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SPAIN

Maria Jesus Fernandez, Head of Delegation

It is a great honour for me to have the opportunity to address the ADB Board of Governors 42nd Annual Meeting. I would like to express, first of all, my sincere appreciation to the Government of Indonesia for hosting this event in this wonderful island of Bali, and to the ADB's staff for the excellent organisation.

2008 has been a busy year for the ADB. In April the Board approved the **Strategy 2020**, setting ambitious targets for the role of the Bank in the region. In Madrid in May, the ninth replenishment of the Asian Development Fund was approved, and discussions for the fifth General Capital Increase started. Further, important steps have been taken regarding internal bank reforms, such as the Safeguard Policy Update, the Human Resources Reform Strategy and the strengthening of the Risk Management Unit. Spain has supported all these very important initiatives.

Above all, however, **2008 has been marked by the global financial crisis.** The ADB has reacted forcefully and swiftly to the challenges ahead. Initially, given that the crisis originated in the industrialised world, it looked as if the Asian region could manage to sustain its vigorous pace of growth. The situation, however, has evolved quite differently. The crisis has become **synchronised and truly global.** It affects every single country. Banks in the region were little exposed to subprime, toxic assets, so the impact of the crisis on the Asian financial sector has been limited. Yet, the collapse in Asian equity markets has been pronounced, with prices falling more in developing Asia than in the major industrial economies. The same can be said of trends in external financing, which is becoming scarcer and more expensive.

A significant and specific cause of concern for Asian countries is the **collapse of demand in the main industrialised world economies**, which has dramatically affected international trade, set to fall in 2009 for the first time in decades. This is the main factor limiting growth in most Asian countries, as well as the main channel of **contagion** of the crisis for the Asian region.

In the long run, the global imbalances that have developed in the international financial system will have to be corrected. The main economies running external deficits cannot be expected to maintain domestic demand growth rates, so surplus accumulation by the world's largest exporters must necessarily fall. In the end, only a larger Asian domestic market will be able to limit their prevailing excessive dependence on external markets.

The **reaction to this global crisis** has emphasised the need for **international coordination**. **Unprecedented and exceptional** coordination measures are taking place to face a common challenge. The central coordination forum has been the G20, where the major Asian economies are appropriately involved. This extraordinary coordination effort sets the right process to overcome the present economic situation.

The role of **Multilateral Development Banks** has been very significantly enhanced. The basic decision has been to endow them with sufficient capital to increase lending so that they can partially offset reductions in private or public financial flows. We strongly welcome the early moves of ADB in this direction. The initial reinterpretation of the lending limit has led to a more effective use of capital in the short run. More importantly, the ambitious 200 percent capital increase will bring subscribed capital to 165 billion US dollars and have profound implications on the Bank and the region in the coming years. Allow me, Mr President, to congratulate you for the swift and effective way you have led this process. Spain fully supports the proposed capital increase.

Spain also welcomes the initiative taken by the Bank to make sure more resources could be directed to ADF countries in 2009, which donor countries have supported yesterday. Spain supports the frontloading of ADF resources in the present situation.

We are confident that the ADB is now well equipped to implement the counter-cyclical role developing countries expect from a Multilateral Development Bank in the present situation. In this endeavour, Mr. Chairman, Spain has continued to show her commitment and support to the Bank: in 2008, Spain increased her ADF contribution to 2,8% of the total, contributed 5 million US dollars to the multidonor Water Finance Facility, 5 million US dollars to the Clean Energy Fund, 2 million US dollars to the Cities Development Initiative for Asia, and continued to support the Asia Pacific Carbon Fund as the main contributor to promote low carbon development in the region.

Looking ahead, we would further suggest that priority should be given to activities geared towards private sector support and trade financing. We support the extension of the 5 billion limit of the non-sovereign portfolio in line with the Strategy 2020, recommend strengthening risk management capacities, and welcome the Trade Finance Facilitation Program increase to 1 billion US dollars.

Many Asian economies will still grow this year despite the contraction in the economies of the industrialised world, so the region is well prepared to face current challenges and offers positive signs to contribute to resume world growth. On this positive note, Mr Chairman, let me close by saying that Spain remains committed to the ADB, and more in general, to strengthen relations with the Asian region.

Thank you, Mr Chairman, for your leadership during these difficult times.