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INTERNATIONAL MONETARY FUND

Press Release No. 55

October 22, 2007

Statement by the Hon. **GUILLERMO ZÚÑIGA**,
Governor of the Bank for **COSTA RICA**,
at the Joint Annual Discussion

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Mr. Chairman, Mr. President of the World Bank, Mr. Managing Director of the International Monetary Fund, fellow Governors, ladies and gentlemen:

Costa Rica is a country with a long-standing civilian tradition. It set a stellar example for the world on December 1, 1948 when it abolished its army. In the aftermath of a civil war, José Figueres Ferrer emerged as the victor and decided to abolish the army. As a result, the country stopped spending money on weapons and war and redirected its scant resources toward the promotion of economic and social development.

I am appearing before you today to promote the Costa Rica Consensus, an initiative unveiled by the President of Costa Rica and recipient of the Nobel Peace Prize, Dr. Oscar Arias Sánchez, at

the United Nations General Assembly on September 20, 2006. Once again, Costa Rica would like to bring this initiative to the attention of the international community and to lobby for its decisive support.

A few days ago, on October 10, the President of the World Bank, Mr. Zoellick, in delivering his address to the National Press Club here in Washington, D.C. on Inclusive and Sustainable Globalization, identified a number of needs that are clearly apparent around the world. He mentioned combating malaria, which strikes some 500 million people; the pressing need for developing countries to produce their own electricity or to seek alternative sources of energy; the need for access to water by 1.5 billion persons; the social improvements needed by more than 2 billion persons; as well as the issues surrounding gender. He also addressed infrastructure and access to education. I should point out that the United Nations Millennium Development Goals are ambitious and call for the contribution of aid resources by

industrialized countries, some of which have already attained the level of 0.7 percent of GDP. Indeed, all these development efforts that we are discussing call for money. The problem is that humankind continues to squander money on weapons and war, instead of using those resources to better our lives. Our spending decisions continue to be misguided.

Available figures on military spending worldwide, while not totally reliable, are truly alarming. It is estimated that approximately 3.4 percent of global GDP goes toward military spending, with significant variations from one region to another, however. Furthermore, well-founded suspicion exists regarding the possibility that assistance received by countries for other purposes may very well end up being diverted directly toward bankrolling wars or that funds are being siphoned off from government budgets for purposes of killing each other. A recent study by Collier puts this figure at approximately 11 percent of aid

received. What is most disconcerting is that the weapons buildup by neighbors prompts countries to seek ways to defend themselves, while these actions in no way imply an improvement in general security conditions worldwide.

Hence, the initiative known to us as the Costa Rica Consensus seeks to incorporate moral criteria for public expenditure into official development assistance programs and loans from donor countries and international financial institutions. As President Arias stated, “with this initiative, we hope to establish mechanisms for debt forgiveness and financial support for developing countries that are investing more in public health, education, and housing programs, and reducing their spending on arms and armies. It is time for the international community to recognize not only those countries that use resources prudently but also those that use them morally.”

To this end, the Costa Rica Consensus calls on the donor countries to incorporate into their official development assistance programs a selective system of incentives to reward developing countries which, in a verifiable and sustainable manner, make genuine efforts to increase social investment, thereby meeting the most pressing social needs and reducing military expenditure. Costa Rica is appealing for the incorporation of the moral criteria of the Costa Rica Consensus into official development assistance programs and for the facilitation of the reduction of external debt, non-reimbursable assistance, and loans with subsidized interest rates with a view to rewarding and encouraging the peace dividends generated by those developing countries that engage in this type of moral spending.

The Costa Rica Consensus seeks to supplement existing development assistance programs; it does not seek to reduce current aid for low-income or middle-income countries, which would therefore eliminate competition for the scant development resources. We are, however, calling on the donor countries and the multilateral financial organizations to ensure that a portion of the additional aid resources be used to reward developing countries engaged in moral spending. All developing countries have the potential to achieve this objective – it is merely a question of political will.

The Millennium Development Goals are in the offing and we can shift resources that are currently being spent on weapons toward the pursuit of peace and the welfare of the people. We are faced with an important task that we must assume. Thank you very much.