

# Summary of METI-related FY 2011 Primary Supplementary Budget

May, 2011

Ministry of Economy, Trade and Industry

## **Amount of METI-related supplementary budget: ¥594.30 billion in total**

※Includes the amounts assigned to other ministries and agencies (¥360.70 billion) and the Fiscal Investment and Loan Program (¥20 billion for stockpiling facilities)

● : Budget-related items

▲ : Items related to Fiscal Investment and Loan Program

★ : Items requiring legislation (contemplated in bills designed to provide special fiscal aid and subsidies to deal with disasters caused by the recent Great East Japan Earthquake)

### **1. Measures targeted at SMEs**

#### **(1) Support of the financing**

【Total size of projects: about ¥10 trillion】

【Total budget assigned: ¥510 billion】

##### (A) Measures targeted at SMEs

Disaster-stricken SMEs are being provided with disaster reconstruction loans extended by the Japan Finance Corporation (JFC), etc. or with a disaster-related credit guarantee (a 100% guarantee) extended by credit guarantee corporations. The safety-net guarantee (a 100% guarantee) will continue to be available also in and after April in principle for all types of businesses in which SMEs are engaged.

Many SMEs were so badly damaged directly or indirectly by the recent earthquake that the Ministry of Economy, Trade and Industry (METI) will create a disaster response financial system that will offer drastically expanded credit lines and reduced interest rates applicable to credit guarantees and public loans to ensure that SMEs, including those indirectly damaged, will be able to cope with the disaster without running into financial difficulty.

#### **●★ “Emergency Guarantee for Post-Great East Japan Earthquake Reconstruction” extended by Credit Guarantee Corporation**

[Special measures under the Small and Medium-sized Enterprise Credit Insurance Act]

METI will create a new credit guarantee system called the “Great East Japan Earthquake Recovery Emergency Guarantee” targeted at SMEs that were badly damaged either directly or indirectly by the earthquake to help them obtain necessary credit guarantee loans available with substantially increased guarantee limits and higher rates of compensation paid by credit insurance, thereby

making SMEs and their related people feel assured that they will be able to cope with the situation.  
Guarantee limits: ¥160 million for no surety loan, up to a maximum of ¥560 million, if combined with disaster-related credit guarantees (in addition to general credit guarantee limits).

Guarantee rate: Full loan amounts (100% guarantee).

Insurance coverage rate: 90% (increased from the current 70% to 80%).

**●▲Special Loans for Post-Great East Japan Earthquake Reconstruction” extended by JFC and Shoko Chukin Bank**

A new lending program called the “Special Loans for Post-Great East Japan Earthquake Reconstruction” targeted at SMEs that were badly damaged either directly or indirectly by the recent disaster will be established, and thereby will provide them with necessary credit loans that have substantially greater credit limits, lower interest rates and longer grace periods. Moreover a fund that will enable the above program to extend interest-free loans if necessary, by compensating for interest differences through municipalities will be established.

< Currently effective disaster reconstruction loans >

Lending limits: ¥150 million for SMEs businesses and ¥30 million for micro businesses

Reduction of interest rate: by 0.9%, up to the amount of ¥10 million, for 3 years following the date the loan is made.

Grace period: 2 years.

**●▲Expansion of Small Business Improvement Loans**

METI will reinforce measures designed to increase lending limits and lower interest rates for Small Business Improvement Loans provided by JFC for micro enterprises that were directly or indirectly damaged by the recent disaster, without surety or with no guarantor, on condition that they be provided with management guidance by the competent Society of Commerce and Industry or another agency.

(B) For medium and large enterprises

**●▲Emergency financial support package for medium and large enterprises**

METI will implement the following measures to support medium and large enterprises whose operations have run into trouble due to the effects of the recent earthquake: ①expanding “crisis response loans” limits for long-term loans provided by Shoko Chukin Bank or the Development Bank of Japan; ②complementing the creditworthiness of medium and large enterprises (by providing guarantee against losses that may be derived from the disaster); ③providing interest subsidies and ④facilitating investment by designated financial institutions in the eligible enterprises

under the Law on Special Measures for Industrial Revitalization and Innovation.

These measures will also contribute to the stable operations of SMEs with which medium and large enterprises have business relationships.

(c) Other measures

**★Extension of investment deadlines in connection with crisis response measures and the initial time in reckoning for disposal of government-held stocks**

[Special measures under the Shoko Chukin Bank Act and the Act on the Development Bank of Japan, Inc.]

In order for Shoko Chukin Bank and Development Bank of Japan to successfully implement disaster-triggered crisis response measures, METI will extend investment deadlines of crisis response measures by the government (at the end of fiscal 2011) and the initial time in reckoning for the disposal of government-held stocks (April 2012).

**(2) Support for the restoration of factories and other facilities**

**●★Support for restoration and maintenance of facilities by unified SMEs [¥20.40 billion]**

[Special measures under the Organization for Small Medium-sized Enterprises and Regional Innovation (SMRJ) Act]

Prefectures will approve reconstruction plans proceeded by unified SMEs in the disaster-affected areas, and under collaboration with the state and prefectures, support for the restoration and maintenance of indispensable facilities for the plans through subsidies, as well as support for the restoration and repair of the disaster-hit shopping streets will be provided.

Moreover SMRJ will set up and provide factories and shops for rent including temporary ones in areas that were destroyed by the disaster such as tsunami hit areas, based on requests from affected areas.

※ Support for the restoration of damaged shopping street facilities by utilizing the fiscal 2010 supplementary budget or the fiscal 2011 initial budget is being provided.

**● Dispatch of support experts for restoration and reconstruction work [¥1.00 billion]**

Traveling advisors and other experts to make up for a lack of personnel necessary for the restoration of factories and other facilities will be dispatched. Technical support for the repair of damaged equipment, business consultation services, and town building consultation services will be carefully provided.

※By utilizing the fiscal 2011 budget, SMRJ has already set up support centers in the cities of Morioka, Sendai and Fukushima and begun to provide services.

## **2. Support for the restoration of energy supply facilities such as petroleum, gas, and LP gas**

### **● Support for the establishment of temporary fueling sites in the disaster areas [¥0.50 billion]**

Establishment of temporary portable fueling sites will be supported, while service stations incapable of operating due to the recent earthquake or tsunami are being restored.

### **● Support for an early restoration of service stations in the disaster areas [¥4.60 billion]**

In order to accelerate early establishment of service stations across disaster areas, the repair of damaged fueling facilities (about 500 facilities), and the removal and safety check of destroyed service stations in disaster areas (about 1,500 stations) will be supported.

### **● Financing support for service stations in the disaster areas [¥5.10 billion]**

Financing will be supported for service stations in disaster areas that have suffered earthquake-related damage, through creating credit guarantee loans (to provide a 100% guarantee) for working fund.

### **● Petroleum supply support for specific disaster areas [¥0.90 billion]**

The state will bear the risk of irrecoverable debts of service stations in disaster-hit areas where normal business on credit is difficult because of damage by the tsunami etc. and the stable supply of oil products to the areas will be supported.

### **● Restoration of the function of oil terminals [¥2.00 billion]**

The early restoration of the oil terminals function on the Pacific Coast of the Tohoku region as key bases for supplying oil products to disaster areas will be supported.

### **● Support for the restoration of disaster-damaged gas and LP gas facilities [¥3.50 billion]**

The restoration of extensively damaged gas or LP gas-facilities in Miyagi, Iwate and Fukushima prefectures will be supported.

※This budget is part of the support for restoration and maintenance of facilities by unified SMEs.

## **3. Resolving electricity supply-demand gap (especially in summer time) in the Kanto and Tohoku regions**

### **(1) Measures to improve electricity supply capacity**

#### **● Support for the construction of private power generation facilities and extension of capacity [¥10.0 billion]**

METI will subsidize the cost of installing and extending private power generation facilities and

capacity or the reactivation of dormant plants in order to increase the electricity supply capacity for summer time.

● Formulation of the plan for strengthening electricity interchange by regional interconnection equipment [¥0.10 billion]

METI will draw up a time schedule and a master plan for strengthening the interconnection equipment that enables electricity interchange between the Chubu and Tokyo Service Areas, and between Hokkaido and the Tohoku Service Areas, etc.

**(2) Measures for curbing electricity demand**

● Electricity saving campaign targeting the nation and the industry [¥4.00 billion]

METI will promote maximum electricity saving across the nation and industry by providing information on the electricity supply-demand situation and efficient electricity saving actions, utilizing media such as websites, television, newspapers and magazines.

● Projects to support electricity saving [¥3.70 billion]

METI will prompt small electricity consumers with great saving potential to maximize electricity saving, by visiting individual consumers to give energy saving advice and support them in writing their Voluntary Action Plan.

**4. Early action in response to nuclear power station incidents**

● Strict implementation of countermeasures [¥0.20 billion]

Safety measures for earthquakes and tsunami will be reviewed and implementation status will be inspected, in consideration of damages by the 2011 Great East Japan Earthquake and incidents at the Fukushima Dai-ichi Nuclear Power Station.

● Further upgrading of traveling and telephone consultation services for residents in the disaster areas [¥0.40 billion]

Traveling consultants will directly visit residents affected by the nuclear incident to all evacuation centers and carefully counsel residents who are increasingly concerned about incidents at the nuclear plant. At the same time, METI will reinforce its telephone consultation service desk that is available at all times and able to present those asking for advice with related organizations if necessary.

※ Since early April, METI has had staff stationed at the municipalities affected by the nuclear incident and has been providing support for operations performed by the municipalities, in collaboration with the support team for residents affected by nuclear incident and the Nuclear Disaster Response Headquarters.

● Subsidy for inspection of radiation levels of exports [¥0.70 billion]

The cost of the inspection of radiation levels of exports to be conducted by the inspection agencies designated by the government will be subsidized, as part of the government measures against reputational damage, with the intention of preventing logistics and distribution operations from being interrupted by harmful rumors and facilitating smooth trade.

※ In addition to the above measures the following services are currently offered to prevent the so-called reputational damage and to facilitate smooth activities of the Japanese economy:

- METI investigates measures taken in other countries or regions, provides briefings to Tokyo-based diplomatic corps and gives explanations or makes requests to foreign countries via Japanese diplomatic establishments overseas in an effort to prevent the spread of reputational damage.
- The emergency consultation desk set up at the JETRO Headquarters and its 36 regional offices country-wide, offers consultation services to businesses in individual cases.
- METI presents radiation level inspection agencies available for use by firms if asked by trade partners to present a certificate of non-radiation contamination. METI has already publicized a simplified certificate that can be issued by the chambers of commerce and industry.
- NEXI has publicized that losses caused by restrictions or bans imposed on imports from Japan on the grounds of radioactive contamination can be covered by the trade insurance provided by NEXI, giving specific examples. NEXI has set up a consultation desk to widely address consultation requirements on trade business affected by the Great East Japan Earthquake.

● Surveillance of inaccurate information posted on the Internet [¥0.2 billion]

METI will provide detailed information on the effect of radiation resulting from the recent nuclear incident, keep watch on inaccurate information if posted on the Internet and provide correct information against it.

● Securing an emergency system [¥0.30 billion]

Facilities in substitution for off-site centers rendered unusable by the tsunami will be provided and damaged communications equipment and disaster prevention equipment will be rapidly restored.

**5. Support for the restoration of infrastructure**

● ★Support for the restoration of industrial infrastructure [¥6.10 billion]

Part of the cost of disaster restoration works to be conducted by municipalities relating to industrial water supply facilities damaged by the Great East Japan Earthquake will be subsidized.

● ▲Restoration of METI-related facilities [¥23.40 billion] < of which ¥20 billion will be

financed by Fiscal Investment and Loan Program>

The above-ground facilities at the Kuji Petroleum Stockpiling Base, Iwate which were submerged and completely destroyed, and the damaged National Stockpiling Warehouse, Ibaraki will be restored.