



39TH ANNUAL MEETING

BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

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GS-39

SPAIN

Isabel Riaño, Head of Delegation

Introduction

It is a pleasure to address this 39th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) on behalf of Spain. First, I would like to express our gratitude to the Government of India for the cordial hospitality extended to us in the city of Hyderabad.

I would also like to take this opportunity to warmly welcome our new members in the Bank, Armenia and Brunei Darussalam.

Recent Economic Performance in Asia and the Pacific Region

Once again, we can celebrate strong growth rates throughout most of Asia's developing economies. The region remains impressively dynamic. In spite of a few risk factors, namely rising oil prices, worries over the financing of global imbalances, inflationary pressures in some countries, or the possibility of a major infectious disease outbreak, this growth momentum is expected to continue.

Unfortunately, the region has been, in recent years, seriously affected by natural disasters. After the tsunami in December 2004, the South Asia earthquake last October imposed a heavy cost in human and economic losses. Spain would like to take this opportunity to reiterate our condolences to the families of the victims and our appreciation and support to ADB management and staff for their efforts in providing a prompt response to these calamities.

Although the sustained high level of economic performance has provided the key for a very positive record in reducing income poverty and improving living standards, poverty remains widespread in many countries of Asia. The more than 1,9 billion people in the region who still live on less than US\$2 a day require our help and support. Poverty remains our biggest challenge.

ADB

Strong growth and economic dynamism is transforming Asia at a dramatic pace. Advances in communications and technologies are modifying the world's production structures and supply chains. In this rapidly changing environment, we would like to underline the significant efforts undertaken by ADB in adapting the institution to the new realities of the region. A flexible approach is needed, aimed at catalyzing investment to the region, promoting the



development of strong and competitive private sector, and enhancing the effectiveness of ADB.

A lot has been already achieved through the implementation of the reform agenda. ADB needs to keep adapting its products and procedures in order to better meet the demands of middle-income countries in Asia, be more competitive and efficient, and promote private sector development. In particular, we would like to express our support for the new instruments and business processes launched under the innovation and efficiency initiative. The removal of bottlenecks in business processes and the increase in ADB's array of services should help enhance the Bank's role as a valuable partner for growth and development in the region. We believe reforms must go on and expand to ensure client and results orientation, efficiency and responsiveness. Implementation is the key. In that sense we believe a clearer and better defined role for senior management has to be addressed.

The challenges to be addressed are still important. The process under way to establish the strategic framework for the next three years, under the medium term strategy II, has proved disappointing. We feel a broader consultation process should have been undertaken. We do support the priorities pointed out in the strategy, although its main building blocks still have to be addressed and discussed, especially the strategy for private sector development, regional cooperation and integration, middle-income countries and cofinancing. It is also fundamental that MTS II incorporates clear guidelines for implementation and accountability, to assure its effectiveness. We welcome the inclusion of governance as one of ADB's strategic priorities for the next year. Promoting inclusive development is a crucial priority, since we believe that reducing poverty should remain the core of ADB's actions.

Private sector development is the key to foster growth and alleviate poverty in the region. There are great opportunities in this field that ADB has yet to engage in. The lessons learned from the implementation of the private sector policy should guide the new strategy under a clear framework of partnership and accountability. The development of small and medium-sized companies and the promotion of public-private partnerships have to be at the core of new activities. We also welcome the independent Risk Management Unit, which should be fully operational under its recently appointed head.

Regional cooperation is also critical for the region's future economic development, and ADB has a clear role to play by concentrating on promoting regional and sub-regional economic cooperation programmes, and in providing regional public goods such as cross-border infrastructure networks.

The environment and the risks related to global climate change are clearly an important global and regional public good that needs to be addressed. They represent a phenomenal challenge for the international community, but also open up interesting activities and business lines. In this field, we appreciate the work that has been undertaken by ADB under the clean development mechanism facility and we welcome the new carbon market initiative. We congratulate ADB for taking a proactive approach to the carbon market that will complement its activities in the areas of energy efficiency and renewable energy. Spain views this initiative with great interest and will study the possibility of participating in the Asian Pacific Carbon Fund.

Spain and Asia

Spain remains fully committed to the goal of fighting poverty in Asia and to contributing to inclusive and sustainable growth in the region. As you are well aware, Spain will increase its overall level of overseas development assistance to 0.5% of gross national income (GNI) by 2008. Some ADB developing members are among the leading recipients of our bilateral development assistance.

In recent years, our economic relations with the region have increased strongly and rapidly. Spain's investments in Asia have been growing at an impressive pace and a large percentage of our imports come from developing Asia. We sincerely hope that this closer relationship will continue to strengthen, as we record the willingness of Spanish companies and citizens to participate in Asia's development and prosperity.

Spain would like to reaffirm its commitment to contribute to ADB's efforts to fight poverty and promote growth and development in the region. Our commitment is firm, not only as a growing and significant contributor to the Asian Development Fund (ADF) and other forms of grant financing, but also as an active contributor to the fundamental task of constructively helping shape the Bank's response to the region's challenges and needs.

In this regard, we are delighted to announce that Spain has expressed interest in hosting ADB's Annual Meeting in Madrid in 2008. We are looking forward to welcoming you all on that occasion.