Australian Government
Department of Finance
The Treasury

ECR-2025-1864

PUBLIC RELEASE OF 2025 ELECTION COMMITMENT COSTING

Name of proposal costed:	Economic Resilience Program
Costing Identifier:	ALP002
Summary of costing:	The proposal is to allocate $1 billion from the National Reconstruction Fund (NRF) to provide zero interest loans to companies. Applicants must meet the NRF's existing 'solely or mainly Australian based' test.
Ongoing or Terminating (including date)[a]	Terminating – 30 June 2027
Person making the request:	Prime Minister
Date costing request received:	17 April 2025
Date of public release of policy:	3 April 2025
Date costing completed:	24 April 2025
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

[a] Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

Financial implications (outturn prices)[(b)]

Impact on	2024-25	2025-26	2026-27	2027-28	2028-29
Underlying Cash Balance ($m)	0.0	-3.7	-20.7	-21.8	-22.5
Fiscal Balance ($m)	0.0	-169.0	-162.4	25.4	24.7

[(b)] A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the UCB indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Where relevant, state that the proposal has been costed as a defined or specified amount.

Specified amount

Where relevant, include separate identification of revenue and expense components.

The underlying cash balance reflects foregone loan interest revenue only.

The fiscal balance impact reflects:

- concessional loan discount expense, $165.3 million in 2025-26 and $165.3 million in 2026-27; and
- foregone interest revenue (equivalent to the underlying cash balance amounts) and unwinding concessional loan revenue.

Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable

Qualifications to the costing (including reasons for the costing not being comprehensive).

The costing does not consider future changes to interest rates. The actual loans made by the National Reconstruction Fund Corporation (NRFC) may not be made on the same terms assumed.

Where relevant, explain effects of departmental expenses.

Not applicable

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

The costing request did not set out the term of the loans being offered. A term of 7 years has been assumed based on the currently assumed term for loans made through the NRFC.

The costing request did not anticipate impacts beyond the forward estimates.

Other comments *(including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).*

Where relevant, include an explanation of the medium-term implications of the proposal.[(c)]

The differences between the fiscal and underlying cash balance impacts reflect the accounting treatments for concessional loan impacts. Only the fiscal balance reflects the concessional loan discount expense on loan issuance and the unwinding of concessional loan discount revenue accrued over the term of the loan.

The medium-term impacts are provided below as the loans are not expected to be fully repaid until after the end of the forward estimates period:

Impact on	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Underlying Cash Balance ($m)	-24.0	-26.0	-28.9	-14.4	0.0	0.0	0.0
Fiscal Balance ($m)	23.2	21.2	18.3	32.9	23.6	0.0	0.0

There are no impacts on Public Debt Interest (PDI) as the proposed loans are assumed to have a similar approval and drawdown profile to loans that the NRFC would have otherwise made.

[(c)] Information on the medium-term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period. The medium term is considered to be the 7 years after the current forward estimates.

Background information

Costing methodology used:

For the loans:

- All zero interest loans would be repaid in full at the end of the loan term.
- The loans are issued in 2025-26 and 2026-27 for a total of $500 million in each year.
- The loan term would be 7 years, based on the current assumption in NRFC's estimates models.
- The equivalent rate of interest for a similar loan, to support the calculation of concessional loan discount impacts, has been taken from the Reserve Bank of Australia's February 2025 published average interest rate for new loans to medium sized businesses, at 5.90 per cent per annum.

For the foregone interest earnings of the NRFC:

- The amount of annual loan interest earnings foregone prior to repayment has been based on a proportionate reduction of NRFC's existing estimates as at the 2025 Pre-election Economic and Fiscal Outlook (PEFO) of loans and loan revenue.

Overall, the estimates are sensitive to both the assumed investments and foregone returns of the NRFC, and the final contracted terms and conditions of the proposed zero interest loans.

Behavioural assumptions used (as appropriate):

The NRFC would divert funds intended to be made as interest bearing loans to these zero interest loans. The NRFC's total investments made in 2025-26 and 2026-27 (and subsequent years) would otherwise be consistent with the 2025 PEFO estimates.

Attachment A – Economic Resilience Program – Financial implications

Table A1: Economic Resilience Program – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Revenue													
Administered non-tax													
Income from unwinding concessional loan discounts	*-*	*23.6*	*47.2*	*47.2*	*47.2*	*47.2*	*47.2*	*47.2*	*23.6*	*-*	*-*	***118.0***	***330.4***
Loan interest forgone	*-3.7*	*-20.7*	*-21.8*	*-22.5*	*-24.0*	*-26.0*	*-28.9*	*-14.4*	*-*	*-*	*-*	***-68.7***	***-162.0***
Total – revenue	**-3.7**	**2.9**	**25.4**	**24.7**	**23.2**	**21.2**	**18.3**	**32.8**	**23.6**	**-**	**-**	**49.3**	**168.4**
Expenses													
Administered													
Concessional loan discount expense	*-165.0*	*-165.0*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-330.0***	***-330.0***
Total – expenses	**-165.0**	**-165.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-330.0**	**-330.0**
Total (excluding PDI)	**-168.7**	**-162.1**	**25.4**	**24.7**	**23.2**	**21.2**	**18.3**	**32.8**	**23.6**	**-**	**-**	**-280.7**	**-161.6**
PDI impacts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (including PDI)	**-168.7**	**-162.1**	**25.4**	**24.7**	**23.2**	**21.2**	**18.3**	**32.8**	**23.6**	**-**	**-**	**-280.7**	**-161.6**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table A2: Economic Resilience Program – Underlying cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Loan interest forgone	*-3.7*	*-20.7*	*-21.8*	*-22.5*	*-24.0*	*-26.0*	*-28.9*	*-14.4*	*-*	*-*	*-*	***-68.7***	***-162.0***
Total – receipts	**-3.7**	**-20.7**	**-21.8**	**-22.5**	**-24.0**	**-26.0**	**-28.9**	**-14.4**	**-**	**-**	**-**	**-68.7**	**-162.0**
Total (excluding PDI)	**-3.7**	**-20.7**	**-21.8**	**-22.5**	**-24.0**	**-26.0**	**-28.9**	**-14.4**	**-**	**-**	**-**	**-68.7**	**-162.0**
PDI impacts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (including PDI)	**-3.7**	**-20.7**	**-21.8**	**-22.5**	**-24.0**	**-26.0**	**-28.9**	**-14.4**	**-**	**-**	**-**	**-68.7**	**-162.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table A3: Economic Resilience Program – Headline cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Loan interest forgone	*-3.7*	*-20.7*	*-21.8*	*-22.5*	*-24.0*	*-26.0*	*-28.9*	*-14.4*	*-*	*-*	*-*	***-68.7***	***-162.0***
Total – receipts	**-3.7**	**-20.7**	**-21.8**	**-22.5**	**-24.0**	**-26.0**	**-28.9**	**-14.4**	**-**	**-**	**-**	**-68.7**	**-162.0**
Total (excluding PDI)	**-3.7**	**-20.7**	**-21.8**	**-22.5**	**-24.0**	**-26.0**	**-28.9**	**-14.4**	**-**	**-**	**-**	**-68.7**	**-162.0**
PDI impacts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (including PDI)	**-3.7**	**-20.7**	**-21.8**	**-22.5**	**-24.0**	**-26.0**	**-28.9**	**-14.4**	**-**	**-**	**-**	**-68.7**	**-162.0**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact[1]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[2] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[1] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[2] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.