National Federation of Land Improvement Associations

https://www.inakajin.or.jp/

1. Summary of operations implemented using FILP funds

Subject to FILP is an operation to grant funds for land improvement facility maintenance and management enhancement projects (disaster prevention and mitigation function enhancement projects, etc.) to prevent and reduce disasters for small agricultural facilities (important agricultural reservoirs for disaster prevention purposes, irrigation and drain channels, etc.), improve energy efficiency for facility management and develop facilities for using renewable energy and saving labor in rural regions.

2. Amount of lending under FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
1.3	0.9

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	1.1	1.5	+0.4
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	-	-	-
Total (1+2+3=policy cost(A))	**1.1**	**1.5**	**+0.4**
Analysis period (years)	6 years	6 years	-

(2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
(A) Policy cost (previously cited)	1.1	1.5	+0.4
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	1.1	1.5	+0.4
Government expenditure (subsidies, etc.)	1.1	1.5	+0.4
Government revenue (payments to the government, etc.)*	-	-	-
Opportunity cost of surplus, etc.	-	-	-
Opportunity cost of capital investments, etc.	-	-	-

(3) Year-to-Year comparison analysis
(Computing any fluctuation from previous year) (Unit: billion yen)

		FY2022	FY2023	Simple fluctuation
Policy cost	Simple comparison (before adjustment)	1.1	1.5	+0.4
	Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)	Real fluctuation (2-1)
		0.2	1.5	+1.3

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to increase in subsidies related to new projects in the FY2023 (+1.3 billion yen)

○Factors behind policy cost decrease

- None

(4) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
1.5	1.5	-0.0	-0.0	-	-

(A) Policy cost (previously cited)	Case of a 1% increase in operating expenses	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
1.5	1.5	+0.0	+0.0	-	-

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

* 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.

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

1) Subjected to estimation: Land improvement facility maintenance and management rationalization projects (projects that enhance disaster prevention and mitigation functions, etc.)
2) Size of operations subjected to estimation: 3,030 million yen *Total costs for projects to be implemented the first five-year period from FY2023 (FY2023-2027) are covered.
3) Analysis period: Six years from FY2023 to FY2028 for the completion of FILP fund repayments
4) A plan for projects for the first five-year period is formulated, based on fixed operating revenues and expenses.

(Unit: million yen)

	Result					Estimated	Planned	Assumptions for calculation				
FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Operating revenues	-	-	-	-	-	2,008	3,558	1,000	1,232	1,146	867	325
Operating expenses	-	-	-	-	-	2,008	3,558	1,000	1,232	1,146	867	325

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

The National Federation receives government subsidies from the General Account to implement an operation to grant funds for projects to enhance disaster prevention and mitigation functions, etc. in order to prevent and mitigate disasters, improve energy efficiency for facility management and develop facilities for using renewable energy and saving labor in rural regions, based on an implementation guideline for land improvement facility maintenance and management rationalization projects.

[Underlying laws and regulations]
Implementation guideline for land improvement facility maintenance and management rationalization projects (Notice ordered by Vice Minister of Agriculture, Forestry and Fisheries, 52 structural reform B No. 600, dated April 20, 1977)
No.2 Details of operations
1. (Omitted)
2. Under projects to enhance disaster prevention and mitigation functions, etc., land improvement districts shall prevent and mitigate disasters, improve energy efficiency for facility improvement or develop facilities for using renewable energy and saving labor in rural regions, using the rationalization fund and grants from FILP loans borrowed and managed by the National Federation.
3. The rationalization fund shall be created by the National Federation, based on contributions from prefectural federation of land improvement associations (hereinafter referred to as “local associations”) (hereinafter referred to as “contributions from local associations”) and national government subsidies.
4-7. (Omitted)

6. Special remarks

None

(Reference) Outcome and social and economic benefits of operations

1) Policy purposes of the operation
As the intensification and increased frequency of natural disasters, climate change, the acceleration of the decline in the number of farmers and other natural and social changes have become remarkable in recent years, land improvement facility development is urgently required to be promoted in response to current policy challenges such as strengthening national resilience enhancement, greening and digitalization.
To meet the requirement, the National Federation created in FY2022 grants funds for land improvement facility maintenance and management enhancement projects in agricultural regions (projects to enhance disaster prevention and mitigation functions, etc.) to prevent and mitigate disasters, improve energy efficiency for facility management and develop facilities for using renewable energy and saving labor, contributing to strengthening national resilience enhancement, decarbonization and the effective use of information and communication technologies.

2) Achievements of the operation
In this project in FY2022, a total of 153 facilities were developed, comprising 112 facilities under the disaster prevention and mitigation category, 15 facilities under the energy saving/renewable energy category, and 26 facilities under the labor saving category. The cost required for this was 1.7 billion yen.

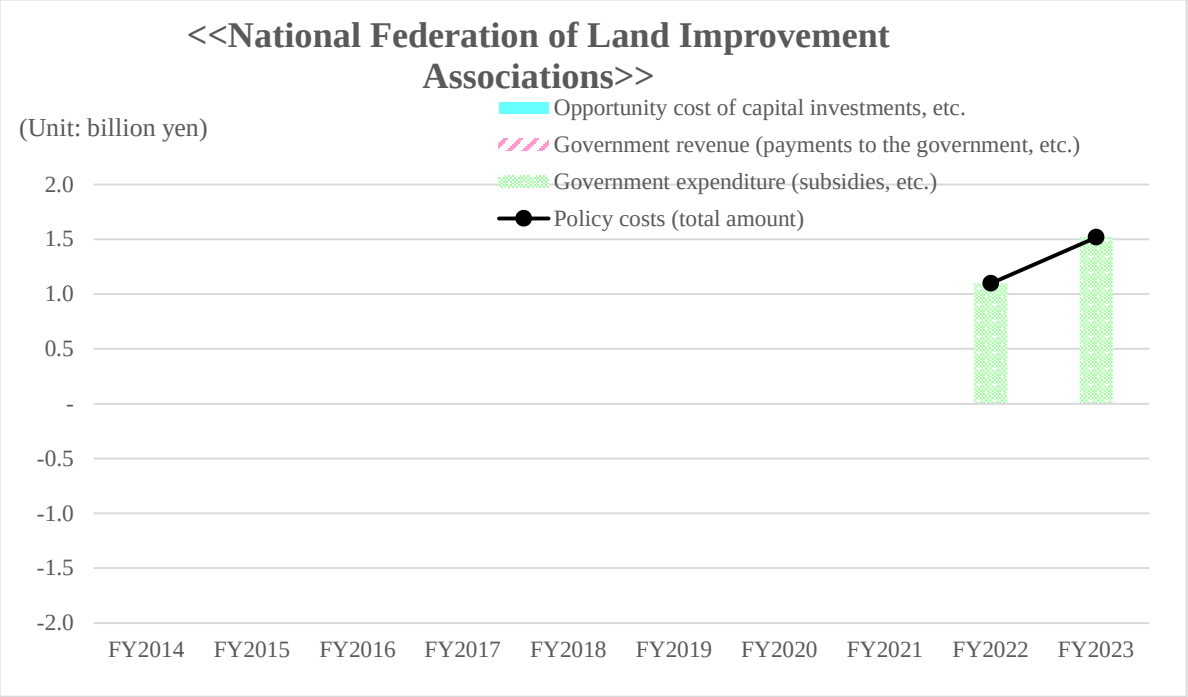
3) Social and economic benefits from the implementation of the operation
(Contributing to national resilience)
In recent years, the frequency of rainstorms has increased under the impact of climate change. The July 2017 northern Kyushu rainstorm and the July 2018 rainstorm destroyed many reservoirs in Fukuoka, Hiroshima and other prefectures. The No. 19 Typhoon in 2019 and the July 2020 rainstorm caused flood damage in various regions in Japan. These disasters inflicted great damage on farmlands and agricultural irrigation facilities. In this operation, the national government, prefectural governments, municipal governments and land improvement districts share roles to facilitate disaster prevention projects, contributing to mitigating disaster risks for rural communities and farmlands.

(Contributing to greening)
As the Japanese government decided on the prime minister’s carbon neutrality declaration (October 2020), the green growth strategy (June 2021) and the plan for global warming countermeasures and the strategic energy plan (October 2021), with international talks and agreements seen at such meetings as the 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), the agriculture sector is required to reduce methane emissions from rice paddy fields and livestock and fossil fuel consumption for land improvement facilities, agricultural machines and horticultural facilities.
The operation to promote the development of irrigation and drain channels and other facilities will help reduce electricity consumption, etc., contributing to greening land improvement facilities.

(Contributing to digitalization)
The rural population is expected to decline (by 30-50% in the next 30 years) faster than the urban population. The number of agricultural engineering officials has decreased by some 40% at municipal governments and by about 20% at land improvement districts in the past 20 years. While these data indicate that it may become impossible to appropriately maintain and manage farmlands and agricultural irrigation facilities, this operation to promote the spread of information and communication technologies throughout Japan will allow limited human resources to manage land improvement facilities, contributing to saving management labor.

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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)									1.1	1.5
Government expenditure (subsidies, etc.)									1.1	1.5
Government revenue (payments to the government, etc.)									-	-
Opportunity cost of capital investments, etc.									-	-

【Explanation of policy cost trends】

The policy cost for the National Federation of Land Improvement Associations is targeted at grant funding projects to be allocated to land improvement facility maintenance and management optimization projects (projects to enhance disaster prevention and mitigation functions, etc.).

In FY2023, policy cost increased compared to FY2022 due to an increase in the number of new projects.

【FILP agency's self-assessment of policy cost analysis results (FY2023)】

・The policy cost in FY2023 stands at 1.5 billion yen. The policy cost for the operation will change in line with increases or decreases in the annual operation cost, as government subsidies cover a specific share (50%) of the annual operation cost.

・The sensitivity analysis (case of assumed interest rate +1%) showed a decrease of 0.0 billion yen (approximately 8 million yen) from the basic case. This is a net reduction due to a decrease in discount rate when converting to the discounted present value, and as there is no change in the amount on a nominal basis and the amount is small, it is assessed as having minor impact on finances.

・The sensitivity analysis (case for a 1% increase in operating expenses) showed an increase of some 0.2 million yen in the policy cost from the basic case. The increase reflected a rise in the operation cost and it is assessed as having no impact on finance soundness .

(Reference) Balance sheet, statement of changes in net assets (*The National Federation prepares financial statements in accordance with the accounting standards for public-service corporations.)

Balance Sheet

(Unit: million yen)

Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	-	251	519	Current liabilities	-	437	34
Bank deposit	-	251	519	Accrued payments	-	437	34
Fixed assets	-	1,045	1,690	Fixed liabilities	-	858	2,175
Accounts receivable	-	1,045	1,690	Brrowings from government fund for Fiscal Loan	-	858	2,175
				(Total liabilities)	-	875	2,209
				(Total net assets)	-	-	-
Total assets	-	501	2,209	Total liabilities and net assets	-	875	2,209

Note: Components may not add up to the total because of rounding.

Statement of changes in net assets

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)	Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
(Ordinary expenses)				(Ordinary income)			
Ordinary expenses		2,008	3,558	Ordinary income		1,151	2,258
Grants	-	1,753	2,997	Subsidies	-	879	1,502
Personnel	-	4	6	Imposition	-	272	505
Operation cost	-	0	0	Funds carried over from the previous year	-	-	251
Common clerical cost	-	0	0	Extraordinary income	-	0	0
Carried-over operation cost	-	251	519				
Fiscal loan fund redemption	-	0	4				
Reserves	-	-	31				
Total	-	2,008	3,558	Total	-	1,151	2,258

Note: Components may not add up to the total because of rounding.