

Europe Solidaire Sans Frontières > English > Americas > Brazil > World Cup, Olympics, social resistances (Brazil) > **Brazil: Three months after the Olympics, Rio de Janeiro is broke**

Brazil: Three months after the Olympics, Rio de Janeiro is broke

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From the front steps of Rio de Janeiro's Municipal Theater, the ballet company danced, and opera singers belted out the strident "Carmina Burana."

It was last month, and the show was an artistic public protest. The performers, all state employees, haven't been paid for weeks and won't be getting paychecks until Dec. 5.

The same day, outside a state-run hospital in Rio's Tijuca neighborhood, a doctor shrugged when asked about the long lines of people waiting to be treated. "It's total chaos in there," he says.

And in Rocinha, Brazil's largest favela, or marginalized neighborhood, 10-year-old Railene de los Santos frowns and gives a faraway look when asked about the threat of her local library closing, to save money.

"If anyone closes my library I'll kill them," she says. "I love my library."

Three months since the Rio de Janeiro Summer Olympics, the "marvelous city," as it's known, is unraveling.

The state of Rio is broke. It hasn't been able to pay its bills since long before the games. A federal bailout kept police on the streets and hospitals open while Olympics tourists were in town. But now the money has dried up, and public employees aren't being paid.

The state government is voting on an austerity package that could slash state workers' wages and pensions by 30%. That's triggered violent protests and led demonstrators to briefly storm the state Legislature last month.

Meanwhile, crime is surging across the state. From January to October, murders increased by 18%, and street robberies jumped by 48% compared to the same time last year, according to the state's security institute.

The state of Rio owes more than 107 billion reais (about \$31 billion) to the federal government and other lenders, according to the national Finance Ministry. In May, the state began missing debt payments to international creditors.

The state's finances have been pummeled by Brazil's floundering economy and by the stagnant price of oil, which traditionally accounts for a lot of state income. A massive corruption scandal involving the Rio-based state oil company, Petrobras, has led to thousands of layoffs and only worsened the crisis. And the former governor is accused of facilitating millions of dollars in bribes over building contracts for the soccer World Cup and the Olympics.

"I think the Olympics were like the last ball of the empire," said Ciro d'Araujo, an opera singer who was protesting on the steps of the Municipal Theater last week. "We threw a party but we knew that this was going to happen afterwards."

The Olympics were never meant to be an economic panacea for Rio, but there was certainly hope that the games would boost the local economy. Instead, officials are now trying to figure out if tax cuts awarded to corporations involved with the Olympics actually worsened Rio state's financial situation.

One big reason Rio is in so much money trouble is that state lawmakers have a habit of giving huge tax incentives to companies that do business here. An auditor found that Rio missed out on 138 billion reais (about \$40 billion) in corporate taxes between 2008 and 2013. That's almost twice the state's annual budget of about 80 billion reais.

Those tax breaks are supposed to encourage corporations to set up shop, bringing jobs and revenue to Rio. But in 2010, the state government also passed a vaguely worded resolution to grant tax breaks to 2016 Olympic sponsors.

Now, auditors are trying to figure out how much that fiscal relief ended up costing Brazilian taxpayers, and whether corporations abused their incentives. A spokeswoman for the state auditor's office wrote in an email that the agency is trying to establish which companies avoided paying taxes by citing the Olympics resolution, and how much money the state lost as a result.

Rio state's treasury secretary, through a spokesperson, declined to comment on the ongoing audit.

Political scientist and professor Mauricio Santoro, himself a state employee, says the government's policies have clearly failed residents of Rio de Janeiro.

"What we can say is that it was a bad decision from a financial point of view, and that giving these tax cuts did not result in jobs or economic growth to Rio," Santoro says. "And now the state is broken, and it has to cut salaries and pensions, so hundreds of thousands of people are going to suffer very negative impacts because of these decisions."

Will Carless

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<http://www.usatoday.com/story/news/world/2016/12/02/three-months-after-olympics-rio-de-janeiro-broke/94794304/?csp=dailybriefing>

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