



**CURITIBA**

# **CURITIBA'S FINANCIAL RECOVERY PLAN**

HOW CURITIBA  
MANAGED TO  
BALANCE ITS  
ACCOUNTS AND  
DRAW A PATH TO  
SUSTAINABILITY  
IN PUBLIC  
SPENDING.

At the beginning of 2017,  
the City of Curitiba faced an  
extremely delicate financial  
situation and was on the verge  
of a collapse of public services.

1

**Expenses growing  
more than revenues**

Personnel Expenses and Net  
Revenue from 2012 to 2016.

**70%**  
EXPENSES



**28%**  
REVENUE

2

**City expenses didn't fit  
in the budget**

Budget scenario of 2017.

US\$ **3,2**  
billion  
EXPENSES



US\$ **2,5**  
billion  
REVENUE

3

**Unsustainable Welfare  
for the Municipality**

Period from 2013 to 2016.

**48,5%**  
new retirees  
in the last  
4 years

more than **5**  
**THOUSAND**  
retirements  
granted

\*Average exchange rate BRL to USD in the year of 2017: R\$ 3,19.

In this scenario, the City presented a budget deficit for 2017 of

US\$ **680** million

US\$ **192** million

In expenditures not covered in the budget.

US\$ **71** million

Remaining balance outside the budget in 2016.

US\$ **321** million

Deficit for the secretariat's operating expenses in 2017.

US\$ **102** million

Deficit for personnel expenses in 2017.

Without the adoption of immediate recovery measures, most of Curitiba's public services would collapse



Health Services would have resources available only until August of 2017



The Education System would have funds until September of 2017



The salary of the City Hall employees would have been paid only until November of 2017



The garbage collection in the city would have been kept only until July of 2017



Personnel expenses would have reached more than **58.39%** of the net revenue at the end of 2017, **exceeding the legal limit** established by the Fiscal Responsibility Law

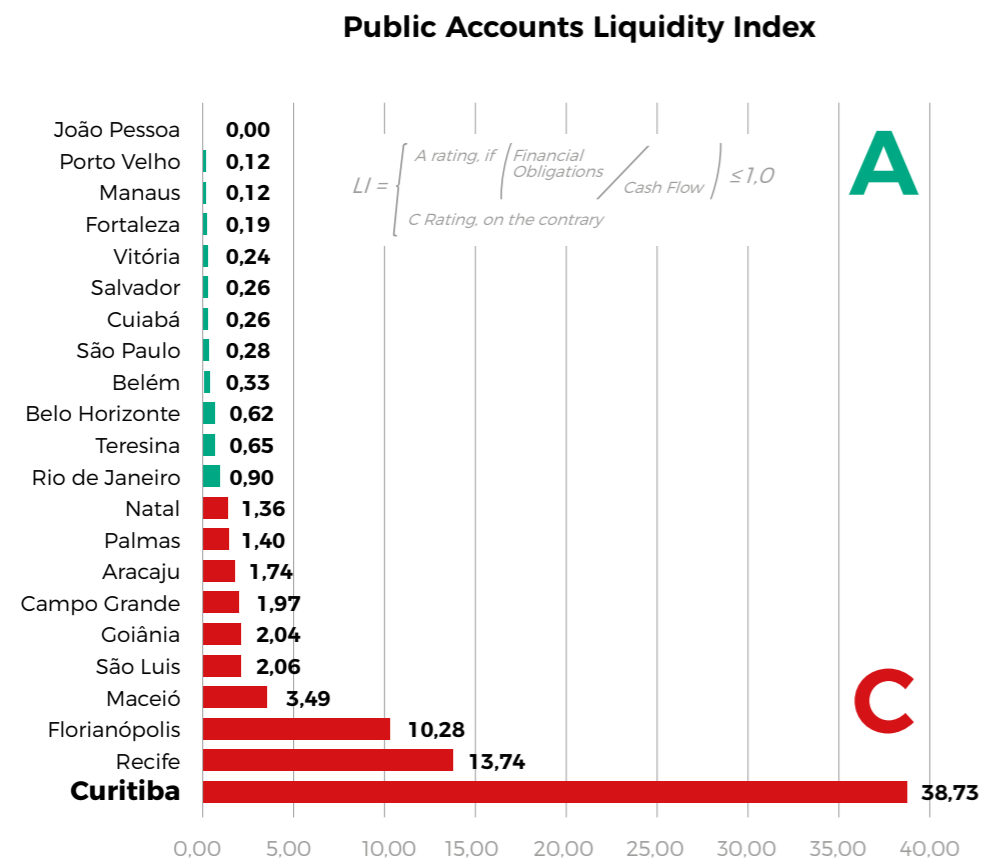


The City would have ended 2017 with a **debt of almost US\$ 313 million** with the Public Servants Pensions Fund

# COMMITMENT

## TO FINANCIAL SUSTAINABILITY

In 2017, the Brazilian Association of Finance Secretariats of the State Capital Municipalities confirmed, using the National Treasury new methodology, that **Curitiba had the worst Liquidity Indicator among all Brazilian capitals:**



Note: Elaborated with data from the National Treasury. No data are available for the cities of Rio Branco, Macapá, and Boa Vista. Porto Alegre with negative cash availability. Source: ABRASF.

PUBLIC ACCOUNTS  
LIQUIDITY INDEX

**C RATING**

In 2016, Curitiba was  
last place among the  
Brazilian capitals.

To overcome of this dramatic situation, the **Secretariat of Finance of Curitiba structured a series of short, medium and long-term measures, called Curitiba's Recovery Plan (CRP):**

### MFRL MAIN INNOVATIONS

Mechanism that limits the personnel expenses' increasing, linked to the rise in tax collection.

Creation of the Fiscal Management and Liability Council, responsible for decisions to optimize and qualify the public expenditures.

Mandatory reduction of personnel expenses when they reach 50% of the net revenue, preventing the City to exceed the legal limits.

Mandatory provision of financial resources for the implementation of new public facilities.

**Already at the beginning of the Administration term, the Curitiba's Recovery Plan defined immediate actions to recover the financial health of the city.**

- The **Municipal Fiscal Responsibility Law (MFRL)** ensured a sustainable trajectory for public expenditures.
- **Reduction of more than US\$ 33 million in operating expenses**, renegotiating contracts in areas such as cleaning, IT, transportation and others.
- **Establishment of a New Fiscal Target**, evidencing the commitment to the seriousness and transparency of public accounts.
- Exclusion of the **Curitiba Urbanization Fund (CUF) from the calculation base of the net revenue**, ending the "fiscal illusion" in the municipal budget.
- **Decreasing in the number of secretariats and commissioned posts.**

# DEBT PAYMENT INTELLIGENCE

## Curitiba came out ahead and adapted its pension fund to the new times.

- **Innovation with the creation of CuritibaPrev**, a complementary pension fund for municipal employees. **Curitiba becomes the first capital in the country to have a complementary pension fund for its public employees.**
- **Implementation of a new regime of social security contributions**, ensuring the system's strengthening and guaranteeing the City's payments.
- **For the first time, social security contributions are foreseen and guaranteed** in the municipal budget.
- **Increase in the Social Security Tax rates**, strengthening the municipal fund.
- **Compensation of amounts wrongfully transferred** to the Social Security Institute.
- **A consensus was reached about the payment of the employer's share for the retirees**, avoiding improper transfers to continue.
- **Creation of an installment plan to pay for more than US\$ 110 million in City debts** to the Social Security Institute accumulated during the previous administration.

## STRONGER PENSION FUND

## The lack of payment to suppliers and service providers undermined the City's essential services, such as the provision of medicines.

- **Creation of reverse auctions for the municipal debts**, saving more than US\$ 1,1 million for the City.
- **Prompt payment for more than 600 small creditors**, totaling US\$ 7,8 million in obligations paid.
- **Payment in installments of debts greater than US\$ 94,000 for the providers of essential services** such as medicines, school meals, and cleaning, totaling more than US\$ 54 million in debts paid in installments.

## In recent years tax collection rates fell sharply at the main revenue sources\*.

- **Launching the Nota Curitibana program** which, in addition to the tax education and cash awards, will improve Services Tax collection.
- **Simplified collection for the Real Estate Transfer Tax and adjustment in its rates.**
- Creation of new technologies in the taxation area such as the **Taxpayer Electronic Domicile**, providing more agility to communicate with the citizens.
- **Detachment of the garbage collection fee from the Property Tax**, solving the service's operation expenses deficit and the risk of interruption of the collection service.
- Promotion of a modern **regulatory bill for ridesharing apps**. In only three months, the city has collected more than US\$ 1.1 million.
- **Creation of the Coordinating Body for Information Projects (CBIP)**, to coordinate the implementation and to monitor information projects and programs, seeking to achieve strategic objectives and efficiency in the delivery of services.
- **Update of the Services Tax Law**, adjusting it to the federal legislation, with the introduction of new services' categories and the minimum rate of 2%.

\* Services, goods, merchandise and real estate transfer tax.

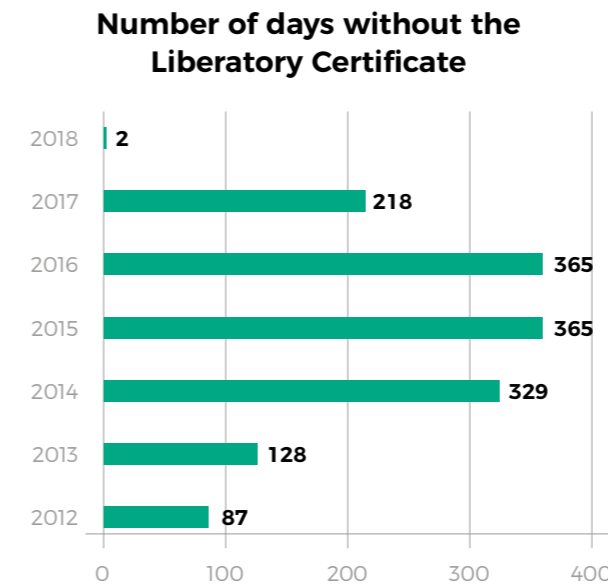
MORE  
ADMINISTRATIVE  
**EFFICIENCY**

# RESULTS THAT REFLECT CURITIBA'S RECOVERY

The Curitiba's Recovery Plan presented results and, in only one year, the City was able to resume public services, balance its accounts, regain credibility and increase investments.

- In 2017, **all commitments of the City** with its suppliers were paid **strictly on time**.
- With the **employees' payroll in good standing**, it was possible to **advance the 13th salary**.
- The City **restructured the Curitiba Health Institute** and obtained legal authorization to pay its debt with the institute in installments.
- From the reorganization of the public accounts, **public services were regularized and investments increased by 58%.**

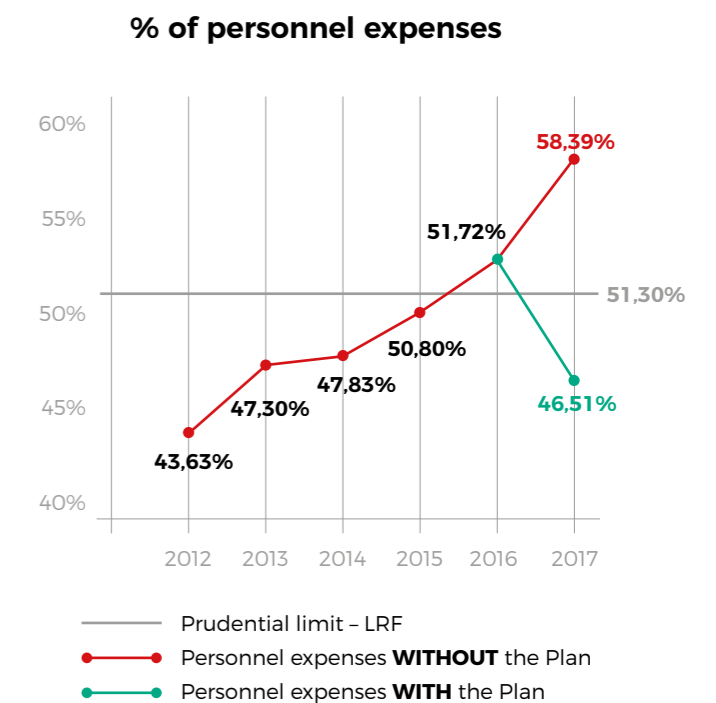
And even more results showed up.



The Municipality obtained the Liberatory Certificate from the State of Paraná Court of Auditors.

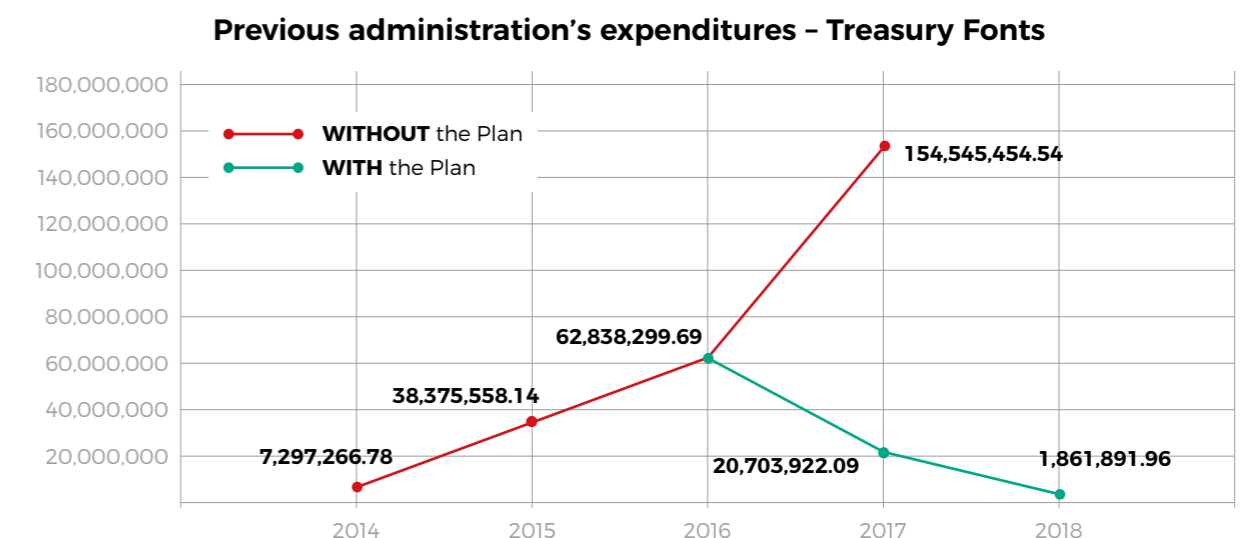
**SINCE 2012, THE CITY STAYED ALMOST 1500 DAYS WITHOUT THE CERTIFICATE**

With the Liberatory Certificate from the Court of Auditors, the City was once again able to receive federal and state funds for investment in the city.



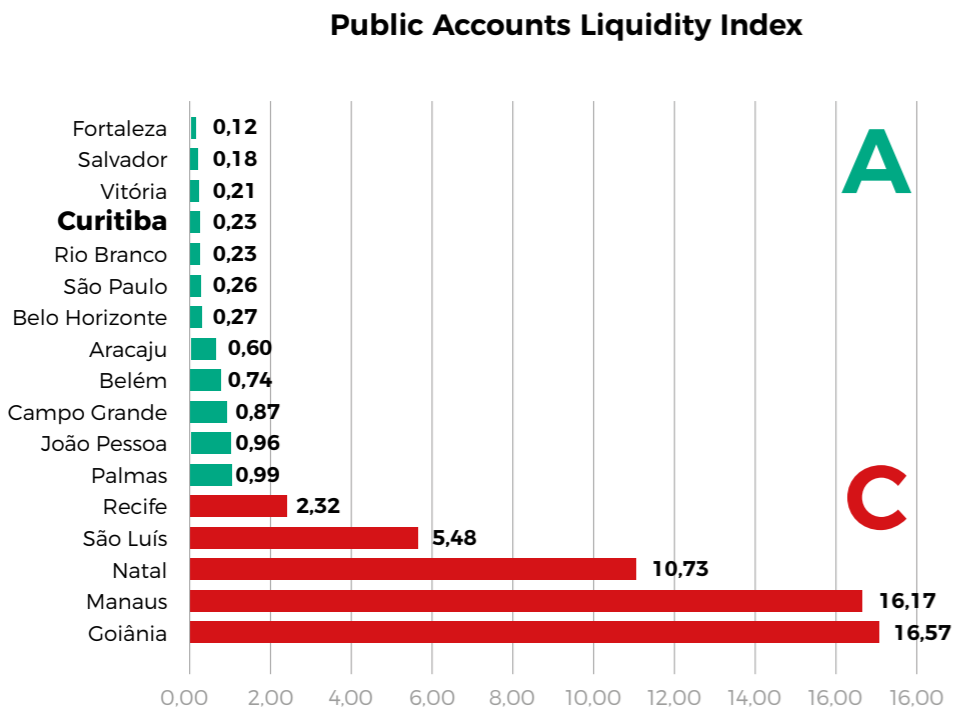
With the Curitiba's Recovery Plan, personnel expenses did not exceed legal limits

**WITHOUT THE PLAN, THE CITY WOULD HAVE EXTRAPOLATED THE PRUDENTIAL LIMIT EVEN FURTHER, GOING TO 58.3%**



With the Curitiba's Recovery Plan, the previous administration's expenditures were significantly reduced. If the Plan weren't implemented successfully, the expenditures would have reached US\$ 154.5 million at the end of 2017.

With the Curitiba's Recovery Plan, the Municipality no longer has the worst liquidity rating granted by the National Treasury. With 'A' rating on liquidity, Curitiba can receive credit guarantees from the Federal Government to require fundings.



Note: Elaborated with data from the National Treasury. Porto Velho, Cuiabá, Teresina, Rio de Janeiro, Maceió, Florianópolis, Macapá and Boa Vista don't have available data. Porto Alegre with negative cash availability.  
Source: Municipal Secretariat of Finance / Curitiba.

BEFORE

C RATING

NOW

A RATING

BEFORE, CURITIBA RANKED **LAST IN THE NATIONAL TREASURY LIQUIDITY INDICATOR**. IN JUST ONE YEAR THE CITY HAS ALREADY **MOVED TO THE 4th PLACE, WITH “A” RATING**.



**CURITIBA**