

# Special Account for Stable Supply of Food (Account for National Land Improvement)

<https://www.maff.go.jp/>

## 1. Summary of operations implemented using FILP funds

Operations subject to FILP are land improvement operations (irrigation drainage and integrated farmland disaster prevention) that the Government implements under the Land Improvement Act (Act No. 195 of 1949). Operations that are closely related to land improvement and implemented by the Government under contract are not subject to FILP.

(Reference)

As the Special Account for National Land Improvement was integrated into the General Account in FY2008, the Account for National Land Improvement was established under the Special Account for Stable Supply of Food for a transitional measure to conduct accounting for borrowings and prevent prefectural funding troubles for areas where national land improvement projects failed to be completed by the end of FY2007, among FILP borrowing areas where borrowings were provided to partially finance new projects started in or before FY1998.

## 2. Amount of lending under FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
1.2	36.3

## 3. Estimated policy cost analysis of the project

### (1) Policy cost

(Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	25.8	16.3	-9.5
2. Government revenue (payments to the government, etc.) <sup>*1</sup>	-	-	-
3. Opportunity cost of capital investments, etc.	-	-	-
<b>Total (1+2+3=policy cost(A))</b>	<b>25.8</b>	<b>16.3</b>	<b>-9.5</b>
Analysis period (years)	19 years	18 years	-1 year

### (2) Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
(A) Policy cost (previously cited)	25.8	16.3	-9.5
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	-	-	-
2) Policy cost expected to be newly accrued during the analysis period	25.8	16.3	-9.5
Government expenditure (subsidies, etc.)	25.8	16.3	-9.5
Government revenue (payments to the government, etc.) <sup>*1</sup>	-	-	-
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

### (4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy <sup>*2</sup>	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.) <sup>*1</sup>	3. Opportunity cost of capital investments, etc.
16.3	16.3	-0.0	-0.0	-	-

### (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2019	FY2020	Simple fluctuation
		Simple comparison (before adjustment)	25.8	16.3
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2020 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2019)	Real fluctuation (2-1)
	15.3	16.3	+1.0	

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Growth in subsidies, etc. due to operation plan changes (+1.0 billion yen)

○Factors behind policy cost decrease

- None

(Note) Components in each column may not add up to the total because of rounding.

<sup>\*1</sup> Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

<sup>\*2</sup> Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

#### 4. Outline of estimation and project prospect employed in the analysis

- 1) Subjected to estimation: Land improvement that is partially financed by transfers from the General Account
- 2) Public works operations subjected to estimation: 11 areas (FY2020) including 9 areas for irrigation drainage and 2 for integrated farmland disaster prevention
- 3) Size of operations subjected to estimation: 82.21 million yen (FY2020) \*Covering land improvement and other expenses required for public works
- 4) Analysis period: 18 years from FY2020 to FY2037 when the recovery of land improvement costs for redeeming fiscal loans will be completed
- 5) Operating revenues are booked for land improvement expenses that are shouldered by prefectural governments and determined based on the repayment period of 13 years (including a 3 year grace period)
- 6) Against outstanding operation expenses for each operation, year-by-year operation expenses are calculated for booking based on year-by-year operation plans

(Unit: million yen)

FY	Result					Estimated	Planned	Assumptions for calculation			
	2014	2015	2016	2017	2018			2019	2020	2021	2022
Operation revenues	39,065	41,979	31,054	25,857	28,138	31,088	20,090	12,082	9,307	7,150	5,288
Operation expenses	38,123	40,994	30,068	24,237	27,220	31,088	20,090	12,082	9,307	7,150	5,288

FY	Assumptions for calculation										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Operation revenues	2,943	2,428	1,960	1,656	1,355	1,114	916	683	379	252	171
Operation expenses	2,943	2,428	1,960	1,656	1,355	1,114	916	683	379	252	171

FY	Assumptions for calculation	
	2036	2037
Operation revenues	101	40
Operation expenses	101	40

#### 5. Reasons for granting of subsidies, mechanism and underlying laws

Article 165 of the Supplementary Provisions for the Act on Special Accounts (Act No. 23 of 2007) as applied mutatis mutandis under Article 6 of the Act and Article 231-6 of the Supplementary Provisions provides that expenses transferred from the General Account to this account are those that are required for land improvement and shouldered by the Government and those that are shouldered by prefectural governments under Article 90 of the Land Improvement Act out of those required for land improvement.

[The national treasury payment provision]

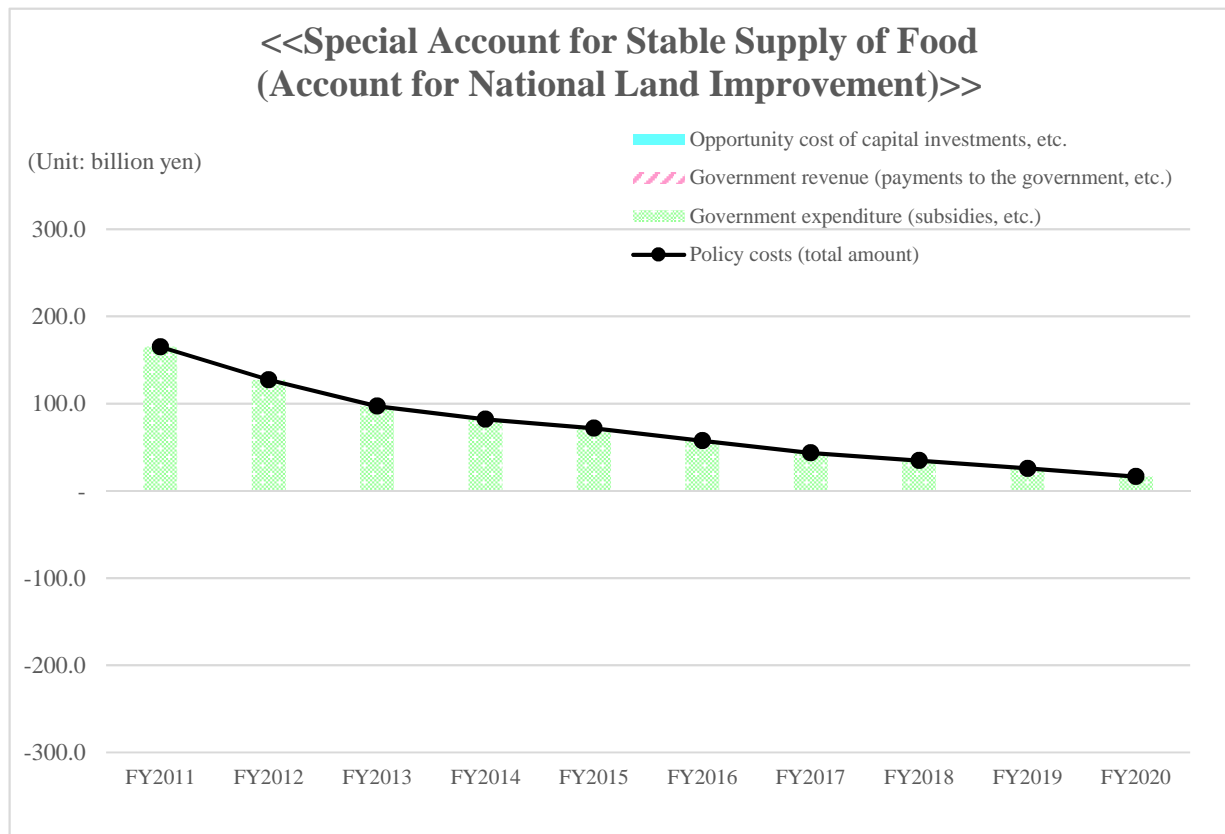
Article 166-1 of the Supplementary Provisions for the Act on Special Accounts as applied mutatis mutandis under Article 231-6 of the Supplementary Provisions provides that "out of expenses and relevant interest shouldered under Article 90 of the Land Improvement Act regarding land improvement, the amount of funds transferred from the General Account to the Special Account for National Land Improvement under Article 5-1 of the Act for the Special Account for National Land Improvement before the special account's abolition under Article 66-18 of the Supplementary Provisions and the equivalent to the amount transferred from the General Account to the Special Account for National Land Improvement under Article 6 and the previous article after the technical replacement of terms and phrases shall be transferred from the account to the General Account as provided by laws without undue delay after the expenses and relevant interest are paid."

#### 6. Special remarks

None

# Overview of policy cost analysis results

## [Changes in policy costs]



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Unit: billion yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)	165.2	127.2	97.2	82.0	71.7	57.4	43.5	34.7	25.8	16.3
Government expenditure (subsidies, etc.)	165.2	127.2	97.2	82.0	71.7	57.4	43.5	34.7	25.8	16.3
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	-	-	-	-	-	-	-	-	-	-

### 【Explanation of policy cost trends】

The policy cost of the Special Account for Stable Supply of Food (Account for National Land Improvement) covers costs for land improvement financed by transfers from the General Account. As remaining public works expenditure declines, the policy cost falls every year.

### 【FILP agency's self-assessment of policy cost analysis results (FY2020)】

The policy cost in the FY2020 analysis declined by 9.5 billion yen from FY2019 as land improvement costs financed by transfers from the General Account decreased in line with a fall in remaining expenditure for land improvement. This analysis result is adequate, reflecting realities.

The policy cost in the FY2020 sensitivity analysis posted an odd-lot fall from the case before the negative interest rate policy as land improvement costs financed by transfers from the General Account decreased due to drops in assumed interest rates (discount factor and future interest rate). The policy cost fall is thus attributable only to the drops in assumed interest rates and has no problem.