CANADA

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)[1,2]
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.

[1] See 2023 Public Accounts (Vol 1, Section 11, Table 11.7)
[2] 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:

- whether there is legal/statutory authority for the Governor to disburse such payments;
- whether there is a previously identified source of funds for said Governor to make such payments; and,
- 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) Responsibilities: 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

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(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.

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(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)

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(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) 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.

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

N/A