“Rio is on the right track”

Eduardo Paes
Mayor of Rio de Janeiro

RIO DE JANEIRO MAYOR Eduardo Paes talks about the administrative initiatives the city has adopted to promote economic growth and increase the quality and quantity of social benefits for the people of Rio de Janeiro city. The former congressman supports continuation of the transfer of oil royalties to municipalities and Rio de Janeiro state. He explains the redevelopment and revitalization of port area, Marvel Port (Maravilha Port) to house large national and international companies, becoming a new and modern shopping and business center; he announces investments of US$2.2 billion in education, US$2.8 billion in health and social development, US$7.3 billion in housing and urbanization, US$8.5 billion for mass transit, and US$1.9 billion in environmental cleanup; and he clarifies the scope of the Rio Family Grant program. He assures us: “We are on the right track.”

The Brazilian Economy—Two important issues could reshape the Brazilian federative pact: the distribution of oil royalties and revision of the criteria for distributing the States and Municipalities Sharing Fund. Is there a risk that alliances of states with similar interests in these matters could block discussions on other federalism topics? How should the municipality of Rio de Janeiro position itself in this discussion?

Eduardo Paes—Rio de Janeiro has already positioned itself. We are in favor of enforcing contracts, not changing the rules in the middle of the game. Rio just wants to protect its royalties, and those of Rio de Janeiro state. This has been Governor Sérgio Cabral’s position and we support it. Rio city will not lose much if the law of sharing royalties is changed; we don’t collect much in royalties at the municipality level. However, without these transfers the 2014 World Cup and the 2016 Olympics are threatened, and the state could not afford to pay its employees, for example.

How can the city of Rio de Janeiro benefit from the growth of the oil industry? What has been done to attract oil companies? Rio has an advantage over other cities in Brazil in the oil and gas industry. First, the city is the decision-making center and head-
quarters of large oil and gas corporations and programs—the Brazilian oil company (Petrobras), National Agency of Petroleum (ANP), National Organization of the Petroleum Industry (Onip), the Brazilian Petroleum, Gas and Biofuels Institute (IBP), and Program for Mobilization of the National Oil and Natural Gas (Promin); and 63% of global companies for exploration and production of petroleum and gas. The largest research center of the sector in Latin America—Research Center Leopoldo Américo Miguez de Mello (Cenpes)—is located in Rio.

Second, in the last two years Rio has attracted 11 oil research centers, which will invest around US$1.5 billion . . .

Third, Rio was invited to join the select list of international cities in the World Energy Cities Partnership, and in the city are 16 engineering programs ranked between six and seven by the Coordination of Improvement of Higher Education Personnel—the largest number in Brazil. Finally, I would like to highlight that Rio de Janeiro state is responsible for 80% of production and oil reserves in the country.

Rio is the energy capital of Brazil. We have markets, industry, logistics, and largest concentration of offices, services and research centers of the oil and gas industry.

The proceeds from royalties have been used to pay for current expenditures.

As for revising the oil royalty distribution criteria: “We are in favor of enforcing contracts, not changing the rules in the middle of the game.”

Shouldn’t the city use these funds to reduce the housing deficit, slums, and lack of basic sanitation?

The Draft Budget Law of 2013 estimated royalty revenues of R$222 million, which will be used mainly by the Municipal Urban Cleaning Company, for waste management and treatment of solid waste, and the Department of the Environment, for activities such as management and recovery of green areas, quality of water resources, prevention of environmental damage, conservation of parks and landscaped areas, maintenance of sewer sanitary systems, and drainage of rivers and channels . . . . Royalties end, because oil exploration is not endless, and a city cannot give up its own revenues.

If there is a loss of oil resources, even a partial one, what could Rio do to offset the loss?

The city’s loss of revenues will be much less than the loss to Rio de Janeiro state. There will be no loss of existing contracts, but Rio will not receive funds from the new deep sea oil. The city’s economy has great diversity to generate revenue, such as information and communication technology like call centers, data centers, technology research and development, real estate and infrastructure, financial services like insurance and reinsurance, venture capital, and private equity and assets. There is also a sound creative
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In addition to services for the oil and gas industry, hospitality is creating 15,000 new rooms in 84 new hotels, investments of R$2.8 billion and 11,000 direct jobs and 33,000 indirect jobs; IT, media, audiovisual, construction, infrastructure, financial services, all with great growth potential. The steel and shipbuilding industries are still expanding because of the oil and gas developments; we also have 12% of the Brazilian pharmaceutical industry, as well as sports, culture, media, entertainment, and tourism.

The quality of teaching in Rio has improved, but it still is a long way from the level of developed countries. What lessons can be drawn and what is planned in terms of education policies?

The most important lesson to be drawn from this improvement in education is that it is right to focus on children’s learning, not just on buildings or events. Consistently, a municipal curriculum was created, organized by bimonthly marking periods, with appropriate material to work with students. It was also correct to invest in teachers’ training, and so the School of Teacher Education was established, supported by courses always based on the curriculum. The emphasis on literacy, with
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Besides tourism, which other sectors have potential competitive advantages in exports of services in Rio?

We see as strategic to the city not only oil and gas but also technology, health, industry, media, and financial services, among others. The main challenges this administration faced at the beginning in developing new businesses in the city were linked to infrastructure, health, and education, which is where we focused our efforts. The Marvel Port project, the largest public-private partnership in Brazil with investments of US$4.5 billion, is upgrading 70 km of urban roads and adding 700 km of new networks of urban infrastructure. This area will be our new and modern shopping and business center. We also invested US$2.2 billion in education, US$2.8 billion in health and social development, US$7.3 billion in housing and urbanization, US$8.5 billion for mass transit, US$1.9 billion investment in the environment . . . More than 80 new hotels will be built by 2015, representing investments of US$1.5 billion . . . We are on track for investments.

The city of Rio innovated in proposing policies and global targets for poverty reduction, such as the Rio Family program, which was influential in the design of
national policies. What are the next steps in fighting poverty and fostering social development?

We targeted the poorest families in Rio and after a year of the Rio Family program, we had raised 46% of them above the poverty line; 8% of the population is being served by the Rio Family program with more incentive to educate their children. The project uses the same registry of poor families as the federal Family Grant program in Rio and is an income supplement to the federal program . . . Last year we increased the number of families served and doubled the benefits for people with disabilities and youths in pacified communities. This year, we are also to requiring parents to have their children attend at least 90% of classes, participate in at least one bimonthly school meeting, and take children for mandatory health care in municipal clinics . . . There are 134,000 households and about 540,000 people enrolled in the Rio Family program . . . It is slowly changing the social reality of our city.

“The quality of municipal schools will be maintained because we will persist in pursuing a strategy that was adopted in early 2011: turning all schools progressively full time. No developed country has only four and a half hours of classes a day.”

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