



THE GEORGE
WASHINGTON
UNIVERSITY
WASHINGTON DC

PROGRAMA MINERVA

Outono 2010

Projeto Final:

Rafael Bártoli Liberalino – DEPLAN



FISCAL ADJUSTMENT: **THE CASE OF** **RIO GRANDE DO SUL**

Rafael Bartoli Liberalino

MINERVA PROGRAM
FALL 2010

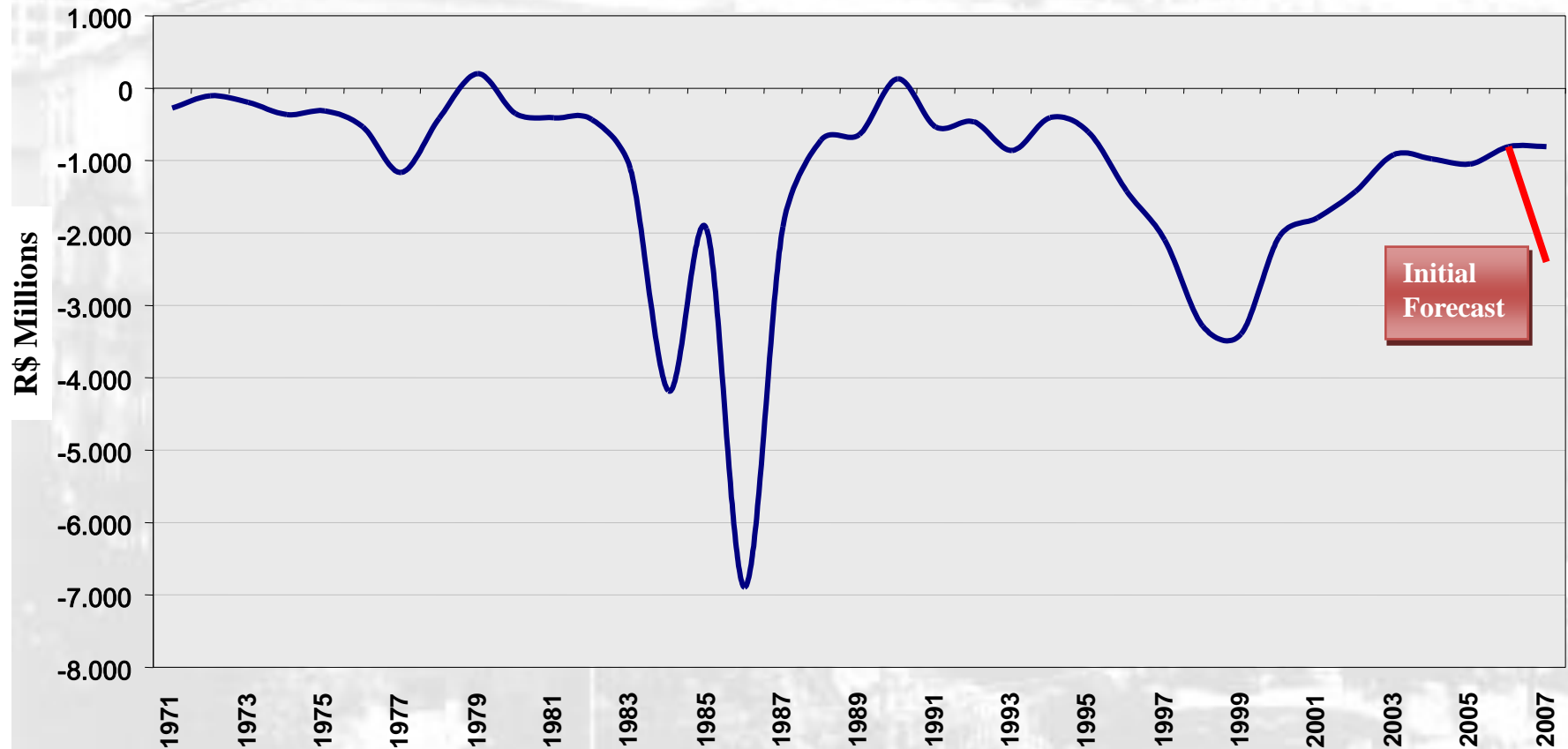
Macroeconomic Indicators (2006 figures):

National Comparison

INDICATORS	% NET CURRENT REVENUE (NCR)	NATIONAL RANK
Total Wages	67.5	1 st
Retirees and Pensioners	31.5	1 st
Investments	4.7	27 th
Debt Service	12.5	7 th
Current Expenses	24.0	18 th
Fiscal Result	-6.4	27 th
Primary Result	2.2	20 th
Financial Liability	61.0	1 st
Total Liability	318.0	2 nd

Source: STN - Balanços dos Estados.

NOMINAL RESULTS – 1971 – 2007



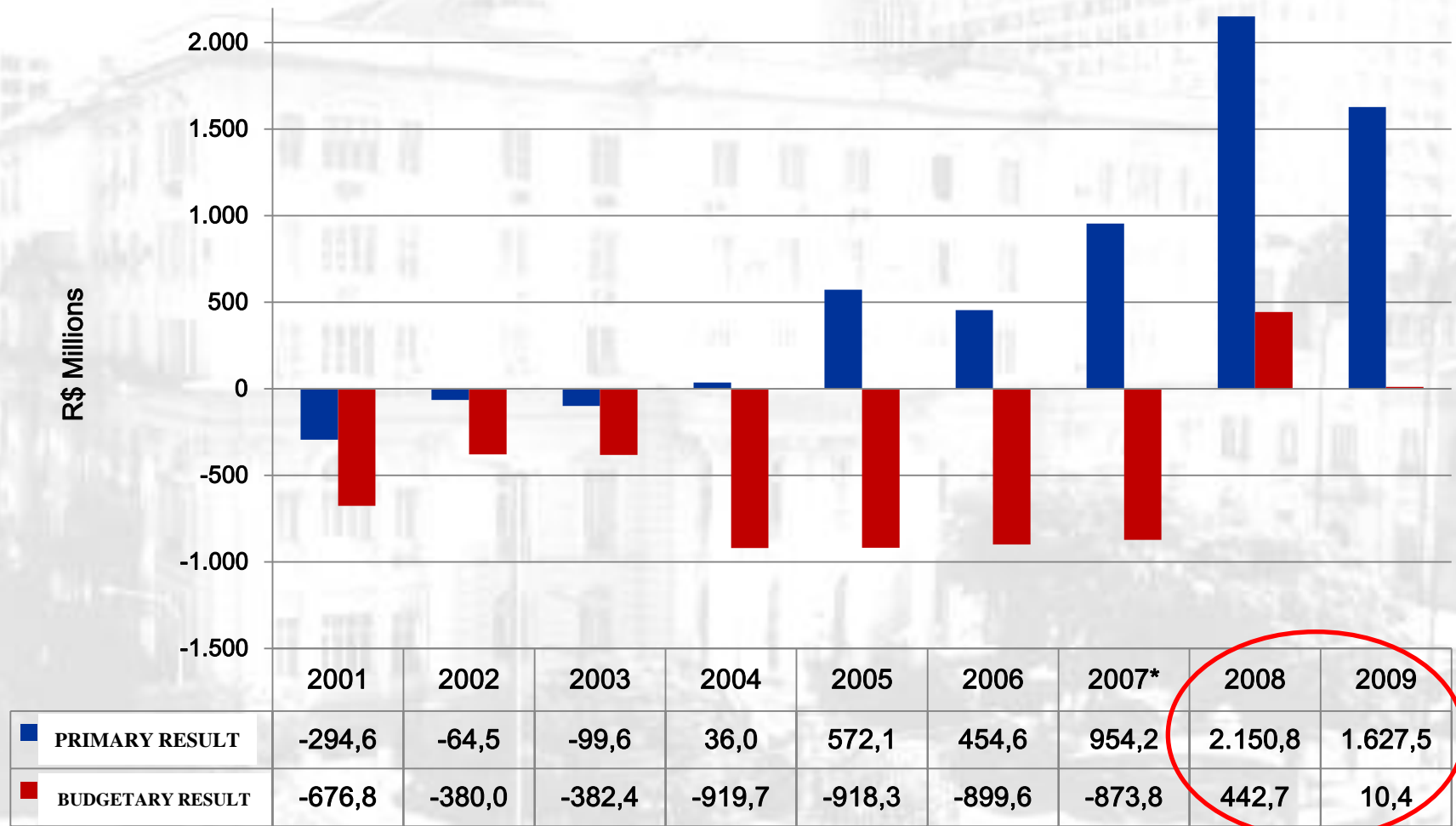
A BRIEF HISTORY OF THE FISCAL CRISIS

Term	Government	Debt Confrontation
1971-1994	TRICHES (ARENA) - BRITO (PMDB)	Indebtedness and Inflation
1995-1998	ANTONIO BRITTO (PMDB)	Privatizations
1999-2002	OLÍVIO DUTRA (PT)	Central Account (SIAC) Funds ; Tax anticipations (ICMS, IPVA and FUNDEF); Debt Renegotiation
2003-2006	GERMANO RIGOTTO (PMDB)	<ul style="list-style-type: none"> ✓ Increase and utilization of Central Account Funds ✓ Temporary tax increase; ✓ VAT, IPVA and other taxes anticipation; ✓ "Debt postponement" (10 days); ✓ Issuing debentures;
2007 / 2008	YEDA CRUSIUS (PSDB)	<ul style="list-style-type: none"> ✓ Broaden the tax substitution sectors; ✓ Central account funds (SIAC); ✓ Partnership with Public Prosecutor's Office; ✓ Modernization of tax inflow through "Nota Fiscal Eletronica"; ✓ Linear 30% budget cut amongst all government branches; ✓ Zero-based quota budget; ✓ Public debt restructuring (US\$ 1.1 billion loan with World Bank); ✓ Delay in payroll;
End 2008 / 2009	YEDA CRUSIUS (PSDB)	✓ Bills on time due to own resources

FISCAL ADJUSTMENT ACHIEVEMENTS

Project	Goal 2007	Achieved 2007
Increase in Revenues (Tax Substitution, Nota Fiscal Eletronica, etc.)	R\$ 400 Millions	R\$ 622 Millions
Expenditure Reduction (30% linear budget reduction, Public debt restructuring, etc.)	R\$ 300 Millions	R\$ 327 Millions
Project	Goal 2008	Achieved 2008
Increase in Revenues (Tax Substitution, Nota Fiscal Eletronica, etc.)	R\$ 900 Millions	R\$ 1.996 Millions
Expenditure Reduction (30% linear budget reduction, Public debt restructuring, etc.)	R\$ 226 Millions	R\$ 261 Millions
Project	Goal 2009	Achieved 2009
Increase in Revenues, considering the global crisis effects	R\$ 500 Millions (VAT = R\$ 15,072 bi)	R\$ 514 Millions (VAT = R\$ 15,087 bi)
Operational expenditure limited to 6,5% of NCR. → In 2006 it achieved 9,7%!	Less than 6,5% of NCR < R\$ 1.130 millions	5,98% of NCR R\$ 1.040 millions

FISCAL ADJUSTMENT RESULTS: 2007 - 2009



Source: RS Treasury Department

THE END

