rio de Janeiro got his second score of investment grade, by the rating agency Fitch Ratings credit risk, with BBB- rating on a global scale and AA in domestic scale, also ratified in November 2013. This represented the recognition of good tax and financial performance of the State of Rio de Janeiro.

The main factors listed by the state on their website for the achievement and maintenance of investment grade are:

- Restructuring of state finances;
- Compliance with the Fiscal Responsibility Law;
- Improvement of fiscal and financial indicators;
- Fiscal flexibility, whereas 87% (eighty-seven percent) of the total revenue of the State, are own revenues;
- Increased availability of cash from the State Treasury, without prejudice to the spending capacity of the state, in addition to greater speed and predictability of payments made.

5.3.5 – ISO 9001 Certification

In March 2011, the Treasury of the State of Rio de Janeiro became the first treasure in Brazilian government institution to win the certification of ISO 9001, and ratified in the years 2012 and 2013 certificate.

The objective of the State Treasury with the certification was to mitigate operational risk in their jobs, while at the same time, availability, completeness, reliability and authenticity of information provided.

In addition, the certification process also allowed:

- Better planning and control of work routines, eliminating unnecessary steps and minimizing failures;
- Standardization of tasks and the definition of responsibilities, with the goal of achieving greater security and flexibility in activities and;
- The formalization of procedures to enable greater transparency of activities performed.

5.3.6 – DEMPA Evaluation

In April 2011, the State Secretary of Finance of the State of Rio de Janeiro was evaluated by the tool Performance Evaluation of Public Debt Management - DeMPA.

The DeMPA is a methodology that assesses the management of public debt through a set of performance indicators that encompasses all activities of public debt management, offering a detailed overview of debt management.

The tool is based on the principles of debt management guides are in the Management of Public Debt, published in 2001 by the International Monetary Fund and World Bank. Consisting of a set of 15 (fifteen) indicators with 23 (twenty three) dimensions, where each receives a qualification through letter, as follows:

- Minimum requirement: C
- No minimum requirement: D
- Good practice: A
- Intermediate qualification, to give greater specificity: B
- Insufficiency of information: NC (without qualification)
- When the function or process does not exist: NA (not applicable)

The table below demonstrates a summary of the assessment of the state of Rio de Janeiro, where it is importante to point that the 4 (four) reviews "D", only 2 (two) were under jurisdiction of the State Treasury, the same being now resolved. The other 2 (two) reviews "D", are under the jurisdiction of the Court of the State of Rio de Janeiro and the Subsecretariat of Finance.

Table 5.2

SUMMARY OF EVALUATION

12 - A
2 - B
5 - C
4 - D

5.4 - The debt of the State of Rio de Janeiro in 2013

In December 2013, the position of the debt stock of the State of Rio de Janeiro was R\$ 78,956,608,866.15. Of this total, R\$ 71,648,873,640.39 are related to internal operations and R\$ 7,307,735,225.76 are external operations, corresponding to 90.74% and 9.26%, respectively, of the total debt. This demonstrates that the State of Rio de Janeiro lies within an acceptable level of external exposure.

The debt of the State of Rio de Janeiro is comprised of over 80% in respect of installment payments and refinancing, the Union being its main creditor. This is, mainly, due to the signing of the contract for refinancing Law nº. 9.496/97.

Chart 5.3

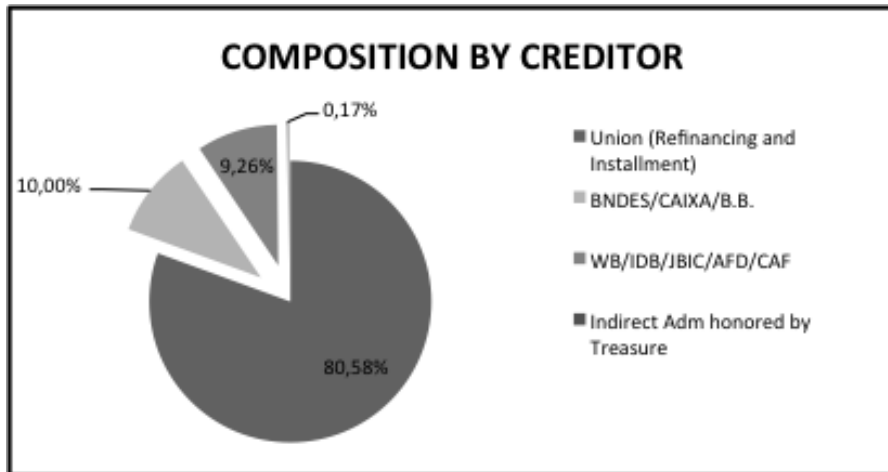
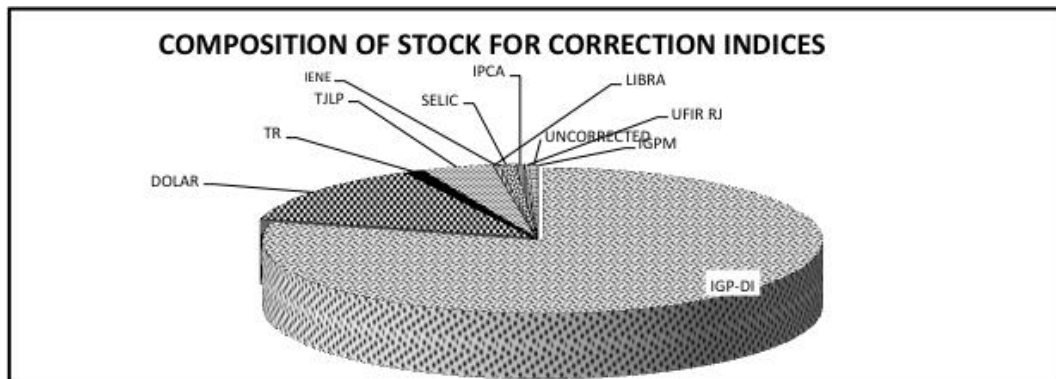
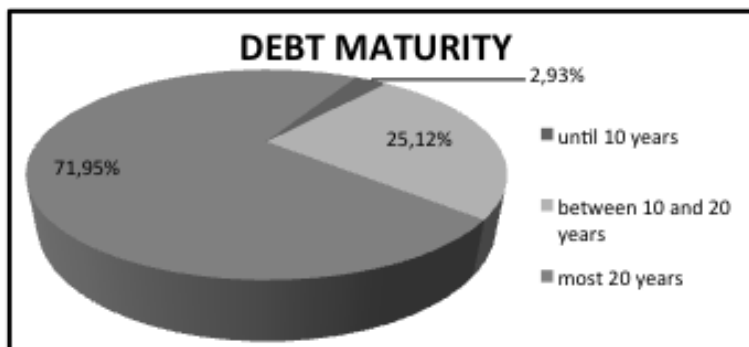


Chart 5.4



Regarding the deadline, the debt of the State of Rio de Janeiro, is more concentrated in the long term, taking 71.95% of debt greater than 20 years remaining term.

Chart 5.5



The composition of interest rates in the State of Rio de Janeiro have a conservative profile, with 88.65% of the debt linked at fixed interest rate, which does not expose the state to shocks.

Chart 5.6

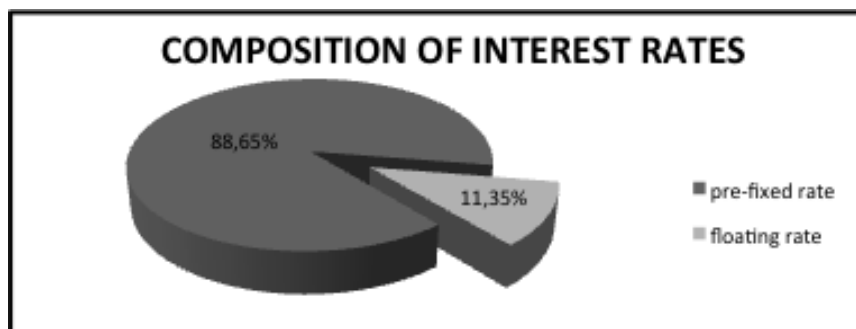


Table 5.3

COMPOSITION OF STOCK IN INTEREST RATES BANDS			
			<i>R\$ thousand</i>
PRE-FIXED RATE			
Interest Rate (%)	Stock	Stock / Subtotal	Stock / Total
0 - 2	1.261.398	1,80%	1,60%
2,1 - 4	218.972	0,31%	0,28%
4,1 - 6	64.811.102	92,58%	82,08%
acima de 6,1	3.717.284	5,31%	4,71%
Subtotal	70.008.756	100,00%	88,67%
FLOATING RATE			
Interest Rate (%)	Stock	Stock / Subtotal	Stock / Total
0 - 2	4.826.406	53,94%	6,11%
2,1 - 4	704.959	7,88%	0,89%
4,1 - 6	3.416.488	38,18%	4,33%
Subtotal	8.947.853	100,00%	11,33%
Total	78.956.609		100,00%

The monitoring of the State of Rio de Janeiro public debt is made monthly by an exclusive sector to the public debt entered in the organization chart of the Secretariat of Finance of the Department of Finance of the State of Rio de Janeiro in order to assess compliance with legal limits and debt sustainability.

In addition to the monthly monitoring is also conducted every two months, a sensitivity analysis of the debt in relation to their main index - IGP-DI, and external indexers - dollar, yen and LIBOR - to assess the exposure to foreign currency. This analysis is performed in stock and in service to be

checked also respect the legal limits imposed by the Fiscal Responsibility Law, even with an unexpected increase of some external index¹⁸.

Table 5.4

CURRENT SCENARIO			OPTIMISTIC SCENARIO			PESSIMISTIC SCENARIO		
<i>R\$ thousand</i>			<i>R\$ thousand</i>			<i>R\$ thousand</i>		
INDICE	%	STOCK	INDICE	%	STOCK	INDICE	%	STOCK
IGP-DI	74,46%	61.221.928,35	IGP-DI	74,05%	59.931.490,69	IGP-DI	77,12%	70.811.510,20
DÓLAR	17,13%	14.086.023,92	DÓLAR	17,40%	14.086.023,92	DÓLAR	15,34%	14.086.023,92
TR	0,91%	744.566,05	TR	0,92%	744.566,05	TR	0,81%	744.566,05
TJLP	5,09%	4.181.351,66	TJLP	5,17%	4.181.351,66	TJLP	4,55%	4.181.351,66
LIBRA	0,00%	3.624,84	LIBRA	0,00%	3.624,84	LIBRA	0,00%	3.624,84
IENE	0,21%	170.518,20	IENE	0,21%	170.518,20	IENE	0,19%	170.518,20
SELIC	0,83%	679.165,36	SELIC	0,84%	679.165,36	SELIC	0,74%	679.165,36
UFIR RJ	0,08%	62.514,43	UFIR RJ	0,08%	62.514,43	UFIR RJ	0,07%	62.514,43
IPCA	0,97%	799.914,43	IPCA	0,99%	799.914,43	IPCA	0,87%	799.914,43
UNCORRECTED	0,34%	276.075,71	UNCORRECTED	0,34%	276.075,71	UNCORRECTED	0,30%	276.075,71
TOTAL	100,00%	82.225.683	TOTAL	100,00%	80.935.245	TOTAL	100,00%	91.815.265

Table 5.5

<i>R\$ thousand</i>			
Main Index	Variation	Stock	%
FOREIGN CURRENCY			
American Dolar	+10%	+1.407.494,00	+1,736
Japanese Yen	+10%	+17.051,82	+0,021

Table 5.6

<i>R\$ thousand</i>			
Main Index	Variation	Service	%
FOREIGN CURRENCY			
American Dolar	+10%	+64.399,07	+1,102
Japanese Yen	+10%	+4.706,03	+0,081
Libor	+1,0%	+179.650,44	+3,075

5.5 - Looking to the future

The State of Rio de Janeiro, with the goal to always remain within legal limits imposed by the Fiscal Responsibility Law and Resolutions of the Federal Senate, began to do every two months, a review of its stock and projected service confronting with the calculations of limits.

In this case, are designed all the indices linked to contracts that the State of Rio de Janeiro has, from the projections released by the market. The projections are made considering the last year the State of Rio de Janeiro have debt to pay, as follows:

¹⁸ In this case, the analysis of sensibilidade debt service is only performed with external indices such as the IGP-DI is linked to a payment limit debt service to 13% of Real Net Revenue.

Chart 5.7

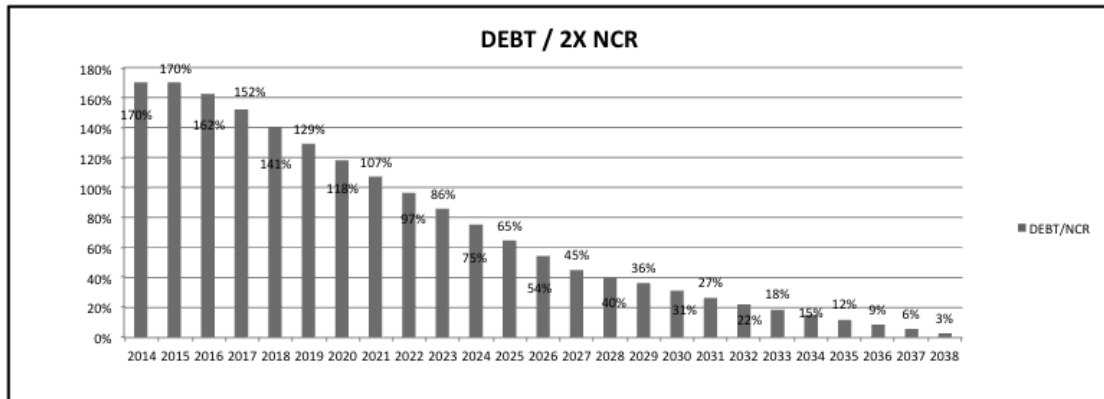
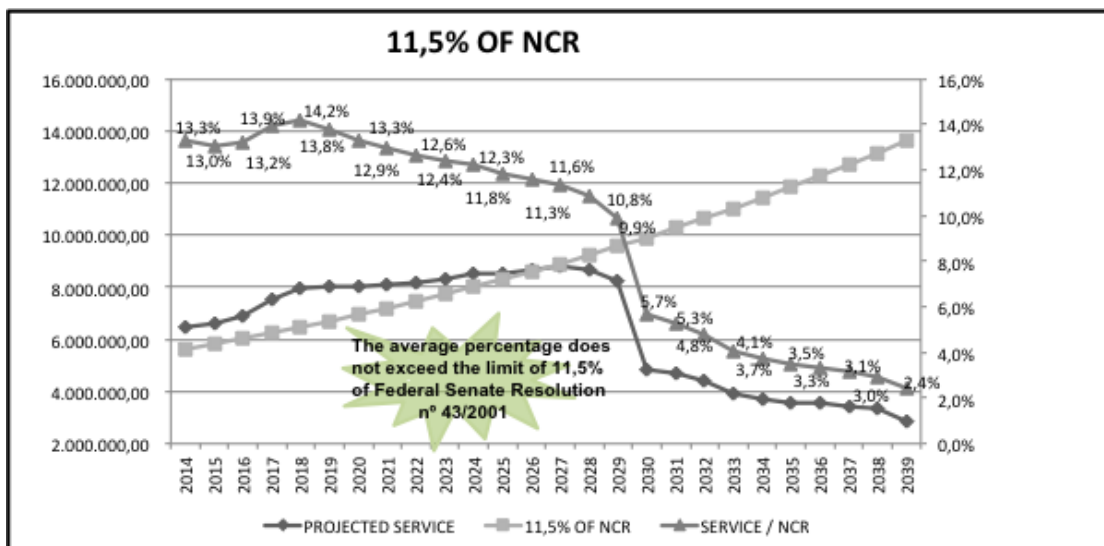


Chart 5.8



Conclusion

As shown in the work, it is observed that there was a constant evolution in the management of the State of Rio de Janeiro public debt.

Making a comparison between the principles presented in Chapter 4 and the data in Chapter 5, it appears that the management of the State of Rio de Janeiro public debt is in accordance with the principles required for good management.

Transparency and Accountability was demonstrated when speaking about Subportal transparency. Debt Management Objectives and Coordination is observed when the State of Rio de Janeiro makes projections of possible shocks to the public debt, for example. With the creation of the Fiscal Adjustment Program and the Fiscal Responsibility Law was created the Institutional Framework for public debt in Brazil. The Debt Management Strategy and Risk Management Framework can also be checked in the sensitivity analysis that the State of Rio de Janeiro makes bimonthly in relation to public debt.

In addition, the State of Rio de Janeiro has always been within the legal limits imposed by the Fiscal Responsibility Law. Even reaching the limit of 200% (two hundred percent) of the net current revenue for the stock, before the deadline set by law.

The work of public debt management should be continuous and always looking at the present and future, which was observed in the management of the State of Rio de Janeiro public debt.

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