Good afternoon, everybody. It’s a great honor to be here visiting Brazil. I had the privilege yesterday of visiting Salvador and looking at some of the projects and the World Bank is very engaged, especially in the northeast of Brazil. This was a request that President Dilma had made of my predecessor, and the projects there are going extremely well.

One project was about the reclamation and the improvement of the living situation of people in Sao Bartolomeu, a very impressive project that not only preserved a critically important park in the middle of the city but also dramatically improved the living situation of many of the poorest in that area through the building of houses and the building of parklands.

I also visited a public-private partnership supported by our private sector arm, IFC, which was a wonderful, very sophisticated hospital, hospital suburbia, in Salvador that exclusively treats the poor and it has a catchment area of one million people and is providing outstanding quality of services, emergency services, for the poor of that area.

Today, I had the great privilege with meeting with Minister Tereza (Campello) of MDS and also meeting with the Minister of Finance, Minister Mantega.

With both of them, I shared part of my personal story, and I felt it was important for me to introduce myself to them and to Brazil.
The story I told them was that, as an adult--as an adult, after graduating from college, one of my first trips to Washington, D.C. was to participate in a protest of the World Bank Group. It was part of a movement called "50 years is enough." I gave them a copy of a book that I had written called "Dying for Growth" which was the result of some of the work that we were doing.

And at the time, our concern was that the World Bank was too focused on economic growth in and of itself without paying enough attention to inclusion, to health, to education, to social protection.

And during my campaign I was actually here in Brasilia meeting with Minister Mantega during the campaign. There was a lot of commentary in the press. How can the World Bank possibly have as a President someone who protested the World Bank just a few years before?

And the message that I wanted to convey was the fact that the World Bank today is an institution that has grown, evolved tremendously over its entire 66 years, and I think this is one of the great strengths of the World Bank. Twenty years ago, I don't think you could say the World Bank was in the lead in terms of talking about the environment, in talking about gender equality, talking about the importance of investing in health, education, and social protection as a part of a growth strategy, but that's exactly where we are now, and I wanted them to understand that having someone like me as a leader is a testament to how much the Bank has evolved.

But also, I wanted to make the point to them, and I said this many times to them, is that the success of Brazil is critically important to the success of the World Bank and all of our goals. What the message we have been giving is, yes, economic growth is critically important. It's impossible to lift people out of poverty, impossible to provide jobs, without economic growth. And specifically, we need to see economic growth in the private sector.

Our recent Word Development Report stated that 90 percent of all jobs in developing countries come from the private sector. So, we need growth in the private sector.

At the same time, what we've argued is that economic growth without inclusion can build instability into societies. That's one of the lessons of the Arab Spring.

And so, for us, the explicit commitment of this government to social inclusion, we think, is critical. They've done something that is especially important, and we may call it the Holy
Grail or the Holy Trinity: they have linked health, education, and social welfare through Bolsa Familia, through Brasil Sem Miséria. These programs are linking those three sectors, investing in human capital to lay the ground for the economic development of the future. This is a very difficult thing to do, and the commitment of this government to doing that has been extremely impressive. So, we need to see success here so that we can continue to make the case that this is the best way to develop. Spur economic growth, make sure you have growth in the private sector, but do it in a way that's inclusive, that includes the entire population. Invest in infrastructure. There's all kinds of infrastructure, but invest in human capital as well.

Let me stop there and open it up for questions.

**SPEAKER:** Okay. Let's go to your questions. If you can identify yourself, I will appreciate that.

Yeah, let's start there, and then you go here. Your turn.

**QUESTION:** Good afternoon. Raymond [unclear] from Bloomberg News.

I wanted to ask you briefly, since your last outlook on the world economy in January which was an adjustment downward to, I think, it was 2.4 percent, where do you see the next report going, particularly taking into account sequestration in the U.S., which was one of the two main points that was mentioned in that report that's now happened. Maybe you could just briefly talk about what you see the economic impact being on the U.S. and the world economy.

**DR. KIM:** Thank you for that question.

You know, we are, of course, watching very, very carefully, and we hope very much that the political parties and President Obama and the legislature come to some sort of agreement.

I think it's still unclear exactly what effect the sequester will have. Certainly, it seems like the stock markets have adjusted already for this first phase of it.

Let me just say this: What we're very focused on is the impact of the sequester of the United States, the ongoing European fiscal situation. We're very focused on the impact that those situations will have on developing countries. That's our job. That's our primary focus.
So, what we've been doing in the meantime is really encouraging the developing countries to build back up buffers. Some of the buffers have been depleted over time, adjusting and reacting to the first shock. So, we want them to build back up their buffers, so, creating some financial space to respond to the next set of shocks if they were to come.

But the most important thing, and it very much relates to what we're seeing here in Brazil. What we're saying is please don't adjust all of your economic plans to reacting in the short term. We are very strongly encouraging developing countries to think about investments for the medium and the long term. Think about the infrastructure investments you need to make now and continue to invest in human capital. So, we are very encouraged that here, in Brazil, we are seeing a continuation, and even an augmentation of investments in human capital and infrastructure at this particular time. We think that's very important.

**SPEAKER:** Yes, please, over here.

**QUESTION:** I'm also with Reuters here in Brasilia. Dr. Kim, I was wondering, you were talking about infrastructure and Brazil is going on through--it's going through a very aggressive [unclear] to increase infrastructure. I was wondering if the World Bank has any plans to increase credit levels for Brazil for their states. Brazil has increased the limit of indebtedness from a lot of their states. So, I was wondering if you had any plans on that specific sector.

**DR. KIM:** So, we would remain involved. We're working with the Brazilians very closely. You know, there is such a thing at the World Bank called the single borrower limit, and it's an area of intense discussion right now inside the World Bank, especially with the Board, in terms of what that is, but these are the rules. We have a certain set of rules. We have been lending very aggressively to Brazil, some $3 billion a year, over 54 billion in the history of the World Bank's relationship to Brazil.

In my meeting with the Finance Minister Mantega today, he confirmed that we have a very strong, very active relationship, and he wants us to continue.

Now, as we get close to the single borrower limit for Brazil from the World Bank, we talked about various ways where we can continue to remain engaged. Part of that will be that much of our work may be in advisory services or around technical assistance, but there are also creative ways of creating more space so that Brazil can keep borrowing.
Our commitment to remaining engaged in Brazil is not just that we think we can be helpful. When we engage in Brazil, we can almost always be assured that the Brazilians are going to be innovative, try new things, and we learn every time we work with Brazil.

So, remaining engaged in Brazil and in all the middle-income countries going forward is a very high priority for us.

One of the discussions we're having at the World Bank is what it will take to end poverty in our lifetime. Now, if we're committed to ending poverty in our lifetime, we have to not be concerned only with poor countries. We have to be concerned with poor people, as well, and over 70 percent of poor people live in the middle-income countries. So, our commitment to Brazil and to other middle-income countries remains very strong and we confirmed that commitment today.

**QUESTION:** We just learned that Brazil's economic growth was less than 1 percent last year. So, I'd like to know what your assessment of these figures and to what extent it hinders social development.

**DR. KIM:** So, of course, we understand the disappointment around the growth figures that I think are .9 percent is what the estimate was for last year, but much of that had to do with external forces, you know, weakening demand, the overall weakness in the global economy. And our expectation for this year is that Brazil will grow at 3.5 percent. So, we do expect growth to rebound.

And I was just in Bahia, which had much higher rate of growth, and the growth that we saw in the northeast was extremely encouraging. So, we do expect it to bounce back, and we think that the investments that are being made now are in fact laying the groundwork for future growth.

**SPEAKER:** More questions? All right, you've got another one.

**QUESTION:** This has nothing to do with what we talked about here, but given your background, I'm just kind of curious, you know, we've seen these reports about this new form of [unclear] from HIV. Given the fact that you are very knowledgeable about this, I was just wondering what your opinion is or what you think about this.
**DR. KIM:** Well, you know, this is another area where Brazil has been an absolute inspiration to the world.

When I was working as an HIV doctor, Brazil's commitment to treating everyone in this country living with HIV with drugs was absolutely a revolution for the world.

And in fact, when I was at the World Health Organization in 2003, we recruited Paulo Texeira, who was the head of the HIV program here in Brazil to come to the World Health Organization to lead our effort there.

So, on a very fundamental level, Brazil continues to teach the world about solidarity, and these lessons started from long ago, and around HIV.

This particular case is very interesting. What we learned from this case is that, previously, there had been only really one case where we thought that someone had been cured of HIV, and that was with a bone marrow transplant.

Now, what happened here was almost accidental, but the result seems to be extremely encouraging, that early treatment with a triple-drug regimen, a much more aggressive form of treatment at a very early stage in the life of a newborn can actually remove the virus from the body entirely.

What happens is, in a very short period of time, as the virus gets into the body, it finds places to hide, and it seemed like this early treatment removed all those reservoirs in which the virus can hide. This is very exciting, and it is another step toward the potential finding of a cure for HIV. So, I am extremely encouraged by it. I think it's good news. I think it teaches us something that people like Paolo Texeira and I had been saying since the early 2000s, which is that early and aggressive treatment can be a very important part of prevention of the disease and also will teach us so much about what it will take to cure the disease. So, I'm very encouraged by it.

And again, it's great that I'm asked this question here, this country that has been such a pioneer in the humane and just approach to treating people with HIV.

**SPEAKER:** All right. If no more questions--yes.

**QUESTION:** I'd just like…Dow Jones…I was just wondering if you could elaborate a little bit more on your answer to Raymond's question about the meaning of the sequester and
what you see for this year, if you could just give a little--because you mentioned the stock market.

What is it going to take to regenerate the growth in the job sector and start new growth and what is it going to mean for the real economy? Are you worried about this and what kind of impact--repercussions will have it around the world for this year, 2013?

**DR. KIM:** Well, you know, many of us who have been in these meetings, who attend the G-20 Finance Ministers' meetings, who think every day about where global growth is going, there are many things that we worry about all the time, and of course this is one of them. At this time I think it’s really hard to predict what the impact is going to be. I mean, I really don’t know. I think everything that I see in which the President is actively engaging in discussing and negotiating with leaders in the legislature are encouraging to me. I think that’s what it takes. I think they’re going to have to really sit down and continue to find ways of fixing this situation and moving us back toward growth.

I mean, there were so many things that we were seeing that were positive. The housing sector was one in the United States.

Also, I have to say, nine or 10 months ago, there were many people who were predicting the end of the euro, who were predicting that efforts at maintaining the euro as a viable currency would not come to fruition, but I think what you've seen over the last 10 months are really remarkable acts of solidarity. You can argue about whether it was done quickly enough or not, but the commitment to keeping Greece, for example, in the Eurozone, the commitment to providing whatever funding was needed to support these economies, I think that all of these are very encouraging, that there’s a lot of work left to do. There's no question there's a lot of work left to do.

We've actually now got to see implementation on the commitments that were made in the countries that are in the most serious condition.

But I think over the last 10 months, there's a lot to be optimistic about. I think there's a lot in the American economy to be optimistic about.

Now, we just need to see strong leadership from all sides to fix this situation.

**QUESTION:** Are you optimistic this could be averted--a greater problem can be averted in 2013 or...?
DR. KIM: I certainly hope so. You know, we're not a political organization, as you well know. I mean, we're focused on finance and we don't get involved in the local politics of individual countries, but there is a large group of us around 18th Street and H Street in Washington where both the World Bank and the IMF, International Monetary Fund, are located that are rooting for our colleagues close by to find a solution.

SPEAKER: Okay. Any other questions? No? Well, thank you very much.

DR. KIM: Thank you.