MDB CALLABLE CAPITAL REVIEW

European Bank for Reconstruction and Development

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17th April 2024[1]

[1] This version has been updated from the original published version to include an updated template received from Spain.

1. Executive summary and key messages

EBRD's shareholders have demonstrated a strong level of support and commitment to the Bank by subscribing to €23.5 billion of callable capital. This paper explores the possible scenarios that could lead to a call on these commitments, together with the legal considerations and shareholder processes for responding to a call. The G20 Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks recognised that clarifying these scenarios and processes has value, and that this clarity is an important part of implementing the review's recommendation on callable capital.

The current interpretation of the Agreement Establishing the Bank (AEB) implies that a full loss of the Bank's capital base (members' equity) is consistent with a call on callable capital[2]. With regards to the exploration of scenarios that could lead to a call on callable capital, the Bank's established stress testing framework cannot generate a scenario that could fully erode members' equity of €22.3 billion (as at end 2023). For context, the Extreme scenario (1 in 100 year event), run against the 2024-26 business plan, generated a 3 year cumulative reduction in members' equity of €3.8 billion.

The lack of historical precedent or quantitative grounding means that constructing such a catastrophic scenario is largely a judgemental exercise and solved to the specific outcome of making a call on callable capital. Importantly, however, and regardless of the likelihood of such a scenario materialising, the exercise offers considerable utility by establishing the sequence of events that could lead to such a call. What is also evident from the analysis is that the Bank is extremely well capitalised and is managed – via internal capital adequacy policies – to ensure a call on callable capital is avoided.

In order to establish some context on probabilities, it is worth considering rating agency assessments. A company assigned a triple-A rating has, in theory, less than a 0.01 per cent probability of default in any given year. It is, however, possible for the Bank to default on its obligations due to a liquidity shortfall, which is why the credit rating agencies' methodologies for MDBs give such weighting to liquidity, and typically comparable to capitalisation assessments. It is therefore logical to extrapolate such probabilities to the Bank's likelihood of becoming insolvent (ultimately leading to a call on callable capital). The Bank also enjoys headroom to minimum triple-A requirements, suggesting that the probability of a call on callable is lower than a 1 in 10,000 year event.

The trigger to make such a call on callable is interpreted as linked to the full erosion of the financial reporting value of members' equity. Under such circumstances, it is likely that a prudent assessment would be made on the magnitude of call on callable capital, to minimise iterative requests to shareholders in instances where realised losses exceed provisioned levels. In terms of governance, a call decision rests with Directors, as a matter not reserved for Governors and consistent with Directors' oversight powers on operations.

As part of the exercise, participating shareholders clarified their processes for responding to a call, together with the treatment of their callable capital obligations from a legal, accounting, and budgetary perspective. Based on these clarifications, it is clear that

[2] The analysis of the Agreement Establishing the Bank (AEB) set out in this paper reflects the fact that EBRD's treaty has less expansive provisions on callable capital than other MDBs. Nevertheless, several other MDBs have determined that it would be possible to call on callable capital also in anticipation of a payment default due to liquidity constraints. As with interpretations issued at other MDBs, Article 57 of the EBRD's AEB would permit a similar interpretation. While such an interpretation may on balance serve to bring the timing of a call forward, it is not expected that the scenarios leading to a call on capital would be fundamentally different, taking into account the liquidity position of the Bank and its portfolio of assets.

callable capital is a legally binding commitment, with several shareholders having the capacity to respond to a call within days or weeks based on existing authorisations or appropriated funds, while others expect to be able to respond within several months, and generally well within one year. This demonstrates that callable capital commitments represent a robust instrument to greatly reduce the risk of bondholder losses in the extremely improbable event of EBRD insolvency or payment default.

2. Introduction

This report presents an analysis of the process and mechanisms surrounding a call on the Bank's callable capital, considered from a legal perspective and in the context of potential scenarios that could lead to such a call. It also provides clarity from shareholders on their processes for responding to a call, and their treatment of callable capital subscriptions from a legal, accounting, and budgetary perspective.

The paper is structured as follows:

- Section 3 describes the legal governance and loss absorption hierarchy of the Bank's callable capital, with specific reference to the Agreement Establishing the Bank (AEB);
- Section 4 outlines potential extreme events that could trigger a winding down of the Bank;
- Section 5 presents a stressed scenario that could lead to a call on the Bank's callable capital;
- Section 6 summarises shareholder processes for responding to a call;
- Section 7 presents the key conclusions from the exercise; and
- Annex 1 presents the completed shareholder templates.

3. Callable capital: legal structure and governance

The Bank currently holds €23.5 billion of callable capital commitments from its shareholders. Under **Article 6.4** of the Articles Establishing the Bank, callable capital is available to meet liabilities to creditors, where in accordance with Articles **17.2** and **42.2**, any call would be reserved for an extreme scenario and after other loss bearing instruments are exhausted.

Article 17.2: Losses arising in the Bank's ordinary operations shall be charged:

i) first, to the provisions referred to in paragraph 1 of this Article;
ii) second, to net income;
iii) third, against the special reserve provided for in Article 16 of this Agreement;
iv) fourth, against its general reserve and surpluses;
v) fifth, against the unimpaired paid-in capital; and
vi) last, against an appropriate amount of the uncalled subscribed callable capital which shall be called in accordance with the provisions of paragraphs 4 and 5 of Article 6 of this Agreement.

Article 42.2: Creditors on ordinary operations holding direct claims shall be paid first out of the assets of the Bank, secondly out of the payments to be made to the Bank in respect of unpaid paid-in shares, *and then out of payments to be made to the Bank in respect of*

*callable capital stoc*k. Before making any payments to creditors holding direct claims, the Board of Directors shall make such arrangements as are necessary, in its judgment, to ensure a pro rata distribution among holders of direct and holders of contingent claims.

Under guidance from these articles, the Bank must exhaust all other sources of loss absorbing capacity, before a call on callable capital which, in accordance with Article 6.4, is made "*only as and when required by the Bank to meet its liabilities*". Under Article 17.2, the hierarchy of losses from points i) to v) encapsulates the Bank's members' equity in full. As at Q4 2023, the Bank's members' equity stood at €22.3 billion. Whilst this determines the technical point at which a call can be made, the Bank would establish an early engagement process with shareholders as the possibility of a call becomes clear. The sequencing of such events is described in section 5.6.

In terms of governance, a call decision rests with Directors in accordance with Section 8 of the By-Laws, as a matter not reserved for Governors and consistent with Directors' oversight powers on operations.

4. Existential threats to the Bank

Whilst highly unlikely, there are a number of trigger events that could potentially lead to a cessation of the Bank as a going concern, resulting in the winding down of operations.

Cyber-attack - in the event of a catastrophic cyber-attack targeting the Bank's general ledger or record of payments, it may become extremely difficult to continue to administer operations on an ongoing basis. Such an event, particularly where a swift resolution was not forthcoming, may force a decision to close the Bank to future lending and commence wind-down proceedings.

Catastrophic credit losses – credit losses are an expected part of lending activities and are priced in as a cost of doing business. However, unexpected losses in a catastrophic scenario could potentially reach such high levels that they could threaten the Bank as a going concern, particularly where substantial credit rating downgrades occur.

Funding markets – if funding markets closed for a sustained period of time, particularly where funding conditions prior to this event have forced a shortening of the Bank's borrowing maturities, liquidity constraints may prevent timely payment to creditors, resulting in a credit default and the Bank's failure.

Notwithstanding the severity of the above events and the temporary interruption to operations they would cause, a number of them could be resolved without the need to wind down the Bank. For example:

- Even a complete loss of ledger and payment records (*cyber-attack scenario*) could over time be reversed, based on counterparty records (Treasury assets and liabilities), recollections of the transactions teams (Banking), and negotiations with counterparties.

- Similarly, a temporary funding shortfall (while the Bank remains solvent) could be remedied through extraordinary loans from shareholders bridging the maturity gap between short term liabilities and long term liquidation profile of Banking assets.

As a result, whilst such events could potentially lead to the closure of the Bank and a winding down of operations, they do not necessarily lead to a call on the Bank's callable capital. For that to occur, losses on the Bank's assets must exceed the value of members' equity (€22.3 billion at the end of 2023).

5. Reverse stress test

Reverse stress tests are a common and well understood component in the suite of regulatory tools for commercial banks. In addition to running centrally defined (by regulators) macroeconomic stress test scenarios, banks are also asked to explore their own vulnerabilities by devising scenarios that will lead to bank failure. An important point here is that a commercial bank is likely to lose its banking licence at the point where minimum capital ratios are breached. Such minimum levels of solvency strength still represent a sizeable magnitude of capital being in place to absorb losses as the bank is wound down. To put it differently, a typical reverse stress is run up to a point when a "firm is no longer able to carry out its business activities", recognising that "Such a point may be reached well before the firm's financial resources are exhausted"[3].

When exploring events that could lead to a call on callable capital, the severity of the required shock is significantly greater, as full and complete erosion of the Bank's capital base seems to be required. Describing the mechanics of such an event is therefore more akin to a (light touch) version of a resolution plan (also known as a living will) that regulated banks need to present to regulatory bodies in order to set out orderly liquidation path for their operations.[4]

5.1 Methodological approach

EBRD has a robust and well-seasoned methodology for conducting multi-year stress tests. At least on an annual basis, the Bank's operational plan is tested against a range of scenarios of differing severities. Whilst losses and capital erosion arising from such exercises has never resulted in the full loss of the Bank's capital base, the modelling tools and framework can be deployed for this reverse stress test.

[3] See e.g. The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP) (bankofengland.co.uk) for a UK regulatory definition of reverse stress testing.
[4] See e.g. Federal Register: Final Guidance for the 2019 for a US definition of resolution plans.

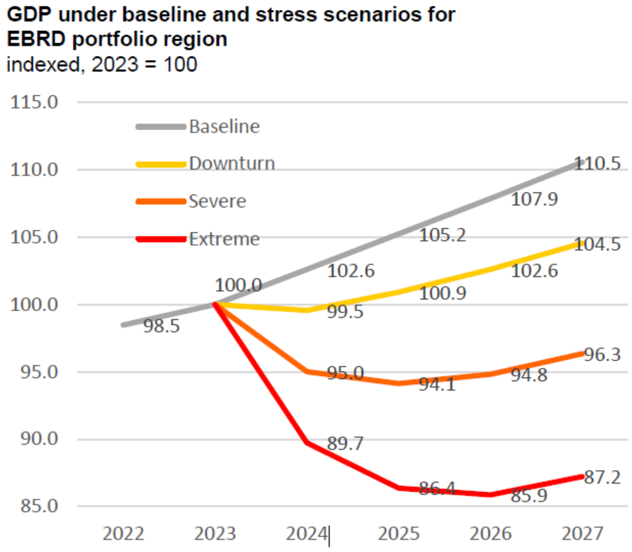
At a high level, the Bank's stress testing approach can be summarised as follows:

1. Articulate an appropriate scenario narrative
⇓
2. Estimate impact on macroeconomic indicators
⇓
3. Estimate impact on sovereign PD ratings
⇓
4. Calculate PIT stressed PD rates
⇓
5. Compute credit risk losses
⇓
6. Compute market risk losses on equity investments
⇓
7. Estimate impact on the treasury portfolio
⇓
8. Calculate impact on capital ratios and profit & loss
⇓
8. Estimate impact on the Bank's liquidity position
⇓
9. Estimate impact of heightened operational risk
⇓
10. Assess stress test results against Risk Appetite

Source: **Stress Testing Principles & Procedures, July 2023**

5.2 Scenarios

As part of the Bank's most recent stress testing exercise, the following economic scenarios were modelled to test the financial resilience of the business plan.



Whilst it does not form part of the Bank's capital adequacy framework[5], the Extreme scenario is modelled to assess liquidity risk under extreme losses. This represents GDP declines across the Bank's region to a severity that could be expected only once every 100 years. Using an established relationship between GDP movements and default rates, this scenario generated a 1-year reduction in capital of €6.3 billion and cumulative 3-year impact of €3.8 billion, as an element of recovery is recognised towards the end of the scenario.

This level of loss under the Extreme scenario is a fraction of the full and complete erosion of the Bank's €22.3 billion capital base. Given that this magnitude of loss is several times greater than the Extreme scenario, it demonstrates that this reverse stress test is beyond the useful scope of macroeconomic scenario analysis. While the Bank's quantitative framework to flex project level default rates under stress (known as "PD multipliers") can still be deployed for this exercise, they must be set using expert judgement rather than be based on historical events.

5.2.1 Reverse stress test scenario description

The financial shock is assumed to be significant and sustained, with negative financial consequences felt over several years. To provide a hypothetical illustration of such a scenario, it is assumed that a major military conflict emerges across the Bank's region of operations. Aside from the catastrophic damage to life and property, a specific effect is to displace a large number of people for years to come.

Income streams for Corporates and SMEs effectively collapse, with inevitable credit defaults occurring over varying timeframes (depending on the level of cash reserves at the onset of the crisis). Sovereign defaults are also assumed in countries with particularly high levels of indebtedness and poor credit ratings.

Any such catastrophic financial shock will likely result in credit rating downgrades and borrowing markets being effectively closed for the remainder of the scenario horizon. At this point, the Bank would cease all new lending activities, however disbursements on previously committed loans would continue.

Efforts would be made to ensure this is orderly and short-term treasury assets and any banking book reflows (after credit defaults) would be used to honour obligations to creditors. When short term treasury assets are exhausted, longer-term treasury assets would be liquidated (at a discount) to prevent a credit default for as long as possible. There is no assumed economic recovery and credit defaults would likely continue in subsequent years as private sector companies ultimately exhaust their cash reserves and default on their obligations.

5.3 Key financial assumptions

The focus of the analysis is on the Bank's income statement and capital base, rather than capital requirements (RWAs), as capital ratios will fall to zero at the point of a call on callable capital. No other form of shareholder support is assumed to be forthcoming.

[5] The 1-in-25 shock is the primary scenario used to assess the Bank's capital adequacy under stress for planning purposes. This severity of shock is most closely aligned to the "severe but plausible" scenarios used by regulators when assessing the capital adequacy of commercial banks.

Purely for illustration, the reverse stress test scenario is assumed to play out during 2024, 2025 and 2026.

The following summarises the key assumptions underpinning the financial projections.

Credit margins
Non-sovereign: 2.75% (in line with current levels).
Sovereign: 1%

Credit losses
Non-sovereign: PD multipliers set to 27 times[6] the levels from the Severe (1-in-25 years) stress scenario from the 2023 Bank-Wide Stress Test, across all countries of operations.
Sovereign: Sovereigns with ratings 7.3 (broadly equivalent to CCC-/CC/C) assumed to default.

Equity losses
All equity fair value written down to zero in 2024 and held flat for the remainder of the scenario horizon.

Treasury income and credit losses
Income: While treasury liquid assets remain performing, returns assumed at an average of 0.45% of short and long terms portfolios.
Credit losses: Credit losses to derivative counterparties assumed in line with the Extreme Scenario of the Bank-wide stress test (BWST). Fire sale discounts (haircuts) applied to a portion of long term treasury assets sold to meet obligations. Haircuts assumed in line with the S&P MLI rating methodology[7], at an average of 45%.

Funding markets
Due to the systemic nature of the shock, access to funding markets is closed to the Bank. Therefore, no additional funding costs are assumed as the Bank is downgraded across the scenario horizon.

Collateral
As a result of the likely credit rating downgrades of the Bank, collateral is posted on derivative transactions.

Administrative costs
Held constant at 2024 levels across the scenario horizon.

5.3.1 Institutional actions

The Bank could do little to mitigate credit defaults in such a scenario and the institutional response is assumed to be limited to a cessation of lending activities beyond 2024 to preserve capital ratios. Over the medium term, the Bank would take steps to prevent a

[6] Many default rates cap out at 100 per cent at this level of flex, however a multiplier of 27 times is required to generate the required default rate flow, particularly for better rated counterparties.
[7] *Guidance - Multilateral Lending Institutions And Other Supranationals Institutions Ratings Methodology, Dec 14, 2028.*

default to creditors including by running down and liquidating treasury assets, whilst also considering asset sales in the Banking portfolio.

Other levers could include sizeable cuts to administrative costs (assumed flat in the scenario analysis below). Whilst this is likely to form part of the suite of actions taken by the Bank in the event of such a scenario, the financial consequence is generally immaterial to the colossal levels of credit and market risk losses and the overall depletion of the Bank's capital resources.

Whilst the purpose of this exercise is to illustrate a potential set of circumstances leading to a call on callable capital, in reality shareholders would have numerous opportunities to take action to pre-emptively delay or entirely avert a default and losses to the Bank's creditors (thus also avoiding a call on callable capital). As highlighted in section 3, this could, for example, take the form of (i) loans from shareholders bridging the maturities of the Bank's long term assets and shorter term liabilities, thus reducing the need for fire sales of liquid assets at discounted values; (ii) the provision of subordinated debt or other long term funding to facilitate recovery work on defaulted exposures; (iii) the transfer of pools of defaulted assets to special purpose vehicles, leaving behind a structure capable of servicing the Bank's existing debt obligations, or (iv) a pre-emptive injection of paid-in capital to the Bank.

5.4 Financial impact

The following table presents income statement projections across the scenario horizon to 2026:

Profitability (bn)	Actual 2022	Actual 2023	Plan 2024	Proj. 2025	Proj. 2026	
Operating income:						
Debt Operating Income before EIR	0.81	0.81	0.47	0.10	0.08	1
EIR adjustment	0.34	0.35	(0.19)	(0.20)	(0.26)	
Debt operating income including EIR	**1.16**	**1.15**	**0.28**	**(0.10)**	**(0.18)**	
Equity portfolio	(1.05)	1.00	(5.09)	0.00	0.00	2
Treasury activities	0.34	0.32	0.15	0.14	0.14	
Treasury loss	0.00	0.00	(0.70)	(3.60)	0.00	3
Operating (loss) / income by segment	**0.45**	**2.52**	**(5.35)**	**(3.56)**	**(0.04)**	
(Cost) / return on 'free' capital**	0.00	0.48	0.40	0.25	0.20	4
Financial reporting adjustments	0.39	(0.43)	(0.13)	(0.11)	(0.09)	
Total operating (loss) / income	**0.84**	**2.57**	**(5.09)**	**(3.42)**	**0.06**	
Provisions for impairment	(0.87)	(0.02)	(8.78)	(2.38)	(0.86)	5
Post model adjustment (PMA)	(0.55)	0.14	0.10	0.10	0.00	
Adminstrative costs	(0.54)	(0.54)	(0.62)	(0.62)	(0.62)	6
Total net (loss) / profit before NIA	**(1.12)**	**2.10**	**(14.39)**	**(6.32)**	**(1.42)**	
Net income allocations	(0.12)	(0.13)	0.00	0.00	0.00	7
Other reserve movements	0.23	0.96	(0.18)	(0.18)	(0.18)	
Net (reduction) / growth in capital base	**(1.01)**	**2.93**	**(14.58)**	**(6.50)**	**(1.60)**	
Total members' equity	**19.34**	**22.27**	**7.69**	**1.19**	**(0.42)**	8

1. The immense levels of impaired assets across the scenario horizon (€22 billion new gross impairments) places significant pressure on net interest income. This is exacerbated in the currently higher interest rate environment due to the funding costs on impaired loans. Around €0.7 billion in Effective Interest Rate (EIR) temporary gains reported in 2022/23 are also assumed to unwind.

2. The fair value of the equity portfolio is written down to zero in 2024, with no assumed recovery.

3. After short-term treasury liquid assets are run down to service the Bank's obligations, the longer-term treasury assets are sold at a substantial discount to continue to meet obligations, resulting in material losses in 2025. The €0.7 billion loss in 2024 relates to counterparty defaults, in line with the bank-wide stress test assumptions.

4. The return on the Bank's own funds decreases substantially to 2026 as losses erode members' equity.

5. The biggest driver of the net loss each year is the level of debt impairments. Any residual post model adjustment (PMA) to stage 1&2 impairment is unwound as stage 3 impairments are realised.

6. Administrative costs are assumed to be held constant across the scenario horizon.

7. Following the catastrophic net loss of €14.4 billion in 2024, net income allocations are cut to zero in all years.

8. As the Bank's members' equity[8] erodes to zero (and beyond) it is expected that a call on callable capital would be made to meet its liabilities and thereby avoid haircuts to bondholders.

5.5 Other scenarios

The Bank's seasoned and well-established stress testing framework assesses each new business plan under a range of adverse scenarios in order to explore vulnerabilities. Such scenarios are generally grounded in historical reality with regards to the severity of shocks to macroeconomic variables.

The scenario described above reverse engineers the outcome by establishing the necessary losses that could lead to a call on callable capital. The utility of considering other scenarios in this context is therefore limited in terms of offering additional insight into the mechanics, institutional response, probability, and severity of loss required to lead to a call on callable capital.

5.6 Mechanics of the capital call

The circumstances and events leading to a call on callable capital are discussed and described throughout this paper, however the key steps can be summarised as follows:

Early engagement

As illustrated in the scenario analysis above, it is highly probable that events leading to a call may take place over a considerable period of time. This would allow ample time for

[8] For the purposes of this exercise, no payments are assumed to be received from the recently approved General Capital Increase.

the Bank to engage with shareholders to inform them of the possibility and likelihood of a forthcoming call. The likely key steps of this early engagement process are described as follows:

- Material losses of approximate magnitude to the first year of the scenario presented in section 5.4 above would trigger a series of discussions between Management, Directors and Governors (as appropriate) regarding a potential call on capital.

- Management would provide regular reporting on the Bank's current and projected financial position and available funds to meet ongoing liabilities and obligations. Management and the Board would also need to consider the implementation of mitigating actions (section 5.3.1), together with other options that could either delay, limit, or even eliminate the need for a capital call (e.g. a paid-in capital increase). The EBRD's significant liquid asset buffer is expected to allow the Bank to continue to service its debt obligations for a considerable period of time[9].

- Based on financial projections, Management would estimate when loss absorbing capacity is likely to be exhausted, and discuss with shareholders the corresponding likely timeline and potential size of any call, taking into account the discussions and potential actions listed above. This step would ensure that the engagement process with shareholders is as streamlined and expedited as possible, while providing clarity to shareholders on the timeframe in which they would need to undertake their domestic processes to respond to a forthcoming call.

Making a call

- The call is deemed to occur when financial projections show that the Bank will not be able to meet its liabilities after losses in the Bank's ordinary operations have been charged sequentially to provisions, net income, the special reserve, general reserves and surpluses and unimpaired paid-in capital.

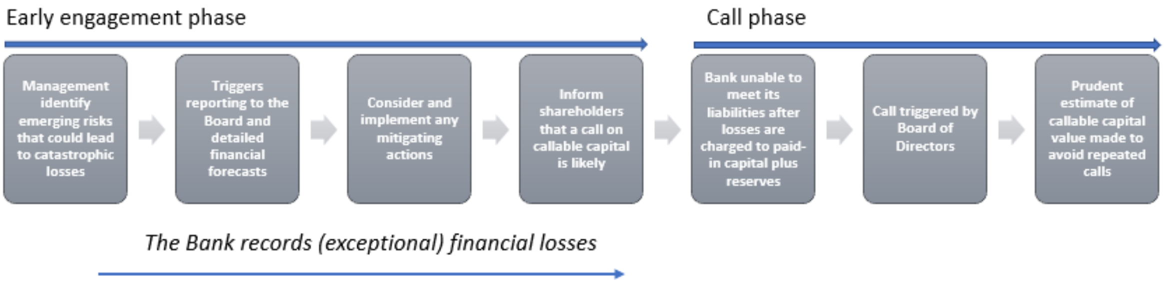
- Such a call is triggered by a decision of the Board of Directors.

- While the amount of callable capital called would normally be calibrated to cover the Bank's liabilities (and no more), it is expected that a conservative estimate of potential losses and asset value would be made to reduce the frequency of further calls to shareholders in the event circumstances continue to deteriorate.

- The call would first be made to all shareholders in proportion to shareholding. If some shareholders are unable to honour the call (for example because they are also in extreme financial distress), any shortfall would subsequently be called from shareholders capable of making such payments.

[9] The EBRD's Liquidity Policy demands that liquid assets are held to ensure that the Bank can continue to meet payment obligations for at least one year whilst under stressed conditions, including a simulated loss of funding market access. Under the most recent annual stress test, the Bank could meet obligations for nearly 2 years under these conditions.

These steps can be summarised as follows:



6. Shareholder processes in responding to a call

At the time of writing, 20 of the Bank's shareholders, representing 78 per cent of the Bank's €23.5 billion subscribed callable capital, have clarified their domestic processes for responding to a capital call through completion of a common questionnaire (see Annex 1). This clarification covers responsibilities and approvals within shareholder governments, timeframes for responding to a call, including the scope for accelerated processes, any amounts of callable capital that are available for immediate disbursement, and the legal status and accounting and budgetary treatment of their callable capital subscriptions.

Several themes emerge following review of the questionnaire responses, which can be summarised as follows:

- Callable capital is a *legally binding commitment*, and in general backed by the full faith and credit of shareholder governments.
- *Parliamentary/congressional* approval is required in the majority of cases, with funds to meet a call generally requested as part of annual or supplementary budgetary processes. However, several shareholders have existing appropriation of funds that would allow them to respond to a call, up to a specific amount, without Parliamentary approval.
- Callable capital is generally accounted for as a *contingent liability* by shareholders in recognition of the low probability of a capital call ever becoming necessary and payment having to be made.
- *Timelines to meet a call* vary across shareholder countries, although payments are expected to be made within a 12 month period, with the majority of shareholders able to meet a call for payment within 6 months or less. The final duration can depend on the timing of a call with respect to the annual budget cycle and whether a supplementary budget is required. For several shareholders there are existing mechanisms to accelerate a budgetary approval and respond more quickly to a call on callable capital, should that be necessary.
- The *responsibility to respond to a call* on callable capital generally sits with finance ministries in shareholder countries.
- In the vast majority of cases, the process and mechanisms to respond to a call are *identical for callable capital commitments to all MDBs*.

7. Conclusion

The current interpretation of the AEB implies that a full loss of members' equity is consistent with a call on callable capital. In order for this to occur, losses significantly beyond any historical precedent must materialise over a multi-year period. Such a scenario goes well beyond an expectation consistent with the Bank's credit rating and while modelled using the scaffolding of the existing stress testing framework, significant additional default rate multipliers are required to reach this level of losses.

The exercise demonstrates that the Bank is extremely well capitalised, with internal capital policies calibrated to "ensure the Bank remains a going concern, avoiding the need to call subscribed callable capital." Such a call would be an unprecedented event within the MDB community, however sufficient clarity is available within the AEB to ensure the described scenario constitutes a representative example of a potential set of circumstances that could lead to a call on the Bank's callable capital. It is also the case that if such a scenario were to play out, EBRD would engage with shareholders at the earliest possible stage to alert them to the possible future need for a call in order to minimise any delays to the process. EBRD would also establish a streamlined engagement process with Directors that would facilitate shareholders receiving advance notice that a call will be necessary, giving them time to undertake their domestic processes to prepare to respond.

The process clarifications from shareholders as part of this exercise demonstrates that they understand their obligations and have well defined processes to respond to a call on callable capital. As a result of prior appropriation of funds, several shareholders have the capacity to respond to a call, up to a specific level, within days or weeks, while others expect to be able to make payments within several months, and generally no longer than one year. The strong legal foundations of shareholder callable capital subscriptions, together with clear approval mechanisms and the extended period shareholders would have to undertake those mechanisms to respond to a call, demonstrate that callable capital commitments represent a robust instrument to greatly reduce the risk of bondholder losses in the extremely improbable event of EBRD insolvency or payment default.

ANNEX 1: Shareholder templates

Templates were completed by the following shareholders:

As at Dec 2023	Callable shares	% of total callable shares
Australia	237.5	1.0%
Austria	541.6	2.3%
Belgium	541.6	2.3%
Canada	807.6	3.4%
Czechia	202.7	0.9%
Denmark	285.1	1.2%
European Union	712.6	3.0%
France	2,023.3	8.6%
Germany	2,023.3	8.6%
Italy	2,023.3	8.6%
Japan	2,023.3	8.6%
Korea, Republic of	237.5	1.0%
Netherlands	589.1	2.5%
New Zealand	7.0	0.03%
Norway	296.9	1.3%
Slovak Republic	101.4	0.4%
Spain	807.6	3.4%
Switzerland	541.6	2.3%
United Kingdom	2,023.3	8.6%
United States of America	2,375.4	10.1%
Total completed templates	**18,401.7**	**78.2%**
Total EBRD	**23,543**	**100%**

Disclaimer: Templates have been completed in good faith by each shareholder as an accurate representation of internal processes linked to a call on callable capital. No such liability shall exist where a response unintentionally misrepresents data and/or processes.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Australia

(2) Shareholding and Callable Capital Commitments

We have filled out the below table as at 30 June 2023. Please note Australia purchased US$21,756,281 shares in the International Bank for Reconstruction and Development in November 2023.

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)*
Asian Infrastructure Investment Bank	3.8%	A$4.5 billion
Asian Development Bank	5.8%	A$10.8 billion
European Bank for Reconstruction and Development	1%	A$396.3 million
International Bank for Reconstruction and Development	1.43%	A$6.4 billion
Multilateral Guarantee Investment Agency	1.49%	A$40.4 million

*This information is based on the Australian Budget (Mid-year Economic and Fiscal Outlook 2023-24, p. 126, *International financial institutions – uncalled capital subscriptions*). There may be differences in valuation due to foreign exchange rate conversions.

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

Generally speaking, Australia already has legislation in place that enables us to make payments or in some instances issue securities in lieu of payments (e.g. promissory notes), to meet a call on capital from MDBs. Our legislation relating to MDBs in many cases includes specific

provisions, referred to as 'special appropriations' under Australia's domestic legislation, that appropriates the Consolidated Revenue Fund for specified purposes that will enable Australia to make payments in response to a call on callable capital by the relevant MDB.

However, our legislative frameworks relating to various MDBs are not uniform, and in the unlikely event of a call on capital, some level of case-by-case assessment and due diligence will be needed to ensure:

Any relevant legislative requirements that are applicable in the particular circumstances are complied with;

No additional legislation is required to authorise payments to the MDB; and

An existing appropriation can support the expenditure.

This assessment may be more complex for some MDBs than others; but in many instances there has been a practice of enacting specific appropriations (special appropriations) for capital subscriptions (see the 'Treasury' section of the Chart of Special Appropriations (finance.gov.au) for a list of these and other special appropriations).

In the limited instances where a suitable special appropriation has not been made, in the event of a call Australia may need to seek to appropriate the funds needed to meet a call through the normal budgetary appropriation processes (held twice a year).

With confirmation of the legislative basis to make a payment, Australia would then instigate a domestic process to access funding to meet the request. This domestic process would typically involve correspondence between the responsible Minister and the Minister for Finance. The responsible Minister would generally be the Treasurer.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

If Australia receives enough early warning about the quantum and timing on a call on capital, and there is an appropriation in place to fund this call, this process could take approximately 8-10 weeks as outlined below.

Where a special appropriation has not been made that would enable a payment in response to the particular call, Australia may need to seek to appropriate the funds needed through normal budgetary appropriation processes. This may take up to 6 months.

Timeframes for this process would also depend on the size of the call and would be subject to the discretion of the responsible Minister.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe*	Responsible Entity
Undertake assessment and due diligence of legislative framework, when we are advised that a call on capital is imminent (this process could be undertaken before a call is formally made)	4 weeks	Treasury
Provide advice to Treasurer that a call has been made. This should include details on how this payment would be funded.	4 weeks	Treasury/Finance
Treasurer and Minister for Finance to consider how to fund the payment	4 weeks	Treasury/Finance
Process the payment	2 weeks	Treasury/RBA

*These timeframes are indicative. If sufficient early warning of a call on capital is received, then the timeframe between a call being made and Australian payments being disbursed, can be further streamlined.

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

Australia does not have the capacity to make available an amount of callable capital above the size of what we have committed to through our domestic legislation.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Australia does not have an accelerated process outside of what is described in response to questions 3 to 5.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

We have interpreted this question to mean which callable capital commitments we consider would clearly have the necessary legislative arrangements in place (including special appropriations) to enable payment. A preliminary estimate of this amount is below, noting that these figures would need to be confirmed at the time:

MDB	Approximation of callable capital with requisite authority
Asian Infrastructure Investment Bank	A$4.5 billion
Asian Development Bank	USD 7.0 billion
European Bank for Reconstruction and Development	EUR 70 million
International Bank for Reconstruction and Development	USD 3.3 billion
Multilateral Guarantee Investment Agency	SDR 13.7 million

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Callable capital, or uncalled capital, is disclosed as a contingent liability in the Statement of Risks published in the Commonwealth Budget. Most recently, this can be found in the Mid-year Economic and Fiscal Outlook 2023-24 (page 126). The statement outlines general fiscal risks, specific contingent liabilities and assets that may affect the budget – as required by the *Charter of Budget Honesty Act 1998*.

A disbursement of callable funds would be captured as an equity investment. Budget and accounting treatment for each individual call on capital would be determined by considering the prevailing market condition and updated information of the financial institution's financial positions. However, noting the potentially distressed financial position of the bank at the time callable capital is required, the correct budget treatment of this investment would need to be assessed at the time of any call. Australia would be keen to engage further on any exercises to determine what this looks like.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

Australia has generally enacted legislation relating to its membership of each MDB. For several MDBs, Australia has also enacted legislation specifically authorising subsequent additional capital subscriptions. The relevant Acts generally include provisions appropriating the Consolidated Revenue Fund for specified purposes that will enable Australia to make payments in response to a call on callable capital by the relevant MDB). Provisions of this nature are referred to as ‘special appropriations’ under Australia’s domestic legislation. However, there is some variation in the legislative arrangements. As noted above, some level of case-by-case assessment and due diligence will be needed in the unlikely event of a call on capital, to ensure that any applicable legislative requirements are complied with, that no additional legislation is required to authorise payments, and that an existing appropriation can support the expenditure.

Relevant domestic legislation in respect of each MDB is as follows (noting that this is not an exhaustive or comprehensive summary of the operation of the relevant legislation):

Asian Development Bank:
Australia has enacted the following legislation relating to its membership of, and capital share subscriptions to, the Asian Development Bank. This legislation contains special appropriations, as noted above.

Asian Development Bank Act 1966
Asian Development Bank (Additional Subscription) Act 1972
Asian Development Bank (Additional Subscription) Act 1977
Asian Development Bank (Additional Subscription) Act 1983
Asian Development Bank (Additional Subscription) Act 1995
Asian Development Bank (Additional Subscription) Act 2009.

European Bank for Reconstruction and Development:
The *European Bank for Reconstruction and Development Act 1990* deals with Australia’s membership of the European Bank for Reconstruction and Development, and includes a special appropriation relating to certain payments Australia is required to make to the Bank.

Asian Infrastructure Investment Bank:

The *Asian Infrastructure Investment Bank Act 2015* deals with Australia's membership of the Asian Infrastructure Investment Bank. It expressly authorises the making of payments required under the AIIB Agreement, and contains a special appropriation for the purposes of making such payments. No additional capital purchases have been made outside this initial subscription.

International Bank for Reconstruction and Development:

Australia has enacted the following legislation relating to its membership of, and capital share subscriptions to, the International Bank for Reconstruction and Development:

International Monetary Agreements Act 1947
International Monetary Agreements Act 1960
International Monetary Agreements Act 1974
International Monetary Agreements Amendment Act 1978
International Financial Institutions (Share Increase) Act 1982
International Financial Institutions (Share Increase) Act 1986
International Bank for Reconstruction and Development (Share Increase) Act 1988
International Bank for Reconstruction and Development (General Capital Increase) Act 1989
International Financial Institutions Legislation Amendment Act 2010
Treasury Laws Amendment (2020 Measures No. 2) Act 2020

This legislation contains provisions regarding the making of certain payments to the IBRD and appropriating the Consolidated Revenue Fund for that purpose.

Multilateral Investment Guarantee Agency:
The *Multilateral Investment Guarantee Agency Act 1997* deals with Australia's membership of the Multilateral Investment Guarantee Agency, and includes a special appropriation relating to certain payments Australia is required to make to the Agency.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

Australia currently treats all callable capital commitments as contingent liabilities. We expect all called shares to be treated consistently, regardless of which MDB may be requesting shares to be paid in. Legislative arrangements may differ as noted above, and may impact on the process used to respond to a call.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Australia has generally legislated for the purchase of capital at a particular USD/€ price per share. We understand that some MDB's price per share of callable capital, as reflected in their financial statements, may differ from Australia's legislated price per share (for example, we understand this is the case for ADB). Clarity on the applicable price per share may be needed.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Republic of Austria

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
European Investment Bank (EIB)	2.584	5.855567**)
International Bank for Reconstruction and Development (IBRD)	0.689	2.031300
African Development Bank (AfDB)	0.439	0.607660*)
European Bank for Reconstruction and Development (EBRD)	2.300	0.541590**)
Asian Development Bank (AsDB)	0.340	0.456700
Asian Infrastructure Investment Bank (AIIB)	0.516	0.400600
Inter-American Development Bank (IADB)	0.161	0.263400
Multilateral Investment Guarantee Agency (MIGA)	0.770	0.011974
International Finance Corporation (IFC)	0.808	0.0
IDB-Invest	0.538	0.0

***) in SDR billions, **) in EUR billions**

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

The Republic of Austria is subscribed to the general capital (including callable capital) on the above mentioned IFIs based on a national legal act (in German: IFI-Beitragsgesetz) and as defined in the respective resolutions of the IFIs. A call of callable capital is

therefore treated accordingly. Austria considers capital subscriptions as a binding commitment governed by international law. The Republic of Austria will therefore aim to meet the request to avoid negative effects on the assessment of Austria by relevant rating agencies.

If the Board of Directors of an IFI need to initiate a call for callable capital, the Federal Ministry of Finance on behalf of the Republic of Austria will immediately assess the next steps. The relevant national legal act (IFI-Beitragsgesetz) already covers the capital subscription for both the paid-in and the callable capital. Thus, in principle, no further parliamentary approval is required. However, depending on the envisaged entry into force and the size of the call of callable capital, the Federal Ministry of Finance will either include the financial request in the next annual federal budget or will have to amend the current budget.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The timeframe depends on the amount due and will require a minimum of two months. In case of a very high scenario, it could take up to one year (see options, below).

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
Option 1: Inclusion in the next federal budget (with approval of the federal budget law at Parliament)	Up to 12 months	Federal Ministry of Finance
Option 2: Amendment of the current budget (a parliamentary approval for the budgetary amendment might be needed depending on the size of the call)		
Option 2a: without parliamentary approval	2 – 3 months	Federal Ministry of Finance
Option 2b: with parliamentary approval	4 – 5 months	Federal Ministry of Finance
Payment after approval and transfer of funds	1 month	Federal Ministry of Finance

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

If the total amount of callable capital called does not exceed Austria's subscription based on the relevant legal act in force, the national procedure to be followed are the same as described above. In case the called amount exceeds the approved subscription, a new legal act will have to be passed by parliament and relevant budgetary provisions will have to be made.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Depending on the circumstances and the size of the call, the national process could be accelerated. Once deliberations on a call of callable capital are initiated within the IFI, Austria would aim to include these expenditures in the budgetary forecast. This may speed up the approval process with regards to future calls.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

No budgetary provisions for callable capital are foreseen in the current budget.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Callable capital is treated as a contingent liability. It is listed in an appendix to the federal financial statements. Given the very low probability of a call of callable capital, no separate budgetary provisions are made and no provisions are recorded on the balance sheet.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

The callable capital is included in the legal act (IFI-Beitragsgesetz) for the respective capital subscription (that covers paid-in and callable capital), which requires parliamentary approval.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

There is no difference in the treatment.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

The ability to promptly respond depends on the size of the call, the global economic circumstances and the overall effect on the Austrian budget. In years of parliamentary elections, the budgetary approval process might be delayed.

Shareholder Information Template - Belgium

(1) Shareholder

Kingdom of BELGIUM

(2) Shareholding and Callable Capital Commitments at the MDBs

MDB	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
EBRD	2.30%	EUR 541.59 million

(3) Procedures: Describe the procedures the shareholder would undertake in response to a call on callable capital or the potential for such a call.

Parliament approved the capital subscription of Belgium, covering both paid-in and callable capital. If a call on callable capital were to be made, the necessary resources would have to be included in the budget. This requires approval by the Council of Ministers and by the Parliament.

(4) Timelines: Describe the timelines associated with the procedures for responding to a call on callable capital.

The budget process takes approximately 6 months. Much depends on the timing of the call. Most likely the existing budget would have to be amended. A timeline of 3 to 6 month is to be expected.

(5) Responsibilities: Describe where the responsibilities for responding to a call on callable capital reside within your government.

Minister of Finance and Minister of Development Cooperation.

(6) Accelerated Processes: Describe whether there is the potential to undertake accelerated domestic processes in response to a call on callable capital.

This depends on the moment when the call would occur. Urgency procedures exist, but less than 3 months is not realistic.

If it is certain that a call on callable capital will occur in the future, Belgium could undertake the necessary steps (notably from a budgetary and procedural point of view) to be able to react quicker when the call will occur.

(7) Plan for Responding to a Call: Describe whether your government has a plan in place for responding to a call on callable capital.

No

(8) Accounting Procedures: Describe the accounting procedures your government employs when accounting for callable capital.

"Contingent liability"

(9) Callable Available for Immediate Disbursement and Process/Timeline: Include any amount of callable capital would be available for rapid disbursement in response to a call on callable capital, and the processes and timelines associated with disbursement of these amounts.

No provision has been made. The availability of any callable capital is subject to a budget amendment and therefore the approval of Belgium's Council of Ministers and Parliament.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions.

The existing capital subscriptions by Belgium, both paid-in and callable capital, have been approved by law. Belgium's callable capital subscriptions therefore can be considered a ccommitment. The execution of a call on callable capital must be decided by according to the procedures described above.

(11) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Elections (e.g., in June 2024), followed by a (prolonged) period of caretaker government, can slow down the decision process down, as can the dissolvement of parliament (limited to max 3 months).

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Canada

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital) as of Dec 2023	Callable Capital Commitments (US$ billions)[10,11]
IBRD	2.77%	7.88
AfDB	3.88%	7.25
IDB	4.00%	6.60
ADB	5.22%	6.36
EBRD	3.4%	0.88
AIIB	1.03%	0.80
CDB	9.31%	0.12
MIGA	2.95%	0.05

* Note these figures are based on Canada's Public Accounts. There could be minor differences in valuation between MDB financial statements and Canada's Public Accounts, particularly with respect to foreign exchange rate conversions.

[10] See 2023 Public Accounts (Vol 1, Section 11, Table 11.7)
[11] 1 USD: CAD 1.3516

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

Responsibility for Canada's membership at MDBs is shared between the Minister of Finance (Department of Finance Canada) and the Minister of International Development (Global Affairs Canada) as given in the table below. In the unlikely event of a call on callable capital from an MDB to which Canada has committed callable capital, the responsible Governor would need to consider the following three factors:

- o whether there is legal/statutory authority for the Governor to disburse such payments;
- o whether there is a previously identified source of funds for said Governor to make such payments; and,
- o whether parliamentary approval (i.e., appropriation) would be required for Canada's Governor to disburse such a payment.

Detailed information is provided in the table in response to Question 5.

MDBs	Canada's Governor
IBRD	Minister of Finance
AfDB	Minister of International Development
IDB	Minister of International Development
ADB	Minister of International Development
EBRD	Minister of Finance
CDB	Minister of International Development
MIGA	Minister of Finance

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The length of the process to execute a payment on callable capital would be a function of the above-mentioned factors, including existing legislation. Indicative timelines are provided in the table in the following question.

(5) <u>Responsibilities</u>: Describe where the responsibilities for these processes and approval reside within your government.

(3) Procedural Step	(4) Timeframe	(5) Responsible Entity
Legal/Statutory Authority: The authority for a Canadian Governor to a specific MDB to honour a call on previously committed callable capital and to disburse funds to such an MDB would need to be aligned with the relevant sections of the respective Canadian legislation (see links in question 10) setting out our country's interaction with the respective MDB. Such legislation authorizes the appropriate Canadian Governor to purchase shares in each of these institutions (both paid-in and callable capital).	0	Department of Finance or Global Affairs Canada, depending on the MDB, in coordination with Justice Canada
Source of Funds: Callable capital is currently noted as a "contingent liability" in the Public Accounts of Canada. In the unlikely event of a call on callable capital from any MDB that Canada is a member of, the respective Governor would need to seek a funding decision from the Prime Minister and Minister of Finance to secure funds from the fiscal framework to make a payment related to callable capital commitments. Such a funding decision could be sought either through the annual federal budget process, or through an "off-cycle" funding decision at any time during the fiscal year.	1-3 months	Funding decision required from the Minister of Finance and Prime Minister. The Department of Finance Canada; or Global Affairs Canada working with the Department of Finance, depending on the MDB, in coordination with the Privy Council Office would undertake work to obtain the decision.
Parliamentary Approval (Appropriation): In most instances, parliamentary approval would be required. In these cases, the callable capital amount would need to be approved by Parliament (both the House and the Senate) through an appropriation act. There are usually four opportunities to seek appropriation throughout a fiscal year – Main Estimates (approx. March and June); Supplementary Estimates A (approx. June); Supplementary Estimates B (approx. December); Supplementary Estimates C (approx. March). For callable capital that has already been appropriated, as in the case of some IBRD callable capital (discussed in Question 8), this step could be skipped.	3-6 months	Decision required by Parliament. The Department of Finance Canada or Global Affairs Canada, depending on the MDB, in coordination with the Treasury Board Secretariat would undertake work to obtain the decision.
Test Payment and other due diligence: The Government of Canada would then execute the callable capital payment, after ensuring necessary due diligence, including test payments.	0-1 month	Chief Financial Officer of the Department of Finance Canada or Global Affairs

		Canada, depending on the MDB

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

In the case of a subsequent call on capital, so long as the total amount requested remains within the Government of Canada's total existing callable capital commitment to the MDB, the process and timelines would be the same as described in response to questions 3-5 for the second call.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Canada does not have an accelerated process outside of what is described in response to questions 3 - 5.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

Building on the response to questions 3 - 5, Canada's Parliament has appropriated some of its World Bank – IBRD callable capital. Callable capital that has already been appropriated would be subject to fewer remaining approvals steps and therefore a faster disbursement process (i.e., matter of weeks).

- Canada appropriated up to US$1.54 billion in callable capital for the IBRD in 2011-12 Chapter 3 - Bill C-34 - Efull... (parl.ca) (search International Bank for Reconstruction and Development in document).
- Canada increased the above-mentioned limit and appropriated a total of US$2.81 billion in 2019 2019 Public Accounts Volume II - Appendix I

No other callable capital has been appropriated for any other MDB that Canada is a member of. These amounts may be "noted" in the Public Accounts of Canada or in appropriation acts, but not "appropriated/approved" by Parliament.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Canada's callable capital commitments at MDBs are classified as "contingent liabilities" with no valuation (i.e., expense) associated with them. This follows Canada's public sector accounting directives, as below.
The Department (GAC or FIN) would recognize a liability when:
(1) the probability of occurrence of the future event is likely; and
(2) the amount of the liability can be estimated.
In terms of probability, the following ranges are used:
- Likely - a greater than 70% probability that a liability may exist;
- Unlikely - a less than 30% probability that a liability may exist; and
- Not determinable - a probability between 30% and 70% that a liability may exist.
Guidance is provided to Departments in this document: Directive on Accounting Standards: GC 3300-3310 Contingent Liabilities and Loan Guarantees- Canada.ca

In our view, the probability of a call on callable capital occurring is currently estimated to be unlikely.

In the event that there is a call on callable capital (and the relevant appropriation is approved by Parliament), the relevant Department would record an investment that would be included in the Public Accounts. As the investment(s) are considered concessionary, there would be a valuation allowance for the full amount of the callable capital.

The Public Accounts of Canada (Volume 1 – section 11) lists all callable capital contingent liabilities: Contingent liabilities—Section 11: Contractual obligations, contractual rights and contingent liabilities as at March 31—Volume I: Public Accounts of Canada 2023—Receiver General for Canada—PSPC (tpsgc-pwgsc.gc.ca)

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

- Relevant legislation is linked below. While some legislation provides the relevant Minister/Governor with "statutory" (i.e., legislative) authority to make payments in respect of paid-in capital, no legislation expressly provides the relevant Minister/Governor with the authority to make payments in respect of callable capital.

- As such, payments related to callable capital require "expenditure approval" through an appropriation act that is approved by Parliament, as discussed in response to questions 3 - 5.

- International Development (Financial Institutions) Assistance Act (justice.gc.ca) (GAC)
    - This above-mentioned legislation provides the relevant Minister with the authority to pay from the fiscal framework, in consultation with the Minister of Finance (i.e., subject to a funding decision). The amount would need to be approved by Parliament through an appropriation act.

- Bretton Woods and Related Agreements Act (justice.gc.ca) (FIN)
    - This above-mentioned legislation provides the relevant Minister with the authority to pay from the fiscal framework (subject to a funding decision), but requires that the amount be approved by Parliament through an appropriation act.

- European Bank for Reconstruction and Development Agreement Act (justice.gc.ca) (FIN)
    - This above-mentioned legislation provides the relevant Minister with the authority to respond to a call on callable capital and pay from the fiscal framework (subject to a funding decision). The amount would need to be approved by Parliament through an appropriation act.

- Asian Infrastructure Investment Bank Agreement Act (justice.gc.ca) (FIN)
    - The above-mentioned legislation provides the relevant Minister with the authority to respond to a call on callable capital and pay from the fiscal framework (subject to a funding decision). The amount would need to be approved by Parliament through an appropriation act.

(11) <u>Cross-MDB Differences</u>: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

There are no differences.

(12) <u>Other Factors</u>: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

N/A

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Czechia

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
IBRD	0,36 %	1,058
IFC	0,40 %	00 (the subscribed capital has already been fully paid)
MIGA	0,44%	0,006
EBRD	0,86%	0,202 EUR
EIB	0,89%	2,010 EUR
CEB	0,77%*	0,038 EUR

* As at 31 December 2023. The capital increase of the CEB comes into force on 29 February 2024. However, the subscription period for the capital increase extends to 30 June 2024. The share of the Czech Republic may (and most probably will) be adjusted during the remaining subscription period as the member states will subscribe their respective shares.

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

In case of **the IBRD** (approx. 26,5 billion CZK) and **EBRD** (approx. 5 billion CZK**) call on callable capital** a legislative Amendment of the Approved State Budget would be needed as the Governmental Budgetary Reserve allocated at the General Treasury budgetary chapter would not be able to fully cover those claims. Government´s as well as Parliament´s approval would be necessary.

Financing of the **MIGA call on callable capital** (0,006 bil. EUR is approx. 150 million CZK) would be possible from the Governmental Budgetary Reserve (the Ministry of Finance is eligible to release up to 50 mil. CZK without any further approval) located within the General Treasury budgetary chapter. Government´s approval would be necessary (if the amount is higher than 50 mil. CZK) based on the 218/2000 Budgetary Rules Act, article 27.

Main code: *218/2000 Budgetary Rules Act, 320/2001 Financial Control Act, 416/2004 Decree on Financial Control in Public Administration*

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

In case of **the IBRD** and **EBRD call on callable capital** a legislative Amendment of the Approved State Budget would be needed as the Governmental Budgetary Reserve allocated at the General Treasury budgetary chapter (or any other savings) would not be able to fully cover those claims. The process of amending the State Budget in a regular procedure (not during a so-called legislative emergency state procedure) takes usually few months as it has to be approved by the Parliament. If there is the so-called legislative emergency state in action (e.g. during the COVID19 crisis etc.) then it can take up to two weeks.

Financing the **MIGA call on callable capital** from the Governmental Budgetary Reserve would be quite a swift process. The government is eligible to release funds based on the Government´s Resolution Document. The timeframe for preparing the material and discussing it at the Government and final approval takes around few weeks to a month.

In general, if the need for the callable capital call would be known in advance (at least 3-4 months in advance to the new budget year) then it could be budgeted for the upcoming budget year during the regular budget process which takes place from approx. March to the end of September, before it is submitted to the Parliament.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
IBRD and EBRD callable capital call – probably need of amending the approved State Budget, as the required amount would be too high to be covered from the Governmental Budgetary Reserve. The process takes several months – the material has to be prepared and approved by the Government, State Budget Amendment Law has to be prepared and approved by the Government and subsequently approved by the Parliament as well.	Few months	Ministry of Finance, Government, Parliament
MIGA callable capital call – possible payment from the Governmental Budgetary Reserve allocated at the General Treasury budget chapter, subsequently approved by Government via the Government´s Resolution Document.	Few weeks to a month	Ministry of Finance, Government

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

Size of call on callable capital would influence the necessary legislative process (as described in (4) Timeframes) in relation to the source of payment (Governmental Budgetary Reserve or Amendment of the State Budget).

Government´s ability to make available the amount of callable capital above the size of a call that has been made (or is forthcoming) is unlikely.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Accelerated domestic legislative process in not presumable in this case. A so-called legislative emergency state procedure, which took place for example during the COVID19 crisis, is declared by the chairman of the Parliament only if security of the state and its citizens rights are threatened or if a substantial economic damage is at risk. Thus, it is quite unlikely to establish the emergency legislative state procedure in regards to a call on callable capital.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made

available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

No provision for potential call on callable capital has been made in the existing State Budget (for years 2024-2026).
Although for example, in December 2023 there was an immediate disbursement for the capital increase required for CEB for 2023 that was approved by the Government´s Resolution Document in September 2023 covering yearly installments of capital increase for CEB for years 2023-2026. The approval and payment process took approximately 3 months and it was paid from the General Treasury budgetary chapter with no need of approval from the Parliament as the amount was approx. 60 mil. CZK (approx. 2,4 mil. EUR).

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Ministry of Finance accounts for callable capital as a contingent liability.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

The legal status results from statutory agreements (Articles of Agreement), no special legal provision or measure have been made in this regard.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

The legal status results from specific statutory agreements of individual MDBs

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

There are certain risks that could jeopardize the procedure. E. g. (1) National political situation (elections to the Chamber of Deputies, Government collapse etc). (2) National fiscal situation (as illustrated in the IBRD Callable Capital Reverse Stress Testing, the call on callable capital would probably be triggered in the case of global crisis scenario that would affect the fiscal situation of the Czech Republic as well. Furthermore, in that

assumed scenario, other MDBs would probably also make call on callable capital, limiting the ability of the Czech government to respond promptly and in sufficient amount to all calls.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Denmark

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions, as of 20-12-2023)
EIB	2,64%	6,54
EBRD	1,2%	0,31
NIB	21,1%	1,73
AIIB	0,38%	0,30
IBRD	0,79%	2,03 (of which 0,35 is with provisioning for expected losses)
AfDB	1,14%	2,67 (of which 1,16 is with provisioning for expected losses)
ADB	0,34%	0,43
IDB group	0,17%	0,29

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
The general case: The government has a legal basis in the Finance Act to respond to a call immediately in full.	A few days. Large transactions in foreign currency (i.e. non DKK) might take a bit more time to perform.	Primarily the ministry responsible for the bank who made the call, with the involvement of the Ministry of Finance and the central bank (as payment agent for the state).

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The Danish government would have to seek the approval of parliament to make available an amount above what has been requested.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

The process outlined in 3 also describes the process for an emergency.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

As mentioned in section 5, callable capital with provisioning is available for immediate disbursement.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Since 2019 the Danish Government sets aside provisions for expected losses on new guarantees associated with callable capital, which is paid by the responsible ministry. Recently issued callable guarantees are treated as other financial instruments (such as state lending and lending guarantees) in the government budgeting. That means that the calculated expected loss on each (newly issued) callable guarantee is treated as a cost in the government budget.

The Guarantee itself is a contingent liability in the central government accounts, and reported in detail as a disclosures notes in the accounts. If a call is made, the paid amount is treated as an expenditure in the central government accounts. The detailed classification of the expenditure (normal expenditure, equity injection, etc.) will depend on the precise nature of the contingent liability etc.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

Government guarantees are issued based on substantive law. Once the guarantee is issued, it is callable in its full amount for the entire duration of the guarantee.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

The process is the same for all MDBs.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

European Union

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($)[12]
EBRD	3.03%	772,775,972

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

The impact of a call on callable capital on current financial year must be introduced by means of an amending budget. The draft amending budget proposed by the Commission will state the reasons the budget as voted needs to be amended and sets out the changes to be made and any other information the budgetary authority (European Parliament and Council of the EU) may need in order to take an informed decision. The corresponding appropriations are made available once the amending budget has been adopted by the Council and the European Parliament.

[12] Converting EUR 712,630,000 into USD using the 12 months average of the ECB reference rate of 1.0844 USD/EUR.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

Based on Article 44(3) of the Financial Regulation, the Commission can, in duly justified exceptional circumstances, submit a draft amending budget at any time of the year to the European Parliament and the Council. A situation of call on the EU callable capital to the EBRD would qualify as justified exceptional circumstance.
There is no legal deadline for the budgetary authority to adopt an amending budget. On average, the procedure usually takes about 3 months.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
Requests analysis, preparation explanatory memorandum	1 month	ECFIN/BUDG
Adoption of Draft Amending Budget		European Commission
Council's position on the Draft Amending Budget adopted;	3 months	European Council
Amending budget adopted in plenary.		European Parliament

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

In case the call only applies to a portion of the EU callable capital, the remaining portion would be available for subsequent calls and still subject to the same procedure described above. No further availabilities are to be foreseen under the EU budget.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

If duly justified, the European Parliament and the Council can informally commit to consider the proposal of the Commission without undue delay, taking into account the urgency of the matter. In such case the adoption of the Amending Budget could take less than two months.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

As a general rule, the EU annual budget is allocated before the beginning of the financial year. Therefore, no portion of the callable capital can be available for immediate disbursement. Any disbursement of callable capital shall be subject to the procedure described above.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

The callable portion of subscribed capital to the EBRD is accounted for as a contingent liability in the EU budget. It is reflected in a specific expenditure budget line (14 20 03 05 – European Bank for Reconstruction and Development – Callable portion of subscribed capital) under *Heading 6 – Neighbourhood and the world* of *Section 3 – European Commission*, whereby the budget remark specifies that the amount of callable capital stands at EUR 712 630 000.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

In the EU, the legal framework for callable shares and the authorisation to subscribe to them is provided in the following acts:

90/674/EEC: Council Decision of 19 November 1990 on the conclusion of the Agreement establishing the European Bank for Reconstruction and Development

97/135/EC: Council Decision of 17 February 1997 providing that the European Community should subscribe for extra shares as a result of the decision to double the capital of the European Bank for Reconstruction and Development

Decision No 1219/2011/EU of the European Parliament and of the Council of 16 November 2011 concerning the subscription by the European Union to additional shares in the capital of the European Bank for Reconstruction and Development (EBRD) as a result of the decision to increase this capital.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

The EU only retains shareholding in the EBRD.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

France

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
EIB	18,8%	44,8
IBRD	4,1%	11,6
AfDB	3,6%	6,7
AsDB	2,3%	3,4
IDB	1,9%	3,1
AIIB	3,5%	2,7
EBRD	8,6%	2,0
CEB (Council of Europe Development Bank)	16,7%	0,9
MIGA	4,8%	0,07
BOAD (West African Development Bank)	3,5%	0,05
BDEAC (Development Bank of the Central African States)	0,8%	0,01
Total		75,5

**In the State budget, callable capital is accounted for in EUR. For practical reasons, these amounts were converted in USD based on the average EUR/USD 2022 exchange rate (1 EUR = 1,0538 USD)*

*** These amounts may slightly vary from the amounts expressed in the MDBs' financial statements due to exchange rate different assessment and other accountability contingencies.*

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

The procedure involves several departments of the Ministry of the Economy, including the Treasury which will receive the payment order and will monitor the entire procedure, regardless of the scenario (see below).

Capital payments are made only from a special budget account, the "CAS-PFE". All the budget scenarios described below will ultimately involve a payment from this account. This special account, under standard process, is only provisioned through the returns from the State's financial participations in public companies and financial institutions. Under exceptional circumstances, it may benefit from additional resources (see scenarios below).

In case of a capital call, depending on the size of the call and the resources of this special account, several scenarios can be implemented:

Scenario 1 – The CAS PFE has available funds to make the payment

This is the simplest procedure. Once the payment order is received by the Treasury, it is sent directly to the department responsible for the CAS PFE (Agence des Participations de l'Etat –State Participation Agency) for payment. The payment order is prepared by the State Participation Agency, validated by the Treasury, according to the ordinary procedure, and checked by the budgetary and financial controller.

Scenario 2 – Funds (returns or initial credits) are insufficient within the CAS-PFE but the "P110 program" (the budgetary program dedicated to economic and financial official development assistance and managed by the Ministry of the Economy) has sufficient credits to supplement the CAS-PFE

In this case, the Minister of Economy and Finance may decide to transfer some credits from this particular budgetary program to the CAS-PFE.

<u>Scenario 3</u> –There is no sufficient room in the budgetary program dedicated to economic and financial official development assistance at the time of the call.

In this case, the Budget Act allows transfers from other sections of the budget but within the limits of certain thresholds:

- **The Prime Minister can issue a "reallocation decree" to transfer funds** from other sections (even from other ministries) to the "P110 program" so that the "P110 program" may feed the CAS-PFE special account. The transfers shall be made after a report is issued by the Prime Minister services and submitted for information to the Finance Committees of the Parliament (National Assembly and Senate).

- **To open new funds, the Prime Minister can issue a "supplemental appropriation decree" to open a new emergency credit line dedicated to funding the callable capital** call in the special account. The new credit line shall not exceed 1% of the total initial Budget Act credits volume and shall be compensated by the cancellation of the corresponding volume of other credits of the Budget Act, or the allocation of other higher-than-expected resources.

This "supplemental appropriation decree" can be issued by the Prime Minister after:

- A formal consultation for approval of the "Conseil d'Etat" (the highest administrative authority that here serves as an advisor to the Government) and the Finance Committees of the Parliament (National Assembly and Senate);
- It is possible to speed up the procedure, in this case: a formal decision by the Council of Ministers after a formal consideration for approval by the "Conseil d'Etat" and a formal information of the Finance Committees of the Parliament (National Assembly and Senate).

<u>Scenario 4</u> – In case the size of the call requires budget appropriations that cannot be compensated by initial appropriations' cancellation and/or to reallocate more than 1% of the total volume of appropriations in the initial Budget Act (scenario 3), a supplementary Budget Act is necessary to issue new appropriations.

The supplementary Budget Act shall be submitted by the Government (Minister in charge of Finance) to the Parliament and adopted under a standard budgetary approval procedure.

(4) <u>Timeframes</u>: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The timeframe depends on the scenario and on the size of the call:

- For Scenario 1 the procedure can be relatively short and take only 4 to 5 weeks depending on the payment being made in EUR or USD;
- For scenario 2, it is estimated to take 5 to 8 weeks depending on the internal adjustments to be done within the budgetary program dedicated to economic and financial development assistance;
- For scenario 3, it can be estimated to take 5 to 8 weeks;
- For Scenario 4, it can be estimated to take two to six months (minimum one month for the supplementary Budget act preparation by the government and minimum one month for the assessment and approval by the Parliament).

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
Scenarios 1, 2, 3 and 4 - Initial examination of the claim	Less than 1 week	Minister in charge of Finance
Scenario 1 – Direct payment from the CAS-PFE	Approximately 3 to 4 weeks (depending on EUR/USD payment)	Minister in charge of Finance
Scenario 2 – Payment after CAS-PFE refunding	Approximately 4 to 7 weeks	Minister in charge of Finance
Scenario 3 – Prime Minister decree	Approximately 5 to 8 weeks	In this order: - Minister in charge of Finance - (3.a: Minor modifications) Reallocation decree issued by the Prime Minister after informing the Finance Committees of the Parliament (National Assembly and Senate). - (3.b: Significant modifications) Reallocation decree issued by the Prime Minister (formal consultation for approval of the “Conseil d’Etat” -Council of State- and the Finance Committees of the Parliament

		(National Assembly and Senate)); or Reallocation decree decided at the level of the Council of Ministers if the situation is considered as an emergency after a formal consideration for approval by the "Conseil d'Etat" -Council of State- and a formal information of the Finance Committees of the Parliament (National Assembly and Senate)
Scenario 4 – Supplementary Budget Act preparation	Approximately two to six months	- Minister in charge of Finance: preparation of the Budget bill preparation / supplementary budget bill - Parliament: Consideration and vote on the Budget bill - Possible referral to the Constitutional Council. - Promulgation of the Budget Act by the President of the Republic. - Minister in charge of Finance

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The process is similar to the answer for question 3 with scenario 1, 2,3 and 4 to allocate the resources to the CAS-PFE and make them available for a potential additional call within the limit of the callable capital commitment towards the institution, as recorded in the budget (see question 1 for the amounts).

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Although there is no fast-track procedure as such, the use of the regulatory provisions under scenario 3 on the "supplemental appropriation decree" is likely to enable a faster transfer of the funds to respond to a capital call, if deemed necessary. Accelerated procedures for the adoption of budget bills also exist.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

The special account does not have any initial credit line dedicated to a call on callable capital. The procedure to respond to such a call is described in question 3.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

France's callable capital commitments at MDBs are classified as unfunded contingent liabilities under the regime of State guarantees as per "loi organique n° 2001-692" and its administrative circular from the 22d of July, 2003 (directorate of the budget) precising "A State guarantee is an insurance given by the State to a third party, most often to another State, an international organization, a company, a national company, an administrative entity, a public establishment or a banking organization, or even a natural person, to pay on his behalf, in the event of the materialisation of risks (debtor default, appearance of a deficit, capital loss, etc.), the sums necessary for the successful completion of the operation (debt settlement, interest services, reimbursement of amortization deadlines, guarantee of liabilities, loss on an investment, etc.)."

France's callable capital commitments to MDBs are classified in the General State Account - Annex to the budget review bill in the section "assessable off-balance sheet commitments" and under the budget line "Commitments to multilateral development banks (MDBs) and European Financing Union institutions". With reference to the General State Account 2022 (accessible here, page 11 for the general commitment, page 150 for the breakdown per institution) EUR 71,656 Bn were dedicated to this line in 2022.

The General State Account duly takes into account the callable capital commitments to MDBs made by France.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

a) In case of initial capital subscription to an MDB, the distribution between the called and callable capital shares has been provided by its statutes and commits the State's finances once it's ratified by the Parliament (as per article 53 of the Constitution[13]).

b) In the case of callable capital increase, occurring after the initial capital subscription already carried out following the terms of the previous paragraph a), the procedure according to domestic law requires a letter of subscription from our Minister of Foreign Affairs. The callable capital subscriptions will be classified in the General State Account (annex of the law on the results of management and approval of the accounts for the year).

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

There is no different treatment of callable capital across the different MDBs.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

N/A

[13] Under the terms of article 53 of the French Constitution, "Peace Treaties, Trade agreements, treaties or agreements relating to international organization, those committing the finances of the State, those modifying provisions which are the preserve of statute law, those relating to the status of persons, and those involving the ceding, exchanging or acquiring of territory, may be ratified or approved only by an Act of Parliament".
An international treaty or agreement is defined, according to customary law, as "any agreement concluded [in writing] between two or more subjects of international law, intended to produce legal effects and governed by international law". Furthermore, within the meaning of article 53 of the Constitution, Treaties committing the finances of the State are those "which create a certain and direct financial burden for the State".
Authorization for ratification or approval of a treaty or international agreement under Article 53 is obtained through the adoption of an *ad hoc* ordinary law (law dedicated to this purpose), so called "loi de ratification".

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Germany

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of subscribed capital)	Callable Capital Commitments (billions)
IBRD (Link)	4.501%	USD 13.261
ADB (Link)	4.316%	USD 5.806
AfDB (Link)	4.099%	UA 5.674 = USD 7.554
IDB (Link)	1.896%	USD 3.126
CDB (Link)	5.579%	USD 0.073
AIIB (Link)	4.622%	USD 3.587
EBRD (Link)	8.591%	EUR 2.023 = USD 2.211
EIB (Link)	18.779%	EUR 42.555 = USD 46.504
CEB (Link)	16.414%	EUR 0.814 = USD 0.889

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

If any of the above banks' Board of Directors were to issue a call, the German government would verify and assess the call. This would involve the Finance Ministry, as well as, for IBRD, ADB, AfDB, IDB and CDB, the Ministry for Development Cooperation. If the amount due exceeded

the amount already allocated as expenses in the federal budget for surety obligations, guarantees or other warranties by at least €50 million, the German government would need to give a written notification to the Budget Committee of the German Bundestag (parliament) about its intention to mobilise the excess expenditures due. If the excess expenditures were lower than €50 million, there would not be any obligation to inform the Budget Committee ex ante.
Only in the very unlikely event that the amount due leads to a breach of the ceiling on net borrowing set by the Bundestag for the relevant fiscal year would a supplementary budget have to be passed within the framework of the regular annual legislative procedure.
Finally, excess expenditure payments would technically be made via the Bundesbank, which routinely channels Germany's payments for MDBs' capital increases and their concessional windows' replenishments. We would aim to get through the budgetary process as swiftly as possible to mobilise the resources Germany has committed to.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The timeframe depends on the amount due. If there is no obligation to inform the Budget Committee of the German Bundestag (see question 3), the time required is less than one month. Otherwise up to two months are required unless a supplementary budget needs to be passed.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
Verification and assessment	1 month	Ministry of Finance together with the devisions responsible for the respective MDB (either in the Ministry for Economic Cooperation and Development or in the Ministry of Finance)
[Notification of the Budget Committee of the Bundestag]	1 month	Ministry of Finance]
Payment	1 week	Ministry of Finance

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

If only a portion of callable capital is used to respond to a call, the remainder would be available for one or more subsequent calls.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Depending on the circumstances, the process may be faster than described. For instance, if the case is straightforward, can be easily assessed and validated and if there is no need to inform the Budget Committee of the German Bundestag, the timeframe might be brought down to one week.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

As mentioned above, amounts already allocated as expenses in the federal budget for surety obligations, guarantees or other warranties plus up to €50 million can be disbursed without ex-ante notification of the Bundestag.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Callable capital is recorded as an off-balance sheet commitment and as a contingent, not a planned liability. Essentially, the departmental budget for surety obligations, guarantees or other warranties (budget chapter 3208) includes and lists all guarantees provided by the German Federal governemt.. The current amounts are published every quarter in the Federal Ministry of Finance's monthly report (https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Press_Room/Publications/Monthly_Report/Key_Figures/2023/2023-11-federal-budget.html). The table includes the total amount of guarantees Germany has provided to international financial institutions (IFIs). The vast majority of all guarantees provided to IFIs are callable capital.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

They are guarantees in accordance with the legal framework of the respective IFIs. The German government accepts guarantees on the legal basis of section 3 of the annual Budget Act (https://www.bundeshaushalt.de/static/daten/2024/soll/E-HG%202024.pdf#page=4).

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

There are no differences in the treatment of callable capital across different MDBs.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

In rare cases, there may be factors affecting the timeline of the process, for instance if notification of the Budget Committee or even a supplementary budget is necessary immediately before or after a federal general election.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

ITALY (Ministry of Economy and Finance)

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
IBRD*	2.61%	7.698 USD
IFC*	3.21%	N/A
MIGA*	2.80%	0.044 USD
AfDB**	2.38%	3.302 UA
AIIB**	2.65%	2.057 USD
AsDB**	1.80%	2.425 USD
CDB**	5.58%	0.0734 USD
EBRD**	8.52%	2.023 EUR
IADB**	1.97%	3.242 USD
IDB Invest**	2.95%	N/A
EIB**	18.78%	42.555 EUR
CEB**	16.72%	0.814 EUR

*As of June 30, 2023
**As of December 31, 2022

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is

forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

Ownership of Italy's shareholding in all MDBs falls solely within the purview of the Ministry of Economy and Finance. In the unlikely event of a call on callable capital by one or more institutions, the responsible Governor would need to consider the following procedure:

- Option 1: *Ordinary budget management and administrative procedures*. Use previously identified funds allocated in the "Statement of Estimates" (in Italian: *Stato di previsione*) of the Ministry of Economy and Finance, in the elementary unit (in Italian: *capitolo di bilancio*) dedicated to this specific purpose. In this case, payments are executed, within the limit of the resources allocated, in a very short time, without further acts, after the regularity controls are carried out by the State offices in charge (Central budget offices). If the above resources are insufficient, the budget appropriation related to the "Reserve fund for unforeseen expenses" (article 28 of the law n. 196, 31 December 2009 "Law on accounting and public finance"), within the limit of its resources, can be authorized to respond to the call: in this case a ministerial administrative decree must be signed and approved by the Minister of Economy and Finance. Other forms of flexibility between budget elementary units are allowed by law n.196, limited to specific cases, and can be applied after the enactment of ministerial administrative decrees authorizing the transfer of resources form other elementary units to the one dedicated to this specific purpose.

- Option 2: *Decree law*. If the available resources are insufficient, it is possible to activate the extraordinary legislative procedure of the decree-law, which is usually adopted for situations of necessity and urgency. This legislative act would increase the resources allocated to the specific unit of the budget concerning that capital call. As stated by the Italian Constitution (article 81), and detailed in the law n.196, the new expenditure must be compensated by correspondent reduction in other expenditure units or increase of revenues: in some cases resources that are deposited in the treasury accounts (accounts opened at the Bank of Italy where the ministry holds liquid assets) can be used if they fulfil the conditions of the aforementioned law. It is worth noting that the compensation must be effective in terms of three relevant public finance aggregates: the balance of the State budget, the cash borrowing requirement and the ESA general government net lending/borrowing. A decree law is delivered by presenting the Italian Council of Ministers with a legal instrument which is immediately effective after the publication in the Official Journal and that would be finally approved ("converted into law") by the Parliament within a short time frame (within 60 days).

- Option 3: *Ordinary law or Budget law*. In case the requisite of necessity and urgency is not met, the ordinary legislative process must be followed: in this case a draft law (*disegno di legge*) is presented to the Parliament and becomes effective after its approval: the examination

(and amendment) of a draft law by the Parliament may occur in a longer time frame, not being formally subject to limits (this case seems unlikely to be followed for calls of capital given their implicit urgency).Alternatively, the resources can be allocated in the State budget with the Budget law. In October the Government presents to the Parliament the draft budget law for the following three years (*disegno di legge di bilancio*) approved by the Council of Ministers. The final approval by the Parliament and the publication on the Official Journal occur by the end of the year. The measures included in the budget law, in this case the increase of resources dedicated to the calls of capital, must be consistent with the public finance objectives set in the Planning documents (so, differently from the other laws, it is not bound to a strict financial compensation of each measure, thus making room to the authorization of new expenditures, provided the attainment of the overall objectives).

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The options above mentioned will come with different timeframes associated with the process needed to approve and execute a payment on callable capital. The selected option would vary depending on several factors, including the urgency and the amount of the call and whether parliamentary approval is necessary.

Indicative timelines can be found below.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
Legal Authority: The Authority for the Minister for Economy and Finance as shareholder to respond to a call and honour Italy's commitments is grounded in the legislation.	n/a	Ministry of Economy and Finance Italian Parliament

Source of Funds: Callable Capital is, for budgetary purposes, considered to be an off-balance sheet commitment in the form of a contingent liability. Option 1: *Ordinary budget management and administrative procedures* Resources already allocated in the specific elementary unit or administrative decree. The Minister of Economy and Finance could approve *the use of the reserve fund or the flexibility measures* to respond to the call with a ministerial administrative decree, signed and approved by the Minister themselves. Option 2: *Decree law* The Minister of Economy and Finance would need to inform and present a proposal of an urgent decree law to the Council of Ministers. Option 3: *Ordinary law or Budget law* The proposal could be stand-alone, with just the request for the appropriation of callable capital included or paired with other requests for appropriations. This process could be completed in line with the ordinary legislative process or as a budget appropriation as part of the Italian budget cycle or. It could require few months to be approved by the Parliament depending on when the call occurs.	Depending on the urgency. It can be expedited to the greatest extent possible.	Ministry of Economy and Finance Council of Ministers Italian Parliament
Approval of Funds Option 1: *Ordinary budget management and administrative procedures* • The funds are available for disbursement after either regularity controls or the approval of a Ministerial decree. Option 2: *Decree law* • The Council of Ministers can be urgently convened to approve the decree-law. The decree-law is immediately effective and executable, but parliamentary approval will be needed to confirm and transform the decree-law into ordinary law within 60 days.	Option 1: n/a Option 2: immediately effective after the Council of Ministers approval. Up to 60 days for Parliamentary approval.	Ministry of Economy and Finance Council of Ministers Italian Parliament

• The Parliament can be urgently convened to schedule the approval within the shortest timeframe possible. The decree-law must be approved by both chambers of Parliament. It should be noted that the Italian Executive branch and the Parliament have both moved swiftly in the past when unannounced expenditures came forth and we expect this to be the case for the unlikely event of a call on callable capital. Option 3: *Ordinary law or Budget law* In case the requisite of necessity and urgency is not met, the ordinary legislative process must be followed: in this case a draft law (*disegno di legge*) is presented to the Parliament and becomes effective only after its approval. • The Council of Ministers can approve an ordinary law (without any specific time constraints) or the budget law, in October, and submit it to the Parliament. • Following the approval of the instrument by the Council of Ministers, parliamentary approval of the Budget law occurs before the end of the year. It could require few months to be approved by the Parliament depending on when the call occurs.	Option 3: Up to 12 months These laws must follow standard parliamentary procedures.	
Payment: Once approved, the Ministry of Economy and Finance would proceed to depositing the funds to the relevant IFI and considering the urgency of the matter make payments accordingly in few days.	These steps could take only few days to execute.	Ministry of Economy and Finance

(6) <u>Size of Call Response</u>: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The size of the request would be limited to the amount of the Italian share of callable capital that has been authorized at each MDB. If the initial call that is made is for less than the total amount of callable subscribed (we deem this likely), any further disbursement of capital would follow the same steps as the first call, with the added benefit that the procedure will have been tried and tested and therefore likely to be slightly quicker. The

Italian Government is unable to provide funds above those subscribed in the form of callable capital without a separate legal instrument that would need to be ratified by the Parliament.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

In case there are previously identified sources of funds, the procedures for the budget appropriation to make them available for immediate use, and the bureaucratic steps internal to the MoF could take only a few days. Alternatively, for the accelerated legislative procedure (decree law), the Council of Ministers can be convened urgently to approve a decree-law which is immediately effective. The final and formal approval by the Parliament of the decree law must take place within 60 days to confirm the government's decision. The final and formal approval by the Parliament can be immediately scheduled depending on the urgency.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

No amounts of callable capital have been appropriated for any institution.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

According to the *Eurostat Manual on Government Deficit and Debt*, callable capital does not impact the budget in terms of debt or deficit until a call (and payment) occurs. As for the Manual, *"A large part of an MDB capital increase is usually structured as callable capital, i.e., not actually*

paid-in. The statistical treatment in the case of MDBs providing mainly non-concessional loans is as follows: the callable part is to be considered a contingent transaction, which is not to be recorded in the national accounts system"[14].

Accounting treatment: Italian callable capital subscriptions fall under the category of off-balance sheet commitments as a type of contingent liability.

Budgetary treatment: Callable capital subscriptions are not incorporated into the budget unless they are appropriated by the Parliament. When callable capital is appropriated, the Ministry of Economy and Finance receives budget authority to commit it and pay the funds to meet the obligation.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

All the callable capital subscriptions of Italy are grounded in the international agreements establishing the various IFIs and are approved by the Italian parliament and consequently express the consent of the state to be bound by each such treaty.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

The callable capital subscriptions of Italy are all treated in the same way from an accounting, legal, and process for responding to a call perspective across all the MDBs in which Italy is a shareholder.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

N/A

[14] For further references see the *Manual on Government Deficit and Debt – Implementation of ESA 2010 – 2022 edition*, Luxembourg: Publications Office of the European Union, 2023.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Japan

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
IBRD	7.6	22.361
ADB	15.6	20.945
IDB	5.0	8.249
AfDB	5.3	9.947
EBRD	8.6	€2.023
MIGA	5.1	0.079

Figures for IBRD and MIGA are as of June 2023 and for others are as of December 2022, according to their respective financial statements.

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
The executive branch has been authorised by the Parliament to subscribe to the full amount of the callable capital. Therefore, the Ministry of Finance could immediately issue the required amount of promissory notes to the MDBs when needed at the time of a call without further Parliamentary approval.	Immediately	Ministry of Finance
Then, for the purpose of encashing the promissory notes, the government would seek the budget from (i) the existing budget, which can be mobilized within the executive branch; or (ii) an additional budget, which requires approval by the Parliament, depending on the required amount and other considerations. For the latter, it can be included in the annual budget, which is submitted to the Parliament and approved by March, or a supplementary budget, which is formulated on an ad hoc basis.	As a matter of weeks in the case of reallocation. Dependent on the Parliament in the latter case.	Ministry of Finance Parliament
Once the government had secured the budget as described above, the Ministry of Finance could encash the promissory notes through its internal procedure.	A few weeks	Ministry of Finance

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The Government would issue the promissory notes for the amount necessary to respond to a call and the notes would be encashed through the process described above.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

We may be able to accelerate the processes by preparing in advance, skipping or simultaneously processing multiple tasks, as far as the procedures in the MOF are concerned.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

Callable capital can be available immediately if reallocation within the existing budget is feasible, because the whole process can be completed within the executive branch.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

The government has a legal obligation to respond to all subscribed capital, including callable capital. On the other hand, the callable capital is not listed in the contingent liabilities of the explanatory note to the balance sheet of the Japanese Government, on the grounds that the callable capital has never been called and that the probability of it being called is extremely low.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

Under the Law for the Measures in Consequence of Admission to each MDB, the Japanese Government is fully authorized, in accordance with the procedures, to subscribe and to make payments on account of callable capital not exceeding the limit as specified in the budget. Also, each Law stipulates that the Government is authorized to pay a part of the subscription in the form of notes. When payments become necessary in connection with any of the notes so issued to each MDB, the Government will be able to make such payments immediately under the Law. The Government is bound and obligated under the Law described above.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

There is effectively no difference in terms of accounting status or process, while the method for authorization is different between the IBRD and other MDBs: subscription of callable capital to the IBRD is authorized by the relevant Law and the others are authorized by budgetary measures.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Republic of Korea

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding* (% of Subscribed Capital)	Callable Capital Commitments* ($ billions)
IBRD	1.66	4.9
MIGA	0.45	0.007
ADB	5.03	6.8
AfDB	0.47	0.7(UA billions)
EBRD	1.01	0.2(Euro billions)
IDB	0.004	0.005
AIIB	3.86	3.0
CABEI	9.0	0.5

*** IBRD, MIGA, AIIB, CABEI as of June 30, 2023 and ADB, AfDB, EBRD, IDB as of December 31, 2022 (Source: Financial Statement per MDB)**

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

The Ministry of Economy and Finance (MOEF) of Korea would make payments in response to a call either through approval by the National Assembly or consultation with the Bank of Korea (Central Bank). This may entail revising relevant enforcement decree and allocating fiscal resources.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The process typically requires a minimum of six months to fulfill payments for callable capital.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

As stated in (3), the MOEF would make payments in response to a call either through approval by the National Assembly or consultation with the Bank of Korea.

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The size of call response is limited to the agreed-upon amount shown in (2).

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Korea does not have an official accelerated process. However, the MOEF could expedite procedures by proactively preparing in advance, streamlining or concurrently handling multiple tasks within its own processes.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

Not applicable

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Korea's commitment of callable capital to MDBs is not considered a national obligations on the balance sheet of the Korean Government; when budgeted, it would be allocated under the category of international contributions.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

Korea has legislation governing the payment procedures for capital investments in MDBs, which includes provisions for callable capital.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

Korea's approach to responding to callable capital is consistent across various MDBs.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Not applicable

Callable Capital Exercise – Shareholder Information Template - Netherlands

(1) Shareholder

The Netherlands

(2) Shareholding and Callable Capital Commitments at the MDBs

MDB	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
IBRD	2.0	5.7
IDB	0.2	0.33
ADB	1.0	1.38
AfDB	0.87	1.2
EBRD	2.48	0.59

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

See the answer to question 5.

(4) <u>Timeframes</u>: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

There is a regular budgetary cycle for the approval of fund disbursements. This has an annual cadence. Every year t-1 in mid-September, the budget for year t gets presented to parliament, which approves it before the start of year t. Before June 1st in year t, the first supplementary budget is presented to parliament, which has the right to amend it. Subsequently, parliament authorizes the supplementary budget. Before the 1st of December of year t, this process is repeated for the second supplementary budget.

There is also a process for accelerated approvals in exceptional circumstances. Whilst there is no fixed timeline associated with the implementation of such an ‘incidental supplementary budget’ (ISB), it would not be unreasonable to expect parliamentary approval within a matter of weeks.

(5) <u>Responsibilities</u>: Describe where the responsibilities for these processes and approval reside within your government.

(3) Procedural Steps	(4) Timeframe from call*	(5) Responsible Entity
Legal/Statutory Authority: The Netherlands made a legal commitment to contribute a maximum of USD 5.7 bln in callable capital if the World Bank were to call upon it. The Minister of Finance, who is Governor of the World Bank, is responsible for disbursement, as well as for acquiring parliamentary approval. Within the government, the Finance Minister has delegated responsibilities. The budget department (DGRB) is responsible for updating the budget to fit the called upon amount into the budget. The Dutch State Treasury Agency is responsible for the issuance of sovereign bonds / treasury bills in order to acquire the financing needed to disburse to the World Bank.	0**	The budget department within the Ministry of Finance, the Dutch State Treasury Agency.
Source of Funds: No funds have been appropriated for this callable capital, as a call on capital is considered extremely unlikely. Therefore, the funds necessary to respond to a capital call are not accounted for in advance, and will instead be	0-2 months	The budget department within the Ministry of Finance, the Dutch State Treasury Agency.

acquired through the issuance of sovereign debt.[15] The Dutch State Treasury Agency assures, helped by the Dutch AAA-credit rating, that funding is acquired. The Dutch State Treasury Agency would be capable to deliver up to USD 2 bn within a maximum of two weeks following parliamentary approval. The DSTA is committed to fund the entire USD 5,7 bn within a month of approval. This is under the assumption that there is no severe market stress.		
Parliamentary Approval: Callable capital is, for budgetary purposes, treated as a guarantee. Therefore, the Minister of Finance must, in the case of a call on capital, obtain parliamentary approval to be able to disburse the funds. Given the fact that parliament has approved the budget that incorporates the guarantee already, getting parliamentary approval to disburse the funds is seen as a formality. No additional legislative approval is required in the case of a call on capital. This would only be necessary if the government would like to change the disbursement procedures.	1-2 months	The Ministry of Finance.

* This timeframe is indicative of average expectations of timelines of a call on callable capital. Given the dire nature of a call on callable capital, it is possible that these timelines could be expedited.
** Which authorities are responsible for approval, disbursement and budgeting is clear, and therefore no more time would be needed to sort this out. The total process, clearly, takes longer, indicated by the timeframes of the operations of getting parliamentary approval, raising funds and budgeting.

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The Government of the Netherlands would have to separately assess whether it is prepared to make any new or additional amounts of (callable) capital available, beyond what has already been agreed to and is consequently viewed as a legal commitment. The process would be similar to the process and timelines described in response to questions 3-5. In addition to this, additional legislative procedures would likely be required.

[15] Begrotingsregels 2022-2025.pdf (rijksfinancien.nl)

(7) <u>Accelerated Processes</u>: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

See the second paragraph of the answer to question 4. In the Dutch budgetary system, there exists an option for accelerated off-cycle approvals (the ISB procedure).

(7) <u>Plan for Responding to a Call</u>: Describe whether your government has a plan in place for responding to a call on callable capital.

Please see the answer for Q5.

(8) <u>Callable Capital Available for Immediate Disbursement and Process/Timeframe</u>: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

No funds have been appropriated yet. The fastest way in which the Netherlands can disburse funds would be through the ISB-procedure that is described in the second paragraph of the answer to Q4. The timelines associated with raising the necessary financing are also described in the answer to Q5.

(9) <u>Accounting and Budgeting Procedures</u>: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Callable capital is treated as a guarantee on the Dutch budget. No money is appropriated (the amount put into a risk provision fund is 0)[16] but there is a legal responsibility to disburse the funds when called upon. The possibility of a call is accounted for in the budget, even if no funds are appropriated. This is due to the fact that this guarantee is a crisis facility i.e. money will be raised only when the World Bank calls upon the callable capital.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

Through the IBRD Articles of Agreement, the Netherlands has committed to the disbursement of callable capital in the case of a call. Although parliamentary approval for the disbursement of funds is required (due to the 'budget right' of parliament), the Dutch budget – including a guarantee to the World Bank in case of a call – has already been approved by parliament. As such, callable capital can be viewed as a legal commitment.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

All are guarantees and all are similar across the MDBs. Non-MDB callable capital, e.g. the European Stability Mechanism (ESM) has different rules which are clearly specified. For the MDBs, no such differences are specified and therefore all callable capital commitments are considered the same and accounted for in the same way in the Dutch budget.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

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[16] ix-financien-en-nationale-schuld-2024 (3).pdf

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

New Zealand

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding[17] (% of Subscribed Capital)	Callable Capital Commitments ($ million)
IBRD	0.41%	1,261.6
MIGA	0.29%	4.441
ADB	1.532%	2,187.2
EBRD	0.035%	7.69
AIIB	0.476%	369.2

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

MDBs other than EBRD

- Legislative approval is not required to respond to a call on callable capital (except in the case of EBRD), however endorsement from Cabinet would be required.

[17] Figures for ADB and IBRD as of December 2023; for MIGA as of June 2023; and for EBRD and AIIB as of December 2022, according to the respective MDB financial statements.

- A Permanent Legislative Authority (PLA) exists to authorise capital contributions (paid-in and callable) to MDBs (other than EBRD), under Section 5 of the International Finance Agreements Act 1961 (the Act). This means no additional legislative process is required to authorise New Zealand's response a call on callable capital (or a call that is forthcoming), unlike most other forms of public expenditure in New Zealand that must have legislative approval through a budget process.
- While this PLA provides authority to incur the expenditure, Cabinet's endorsement would likely be required to respond to a call on capital, given it is likely to affect the government's financial position.
- Cabinet's endorsement can be sought by the Minister of Finance, as Governor of each MDB, at any of the Cabinet meetings, which occur most weeks throughout the year. When seeking Cabinet's endorsement, the Minister of Finance, with advice from the Treasury, would discuss with Ministerial colleagues the fiscal implications of the call on capital. Once directed by Cabinet, the Treasury would arrange for the funds and transfer them to the relevant MDB.

EBRD

- In relation to EBRD, we have not identified any PLA that would authorise capital contributions to that entity. Absent a PLA, responding to a call on callable capital would need to be authorised by an appropriation, which is a legislative approval to incur expenditure. Appropriations are created by Parliament passing an 'appropriation act'– there are two of these annually, one passed at the start and, and one passed at the end, of the government's financial year.
- To ensure that spending can occur lawfully outside of these two annual windows, Parliament provides a prospective approval for the Executive to spend public money up to a specified amount, prior to an appropriation act being passed. This is known as Imprest Supply. Use of Imprest Supply requires approval from Cabinet, using a similar process as described for the other MDBs covered by the PLA as set out above.

- Requests for Cabinet authority to use Imprest Supply can be commenced at any time, other than the period (usually of around 1 month) preceding the government's 'Budget Day' (generally in May) known as the 'Budget Moratorium'[18], during which new funding requests or other decisions that would materially impact economic or fiscal forecasts cannot proceed. This is to ensure that the Budget documents and legislation presented on Budget Day accurately reflect all decisions taken by the Government.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

See answer to Q5 below.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Timeframe for MDBs covered by the PLA

- 3-4 Weeks: **The Treasury** will receive the notification from the relevant MDB (draft resolution) on the call on capital, will assess and provide advice to the Minister of Finance.
- 1-2 Weeks: **The Minister of Finance** receives advice from the Treasury on the call on capital and assesses the impacts on the government's fiscal position and balance sheet, and funding options.
- 3-4 Weeks: **The Treasury** will support the **Minister of Finance** to prepare a paper to for Cabinet consideration. The paper is lodged for an upcoming Cabinet meeting (subject to Cabinet's calendar).

[18] There are other specific periods where the ability to seek funding decisions may also be challenging. Firstly, the period between a General Election and the moment a new Government is sworn-in (known as the *caretaker* period). According to the *caretaker* convention principles, any major decision should be deferred until a new Government has been formed, and if not possible, such decision should be taken in consultation between the *caretaker Government* and *incoming Government.* Secondly, when funding decisions for the current fiscal year (ending 30 June) are being sought after the release of the Budget for the upcoming fiscal year (usually the period between mid-May to 30 June as per the Budget cycle), as the Supplementary Estimates Bill has been finalised and put before the House. While limited, there are still options to progress a spending proposal in this period, which include, amending the Supplementary Estimates Bill or treat the spending as unappropriated and authorise it through the subsequent Confirmation and Valuation Bill.

- Up to 2 weeks: when **Cabinet** have endorsed the call on capital and all approval documents have been issued, **the Treasury** will transfer the funds to the relevant MDB.

*Timeframe for EBRD (under the budget Cycle)***

- Nov to Feb: **Treasury** advises the **Minister of Finance** on finance portfolio budget initiatives (which a call on EBRD capital would be). Finance portfolio initiatives along with budget initiatives from other portfolios are presented and discussed with a subset of **Ministers**. (A call on capital must be presented and discussed with the Minister of Finance (as portfolio Minister) during this period.)
- Feb to May: Agencies prepare documents to support the Estimates (funds required), and these are presented to Ministers. **Cabinet** makes Budget decisions around April each year.
- May: Budget Day. Budget decisions are released and approved by **Parliament**, which authorise spending for the upcoming financial year (beginning 1 July).
- July: Transfer of the funds can be made on 1 July through the First Imprest Supply bill[19] (as described above Q3).

  ** As noted above (Q3), funding approval can also be provided by Cabinet outside of the Budget process, where necessary. This process can follow the timeframes for other MDBs.

(6) <u>Size of Call Response</u>: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

- The New Zealand government can make available for disbursement the amount of capital called by the respective MDB and up to the total callable capital commitment New Zealand has with the MDB making the call - in accordance with the processes described above (Q3 and Q5). The Treasury will advise the Minister of Finance, and Cabinet will consider the call, in relation to the capital that has been officially called (e.g., in case a call is for less than the total callable capital commitment from New Zealand). If a different amount is expected, prior engagement with the Treasury must occur.

[19] The First Imprest Supply Bill is the statutory mechanism to provide authority for Government spending from the start of a financial year on 1 July until the Appropriation Act - the Budget – comes into force (usually in August).

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

- Each procedural step can be accelerated, such that the process could occur within weeks. Specifically:
    - Cabinet papers can be prepared and presented for Cabinet consideration with urgency with the approval of the Prime Minister. The speed at which Cabinet can make decisions is discretionary.
    - Advice can be prepared by the Treasury and decisions can be made by the Minister of Finance with urgency.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

- No funds 'sit' in the PLA or particular appropriation, funds are only made available after the appropriate approvals that the PLA is subject to have occurred (for example, Cabinet has considered and endorsed the call on capital). And in the case of EBRD, until legislative approval has been granted (as described in Q3).

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

- Callable capital commitments are disclosed in the Government's financial statements as contingent liabilities. These financial statements are reported on a monthly basis for the months of September through to June.

- Contingent liabilities are costs, which the Crown will have to face if a particular uncertain and not probable event occurs. Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims, and uncalled capital. The costs associated with contingent liabilities may need to be recognized once a certain event occurs and/or it can be reliable quantified.
- If a call on capital occurs, it would be registered as an increase in financial assets, therefore would have a neutral impact on the Government's net debt position. The authority to acquire the financial asset is provided from the PLA that is in place, therefore no new funding is required through the budget process (with the exception of EBRD for which an appropriation is required).

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

- Legal basis upon which subscriptions rest are described above (Q3).
- The articles of association for each MDB have been either 'accepted' or 'ratified' by the New Zealand government, and consequently express the consent of the state to be bound by each such treaty.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

- As described above in relation to EBRD (Q3). We note that the distinct treatment of EBRD compared to other MDBs is a product of portfolio responsibility historically being held by the Minister of Foreign Affairs (and the Ministry of Foreign Affairs and Trade). Responsibility has recently been shifted to the Minister of Finance (and the Treasury), which provides a pathway for addressing this distinction, which the government may consider doing in the future.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

- We note that callable capital is designed to help MBDs respond to an imminent default on their bonds and guarantee obligations in cases of severe financial stress. In case of severe and/or systemic global financial crisis, it is possible that several MDBs decide to make calls on

capital, which may limit the ability of New Zealand (and other shareholders) to respond to different calls on capital at the same point in time. Additionally, in the event of such crisis, it is likely shareholders' finances are also under stress, which may in turn hinder their ability to respond to a call.

- Domestic needs may also affect a given country's ability to respond to a call – for example if a country is responding to natural disasters or severe weather events with great fiscal impacts.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Norway

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions, as of 20-12-2023)
IBRD	0,6	USD 1,84
EBRD	1,26 %	USD 0,325*
MIGA	0,69	USD 0,011
AfDB	1,13	USD 2,16
ADB	0,34	USD 0,46
IDB	0,17	USD 0,28
CEB	1,27	USD 0,069
AIIB	0,57	USD 0,44
NIB	21,5	USD 1,76**

* 0,297 billion euro. ECBs exchange rate per December 20, 2023. **18,19 billion NOK. Norges Bank exchange rate per December 20 2023

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

(3) Procedural Step	(4) Timeframe	(5) Responsible Entity
The responsible Ministry would need to verify the call.	1-2 week	Responsible Ministry (holding the governor position)
In the unlikely event of a call on callable capital from an MDB, the respective Governor would need to clear the decision with the government.	2-4 weeks	Responsible Ministry, Ministry of Finance, Prime Minister's office
Parliamentary approval would be required to make a payment related to callable capital commitments. The Norwegian Parliament approves the fiscal budget for the coming calendar year before the start of the year and a revised budget bill in the first half of the fiscal year. If, during the fiscal year, an unforeseen and necessary state expenditure which cannot be covered by a given appropriation arises, a proposal to the Parliament may be put forward for a supplementary appropriation	2-4 months	Responsible Ministry, Ministry of Finance, Parliament
Payments will be made shortly after parliament has approved the payment. Within a few days, if necessary and urgent	Within a few days, if necessary and urgent	Ministry of Finance

Click or tap here to enter text.

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The Norwegian government would have to seek the approval of parliament to make available an amount above what has been requested. The approval procedure would be the same as above.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

Norway does not have an accelerated process that would allow us to skip any of the segments in questions 3 – 5

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Callable capital is noted in the state budget, but funds are not appropriated as a call is considered unlikely.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

Every individual Callable Capital Subscription is decided and considered separately by Parliament, and normally with annual recurrence.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

Click or tap here to enter text.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Slovakia

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments (mld. USD)[1]
EIB	0.31%	0,756
EBRD	0.43%	0,112
CEB	0.346%	0,018
IBRD	0.20%	0,536
MIGA	0.29%	0,034

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

If there was a request for payment of capital during a particular year, we need the approval of the Slovak Government. Our internal process for getting the approval of the Slovak Government would take in practice two months, as it entails an intra- and subsequently

[1] 31/12/2023
1 EUR=1,105 USD

inter-ministerial consultation. In any case this process would also depend on the requested amount and the actual situation in our state financial assets.

Procedural Step	Timeframe	Responsible Entity
Government approval	2 months	Ministry of Finance

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The size of the call would not influence the procedure (described above).

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

This depends on the moment when the call would occur. When urgent, the periods of the intra- and inter-ministerial consultations could be shortened. If it is likely that a call on callable capital will occur in the future, Slovak Republic could undertake the necessary steps (notably from a budgetary and procedural point of view) in order to be able to react quicker when the call will occur.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

No provision for potential call on callable capital has been made in the existing State Budget (for years 2024-2026). They are recorded as contingent liabilities.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Contingent liabilities are defined within Slovak legislation and specifically outlined as Annex no. 4 to the public administration budget (https://www.mfsr.sk/files/archiv/88/Prilohy.pdf).

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

The existing capital subscriptions have been approved by the Government and are usually formalized in writing at the level of the Minister of Finance, while guided by the Statutory documents of the MDBs

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

The requirements and procedures would be the same, there is no difference in treatment between the MDBs.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

Apart from MDBs, a callable capital institute exists also within the European Stability Mechanism.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Spain

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments (US$ billions)
IBRD	2,01%	5,92
IDB	1,96%[20]	3,24
AfDB	1,016%	0,14
ADB	0,34%	0,46
EBRD	0,343%	0,81[21]
CAF	4,64%[22]	0,11
BCIE	4,0%	0,21
AIIB	1,8156%	1,4
CEB	10,9%	0,53[23]

[20] Vote share
[21] In € billion
[22] Vote share
[23] In € billion

(3) <u>Processes and Approvals</u>: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

The decision to subscribe a capital increase in an MDB is responsibility of the Government through a cabinet decision (Agreement of Council of Ministers, ACM). This ACM would generally include the subscription of callable capital in addition to paid in capital.
To respond to call on callable capital that has been committed by a previous ACM, the Ministry of Economy would need to initiate the process for the appropriation of budgetary funds with the Budget Ministry.
The government needs to secure the appropriation of funds and include these funds in the annual budget. Typically, disbursement of funds following a call on callable capital could take place over several years. If the appropriation of funds is for a total period no longer than five years (including year of cabinet approval, that is, 1+4 years with 1 being year of approval), a new ACM is needed for the cabinet to approve the effective disbursement of the funds. If the appropriation of funds is for a total period longer than five years, an ACM is also required, or a law would need to be passed through Parliament.
Budget appropriation requires agreement with the budget authority (Ministry for the Budget). Responsibility for the ACM lies with the Ministry of the Economy but requires agreement with the Ministry of the Budget to ensure appropriation of the funds.
If the call were to affect the original treaty of Spanish membership of the MDB, the participation of the Ministry of Foreign Affairs would be necessary since the treaty is considered an international treaty.

(4) <u>Timeframes</u>: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

Very difficult to anticipate. It depends on government budget priorities, amount and conditions of the call and period of disbursement of funds.
Appropriation of funds depends on budget availability, and, in turn, budget availability depends on the accounting treatment of the call.
In principle, a call for callable capital is recorded as a financial investment and can be agreed within the budget year.

(5) <u>Responsibilities</u>: Describe where the responsibilities for these processes and approval reside within your government.

(3) Procedural Step	(4) Timeframe*	(5) Responsible Entity
Appropriation of funds: the Ministry of Economy needs to agree with the Budget Ministry the appropriation of funds	0-3 months	Ministry of Economy, Trade and Enterprise
Legal Authority: in instances where disbursement of funds does not go over a total period of five years and does not affect the original Treaty of Membership, the Ministry of the Economy is responsible to table the Cabinet Agreement	1 month	Ministry for the Budget
In instances where disbursement of the call goes beyond five years in total, the responsibility is shared with the Budget Ministry, or a law may be passed through Parliament.	6 months	Ministry of Economy, Trade and Enterprise and Budget Ministry

(6) <u>Size of Call Response</u>: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

A call above the size approved through a prior Cabinet decision (ACB) would require a new ACM.
This new ACM would require the appropriation of budgetary funds, so the ACM would require prior agreement with the Budgetary Authority (Budget Ministry). Appropriation of funds is subject to the same comments as above.

(7) <u>Accelerated Processes</u>: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

In exceptional and urgent circumstances, the government can approve a Royal Decree-Law, which does not require public consultation and can enter into force immediately but needs to be approved by Parliament after Cabinet approval.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

The Spanish Government has not appropriated any funds for immediate disbursement in response to a call on callable capital in any MDB. All subscriptions of callable capital are conditional (qualified) on the budgetary appropriation of the funds though the process described above.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Commitments regarding callable capital are not included in the budget, since they are considered contingent liabilities in line with Eurostat public accounting rules. This explains the above rationale for the need for budgetary appropriation of funds to meet the call, which takes place only if a call is made. This also means subscription of callable capital is generally conditional on a subsequent appropriation of funds.

If there is a call on callable capital and the relevant appropriation is approved, it would be recorded in the budget as an investment and be included in the public accounts following Eurostat rules. However, if the call was made under conditions of stress of the MDB, the relevant department would need to assess whether the funds appropriated can be fully recorded as an investment. There is no precedent of this situation.

(10) <u>Legal Status of Callable Capital Subscriptions</u>: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

- Relevant legislation is listed below and can be sated on demand. This legislation is limited to subscription of capital and does not provide the authority to make payments in respect of callable capital. Effective payment requires appropriation of funds as discussed above.
- Ley General Presupuestaria, Ley 47/2003, de 26 de noviembre, General Presupuestaria, art 47 and 47 bis
- Ley 14/2000, de 29 de diciembre, de Medidas fiscales, administrativas y del orden social, art. 45
- ACM 5th April 2019 authorizing participation of Spain in the 2018 capital increase de the IBRD.
- ACM 27 July 2021 authorizing participation of Spain in the 2018 capital increase de the IFC.
- ACM 19 August 2011 authorizing participation of Spain in the 9th capital increase de the IDB.
- ACM of 16 July 2010 authorizing participation of Spain in the capital increase de the EBRD.
- ACM of 30 April 2010 authorizing participation of Spain in the capital increase de the ADB.
- ACM of 14 July 2020 authorizing participation of Spain in the capital increase de the AfDB.
- ACM of 16 July 2010 authorizing participation of Spain in the capital increase de the EBRD.
- ACM of 26 June 2015 authorizing participation of Spain in the ABII.
- ACM of 1st September 2020 authorizing participation of Spain in the capital increase in CABEI.
- ACM of 18 July 2023 authorizing participation of Spain in the capital increase de the CAF- DBLA.

(11) <u>Cross-MDB Differences</u>: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

There are no differences.

(12) <u>Other Factors</u>: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

N/A

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

Switzerland

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital) As of December 31, 2022	Callable Capital Commitments ($ billions)
AfDB	1.44	2.00
AsDB	0.58	0.78
AIIB	0.73	0.57
EBRD	2.30	0.58 (EUR billions)
IDB	0.47	0.78
IIC	1.33	NA
MIGA	1.49	0.02
IFC	1.70	NA
IBRD	1.53	3.47
CEB	0.983	0.043 (EUR billions)

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

Callable capital subscriptions are approved together with paid in capital subscriptions by Parliament and committed under separate commitment credits. However, while callable capital is authorized, it is not yet appropriated and parliamentary appropriation is therefore needed in case of a call.
The Federal Department for Economic Affairs, Education and Research (EAER) would formulate a credit request in coordination with the Federal Department for Foreign Affairs (FDFA) as part of the regular budgeting process for the forthcoming year or for a

supplementary credit under the current budget. The credit request would be dealt with in accordance with the rules set out in Switzerland's budgetary law (Art. 33/34, SR 611.0 - Bundesgesetz vom 7. Oktober 2005 über den eidgenössischen Finanzhaushalt). In case of a request for a supplementary credit either the regular or the urgent procedure would apply. Requests for supplementary credits are assessed according to the criteria of necessity, non-predictability, urgency, and inability to compensate within existing appropriations. In any case, the supplementary credit would have to conform with Switzerland's debt brake rules (Art. 126 Federal Constitution and Art. 13-18 of the Federal Budget Law).

Under the regular procedure, following submission of the request by the responsible department and consultation and material review by the Federal Department for Finance (FDF), the Federal Council submits the request for a supplementary credit to Parliament as part of an omnibus supplementary credit bill.

Under the urgent procedure the Federal Council decides itself on the request, following consultations with the Finance Delegation of Parliament, and asks Parliament for approval afterwards during the next regular session. The urgent procedure is used only in exceptional circumstances, subject to demonstrating a very high level of urgency and necessity.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The regular budgeting process for the forthcoming year takes 12 months, starting in January and concluding in December of the current year. The regular procedure for a supplementary credit for the current budget year takes around 3-5 months, the urgent procedure 1 to 3 months. Under the regular procedure, there are two rounds for supplementary credits requests to be considered: the first in the summer (concluding in June, request to be submitted by February) and in the winter (concluding in December, request to be submitted by August) parliamentary sessions.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

The responsibilities to adopt a credit under the regular budgeting process, vested within the Federal Council and the Parliament, are described here: Procédure budgétaire (parlament.ch)

The table below provides the details of the supplementary credit request procedure.

Procedural Step	Timeframe	Responsible Entity
Receive notice from the MDB on call on callable capital		EAER
Draft of preliminary recommendation for a supplementary credit, including specifics on the procedure to be followed (regular vs. urgent)	3-5 weeks	EAER, FDFA
Consideration of the preliminary recommendation		FDF

1) Regular procedure for supplementary credit		
Drafting and formal submission of supplementary credit request	3-6 weeks	EAER, FDFA
Material review of supplementary credit request		FDF
Consideration of credit request as part of omnibus supplementary credit bill	1-2 weeks	Federal Council

If Federal Council approves

Consideration by Parliament either in June or December	4 weeks	Parliament

If Parliament approves

Release of funds and information to EAER	2-3 weeks	FDF
Processing of payment request		EAER, FDFA, Swiss National Bank (SNB), FDF

2) Urgent procedure for supplementary credit		
Drafting and formal submission of supplementary credit request	2-3 weeks	EAER
Material review of credit request		FDF
Consideration of credit request under urgent procedure	1 week	Federal Council

If Federal Council approves

Consideration of credit request (in case of refusal, the credit request would be considered under the regular procedure)	1-2 weeks	Finance Delegation of Parliament

If Finance Delegation approves

Release of funds and information to EAER	2-3 weeks	Finance Delegation, FDF
Processing of payment requeset		EAER, FDFA, SNB, FDF

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

As long as the total amount requested remains within Switzerland's total existing callable capital commitment to the MDB, process and timeline would be as per answers given to Q3-5. For calls above the amount already committed, the Parliament would have to approve a commitment credit and appropriate the required funds.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

The urgent procedure may be adopted (cf. Q3 & Q5). The responsible department following consultation with the FDF determines on a case-by-case basis if there is scope to follow an urgent procedure in place of the regular procedure.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

Switzerland does not hold callable capital immediately available for disbursement.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Switzerland classifies callable capital as a contingent liability in accordance with IPSAS 19 as it represents a promise of a possible future payment/equity participation. Switzerland considers that callable capital does not fulfil the conditions of a guarantee based on IPSAS accounting rules (IPSAS 29), since it lacks some features of a guarantee (e.g. no defined termination date, no market value). Switzerland does not provide other contingent liabilities or guarantees to MDBs.

In accordance with internal risk management guidelines issued by the Swiss Federal Finance Administration provisions should be made for guarantees or contingent liabilities if the probability of loss is greater than 50%. We carry out qualitative risk assessments for a capital call on an annual basis. However, we do not carry out quantitative risk assessments. The stock of callable capital is value adjusted (mainly to account for exchange rate fluctuations, since there is no market value) on an annual basis and reported in the Federal consolidated financial statements (admin.ch).

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

Switzerland's subscription to callable capital rests on the Federal Act of 19 March 1976 on international development cooperation and humanitarian aid (available here in French) as well as, in the case of the World Bank, on the Federal Act of 4 October 1991 on Switzerland's participation in the Bretton Woods institutions (available here in French).

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

There are no differences in the way Switzerland treats callable capital it holds in MDBs.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

None.

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

United Kingdom (UK)

(2) Shareholding and Callable Capital Commitments

MDBs* (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments (USD billions)
African Development Bank (AFDB)	1.86	$3.4bn
Asian Development Bank (ADB)	2.04	$2.740bn
Caribbean Development Bank (CDB)	8.89	$0.122bn
Inter-American Development Bank (IDB)	0.96	$1.588bn
Multilateral Investment Guarantee Agency (MIGA)	4.83	$0.075bn
International Bank for Reconstruction and Development (IBRD)	4.12	$11.740bn
EBRD	8.59	$2.2bn
AIIB	3.15	$2.4bn

These figures are based on the UK's public accounts. Callable commitments in currencies other than USD are converted into USD using exchange rates correct as of 11th January 2024.

*Note: Following the UK's exit from the European Union, the UK has a unique relationship with the European Investment Bank (EIB) through the Withdrawal Agreement and EIB has therefore not been included in the list above.

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Background

- Responsibility for the UK's shareholding at the MDBs is shared between the Minister of State for Development and Africa (Foreign, Commonwealth and Development Office, FCDO) and the Chancellor of the Exchequer (His Majesty's Treasury, HMT). The FCDO Minister is the UK Governor at the World Bank Group (WBG), AfDB, AsDB, CDB and IDB. The Chancellor is the UK Governor at the AIIB and the EBRD.
- The process to prepare for a potential disbursement against a call on the UK's callable capital would begin well in advance of any call being made.
- Following a vote to call the Bank's callable capital, discussions with MDB management around the need for a call on callable capital would set expectations for the timing of disbursement – both in terms of the need for the Bank and the process requirements from shareholders.

Response

(3) Processes and Approvals	(4) Timeframes	(5) Responsibilities
Monitoring of risk of call: The UK monitors indicators that could suggest an increase in the risk of a call on callable capital on an ongoing basis.	Ongoing	FCDO and/or HMT, depending on the MDB, and UK Representatives on MDB Boards.
Elevated risk of call: If a call on callable capital becomes probable – i.e. greater than 50% likelihood – the relevant Government Department / Ministry would create a provision using	RAME budget is requested twice annually as part of the Main and Supplementary	FCDO or HMT Ministers, depending on the MDB, in

non-cash Resource Annually Managed Expenditure (RAME) budget to the expected amount of the call. RAME is specific part of the UK government budget that is spent on items that may be unpredictable or not easily controlled by Government Departments / Ministries.	Estimates and forecasts are updated regularly in the year. The provision can be made at any time but the latest opportunity in the UK's financial year (April – April) to request significant additional RAME budget is December. If monitoring indicates that a provision may be needed in the final quarter of the financial year, RAME budget would be requested in December to cover this.	coordination with the relevant HMT spending team.
Expected value of call: If the expected value of a call is of a value that would mean that the relevant Ministry would exceed its expenditure limits, then it would have to seek additional resource as part of the 'Supplementary Estimates' procedure in February of a given financial year. This is debated and voted on by the House of Commons. Once the estimates have been agreed, they are put into legislative form through a Supply and Appropriation Bill. The House of Lords passes Supply and Appropriation Bills without debate. If the expected value of a call is within the relevant Ministry's expenditure limits and no additional funding is sought, then this step can be skipped.	2-3 months, but time frame will depend on the time of year and the urgency of the call.	FCDO or HMT, depending on the MDB, in coordination with the relevant HMT spending team
Disbursement of call: The disbursement of funds would require approval by an order approved by the House of Commons	2 – 3 months, but could be expedited.	FCDO or HMT, depending on the MDB, in coordination with

(pursuant to Section 11(4) of the International Development Act 2002). Preparation for this would start as soon as there is recognition of an elevated risk of a call on callable capital. The order requires approval of the House of Commons and the timescales for this process depend on Parliamentary time available and the political priority afforded to the matter. We would usually allow 2-3 months for an order to be approved, however with advance planning for a call and in the case of urgency this can be accelerated.		the relevant HMT spending team and Parliamentary Officials.

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

Seeking to make available an amount of callable capital above the size of a call that has been made would require a separate request for funding that would be similar to the process outlined above for seeking financing that exceeds the relevant Department's expenditure limits, and a further legislative process if the size of the call is increased after an order has already been made in respect of the smaller sum.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

The legislative process can be accelerated - the possibility and timeframe depend on Parliamentary time available and the political priority afforded to the matter.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

No callable capital would be available for immediate disbursement by the UK - any payments in respect of UK callable capital require Parliamentary Approval (see answer to Q10).

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

- The UK classifies callable capital as a remote contingent liability due to the assessment that the probability of occurrence being unlikely (no call has ever been made on the IFIs' callable capital stock to date). Therefore, per guidance set out in IAS 37 Provision, Contingent Liabilities and Contingent Assets, there is no requirement to report or disclose the liabilities.
- Under UK Government interpretations and adaptations for the public sector, we disclose callable capital as a remote contingent liability in the Parliamentary Accountability section of the relevant Government Department's Annual Report and Accounts (FCDO / HMT).
- If a call on callable capital becomes probable – i.e., greater than 50% likelihood – the relevant Government Department / Ministry would increase the provision in its non-cash Resource Annually Managed Expenditure (RAME) budget to the expected amount of the call.
- The payment would be recognised as an accrual in the Department‘s Expenditure Limits (DEL) once it is certain that the capital will be called (and the RAME provision would be released).

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

While the contingent liability for callable capital may be noted in the orders which provide the legal basis for the UK's capital subscriptions, payment in respect of callable capital is not pre-approved.
Payment in respect of callable capital amounts to a 'relevant payment' to the MDBs, as defined in s.11(2) of the International Development Act 2002.

Pursuant to s11(4) of the Act the payment may only be made if approved by an order made by or with the approval of HM Treasury, which order must first be approved by the House of Commons (s.11(5)). This is in addition to financial requirements to have sufficient spend permission through the Supply and Appropriation Bills.

(11) <u>Cross-MDB Differences</u>: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

Callable Capital is treated similarly across all MDBs where the UK is a shareholder. EIB is a separate case – see page 1.

(12) <u>Other Factors</u>: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.
N/A

Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

United States

(2) Shareholding and Callable Capital Subscriptions

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)[24]	Callable Capital Commitments ($ billions)[25]
IBRD	16.6%	$49.2
IDB	30.7%	$49.2
AsDB	15.6%	$18.7
AfDB	6.5%	$8.2
EBRD	10.1%	$3.1
NADBank	50.0%	$1.5
MIGA	18.4%	$0.3

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

[24] MDB annual financial statements from IBRD and MIGA fiscal year 2023, and AsDB, AfDB, EBRD, IDB, and NADBank calendar year 2022.
[25] See Treasury Department Agency Financial Report, 2023. In some cases, these numbers differ slightly from those included in MDB annual financial statements due primarily to use of different exchange rates by Treasury and various MDBs.

Background
Treasury works with the Office of Management and Budget (OMB) to request funding from the U.S. Congress for the MDBs as part of the President's annual budget request or as a part of supplemental appropriations requests.

For the United States to agree to an increased subscription to capital stock in a MDB, Congress must authorize subscription to the entire amount of the U.S. capital subscription. In practice, Congress authorizes Treasury, on behalf of the U.S. Government, to subscribe to additional shares of the capital stocks of the applicable MDB, usually with a qualifier that such subscriptions become effective only to the extent and in such amounts as are provided in advance in appropriations acts.

Congress' role with respect to the appropriations process comes from the U.S. Constitution. The U.S. Constitution grants Congress the "power of the purse" by providing that "no Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law."[26] In other words, "no money can be paid out of the Treasury unless it has been appropriated by an act of Congress."[27] The Constitution provides Congress with the power to enact statutes to protect and exercise this power. Congress has done this through, among other ways, the annual budget and appropriations process and the enactment of appropriations acts. An appropriation act is a statute that provides legal authority for federal agencies to incur obligations and to make payments out of the Treasury for specified purposes.[28]

Prior to 1981, Congress' practice was to both authorize and appropriate the funds for U.S. callable capital subscriptions even absent an express call from the relevant MDB to transfer cash to meet those callable capital subscriptions. Since 1981, Congress' practice has changed. Now, it is common for an appropriations act to specify the amount that is being authorized for the callable capital subscription, referred to as a "limitation on callable capital" or "program limitation," but to refrain from actually appropriating the money at issue at that time.[29] In other words, program limitations, which take the form of language in appropriations acts authorizing

[26] U.S. Const., art. 1, § 9, cl. 7. See also GAO, Principles of Federal Appropriations Law, 4th ed., 2016 rev., ch. 1, § A, GAO-16-463SP (Washington, D.C.: Mar. 2016).
[27] *Cincinnati Soap Co. v. United States*, 301 U.S. 308, 321 (1937).
[28] GAO, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP (Washington, D.C.: September 2005).
[29] For example, in the Coronavirus Aid, Relief and Economic Security Act (2020), Congress authorized the United States Governor of the African Development Bank to subscribe to 532,023 additional shares of the capital stock of the African Development Bank (the "Seventh Capital Increase") with the limitation that any subscription "shall be effective only to such extent and in such amounts as are provided in advance in appropriation Acts." Pub. L. 116-136, § 21012(b)(3), 134 Stat. 281, 594 (2020). Congress also authorized to be appropriated $7,286,587,008 for payment by the Secretary of the Treasury and allocated $6,849,396,992 for callable shares of the Bank. Subsequent appropriations acts authorized subscription to instalments of the callable shares of the Seventh Capital Increase through program limitations, such as the Consolidated Appropriations Act, 2023, which provided for a limitation on callable capital subscriptions: "The United States Governor of the African Development Bank may subscribe without fiscal year limitation to the callable capital portion of the United States share of increases in capital stock in an amount not to exceed $856,174,624." Pub. L. 117-328, 136 Stat. 4459, 4996 (2022).

subscriptions in particular amounts, address the requirement for “amounts as are provided in advance in appropriations Acts.” Because a program limitation on callable capital does not involve appropriating actual funds, subsequent legislation would be needed to appropriate the funds to meet a call for that capital from the relevant institution.

Response

(3) Processes and Approvals	(4) Timeframes	(5) Responsibilities
Callable Capital that has been Authorized and Appropriated by Congress		
OMB would need to approve the use of these funds through an apportionment, which is an OMB-approved plan to use budgetary resources. For callable capital amounts that are already authorized and for which funds have been appropriated, apportionment is needed prior to making payments, with OMB approval being typically provided when Treasury communicates the intended use of the funds.	Apportionment can be done within a day or two	U.S. Treasury Department and OMB
Upon OMB’s apportionment, Treasury usually promptly undertakes its routine mechanism for distributing payments to the MDBs. This includes going through internal processes and using Treasury’s constituent relationship with the Federal Reserve to execute the transaction. Using these routine processes, Treasury has contributed over $7.2 billion to the MDBs over the last five years to meet commitments related to capital increases and pledges related to replenishments.	As little as a few days to make the payment (if the necessary preparatory work is done in advance)	U.S. Treasury Department
Callable Capital that has been Authorized, but for which Funds are Not Yet Appropriated by Congress		
The process of an MDB reaching the point of making a call on callable capital to meet its obligations could be a lengthy one, with the forthcoming call being foreseen well in advance. To respond to a call on callable capital that has been made or is forthcoming, U.S. Treasury would need to work with OMB to request an appropriation of funds from Congress. This could take different forms depending on the expected timing of the call, and there are myriad opportunities for executive branch engagement with Congress as it seeks the requested appropriation.	A supplemental request could be made in as little as a few days A request in the President’s Budget would need to be	U.S. Treasury Department and OMB

Supplemental Request: If the call is made or expected to be made outside of the U.S. annual budget cycle, U.S. Treasury could work quickly with OMB to prepare an emergency supplemental request to Congress for appropriation of funds in the amount that is, or that Treasury expects, to be called. This request could be stand-alone, with just the request for the appropriation of callable capital included, or paired with other requests for appropriations. This process could be completed quickly. President's Budget: In the event that the timing of a forthcoming call aligns with the U.S. budget cycle, U.S. Treasury could work with OMB to include in the President's budget request the amount that Treasury expects to be called.	timed with the release of that budget (often in early February)	
The U.S. Congress would need to appropriate the requested amount of callable capital that it has already authorized, but this would be subject to the legislative process, and the timeframe for it is not predictable. However, if there were indications in advance that a call is forthcoming, there could be ample time for the executive branch to work with Congress to garner support for any necessary appropriation, and for Congress to provide that appropriation before any call is actually made.	Dependent on the U.S. Congress	U.S. Congress
After Congress appropriates the funds, Treasury would need to issue a warrant to provide the fund balance to the Treasury account, and OMB would need to approve the use of those funds through an apportionment.	The warrant and apportionment can be processed concurrently, with these steps possibly taking two to three days to execute	U.S. Treasury Department and OMB
Treasury would need to go through its standard internal payment processes to execute the transaction.	As little as a few days to make the payment (if the necessary	U.S. Treasury Department

	preparatory work is done in advance)	

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The full amount of callable capital that has been authorized and appropriated for each MDB would be available for disbursement in response to one or more calls (e.g., if some portion of this amount is used to respond to a call, the remainder would be available for one or more subsequent calls).

Where callable capital has been authorized, but funds have not been appropriated, Treasury and OMB would need to pursue the above-described process to request from Congress the appropriation of an amount of callable capital at or above the amount of the call that has been made or is forthcoming. The size of the request for appropriations would be limited to the amount of U.S. callable capital that has been authorized, but not appropriated at each MDB.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

The process for an emergency supplemental appropriations request is described in the response to questions 3, 4, and 5.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

Before 1981, the U.S. Congress' practice was to authorize and appropriate the full amount of U.S. callable capital subscriptions even absent a call by the relevant MDB for the cash in question. This allows the United States to make payments on these callable capital subscriptions in the event that they are called without any additional act of Congress. The total amount of appropriated callable capital subscriptions through 1980 is over $12 billion. Since 1981, Congress' practice has changed. Under the current practice, Congress enacts so-called "program limitations" for U.S. subscriptions to callable capital. Enactment of a program limitation in an appropriations act enables the United States to make the relevant subscription. For the United States to respond to a call on capital, Congress would need to adopt additional legislation providing the necessary appropriation.

That more than $12 billion in callable capital that has been authorized and appropriated is distributed as follows:

IBRD: $7.66 billion (~4.9% of end-FY23 IBRD net debt[30])
IDB: $3.80 billion (~5.4% of end-2022 net debt)
AsDB: $748 million (~0.9% of end-2022 net debt)

No further appropriation or other Congressional action is necessary to enable the Secretary of the Treasury to pay these amounts if any part of them were to be called to meet obligations of the above MDBs. In the event of a call on callable capital, the U.S. Treasury would need to make a payment under its usual mechanism if the funds have been apportioned. If the funds have not been apportioned, Treasury would need to submit a request to OMB for apportionment and, once apportioned, make a payment under its usual mechanism.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

Accounting Treatment

U.S. paid-in capital at the MDBs is considered to be a non-marketable equity investment valued at cost in the Treasury Department's Agency Financial Report. U.S. callable capital subscriptions at the MDBs fall under the category of "Other Commitments and Contingencies" in that same report, where they are referred to as commitments, but are functionally equivalent to contingent liabilities.

[30] Borrowings less liquid assets and cash due from banks in latest annual financial statements

In accordance with the Statement of Federal Financial Accounting Standards No. 5, Accounting for Liabilities of the Federal Government, Treasury recognizes material contingent liabilities meeting the following criteria:

- A past event or exchange transaction has occurred;
- A future cash outflow is probable; and
- A future cash outflow is measurable.

If one or more, but not all, of the above criteria for recognition are met, and there is a reasonable possibility of loss, Treasury will disclose, if material, the nature of the contingent liability, along with a range of possible loss, if estimable, and a description of the nature of the contingency.

As U.S. callable capital subscriptions at the MDBs do not meet all three criteria, they are not included as liabilities on the consolidated balance sheet in the Agency Financial Report, and are instead included in Note 27 – "Commitments and Contingencies" – along with the statement that these subscriptions are only callable under certain limited circumstances to meet the obligations of the respective MDB, and there has never been, nor is there anticipated to be a call on these subscriptions.

Budgetary Treatment

U.S. callable capital subscriptions are not incorporated into the U.S. budget unless they are appropriated by Congress. When callable capital is appropriated, Treasury receives budget authority to obligate it (i.e., incur the obligation) and pay the funds to meet that obligation (i.e., to outlay the funds). If these funds are not obligated and paid in the year they are appropriated, they remain as budgetary resources that are available for subsequent obligation and payment.

For U.S. callable capital subscriptions that were authorized and appropriated by Congress before 1981, Treasury has the budgetary resources to obligate and pay the amounts called to respond to capital calls up to the amount of those subscriptions. Post-1981 U.S. callable capital subscriptions have not been appropriated and are thus not part of the budget.

Past appropriations for callable capital have not been scored in past U.S. budgets (i.e., assigned a cost based on the expected outlay) nor resulted in budget outlays because a call has never been made, and it has been recognized that the likelihood of a call is remote. And, callable capital that has not been appropriated is not subject to budget scoring as it cannot result in an outlay until there is an appropriation.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

U.S. callable capital subscriptions that are authorized by the U.S. Congress are binding commitments backed by the full faith and credit of the United States (unless the authorizing statute of such commitments specifically provides otherwise), notwithstanding that a future appropriation might be necessary in order to fund that commitment. To date, no authorizing statute has provided that such subscriptions are not backed by the full faith and credit of the United States.

The full faith and credit of the United States is the highest assurance of payment the U.S. Government can provide, and also backs U.S. Treasury securities.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

U.S. callable capital subscriptions are treated the same from an accounting, legal, and process for responding to a call perspective across the MDBs in which the United States is a shareholder.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

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