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Fiscal Responses to the COVID-19 Crisis in Japan: The First Six Months*

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Abstract

This paper provides an overview of the Japanese government's response to the COVID-19 crisis in terms of the fiscal measures taken between January and June, 2020. As the crisis intensified, the government passed emergency budgets with a total value exceeding 10% of GDP. One of the main programs was an unconditional cash transfer for households in the amount of 100,000 JPY (i.e., 909 USD) per resident. In addition, to prevent layoffs and bankruptcies, the government created and expanded various loan and subsidy programs to support firms and workers. Other existing social programs and local economic policies are also reviewed.

JEL classification: E62, H12, H53, H60, H84
Keywords: COVID-19, emergency economic measures, fiscal responses, supplementary budgets

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1 Introduction

By June 2020, the total amount of the initial Japanese fiscal package for the COVID-19 crisis reached nearly 6 trillion JPY (i.e., approximately 545 billion USD), exceeding 10% of the annual GDP in Fiscal Year (FY) 2019.[1] Although it is hard to argue that this amount was sufficient to reverse the immense socioeconomic crisis caused by COVID-19, the level of the fiscal measures was unarguably unprecedented.

This paper aims to provide basic information and descriptive statistics regarding how the Japanese government responded to the COVID-19 crisis by means of fiscal measures implemented between January and June 2020. Our contributions to the emerging policy research literature regarding COVID-19 can be summarized as follows.

First, we compare the expenditure levels of Japan's four COVID-19 fiscal packages to clarify the characteristics of each fiscal response. That is, we investigate how fiscal resources were allocated to different fields in the first and second Emergency Response Packages, which were implemented in February and March 2020, respectively, and the first and second Supplementary Budgets (hereafter, SB), which were passed in April and June 2020. We found that, while the initial measures concentrated on immediate infection control, the subsequent comprehensive measures shifted their focus to support for households and workers/firms, as well as long-term programs for businesses and the healthcare/long-term care services.

Second, we examine major spending programs in the first SB whose contents were decided before June 2020, the time at which this paper was written. The first SB, totaling 25.7 trillion JPY (4.65% of GDP in FY2019), was the first comprehensive fiscal response to COVID-19 and was passed into law in April 2020.[2] Along with the initial policy responses addressing COVID-19 infection and control, the design and execution of the first SB was at the center of policy debates during the period between March and May of 2020.

Among the various programs included in the first SB, the unconditional cash transfer for residents and several subsidies for firms were especially important. The Special Cash Payments, unconditional cash transfers of 100,000 JPY (i.e., 909 USD), per resident, were adopted after serious political discussion. While Prime Minister (hereafter, PM) Abe had initially proposed a targeted payment, the universal payment was instead adopted due to its speed and public popularity. Aside from such financial support for households, various loans and subsidies were made available to firms. Many workers were put on temporary leave rather than laid off in part thanks to the financial support programs. While some regular workers also lost their

[1] Japan's nominal GDP in FY2019 was 552.6 trillion JPY (5.02 trillion USD). The foreign exchange rate is assumed 1 USD=110 JPY in this article.

[2] The first SB was 4.65% of GDP and the second SB was 5.77% of GDP, thus totaling 10.42% of GDP.

jobs, non-regular workers such as temporary dispatched workers were especially vulnerable to losing their employment.

Third, we also briefly describe the policy responses of local governments and permanent programs such as Public Assistance and Unemployment Benefits. Although these programs may not be the central focus of policy debates, it is important to understand their response to the COVID-19 crisis (or lack thereof) to grasp an overall picture of the COVID-19 fiscal response.

The remainder of the paper is as follows. In Section 2, we discuss the background of the crisis, such as infection dynamics, prevention and control responses, and the economic consequences. Section 3 describes the two initial COVID-19 emergency measures and the two subsequent SBs from the viewpoint of expenditure level and category. In Section 4, we explore the details of the first SB, which was the most important fiscal response to COVID-19 and implemented during the first six months of the crisis. Section 5 examines the characteristics of Japanese fiscal responses based on the previous sections and concludes.

2 Background

The numbers of infections and resulting deaths were kept at a notably low level in Japan relative to those in North America and Europe. It is also critical to note that, while Japan had risk factors such as a large elderly population, infection control occurred even without extensive testing, strict lockdowns, or early travel bans. Nonetheless, there were critical economic consequences of physical (or social) distancing interventions.

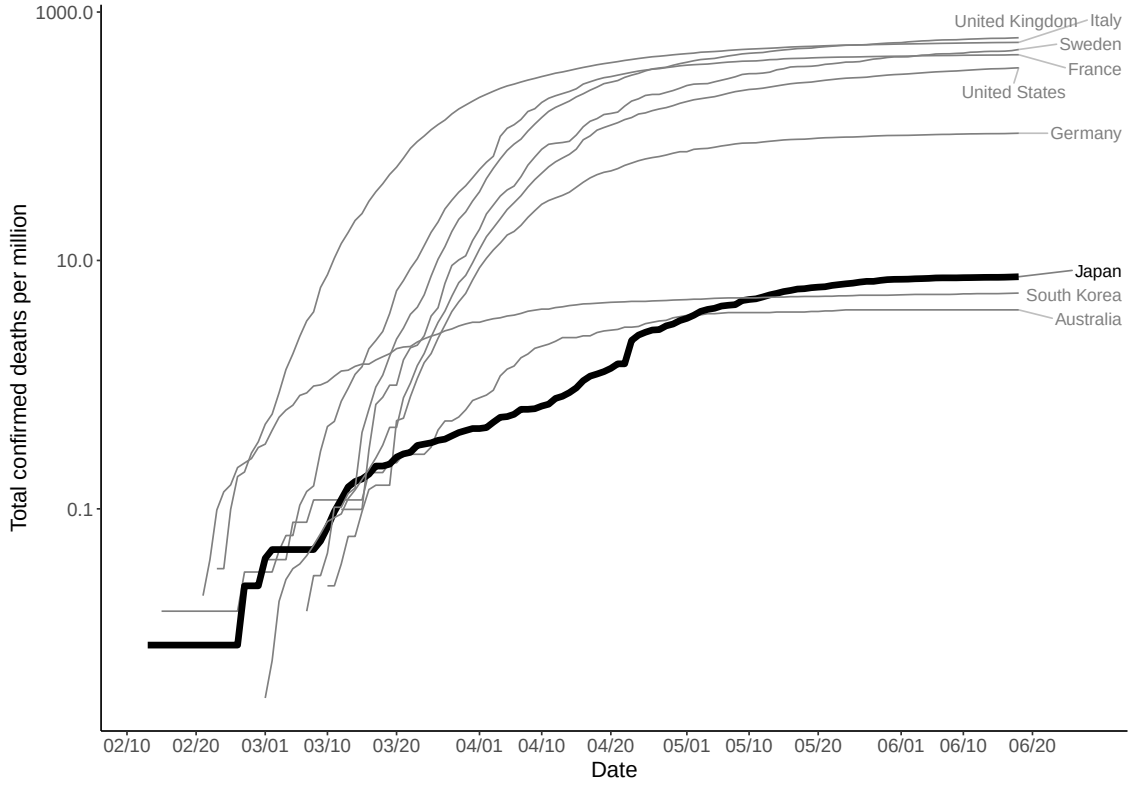
2.1 Infection dynamics between January and June 2020

By mid-June 2020, Japan had approximately 17,000 confirmed cases and around 900 deaths.[3] As shown in Figure 1, when compared on a per capita basis, the number of confirmed fatalities is orders of magnitude lower than those in North America and Europe and is closer to the numbers in South Korea and Australia. To understand the epidemiological background, we first review the timeline of how COVID-19 spread in Japan.

Figure 2 plots new COVID-19 infections and deaths, along with the major public and political responses to COVID-19. There were two distinctive waves of infections: the so-called "first wave" occurred due to the virus being brought to Japan by those who had traveled in China between January and March 2020. The "second wave" emerged due to infections brought by returnees from Europe between March and

[3]Sources: Toyo Kezai Online https://toyokeizai.net/sp/visual/tko/covid19/ or Our World in Data https://ourworldindata.org/coronavirus

Figure 1: Total confirmed deaths per million, February-June 2020



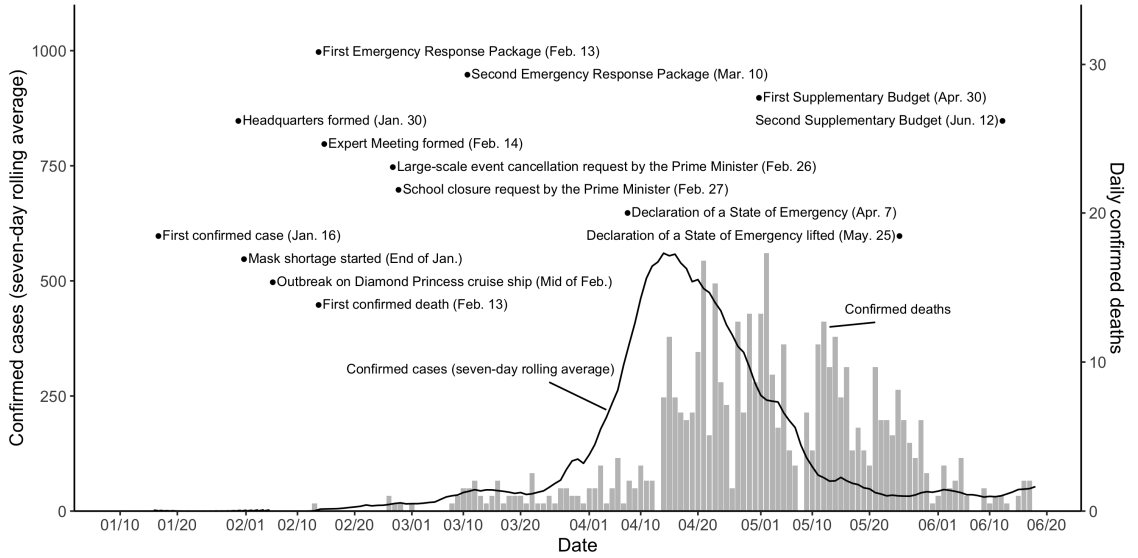
Notes: The log scale is on the y-axis; the starting dates and numbers differ between countries because the dates of the first deaths and the population sizes differ between countries.
Source: Our World in Data https://ourworldindata.org/coronavirus, accessed on June 26.

May 2020 (Expert Meeting 2020b).[4]

The first wave consisted of a few initial cases from China and a large-scale cluster from a cruise ship, the Diamond Princess, and represented a wake-up call for the general public and the administration (Muto et al. 2020). The first domestic case with history of travel to China was confirmed on January 16, 2020 and the first case without such travel history was discovered on January 28. On February 3, the Diamond Princess, a British cruise ship, began its quarantine in the port of Yokohama, ultimately being responsible for over 700 cases of infection, accounting for over a half of all global infections at the time. Because these early instances of infection became a wake-up call to the public, many rushed to purchase face masks and hand sanitizer, resulting in supply shortages. Throughout February, the infection rate steadily increased through the discovery of multiple clusters across seven major cities. In mid-February, to make informed decisions, the Cabinet's "Novel Coronavirus Response Headquarters" convened the Expert Meeting on the Novel Coronavirus Disease Control (hereafter, the Expert Meeting), consisting of public health professionals and researchers. To prevent wider community-level transmis-

[4]This classification is based on the Expert Meeting on the Novel Coronavirus Disease Control. Note that this classification of the "first" and "second" waves differs from a popular notion in media reports that considers the experts' "second" wave as part of the "first" wave and a subsequent future wave as the potential "second" wave.

Figure 2: COVID-19 infections, deaths, and policy measures in Japan, January 16-June 18, 2020



Sources: Toyo Kezai Online https://toyokeizai.net/sp/visual/tko/covid19/ (Confirmed cases and deaths from February to June 2020) and Our World in Data https://ourworldindata.org/coronavirus (Confirmed case in January 2020), accessed on June 26. The dates of the events listed in the graph were collected by the authors based on official documents and media reports.

sion, PM Abe discouraged large physical gatherings on February 26.[5] In addition, without prior notice or consultation at the Expert Meeting, PM Abe issued a request to temporarily close all schools on February 27.[6] These early decisions were controversial, since there was little time for the general public to prepare and they were announced prior to consultation at the Expert Meeting.

The second wave began in mid-March, mainly due to infected returnees from Europe. Some argue that this was due to reduced physical distancing due to quarantine fatigue among the population. To reduce the risk of overwhelming the medical system, on April 7, the government announced the Declaration of a State of Emergency (hereafter, the Declaration) for seven high-risk prefectures, including the Tokyo and Osaka metropolitan areas. On April 16, the Declaration was extended to the entire country. New confirmed cases reached were peak daily rate of about 700 per day in mid-April and began to decrease thereafter. As the infection level steadily dropped to approximately 20-40 new cases per day, the government gradually lifted the Declaration in multiple phases starting in mid- to late-May. To prevent further deterioration of the economy, society began cautiously reopening various functions that had been severely interrupted.

[5] https://www.mhlw.go.jp/stf/seisakunitsuite/newpage_00002.html

[6] https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/gaiyou_r020227.pdf

2.2 Responses to mitigate infection

Given that cumulative infections and deaths to date have been orders of magnitude lower than in North American and European countries, many policymakers and media reports have asked: What did the Japanese government and society do so effectively? While the number of infections has been moderate, most public policies were, in fact, milder than those in other countries. As a background, we briefly review the four main infection control policies in Japan.

(i) **"Cluster-based" contact tracing:** Early on, the experts noticed a pattern of coronavirus transmission—while about 75% of infected persons did not pass the infection to others, there were a few cases that infected an extraordinarily large number of people through so-called "superspreading events", or large clusters (Nishiura et al. 2020). To test and isolate those who were infected through contact tracing, infection control efforts focused on such clusters and retrospectively identifying anyone who might have been in close contact with those in the clusters.[7] This approach was called a "cluster strategy" or a "cluster-based" approach.

(ii) **Physical distancing interventions:** Unlike China or Europe where lockdowns were legally enforced by the police, in Japan, physical (or social) distancing interventions were based merely on formal "requests" made by the central and local governments. To encourage effective physical distancing, the Expert Meeting characterized infection-prone environments as the "Three Cs" (*Sanmitsu* in Japanese), including (i) closed spaces, (ii) crowded places, and (iii) close-contact settings.[8] When cluster-based contact tracing and mild physical distancing became insufficient to control spread in April, the government announced the Declaration to reduce the population-level contact rate. Even so, the policy goal was to reduce social contact by 80% instead of the near-100% goal of lockdowns. This target was based on epidemiological models that examined the infection rate reduction necessary to quickly reduce the infection rate by lowering the effective reproduction rate (R_t).

(iii) **Testing:** Unlike South Korea and Italy, where mass testing had been implemented, polymerase chain reaction (PCR) tests were given only to those who had severe symptoms or close contact with someone who tested positive, at least until May. The limited availability of PCR tests was controversial. Even among those who met the testing criteria, the problem of testing delays was reported in some metropolitan areas. Expert Meeting (2020a) argued that the

[7] See Nishiura et al. (2020), Furuse et al. (2020a), and Furuse et al. (2020b) for an examination of Japan's COVID-19 contact tracing and infection control.

[8] Source: "Avoid the "Three Cs!"" https://corona.go.jp/prevention/pdf/en.cluster2.pdf

limited availability of PCR tests was attributable to factors such as limited testing capability. In addition, in the case of the H1N1 swine flu virus in 2009, population-level testing led to infections occurring at clinics and hospitals as many patients waited in closed, indoor environments. Among medical professionals, it was recognized that mass testing could result in further increasing the infection rate (Oshitani 2020).

(iv) **Travel bans:** Unlike Taiwan that early on decisively adopted strict travel bans from abroad, Japan was relatively late in banning travel from China or Western countries (viz., Hubei Province on February 1; some European countries on March 27; and the United States, the United Kingdom, and China on April 3).

A priori, many expected a sharp rise in the infection rate in Japan. Many risk factors—an elderly population, densely populated cities, and proximity to China—could have contributed to more drastic consequences. For these reasons, in March and early April, many media reports criticized the government for its milder policies relative to other countries. While the exact reasons why are still being explored, such moderate physical distancing and other policies turned out to be effective in the Japanese context—at least, until now. The reasons for the effective containment of COVID-19 continue to be debated today. Some experts attribute this to contact tracing from an early stage, a well-functioning healthcare system, and early voluntary measures. Others attribute this to intrinsic Japanese cultural qualities such as public mask-wearing, bowing instead of shaking hands, and frequent hand washing. It is also notable that major clusters, such as those in Wuhan, China and Deagu, South Korea, did not occur in Japan, except for the cluster on the Diamond Princess.

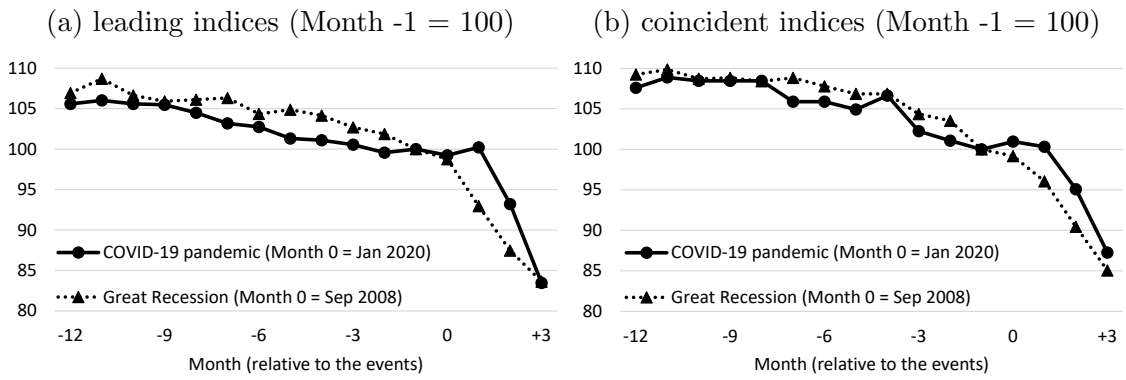
2.3 Economic consequences of responding to COVID-19

Given Japan's policy and the public response to COVID-19, what were the economic consequences of the crisis? We now review them using the latest time-series data available.[9]

Figure 3 plots the composite economic indices computed by the government to assess aggregate economic activity. The left panel plots the leading indices while the right panel plots coincident indices. In January (Month 0 in the figure) and February 2020, both indices remained as high as previously. Subsequently, in March and April, however, they showed a sharp and significant decline in economic activity. For comparison, we also plot the same indices during the 2008/09 Great Recession,

[9]There is an increasing number of papers that examine the impact of COVID-19-related policies on economic outcomes (Kikuchi et al. 2020; Watanabe and Omori 2020; Fukui et al. 2020; Thorbecke 2020; Kawaguchi et al. 2020).

Figure 3: Composite economic indices



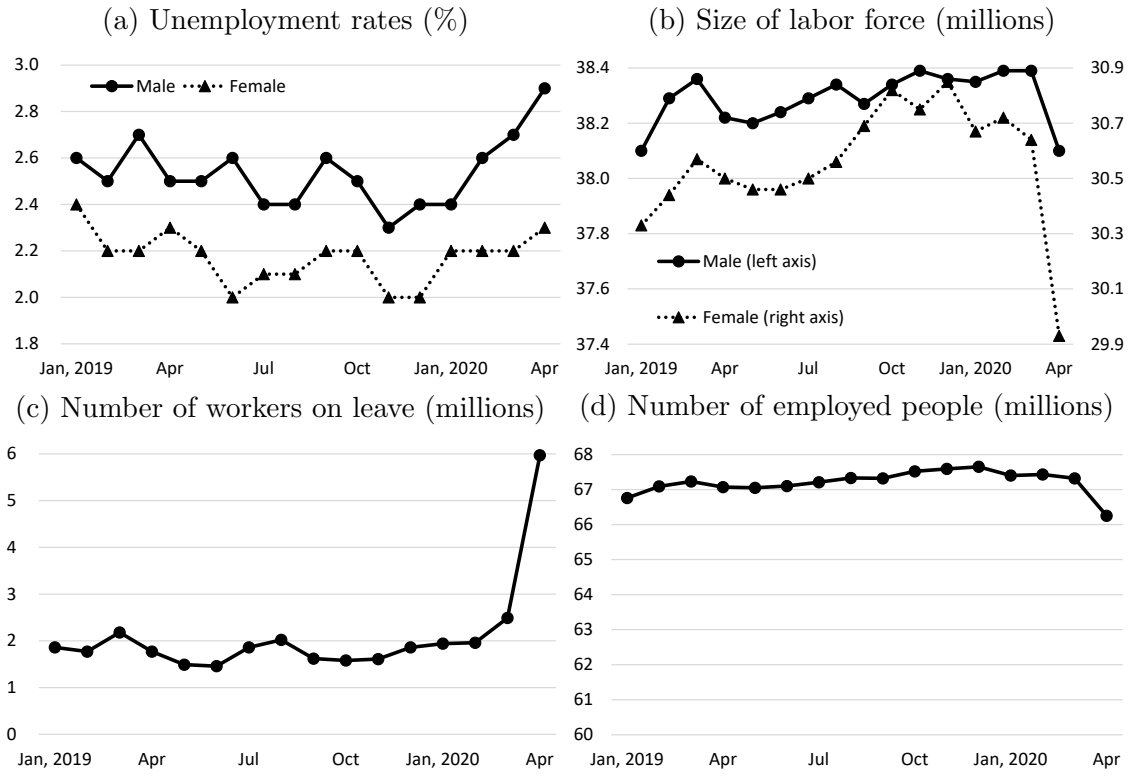
Notes: The x-axis is month relative to events. The event for the COVID-19 crisis is the first confirmed case in January 2020 in Japan, while the event for the Great Recession is the bankruptcy of Lehman Brothers in September 2008. Month -1 of each index is normalized to 100. The leading index is composed of 11 economic statistics on inventory, job postings, machinery orders, newly-built housing, consumer sentiment, a commodity index by Nikkei, money stock, TOPIX (Tokyo Stock Price Index), invest environment, and sales outlook for small and medium enterprises. The coincident index is composed of 9 economic statistics on production, shipment, overtime hours worked, sales, operating profit, and job postings per job seeker. For the details on these components, see https://www.esri.cao.go.jp/jp/stat/di/kobetu_gaiyou.html. The data are seasonally adjusted.
Source: Indices of Business Conditions (Cabinet Office)

in which Lehman Brothers went bankrupt in September 2008 (Month 0 in the figure). Relative to the Great Recession, the current downturn occurred precipitously in a short period of time following the practice of social isolation. While assessment is difficult because the situation is still evolving, many report that the aggregate economic consequences are at least as severe as those of the Great Recession.

Panel (a) of Figure 4 plots the unemployment rate by gender. Despite the aggregate economic downturn, the unemployment rate rose only modestly and remains lower in Japan than in many other countries. The following two reasons, related to labor market culture and institutions, can explain this differential. First, in Japan, once a female worker loses her job, she tends to stop searching for another one and drops out of the labor force, which contributes to the lower unemployment rate for the female gender. Panel (b) confirms that in April, more females than males dropped out of the labor force.

Second, firms often withstand economic crises by putting their employees on leave rather than laying them off. This practice is supported by Employment Adjustment Subsidies, which provide financial support to employers to retain employees on leave, as we will review in Section 4. Panel (c) of Figure 4 indeed shows a three-fold increase in the number of workers on leave between February and April 2020. Thanks to these practices and policies, the number of employed people only modestly declined in April 2020, as displayed in Panel (d). Note that in Panel (c), as many as four million workers were additionally put on leave between February and April 2020. If these workers were instead laid off, then Panel (d) would show a sharp decline in

Figure 4: Labor market conditions



Notes: In Panel (b), the interval between the horizontal lines is set equally (i.e., 0.2 million) between the left and right axes to improve comparability. The data in Panel (c) are not seasonally adjusted due to data availability; otherwise, the data are seasonally adjusted.
Source: Labour Force Survey (Ministry of Internal Affairs and Communications)

April 2020.

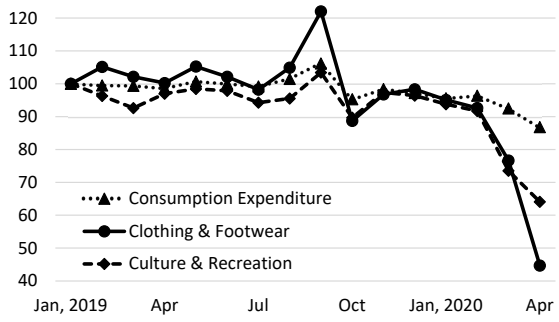
The left panel of Figure 5 plots total consumption expenditure and a decomposition of consumption expenditures (e.g., clothing, footwear and culture and recreation) among households with more than two members.[10] Consumption gradually decreased in response to COVID-19, with drops in the two items plotted. The right panel plots disposable income and consumption expenditures among working households with more than two members.[11] Despite the economic downturn, disposable income remained stable. This is partly due to compositional changes in working households; that is, low-income households are arguably more likely to lose their employment and thus leave the sample of working households. In addition, working households may experience a loss of income. Even among households that were fortunate enough to keep their jobs, their consumption nonetheless declined significantly.

[10] A spike in consumption in September 2019 occurred in response to the value-added tax increase in October 2019.

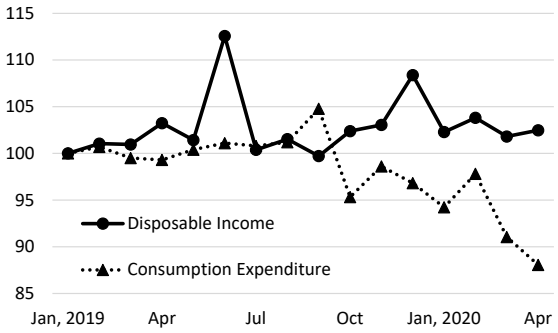
[11] There are notable spikes in disposable income in June and December due to seasonal bonuses.

Figure 5: Consumption and income (Jan 2019 = 100)

(a) households with 2+ members



(b) working households with 2+ members



Notes: Due to data availability, the dataset includes only households with more than two members. Moreover, disposable income is available only for working households. The January 2019 value of each item is normalized to 100. The data are real values and seasonally adjusted.
Source: Family Income and Expenditure Survey (Ministry of Internal Affairs and Communications)

3 Fiscal responses in the first six months

The fiscal response evolved in four steps. At each step, expenditures increased as the outbreak intensified and lengthened. The response began with a focus on increasing the budget for urgent infection control and evacuation but turned to supporting firms and workers, and eventually households, and then shifted to long-run support for businesses and the healthcare/long-term care services. Local responses, as well as existing social programs, are also discussed.

3.1 Initial Emergency Measures in FY2019[12]

The fiscal response to the COVID-19 crisis by the Japanese government began in the middle of February. On February 13 2020, the Japanese government announced the Novel Coronavirus Disease (Covid-19) Emergency Response Package totaling 15.3 billion JPY (about 0.14 billion USD).[13]

The first column of Table 1 shows that the largest part of the first Emergency Response Package was for infection control and healthcare (7.8 billion JPY) and "others" (4.8 billion JPY), which consisted of 3.0 billion JPY for the support of evacuees and 1.8 billion JPY for international aid.[14]

The second COVID-19 Emergency Response Package was announced on March 10 and its total expenditures were 430.8 billion JPY.[15] The second column of Table 1

[12]Statistics in this subsection are based on the official documents of the Novel Coronavirus Response Headquarters, such as NCRH (2020a;b)

[13]Along with fiscal expenditures, 500 billion JPY was secured for emergency loans and guarantees.

[14]Fiscal expenditures on this emergency measure and the subsequent second Emergency Response Package were financed within the budgetary framework of FY2019. In Japan, FY2019 runs from April 2019 to March 2020.

[15]In addition, about 1,600 billion JPY was secured for emergency loans and guarantees.

Table 1: COVID-19 fiscal measures (in billions of JPY)

Expenditure category	First Emergency Response (2020.2.13)	Second Emergency Response (2020.3.10)	First Supplementary Budget (2020.4.27)	Second Supplementary Budget (2020.6.12)
Infection control / Health and long-term care	7.8	46	758	2,784
R&D for test kits, drugs, vaccines, etc.	2.1	3	52	206
Support for households	-	21	13,046	341
Support for workers and firms	0.6	276	8,981	16,231
Support for educational institutions	-	68	236	146
Special grants to local governments	-	-	1,000	2,000
Others	4.8	17	119	204
Contingency funds	-	-	1,500	10,000
Total (in the general account)	15.3	431	25,691	31,911
Employment Adjustment Subsidies in Labour Insurance Special Account (LISA)			764	858
Total (including Employment Adjustment Subsidies in LISA)			26,456	32,769

Notes: Some of R&D-related expenditures may also be categorized in "Infection control/Heath and long-term care." In the "supports for educational institutions" category, we aimed to include expenditures for educational purposes and exclude expenditures for infection prevention in schools, but some expenditure items in this category may be used for infection prevention in schools rather than for education itself. The expansion of Employment Adjustment Subsidies was financed by both the first SB and the Labor Insurance Special Account.
Sources: Categorized and calculated by the authors based on NCRH (2020a;b), MOF (2020a;b) and the official documents of the Ministry of Finance (MOF) and the Ministry of Education, Culture, Sports, Science and Technology (MEXT).

shows that, compared with the first Emergency Response Package, the expenditures for firms and workers (276 billion JPY) and educational institutions (68 billion JPY) are relatively large. In addition, around 156 billion JPY out of the 276 billion JPY allocated a "support for workers and firms" was used specifically to support firms and workers who were affected by school closures. The prominence of school-related expenditures in the second Emergency Response Package reflects the government's intent to mitigate the socioeconomic consequences of the school-closure request made by the Abe administration on February 27.

3.2 Supplementary Budgets in FY2020[16]

The first SB: The first comprehensive fiscal package for COVID-19 was passed as the first SB of FY2020 on April 20 as the main part of the Emergency Economic Measures to Cope with COVID-19 (Cabinet Office 2020). The first SB totaled 25,691 billion JPY (i.e., about 234 billion USD) and was much larger than the first and second Emergency Response Packages implemented in February and March,

[16]Statistics in this subsection are based on the official documents of the Ministry of Finance (MOF), namely MOF (2020a;b) and complemented by official documents from the Ministry of Health, Labour and Welfare (MHLW), the Ministry of Education, Culture, Sports, Science and Technology (MEXT), and the Ministry of Economy, Trade and Industry (METI).

respectively.[17]

In Table 1, the third column provides the amount and composition of the first SB. One key feature of this budget is that the largest expenditure category was "support for households" (13,046 billion JPY), which consisted of around 50% of this fiscal package. In this category, 12,880 billion JPY was allocated to the Special Cash Payments program. This granted 100,000 JPY (i.e., 909 USD) to each registered resident in Japan and was the highest-profile program in the first SB.

The second-largest category is "support for workers and firms" (8,981 billion JPY). The largest expenditure items in this category were financial support for small business enterprises (3,832 billion JPY for loans and 2,318 billion JPY for subsidies). In addition, 69 billion JPY was allocated to the expansion of the existing Employment Adjustment Subsidies (i.e., subsidies for leave allowances). In this category, 764 billion JPY was also prepared for this program in the Labor Insurance Special Account. Another interesting expenditure item was the so-called "Go To" campaign program (1,679 billion JPY), which aimed to support industries such as sightseeing, restaurants/bars, entertainment, and shops that were facing a sharp decline in demand by providing consumers with special coupons that could be used once the COVID-19 crisis was under control.

Spending for infection control, healthcare, and long-term care was relatively modest (758 billion JPY). The largest component in this category was the Emergency Comprehensive Support Grant (149 billion JPY), which enhanced healthcare capacity in hospitals and other medical facilities. Another key category was "special grants for local governments" (1,000 billion JPY), whose official name is Special Allocation for Revitalization to Cope with COVID-19. These grants are intergovernmental transfers to prefectures and municipalities to cover the costs of COVID-19-related programs implemented by local governments.

The second SB: The second SB for COVID-19 was passed on June 12. The amount of this second fiscal measure, which is described in the fourth column of Table 1, was 31,911 billion JPY (i.e., 290 billion USD) and was even larger than the first SB. There are at least four characteristics that are worth mentioning regarding the spending levels.

First, the amount of the budget for "infection control/health and long-term care" was 2,784 billion JPY, which was approximately four times larger than its counterpart in the first SB. The largest component in this category was the Emergency Comprehensive Support Grant for healthcare (1,628 billion JPY) and long-term

[17]The Japanese government claimed that the entire first package totaled 117.1 trillion JPY (i.e., approximately 1.06 trillion USD), including related financial loans provided by the Fiscal Investment and Loan Program and the private sector (Cabinet Office 2020). This budgetary plan included several financial aid programs for citizens and firms, which we will discuss in more detail in Section 4.

care (609 billion JPY). A policy objective of expanding fiscal measures in this category was to increase health and long-term care capacity for COVID-19 infection, infection prevention, and control in the long run.

Second, "support for households" was only 341 billion JPY, a much smaller amount than its counterpart in the first SB. This is in sharp contrast because, in the second SB, there was no counterpart to the Special Cash Payments to all registered residents, which accounted for around 50% of the first SB.

Third, "support for workers and firms" was 16,231 billion JPY, which was almost double the amount in the first SB. In this category, 11,639 billion JPY was allocated for expanding loan programs for firms and 2,024 billion JPY for establishing a new rent support grant for small and medium enterprises. 1,940 billion JPY financed an expansion of the program of lump-sum grants for small and medium enterprises, which was established in the first SB.

Fourth, the contingency funds, whose usage was not determined when the budget bill was passed, account for 10,000 billion JPY and almost one-third of the second SB. This caused a political controversy between the ruling and opposition parties; the opposition party's criticism was that more concrete fiscal plans should have been determined in advance for such a large budget. Responding to the criticism, the Liberal Democratic Party, the largest ruling party, promised that around 1,000 billion JPY of the contingency funds was intended for support for workers and households, around 2,000 billion JPY for business support, and 2,000 billion JPY for healthcare and long-term care[18] and the Minister of the Finance mentioned this in his parliamentary speech.[19]

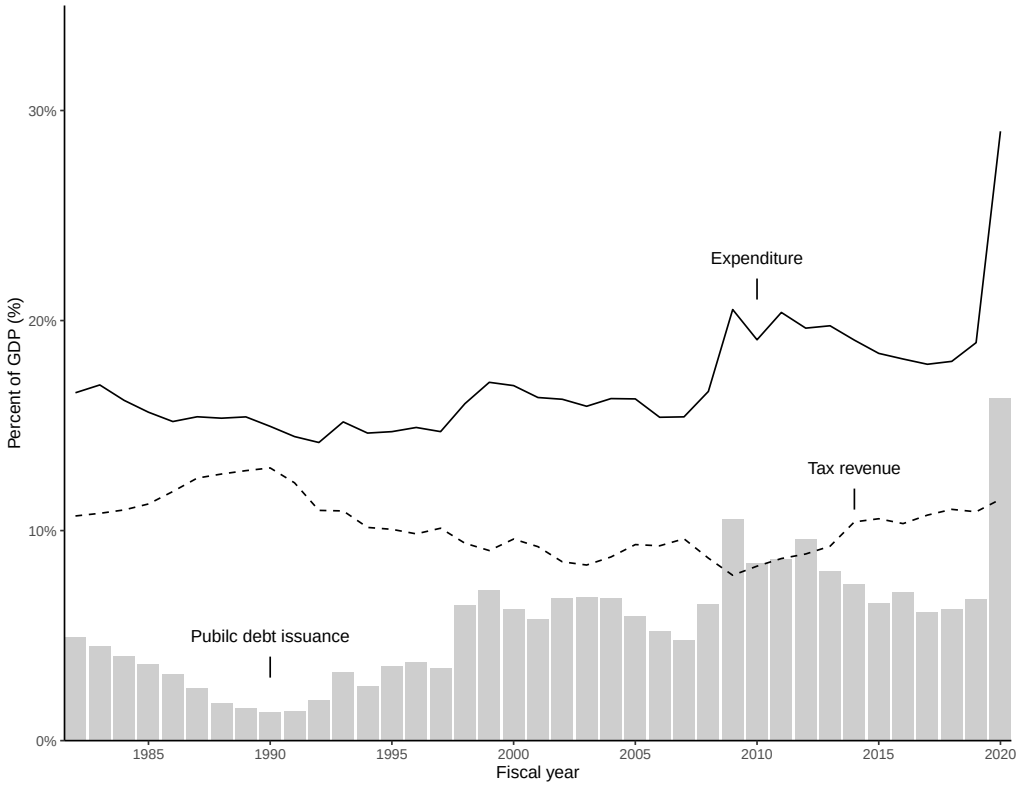
Size and financing of SBs: Figure 6 shows the trends of annual expenditures, tax revenues, and public debt issuance of Japan's general account as a percentage of GDP. Since the 1990s, the deficit has been steadily increasing. The figure illustrates a sharp spike in expenditures and public debt issuance in FY2020 by around 10% of GDP: additional expenditures and public debt issuance by the two SBs total around 56.9 trillion JPY and 57.6 trillion JPY, respectively.

The amount of expenditures and public debt issuance in the original general budget in FY2020 was 102.7 trillion JPY and 32.6 trillion JPY, respectively. This implies that the total amount of the two SBs is more than 50% of the original budget's size and that the Japanese government issued new bonds that are about 1.8 times greater than those of the original budget.

[18]Source: https://digital.asahi.com/articles/ASN65439RN65UTFK008.html

[19]Source: https://www.mof.go.jp/public_relations/statement/fiscal_policy_speech/20200608.pdf

Figure 6: The annual general accounts of the Japanese government (% of GDP)



Sources: For annual expenditures, revenue, and public debt issuance, general account settlement statistics are used for FY1982-2018 and the amount of the general account budget is used for FY2019. For FY2020, the amounts of general account budget plans including the first and second SBs are used. For annual fiscal-year GDP, statistics in the National Economic Account are used for FY1982-2019. GDP in FY2020 is not yet available, so GDP in FY2019 is used for FY2020. The values of the general account budgets for FY2019 and 2020 are based on statistics and projections from a document by the Ministry of Finance (https://www.mof.go.jp/about_mof/councils/fiscal_system_council/sub-of_fiscal_system/proceedings/material/zaiseia20200601/01.pdf).

3.3 Local government policies

On April 7, PM Abe declared a State of Emergency in seven prefectures, including the Tokyo metropolitan area.[20] On April 16, the State of Emergency Declaration was extended to cover the entire country.

While it is in the official power of the PM to declare a State of Emergency, it was up to prefectural governors to ask residents to stay home and businesses to temporarily close. After PM Abe's Declaration, each prefecture decided what kind of businesses should be asked to close after discussing it with the national government. A request for the closure by a prefectural government was based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response but the Act does not allow for forced shutdowns.

While there was no financial compensation for accommodating temporary-closure

[20]Some governors of prefectures not included in the national Declaration also issued their own independent emergency declarations,fFor example, Aichi Prefecture's independent declaration of a state of emergency: https://www.pref.aichi.jp/uploaded/attachment/332790.pdf.

requests there were also no formal penalties for not doing so. Many firms nonetheless complied with the requests. Even though firms suffered losses as a result of restricted business activity, the national government was initially reluctant to compensate the business losses of certain firms. They were concerned that compensating only closed service businesses such as restaurants and bars would not be fair to the other business sectors also affected by the COVID-19 crisis.[21]

At the initial stage, local governments (both prefectures and municipalities) strongly urged the national government to compensate affected businesses. But, given its resistance, the prefectures decided to set up their own compensation schemes, which are currently called *Kyugo Kyoryokukin* (subsidies for temporary-closure cooperation). The Tokyo Metropolitan Government, the richest among the 47 prefectures, took the initiative and decided independently to provide lump-sum cooperation funds of 0.5-1 million JPY to small and medium enterprises that responded to the closure requests. The other prefectures then followed, but unlike Tokyo, most were unable to provide the same level of benefits due to limited fiscal capacity.

Later, in the first SB, the Abe Cabinet decided to provide financial support to local governments through special intergovernmental grants called Special Allocation for Revitalization to Cope with COVID-19 (see Section 3.2).

This budget item reached one trillion JPY (9.1 billion USD). These local grants can be used for projects in accordance with COVID-19 policy measures with a high degree of flexibility to cover the financial burden of local governments in dealing with COVID-19.

Initially, the national government did not allow these special local grants to be used to compensate businesses for complying with temporary-closure requests. It was the government's position that compensating private companies for their losses was not in accordance with the purpose of the emergency measures. However, facing criticism from local authorities that such a condition was too strict, Economic Revitalization Minister Yasutoshi Nishimura, who was responsible for the COVID-19 policy measures, announced that these local grants could also be used for lump-sum "rewards" for firms that accepted temporary-closure requests. At the time of this writing, many municipalities have been using the special local grants for such lump-sum subsidies to temporarily closed companies.[22]

3.4 Existing social programs

The government created new programs and extended existing ones under the first and second SBs. However, there are several important existing policy schemes that

[21] Record of Committee on Rules and Administration, 201st Session, House of Representatives, No. 18. http://www.shugiin.go.jp/internet/itdb_kaigiroku.nsf/html/kaigiroku/002020120200407018.htm

[22] A list of subsidies for temporary-closure corporation is available at https://j-net21.smrj.go.jp/support/kyugyo.html.

remained unadjusted but played a vital role for households and workers who otherwise might not have been able to sustain a minimum standard of living. The details of these programs are described in Table A.1 in the Appendix.

1. Public Assistance: Those with no other means to support themselves are eligible for the Public Assistance program, commonly referred to as the safety net of last resort, which is equivalent to welfare programs in other countries. This program provides payments to help individuals and households maintain the "minimum standards of wholesome and cultured living, " as stipulated in the Constitution. While there have been no amendments to this program's content, there were three notable discussions:

- On March 10, the Ministry of Health, Labour and Welfare (MHLW) sent a notification to local authorities to request proper, broad, and transparent procedures for people who needed Public Assistance.[23]
- While there were discussions on whether the Special Cash Payments for households with 100,000 JPY in the first SB should be considered an income source and therefore subtracted from Public Assistance payments, the government decided to maintain the same assistance payments in addition to the Special Cash Payments.[24]
- In April 2020, the number of applications for the program increased by 30 to 40% as compared to April 2019 across many municipalities in Japan according to media reports.[25] Such a rapid increase was also seen during past economic crises such as the 2008/09 Great Recession and the 2011 Great East Japan Earthquake.

2. Unemployment Benefits: Laid-off workers were eligible for Unemployment Benefits in the Employment Insurance program. So far, the government has neither expanded nor modified unemployment benefits at the time of this draft. However, the government has considered expanding eligibility for unemployment benefits so that workers on leave, in addition to unemployed workers, can apply for unemployment benefits while keeping their employment. This temporary measure was implemented during past crises such as the Great East Japan Earthquake in 2011.[26]

Furthermore, given the possibility of a prolonged economic downturn, many laid-off workers may struggle to find their next jobs. At the time of writing, the

[23]Source: https://www.mhlw.go.jp/content/000608930.pdf
[24]Source: https://www.mhlw.go.jp/content/000623584.pdf
[25]Source: https://digital.asahi.com/articles/ASN615SW3N5WULZU00P.html?pn=8
[26]Source: https://www.hellowork.mhlw.go.jp/insurance/insurance_guide.html and https://www.mhlw.go.jp/stf/houdou/2r98520000015vy1.html.

government is also considering an extension of the benefit period by 60 days.[27]

3. Deferral/exemption of taxes and insurance premiums: Firms and individuals that experienced a 20% or greater drop in revenue in any one or more months after February 2020 can postpone tax payments and employee pension contributions for up to one year, with no delinquent taxes or collateral required, on taxes and contributions that are due between February 2020 and January 2021. If taxpayers do not meet the criteria for deferral, they can still use the regular tax deferral program. In this case, collateral might be required, but for FY2020, the delinquent tax rate will be reduced from 8.9% to 1.6%.[28] With regard to National Pension premiums, which are paid by non-full-time workers for the most part, a partial or full exemption from such premiums can be granted if the insurer's income declines and the original exemption criteria are met.

4 Fiscal measures in the first SB

We reviewed the background of infections and the evolution of the fiscal responses. In this section, we describe the details of various programs intended to support households and workers/firms in the first SB.

4.1 Support for households

There were a number of new programs and expansions in the first SB. Among them, the largest item was the Special Cash Payments for all households, an unconditional cash transfer of unprecedented scale in the history of Japanese public finance. As such, the policymaking process involved serious political disagreements and attracted broad public interest. Other important programs include temporary loans, housing benefits, and exemptions of social insurance premiums, as listed in Table A.2 in the Appendix.

1. Special Cash Payments (12,880 billion JPY): The Special Cash Payments program provided 100,000 JPY per person in cash to every Japanese resident, including foreign nationals. The head of the household receives the benefits on behalf of all co-residing family members.[29]. Special provisions were also designed to ensure adequate delivery to all recipients. Special application processes were provided for those who were forced to live apart as victims of domestic violence or who lived in nursing homes/child welfare facilities and for those who were homeless.

[27]Source: https://www.mhlw.go.jp/content/000637670.pdf.

[28]Source: https://www.nta.go.jp/taxes/nozei/nofu_konnan.htm and https://www.nenkin.go.jp/oshirase/topics/2020/20200501.html.

[29]Source: https://kyufukin.soumu.go.jp/en/.

This policymaking process involved political negotiations. Because the economy declined sharply in mid-March, various political parties drafted their proposals to financially support households. The initial proposals for households included ideas such as universal cash transfers, vouchers, and a consumption tax cut. Given these, the Liberal Democratic Party suggested to the Cabinet a universal cash transfer. Nonetheless, the Cabinet attempted to design a targeted, rather than a universal, transfer, given that the universal transfer during the 2008/09 Great Recession was later criticized as ineffective[30], the Cabinet announced a 300,000 JPY transfer to households with low income or income that had plummeted due to the COVID-19 crisis. Despite their intent to draw on lessons from the past, this announcement received wide public criticism: it is logistically difficult to verify a decrease in income, and any large discontinuity may breed a sense of unfairness. Thus, the parties of the ruling coalition (i.e. the Liberal Democratic Party and the Komeito) directly negotiated with the Cabinet to overturn its announcement in mid-April, ultimately resulting in the 100,000 JPY universal transfer. By this decision, the expenditure for the cash payment increased from 4,021 billion JPY in the initial plan to 12,880 billion JPY in the revised plan, increasing the total amount of the first SB by more than 50% (i.e., from 16,806 billion JPY to 25,691 billion JPY).

Even though the unconditional transfer was intended to simplify the administrative process and thereby expedite the transfer, its implementation faced significant challenges that led to serious delays. Specifically, the central government cannot directly transfer cash[31]; therefore, municipal governments became responsible for the transfer process. To ensure accurate delivery, municipal offices had to perform an overwhelming amount of manual work, such as visual verification of the addresses to which applications were sent. Consequently, even as of early June, only around 30 % of the benefits had reached their recipients.[32]

2. Temporary Special Benefit for Households with Children (165.4 billion JPY): The first SB added a temporary supplemental benefit for the child allowance paid to parents who care for their children until they graduate from junior high school. Prior to the COVID-19 crisis, the child allowance was 10,000 JPY per child per month (15,000 JPY for children under three years of age or after the third child). In addition to this regular payment, there was a one-time addition of 10,000 JPY.[33] Whereas the Special Cash Payments program required new admin-

[30]Record of Committee on Audit, 201st Session, House of Councilors, No.1. https://kokkai.ndl.go.jp/#/detail?minId=120114103X00120200401&spkNum=298&single

[31]Japan had assigned an individual identification (ID) number to its nationals in 2015 through a system called "My Number System. " However, these IDs were not linked bank accounts or the Basic Resident Register network.

[32]Record of press conference after the Cabinet meeting, Minister of Internal Affairs and Communications Sanae Takaichi, https://www.soumu.go.jp/menu_news/kaiken/01koho01_02000921.html.

[33]Source: https://www8.cao.go.jp/shoushi/shinseido/taiou_coronavirus.html.

istrative arrangements, this was an extension of the existing program. Thus, the payments were made swiftly in June, as originally planned, without imposing any additional logistical burden.

3. Emergency Student Support Handout for Continuing Studies (53 billion JPY): The economic contraction caused by COVID-19 imposed a significant burden on students. In Japan, it is culturally common for students to receive financial support from their parents and to work part-time in the retail and service industries. However, the crisis not only destabilized parents' income but also drastically reduced some students' own incomes. Originally, the first SB did not include a financial aid package for students. Given the rapid deterioration of students' financial situation, however, the government used the contingency funds in the first SB to provide support for students.

The benefits were administered by the Japan Student Services Organization (JASSO), a body that regularly manages public student loans to Japanese students and assistance to international students. After students submit their application, their institution assesses whether they satisfy the eligibility conditions and forwards eligible applications to the JASSO. While the school grades requirement was not controversial, each institution had the flexibility to make a comprehensive assessment of each student's need.[34]

4. Special Provision of Temporary Loan Emergency Funds (35.9 billion JPY) To accommodate the needs of those with an immediate requirement for cash because they live hand-to-mouth, the government expanded access to the emergency loan scheme by relaxing its stringent requirements. In particular, the maximum available loan amounts were increased, their repayment period was extended, and the loans became interest-free and guarantor-free.

5. Housing Security Benefit (2.7 billion JPY): In contrast with other crises in which a substantial decline income occurs due to the loss of employment, there are many who were put on temporary leave and lost a substantial part of their income without technically losing their jobs. To alleviate their risk of losing their current housing, the Housing Security Benefit, which is an existing scheme of the Act on Self-reliance Support for Needy Persons, was expanded to include those who had not lost their jobs but still experienced a large enough drop in income to inhibit rent payment.

[34]Source: https://www.mext.go.jp/a_menu/koutou/hutankeigen/mext_00691.html (in Japanese) and https://www.mext.go.jp/a_menu/koutou/hutankeigen/mext_00707.html (in English).

6. Consultation Support Services (1.8 billion JPY): When the poor struggle to sustain their lives, they sometimes cannot identify the support that they need by themselves. The Consultation Support Service program employs social workers to facilitate planning the support these people need and for which they are eligible. Concretely, the social workers advise individuals about potential job opportunities, how they can manage their personal finances and receive available financial support from the government, and the kinds of in-kind housing and food assistance for which they are eligible.

7. Financial support for municipal health/long-term care insurance (36.5 billion JPY): In Japan, local municipalities manage three types of local public insurance programs as insurers: (i) the National Health Insurance for some working-age individuals and the elderly up to age 74, (ii) the Medical Care System for Older Senior Citizens for those age 75 and older, and (iii) Long-Term Care Insurance for those age 65 and older. If municipalities reduce or exempt the insurance premiums because of COVID-19-related income shocks, the national government will subsidize local municipalities to cover the loss in revenue under certain conditions.

4.2 Support for workers and firms

Policies for workers: Through the first SB, the government provided financial support mainly for (self-)employed workers rather than unemployed workers. The government used this budget to create new policies (e.g., subsidies for paid leave during school closures) or expand existing ones (e.g., Employment Adjustment Subsidies). In contrast, existing policies targeted at unemployed workers (e.g., Unemployment Benefits) largely remained the same, as mentioned previously. Here, we highlight and explain some of the key policy responses one by one, following the list in Table A.3 in the Appendix.

1. Employment Adjustment Subsidies (833 billion JPY): In Japan, labor policy responses to economic crises such as the COVID-19 crisis or the Great Recession have centered around protecting jobs. Employment Adjustment Subsidies are one such example. The scheme was expanded by 833 billion JPY in response to the COVID-19 crisis (69 billion JPY in the first SB and 764 billion JPY in the Labour Insurance Special Account).

Under certain conditions, firms can receive subsidies for paying a leave allowance to employees instead of laying them off. The leave allowance must be more than 60% of employees' daily wages. The subsidies are largely regarded as generous: they cover 80-100% (67- 75%) of the leave allowance paid to employees of small and medium enterprises (large companies). The government is considering increasing the maximum amount of subsidies per employee per day, which is currently capped

at 8,330 JPY.

Although the scheme is large, due to its involved paperwork and long waiting list, many firms were unable to receive subsidies during the early stage of the crisis. The number of applicants (recipients) was only 34,609 (17,392) between mid-February and May 21. To address this problem, the government simplified the application process; for example, the number of items to fill out in the application form was cut by 50%. Nevertheless, the scheme has still not reached many firms in need.[35]

2. Subsidies for paid leave during school closures (167 billion JPY with subsidies for freelancers): On February 27, 2020, in response to the rising number of infections, PM Abe requested that schools be temporarily closed. The government then set up two compensation schemes for working parents in the second Emergency Response Package on March 10 (see Section 3.1). In the first SB, the same schemes were succeeded with a budget amounting to 167 billion JPY—one for paid leave and the other for freelancers.

For paid leave, firms can receive subsidies to pay a leave allowance to thier employees who need to care for children due to school closures. The subsidies cover 100% of daily wages paid during the period of the leave. The maximum subsidy per employee per day is 8,330 JPY.[36]

3. Subsidies for freelancers during school closures (167 billion JPY with subsidies for paid leave): While the previous scheme covered for paid leave for employees, this scheme covers freelancers who needed to suspend contract work to care for children due to school closures. The subsidies compensate them for loss of income with a fixed amount of 4,100 JPY per day.[37]

Policies for firms: The government financially supported firms in many COVID-19-related aspects such as vaccine research and development (R&D), the production of personal protective equipment, and working from home. In terms of budget size, the following two schemes, also listed in Table A.3, are noteworthy.

4. Benefits for small businesses (2,318 billion JPY) With a budget of 2,318 billion JPY, this scheme was created to help small businesses at risk of permanently closing, namely those whose revenues dropped more than 50% as compared with pre-crisis levels. Small and medium enterprises were eligible for a maximum of two million JPY while the self-employed (including freelancers) could receive a maximum of one million JPY. In contrast to the Employment Adjustment Subsidies, these

[35]Source: https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/koyou/kyufukin/pageL07.html.

[36]Source: https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/koyou/kyufukin/pageL07_00002.html.

[37]Source: https://www.mhlw.go.jp/stf/newpage_10231.html.

benefits were widely utilized thanks to the simple application process—between May 1 and May 15, the number of applicants (recipients) was reported to be around 900,000 (130,000).[38]

5. Loans and credit guarantees (3,749 billion JPY): The Ministry of Economy, Trade, and Industry (METI) expanded schemes for business finance by 3,749 billion JPY and provided 10 types of loans or credit guarantees.[39] Some types of loans were supplied by public financial institutions. Other types were supplied by private financial institutions but were covered by public credit guarantees. The maximum amount available to a borrower ranged from 10 million to 720 million JPY, and most of these loans were provided without collateral, interest, or credit guarantee fees.

5 Discussion

In mid-March, several prominent economists published a book that argued that prompt and large-scale fiscal and monetary policies are required to endure the COVID-19 crisis (Baldwin and di Mauro 2020). Consistent with their argument, the amount of the initial Japanese fiscal package was unprecedented. Although there has been criticism of the program's implementation, such as its lack of speed, access, and simplicity, there have been no serious objections from the opposition party, the media, or policy experts that the entire expenditure level of around 10% of GDP was either too large or too small.

Given that most public finance discussions prior to the crisis focused on fiscal sustainability in Japan, the absence of such debates is striking. After the 2011 Great East Japan Earthquake, some leading Japanese economists opposed relying on public debt and proposed a tax increase instead (Ito and Itoh 2011). Similar controversy arose during the 2008-09 Great Recession. Given the rapidly aging population, many policy experts and media reports also expressed serious concerns regarding fiscal sustainability since the total national debt increased to twice the annual GDP. However, to respond to the COVID-19 crisis, even the Council for Fiscal System, an advisory council to the Minister of Finance that proposes fiscal consolidation plans in normal times, has not opposed the large-scale response, at least in its June 2020 meeting.[40]. In contrast, some politicians, both in the ruling

[38]Source: https://www.meti.go.jp/covid-19/jizokuka-kyufukin.html.

[39]Source: https://www.meti.go.jp/covid-19/. The total amount of loans and credit guarantees in MOF (2020a) was 3,832 billion JPY, slightly higher than the amount in the METI's document. This is because MOF (2020a) includes all loan and credit guarantee schemes implemented not only by the METI but also by other ministries.

[40]It was reported that several council members said that the two SBs were "unavoidable under the current emergent situation," Nikkei, June 1, 2020, https://www.nikkei.com/article/DGXMZO59844490R00C20A6EE8000/

and opposition parties, proposed even more aggressive fiscal measures such as a consumption tax cut/abolition and a more far-reaching SB totaling over 20% of GDP. However, even though their bold proposals were not realized in the two SBs, they did not seem to be dismissing the spending levels as too small either.

While the enormity and immediacy of the COVID-19 crisis was perhaps the reason behind the lack of controversy over the size of these fiscal responses, this situation may change in the months ahead. If the crisis is prolonged, the social costs and the associated public expenditures will accumulate. The discussion of the FY2021 budget and an additional SB in FY2020 may cause more intensive policy debate regarding how to finance additional expenditures to withstand the COVID-19 crisis.

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Appendix

A Tables

A.1 Existing social programs

1. Public Assistance

Eligibility and Contents
Those who are unable to maintain a minimum standard of living even when using all means at their disposal including their income, assets, abilities, and assistance from anyone with a duty to help them under civil law (i.e., their spouse, children, parents, siblings, grandparents, grandchildren, etc.).

Amount per Recipient Household
Assistance payment = minimum standard of living − final income
- Minimum standard of living is determined as the bottom tenth percentile of the consumption distribution.
- Details of assistance will depend on the household's characteristics such as its members' ages and the residential region.

2. Unemployment Benefits

Eligibility and Contents
If unemployed workers register as jobs seekers at their local Hello Work (public employment service centers) and have worked full-time for ≤12 months in the previous two years.

Duration: 90–360 days (depending on age, duration of previous full-time jobs, and reasons for leaving jobs).

Amount per Recipient
50%–80% of daily wages, but maximum amount per day is set as follows, depending on the age of recipients:
- 6,815 JPY if age < 30;
- 7,570 JPY if 30 ≤ age < 45;
- 8,330 JPY if 45 ≤ age < 60;
- 7,150 JPY if 60 ≤ age < 65.

3. Deferral/Exemption of Taxes and Insurance Premiums

Eligibility and Contents
To be eligible for the ordinary tax deferral system, the following conditions must be met in principle:
- The tax payment makes it difficult for the taxpayers to continue their business and maintain their livelihood;
- The taxpayers have been honest in paying taxes;
- The application was filed within six months of the tax payment deadline;
- There are no delinquent taxes other than those for which they are seeking a deferral;
- Collateral can be provided if clearly possible.

Provided the above conditions are met,
- The tax payment is deferred for one year;
- The delinquent tax penalty is reduced during the deferment period (it is usually 8.9% per year but is reduced to 1.6% for 2020).

In addition to the conditions listed above, both of the following two conditions should be met for taxpayers to be exempt from collateral and delinquent taxes due to the COVID-19 crisis:
- Their income decreased by approximately 20% or more as compared to the same period during the previous year for any period (one month or more) since February 2020;
- They face difficulty in paying taxes.

With regard to the employee pension system, firms will be deferred from paying insurance contributions for one year without any collateral or delinquent taxes if they meet the following two conditions:
- Due to the COVID-19 crisis, their income decreased by approximately 20% or more as compared to the same period during the previous year for any period (one month or more) since February 2020.
- Due to the COVID-19 crisis, they face difficulty in paying insurance contributions.

With regard to the National Pension Plan, for which the government is the insurer and those who do not join the employee pension system are the insured, an application for exemption or reduction of insurance premiums can be filed if the following two conditions are met. These application procedures are simplified from the usual application process.
- Income decreased after February 2020 because of the COVID-19 crisis;
- Projected annual income during 2020 based on changes in income from February 2020 onwards can be expected to be at a level that would meet the current national pension premium exemption criteria.

A.2 Support for households

1. Special Cash Payments (established with 12,880 billion JPY)

Eligibility and Contents
Residents who are the heads of households and are registered with Basic Resident Registration System as of April 27, 2020, including registered foreigners.

- Residents who do not live with the heads of households at their registered address due to domestic violence or for other reasons can apply separately to the municipality in which they live. In that case, the head of household who is registered as a resident will not be able to receive the victim's share. Even those who are not registered as residents, including homeless people, can receive benefits if they apply for them in the municipality in which they live.

Amount per Recipient
The benefit is 100,000 JPY per inhabitant.

2. Temporary Special Benefit for Households with Children (expanded by 165.4 billion JPY)

Eligibility and Contents
Households, including registered foreigners, that currently receive the child allowance are eligible to receive the additional benefit.

- The child allowance is paid to a parent or caretaker of a child until the child graduates from junior high school.
- Because the child allowance has an income threshold based on the number of children, households subject to this limitation are not eligible to receive it. In addition, special benefits are currently provided to some households that were originally subject to the income limit; these households are not eligible to receive this additional benefit either. This additional benefit will be disbursed in June, since the child allowance was originally transferred to the recipient's account three times a year.

Amount per Recipient
The additional benefit is 10,000 JPY per child.

3. Emergency Student Support Handout for Continuing Studies (established with 53 billion JPY)

Eligibility and Contents
Students who are financially independent from their families and are financially distressed by the coronavirus epidemic. In principle, all of the following conditions must be met, but it is up to each educational institution to decide whether or not to strictly follow these conditions.

- Those who do not receive a large amount of money from their families;
- Those who live away from their families;
- Those for whom a large percentage of their part-time income goes to their living and school expenses;
- Those who cannot expect additional support from their families due to a decrease in income or for other reasons;
- Those whose part-time income (including Employment Adjustment Subsidies) have decreased substantially (by more than 50% from the previous month) due to the COVID-19 crisis.

For Japanese students, one of the following additional conditions for existing systems must be met:

- The applicant must be Category I recipient of the New Higher Education Support System (hereafter, the New System);
- The applicant must be a Category II or III beneficiary of the New System and be eligible for a Type I Japan Student Services Organization (JASSO) loan (interest-free) up to the limit;
- The applicant must have applied for or plan to apply for the New System and have used or plan to use up to the maximum amount of a Type 1 JASSO loan;
- The applicant is not eligible for the New System but has used or is planning to use up to the maximum amount of the first-class scholarship (interest-free scholarship);
- The applicant does not meet the requirements for the New System or a JASSO loan (interest-free scholarship) but plans to use the private support system to which they can apply.

For international students, all of the following additional conditions must be met.

- The GPA calculated by JASSO must be above 2.30 for the previous year;
- A monthly class attendance rate over 80%;
- Their average monthly allowance from family members must be less than 90,000 JPY per month (not including entrance and tuition fees);
- For dependents in Japan, their annual income should be less than 5 million JPY.

Amount per Recipient
Students exempt from resident tax: 200,000 JPY per person
Others: 100,000 JPY per person

4. Special Provisions in Temporary Loan Emergency Funds (expanded by 35.9 billion JPY)

Eligibility and Contents
Interest-free and guarantor-free loans:
(i) Emergency Small-Amount Fund
- Any loss in working hours or drop in income

(ii) General Support Funds
- Loss of job
- Loss in working hours or drop in income due to COVID-19

Notable amendments due to COVID-19:
- The payment was increased from 100,000 JPY to 200,000 JPY for (a) those who were unable to work to care for their children, or (b) those with household members who are self-employed;
- Elimination of requirements for either 1.5% annual interest or a guarantor;
- The repayment period was substantially extended.

Amount per Recipient
(i) 100,000–200,000 JPY
(repayment period: 1–2 years)
(ii) 150,000–200,000 JPY/month
(repayment period: 1–10 years)
Municipal social welfare councils determine the amount available to each household

5. Housing Security Benefit (expanded by 2.7 billion JPY)

Eligibility and Contents
Those who are at risk of losing their current housing due to financial distress, unemployment, etc.:
- Income: Total monthly household income must be less than the sum of (a) 1/12 of the non-taxable income amount not subject to a municipal income taxation (called *Kinto-wari*) and (b) monthly rent;
- Savings: Total household savings must be less than a certain amount;
- Job search: Household members must sincerely and earnestly seek employment

Notable amendment due to the COVID-19 crisis:
- Not only those who are unemployed, but also those with reduced incomes are eligible for the benefit.

Amount per Recipient
Rent is directly paid to the landlord by the municipal office with an upper limit of:
- 3 months (up to 9 months, conditional on sincere job search)

The exact payment amount depends on the residential region.

6. Consultation Support Services (expanded by 1.8 billion JPY)

Eligibility and Contents
- No strict eligibility
- Various consultation services

7. Financial support for municipal health/long-term care insurance (expanded by 36.5 billion JPY)

Eligibility and Contents
With regard to the health insurance for which municipalities are the insurers, the following people are fully or partially exempt from insurance premiums for one year starting in February 2020. The national government will compensate the municipalities for any reduced premium revenue due to this exemption.
- Full exemption if the head of household is infected with COVID-19;
- Full or partial exemption if household head's income is reduced after February 2020 due to COVID-19 and meets all three of the following conditions:
  (i) Household head's income for any one month after February 2020 decreased by more than 30%, as compared to his or her average monthly income for 2019;
  (ii) Household head's income in 2019 was less than 10 million JPY;
  (iii) Household head's total income outside of his or her main job in 2019 was less than 4 million JPY.

Similar rules are applied to the long-term care insurance.

A.3 Support for workers and firms

1. Employment Adjustment Subsidies (expanded by 833 billion JPY)

Eligibility and Contents
Firms can receive subsidies for the leave allowances paid to employees on leave if the revenue or output for the last month dropped by 5%+ as compared with the same month in the previous year.

- Leave allowance (as defined by law) ≥ 60% of daily wages. Firms can use subsidies for full- and part-time employees: by the hour, or for leaves taken between April 1 and June 30, 2020.

Amount per Recipient
(i) Small and medium enterprises: 80% of leave allowance, 90% if not firing employees, or 100% with additional conditions. Max: 8,330 JPY per employee per day + 2,400 JPY if training employees.

(ii) Large companies: 67% of leave allowance, 75% if not firing employees. Max: 8,330 JPY per employee per day + 1,800 JPY if training employees.

2. Subsidies for paid leave during school closures (established with subsidies for freelancers by 167 billion JPY)

Eligibility and Contents
Firms can receive subsidies for the paid employees on leave who need to care for children whose schools are temporarily closed due to the COVID-19 crisis, or who are absent from school due to a (suspected) illness.

- Firms can use subsidies: by the hour, or for paid leave taken between February 27 and June 30, 2020.

Amount per Recipient
100% of daily wages. Max: 8,330 JPY per employee per day.

3. Subsidies for freelancers during school closures (established with subsidies for paid leave by 167 billion JPY)

Eligibility and Contents
Freelancers can receive subsidies if they need to suspend contract work to care for children whose schools are temporarily closed due to the pandemic, or who are absent from school due to a (suspected) illness.

- Freelancers can use subsidies: for contract work signed before school closures, or for days not worked between February 27 and June 30, 2020

Amount per Recipient
4,100 JPY per day.

4. Benefits for small businesses (established with 2,318 billion JPY)

Eligibility and Contents
Small and medium enterprises or self-employed (including freelancers) can receive benefits if the monthly revenue for any month in 2020 dropped by 50% + compared with the same month in the previous year.

Amount per Recipient
Annual revenue for 2019 (or last FY for small and medium enterprises) – 12 × (the worst monthly revenue in 2020) . Max: 2 million JPY for small and medium enterprises. 1 million JPY for self-employed.

5. Loans and credit guarantees (expanded by 3,749 billion JPY)

Eligibility and Contents
Firms can receive 10 types of loans from public financial institutions, or loans from private financial institutions with public credit guarantees.

- Some of the types of loans available are: conditional on drop in revenue of 5%+, 10%+, 15%+, or 20%+, for small businesses or the hospitality industry, or with interest-only periods of two to five years.

Amount per Recipient
10–20 million JPY (loans): Most types of loans are available without collateral, interest, or credit guarantee fees.