

Ivanov: IIB has started the implementation of a new strategy for 2018 - 2022

Deputy Chairman of the IIB Board Denis Ivanov. *Photo: IIB archive*

Deputy Chairman of the IIB Board Denis Ivanov talked about the bank's goals for the future and the role of Slovakia in relation to the bank's activities.

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Bratislava 15 Dec. 2017 (TASR) – Last week, the capital of the SR hosted the 108th meeting of the Council of the International Investment Bank (IIB). Upon this occasion, Deputy Chairman of the IIB Board Denis Ivanov gave an interview to TASR regarding the bank's goals for the future and the role of Slovakia in relation to the bank's activities.

-The International Investment Bank has recently approved a new strategy – what are its main objectives and principles?-

The new IIB strategy – we call it the Bucharest Strategy, as we approved it this summer in the Romanian capital – delineates the development of the bank for the next five years, specifically for the years 2018 through 2022. We adopted

it after fulfilling our existing strategy 2013-2017, under which we met all the main objectives. For example, our loan portfolio exceeded EUR 700 mn, and this only refers to loans that are currently active in our financial statements. The total amount of investments in all nine of our member states in the past five years has exceeded EUR 1 billion. We have obtained the same amount on the financial markets through the issue of our bonds or using other methods to obtain financial resources. So, I can state with satisfaction that we met the previous strategy's objectives.

In the new five-year strategic cycle, we intend to focus primarily on strengthening the position of our bank on the international scene as that of a modern, stable and sought-after international development financial institution, whose objective is to support the sustainable development of the economies of its member states.

-What about activities in bank's individual member states?-

In all of our member states we already have some investments and/or development projects. When I talk about supporting sustainable development, I also refer to supporting the cooperation of our member states, i.e. international investment or export-import projects that concurrently help the two or even more parties involved. By 2022, we would like to double the volume of our current loan portfolio and considerably simplify, improve and expedite our work with the clients. We also intend to offer tailor-made products for each individual IIB member state – which will shortly result in the adoption of more specified, particular “national” strategies to be able to operate as efficiently as possible in every member state, in accordance with the relevant member state's needs and specifics.

The strategy also covers internal bank management processes, e.g. the transition to the three-level management system or a fairer system of voting to be applied by individual bank members regarding any crucial steps. This is also incorporated in the new IIB governing documents.

-You have mentioned a new voting system – how will it work? – *Until now, every one of our member states had the same voting right, i.e. one country – one vote. Under the new rules, it will be a “double-majority” system, with voting conducted at two levels. The first level will be proportion-based, it means member states will have the votes corresponding to their share in the bank capital (Slovakia's current share is less than 7 % - TASR comment), and to adopt a decision, votes corresponding to at least 75 % of capital shares will be needed. This could theoretically be achieved even by two or three countries, which we want to avoid. Therefore, besides the 75% “capital-based” majority of the voting members, there will be a requirement that each decision be also supported by the absolute (over half) majority of the*

member states, thus with the current number of nine IIB members, at least five of them would have to support the decision.

The new statutory documents that anticipate such modernization and higher quality bank management have been ratified by all member states but Slovakia. Your country has not done so yet, and the remaining eight members are waiting for Slovakia's consent. So, we really hope that the ratification will be completed in Slovakia as soon as possible too.

-When talking about Slovakia, what prompted the IIB to choose Bratislava as the location of IIB's only Regional Office as of yet?-

We adopted the decision to establish an office somewhere in the EU relatively long ago, sometime in 2013. Then, we considered a great number of different aspects; we prepared something like a comparative analysis of individual alternatives within our European member states.

We took into account the health of the economies, ratings and also the geographic locations of their capitals. And after we assessed it all together, I would say that the stars aligned just right for Bratislava, though it was not only because of the plain facts, numbers and data that we chose it. I have to say that from the very start of the IIB transformation process in 2012, when all old bad loans were written off and the bank started from scratch again, Slovakia was a sort of a

leader in all these processes - whether it was the flexibility in adopting decisions, or cooperation in the very first issue of IIB bonds in a EU member state in 2014. All of the aforementioned reinforced our opinion that your capital would be the best location for the very first IIB office outside of the official headquarters of the bank. It is necessary to mention that the Office is responsible for our operations not only in Slovakia, but also in the whole territory of our five European members, it means also in the Czech Republic, Hungary, Romania and Bulgaria.



Deputy Chairman of the IIB Board Denis Ivanov. *Photo: IIB archive*

-What has the Bratislava Office achieved so far?-

For the moment, we have just five employees working here, but they have already managed to find and prepare loan projects worth EUR 180 mn in total. They also processed loans beyond Slovakia in Hungary and Romania. Another successful endeavour of our Bratislava team is the fact that the bank granted its first loans in local currencies, specifically in forints and lei. This is important, because although the IIB's operations and accounting are done in Euro, with majority of the loans also provided in Euro, if the client for some reason needs funds in the local currency, it is very good if the international bank is able and willing to provide them. Furthermore, the European Regional Office actively seeks to obtain resources for the bank, and they have already carried out first projects in this field too. For the first time in history, they mediated the issue of special securities "Schuldscheindarlehen" on the German market, which was a completely unique achievement, thanks to which for the first time ever the IIB has obtained stable 10-year resources.

-Have you discussed admitting new members into the IIB?-

Yes, we have discussed it; for us, this issue is topical and rather important, and in contrast to other international development financial institutions, when seeking new members, the IIB does not limit itself by any fixed requisites, whether regarding the location (region) or anything else. We currently operate on three continents – in Latin America, it is Cuba, in Europe, we have five members that are EU and NATO member states, and Russia and East Asian republics of Mongolia and Vietnam are our members as well. So, our potential new member does not have to meet any particularly specific criteria – it is important that they share our values and mission and wish to cooperate with us in achieving our objectives. We have already been discussing a form of membership or partnership with several such countries, I am talking about two or three countries, not more. By the way, only recently, we were able to win back our re-adopted member. Hungary terminated its IIB membership in early 1990s and two years ago, it returned as our bank member. At present, we also have one observer, Belarus.

So, we want to increase the number of our members, but not too much, not en masse. We do not want to deprive our current members of the benefits associated with the power of their vote. For example, at present, Slovakia's share is not very large, less than 7 %, but if you compare it with Slovakia's shares in the ECB, EBRD, IFC or the World Bank, Slovakia's influence in the IIB is much stronger. With the current status quo, the IIB has to give very serious consideration to the vote, priorities and strategic interests of each of the nine countries.

-Let us talk more about the IIB projects in Slovakia...-

Since the “relaunch” of the bank in 2012, we have carried out several interesting projects in Slovakia, most of them loan-

related. We supported some of these projects directly, whereas some of them we financed or are still co-financing jointly with our partner, the Export-Import Bank of the SR (Eximbanka SR). Our clients included companies such as Tatragónka, where our involvement has already ended. We have an existing loan-based relationship with Slovenské elektrárne and with SES Tlmače, in which particular case Cuba is also involved in the scheme, as the objective of the project is the modernization of a power plant in this Caribbean member state of our bank. We are working on two or three more.

In addition, we provide support from the Technical Assistance Fund established by our bank and the Ministry of Finance of the SR. The purpose of the fund is to provide technical assistance and there is more than EUR 1 mn in the fund. We use it to finance various consultation and development assistance projects, e.g. assistance was provided to Mongolia in revising and modifying their legislation to prevent money laundering. In accordance with the fund's charter, the projects financed from the fund are implemented solely by Slovak companies and Slovak experts.