Callable Capital Exercise – Shareholder Information Template – Netherlands – Applicable to AfDB, ADB and IDB

(1) <u>Shareholder</u>

The Netherlands

(2) <u>Shareholding and Callable Capital Commitments at the MDBs</u>

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) <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.

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. A call on capital an MDB could meet the requirements for such a procedure. 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 and at most, a month."

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

(3) Procedural Steps	(4) Timefra ıe*	(5) Responsible Entity
Legal/Statutory Authority: The Netherlands made a legal commitment to contribute a maximum of USD X bln (see table 2) in callable capital if the MDB were to call upon it. The Minister for Foreign Trade and Development Cooperation of the Ministry of Foreign Affairs, who is Governor of the MDB, 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 capital needed to disburse to the MDB.	0**	The Ministry of Foreign Affairs, the Dutch State Treasury Agency.
Source of Funds: A call on callable capital will be treated as an expenditure on the budget of the Minister for Foreign Trade and Development Cooperation. 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 acquired through the issuance of sovereign debt.[1] 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.	1-2 months	The Ministry of Foreign Affairs, the Dutch State Treasury Agency.
Parliamentary Approval: Callable capital is, for budgetary purposes, treated as a guarantee. Therefore, the Minister for Foreign Trade and Development	1-2 months	The Ministry of Foreign Affairs.

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

Cooperation 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.		
Test Payment and other due diligence:	0-1 month	x

* 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) <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 Government of the Netherlands would have to assess making any new amounts of callable capital available, over and beyond what has already been agreed to. The process would largely be similar to the process and timelines described in response to questions 3-5. It is possible that additional legislative amendments could be required.

(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.

(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.

See the answer to question 5.

(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.

As discussed, 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.

(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 for MDBs(the amount put into a risk provision fund is 0)[2] 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 MDB calls upon the callable capital.

(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.

Through the Articles of Agreement of the MDBs, the Netherlands has committed to the disbursement of callable capital in the case of a call. Although parliamentary approval for disbursement is required, the Dutch budget – including a guarantee to the MDB in case of a call – has already been approved by parliament.

(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.

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. The main difference is that the AfDB, ADB and IDB are on the budget of the Minister for Foreign Trade and Development Cooperation, while the World Bank and the EBRD are on the budget of the Minister of Finance.

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

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

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