

# Policy Cost Analysis (COVID-19 Related Special Loans)

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Financial Bureau, Ministry of Finance

# 1. Policy cost analysis (COVID-19 related special loans)

○ Regarding the impact of COVID-19 on policy costs, in order for the government to more accurately reflect the actual situation regarding the outlook for policy costs arising from the results of COVID-19 countermeasures, the Fiscal Investment and Loan Program Subcommittee decided to conduct a separate analysis in July of this year.

○ This time, the policy will be revised based on certain assumptions (see next page) to reflect the actual situation and incorporate the results of COVID-19 related special loans to date\*. As a result of estimating the costs as much as possible, the policy costs of Japan Finance Corporation (Individual, SME, Agriculture, Forestry and Fishery, and Crisis Response), The Okinawa Development Finance Corporation, and Welfare and Medical Services Agency, totaled 1.4 trillion yen.

\*Results as of the end of FY2022. FY2023 is based on the initial plan. There are no plans for FY2024.

○ Main factors behind positive policy costs : Opportunity cost of funds [A] provided before the beginning of the analysis period in the Japan Finance Corporation (Individual and SME) and the occurrence of a deficit due to the allowance of compensation loss reserves expected to be incurred during the analysis period in the loss compensation operation of the Japan Finance Corporation (Crisis Response) [B].

○ Main factors behind negative policy costs : Loan repayments from capital investments that ultimately become the source of loans at the Japan Finance Corporation (Individual and SME) with profits arising (payments to the government and occurrence of surplus) from the reinvestment (surplus funds management) [C].

## <Policy cost analysis results (by component)>

(Unit: billion yen)

Institutions	Policy Cost					
		① Government expenditure (Subsidies, etc.)	② Government revenue (Payments to the government, etc.)	③ Opportunity cost for the government	Investments provided before the beginning of the analysis period	Surplus expected to be generated during the analysis period
Japan Finance Corporation	1,334.3	67.6	- 258.6	1,525.3	1,875.5	- 350.2
Account for Micro Business and Individual Operations	584.7	-	C - 244.5	829.2	A 1,158.4	C - 329.1
Account for SME Loan Programs and Securitization Support Programs [Guarantee-type Operation]	317.0	-	C - 11.4	328.4	A 589.8	C - 261.4
Account for Agriculture, Forestry, Fisheries and Food Business Operations	76.8	66.6	- 2.7	13.0	13.8	- 0.9
Account for Operations to Facilitate Crisis Responses	355.7	1.0	-	354.7	113.4	B 241.3
The Okinawa Development Finance Corporation	13.8	13.1	- 23.4	24.0	24.0	-
Welfare and Medical Service Agency (Incorporated Administrative Agency)	55.1	1.5	-	53.6	22.3	31.3
<b>Total</b>	<b>1,403.2</b>	<b>82.2</b>	<b>- 281.9</b>	<b>1,602.9</b>	<b>1,921.8</b>	<b>- 318.9</b>

Note: Totals may not add up due to rounding.

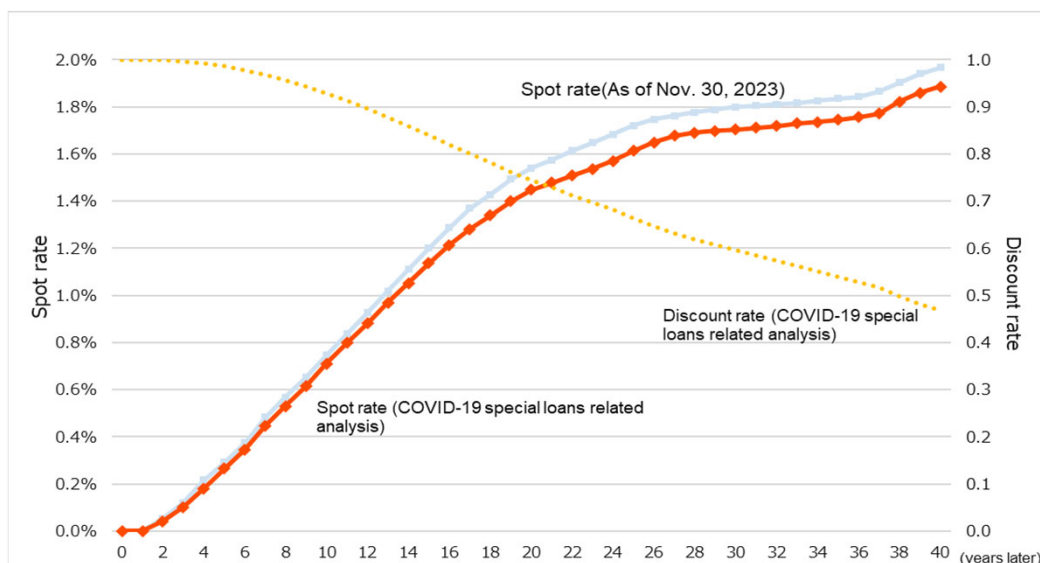
[Ref] Although simple comparisons cannot be made due to differences in assumed interest rates and assumptions, such as reflecting actual results up to the end of FY2022, the total policy cost of the 25 agencies announced in July 2023 was 3,564.5 billion yen.

## 2. Policy cost analysis (COVID-19 related special loans)

### Method of calculation for main subjects (example)

- (1) Loan interest: Interest for each future fiscal year was recorded for standard and substandard assets, based on data from the initial period or after changes to terms, etc.
- (2) Interest paid: The planned amount of interest paid for each future fiscal year is calculated by apportioning the COVID-19 receivables balance to the total loans.
- (3) General Allowance for Loan Losses: The uncollectible accounts allowance rate is calculated using the average value for the past three years (FY2020 to FY2022).
- (4) Operating expenses (administrative expenses, personnel expenses, etc.): For each future fiscal year, the operating expenses of the FY2023 plan shall be calculated by apportioning the personnel responsible for managing the COVID-19 receivables among the total personnel and will be calculated to gradually decrease according to the COVID-19 receivables balance.
- (5) Capital investments and surpluses (deficits): Capital investments are recorded by identifying those measures taken in the past as COVID-19 countermeasures. Regarding Surplus (Deficit), the amount on the balance sheet for FY2022 is deducted from the amount on the balance sheet for FY2019, and then calculated by apportioning the COVID-19 receivables balance to the total loans.

### <Interest rates (spot rates) and discount rates used in the calculation>



\* The COVID-19 special loans related analysis is calculated based on the yields on government bonds as of August 31, 2023.

\* Discount rate and future interest rates are calculated assuming a negative value of 0%, and it is set to common assumptions for all institutions.

### <(Reference) COVID-19 related special loan results per institution>

Institutions	Number of loans	Loan amount (billion yen)
Japan Finance Corporation		
Account for Micro Business and Individual Operations	1,096,872	12,463.4
Account for SME Loan Programs and Securitization Support Programs [Guarantee-type Operation]	61,441	6,386.8
Account for Agriculture, Forestry, Fisheries and Food Business Operations	23,325	796.0
Account for Operations to Facilitate Crisis Responses		3,891.4
The Okinawa Development Finance Corporation	18,893	387.7
Welfare and Medical Service Agency (Incorporated Administrative Agency)	44,890	2,095.4
Total	1,245,421	26,020.7

\* The number of loans and loan results are the total from the start of loans related to COVID-19 up to March 31, 2023, as announced on each institution's website.

\* For Japan Finance Corporation (Account for Operations to Facilitate Crisis Responses), the amount of loans to designated financial institutions