

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

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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 FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
2.2	40.6

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	34.7	25.8	-8.9
2. Government revenue (payments to the government, etc.)*	-	-	-
3. Opportunity cost of capital investments, etc.	-	-	-
Total (1+2+3=policy cost(A))	34.7	25.8	-8.9
Analysis period (years)	20 years	19 years	-1 year

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

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	34.7	25.8	-8.9
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	34.7	25.8	-8.9
Government expenditure (subsidies, etc.)	34.7	25.8	-8.9
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)

Policy cost		FY2018	FY2019	Simple fluctuation
		Simple comparison (before adjustment)	34.7	25.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)	Real fluctuation (2-1)
		22.9	25.8	+2.9

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Growth in subsidies, etc. due to operation plan changes (+2.9 billion yen)

○Factors behind policy cost decrease

- None

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1 %	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			25.8	25.4	-0.4

(A) Policy cost (previously cited)	Case for raising operation expenses by 10 %	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			25.8	27.1	+1.3

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: 13 areas (FY2019) including 11 areas for irrigation drainage and 2 for integrated farmland disaster prevention
- 3) Size of operations subjected to estimation: 13,757 million yen (FY2019) *Covering land improvement and other expenses required for public works
- 4) Analysis period: 19 years from FY2019 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	Decision	Assumptions for calculation			
	2013	2014	2015	2016	2017			2018	2019	2020	2021
Operation revenues	48,786	39,065	41,979	31,054	25,857	32,702	26,735	15,439	12,363	9,722	6,977
Operation expenses	47,547	38,123	40,994	30,068	24,237	32,702	26,735	15,439	12,363	9,722	6,977

FY	Assumptions for calculation										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operation revenues	3,668	2,988	2,482	2,013	1,679	1,378	1,138	939	606	375	244
Operation expenses	3,668	2,988	2,482	2,013	1,679	1,378	1,138	939	606	375	244

FY	Assumptions for calculation		
	2035	2036	2037
Operation revenues	153	72	10
Operation expenses	153	72	10

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.

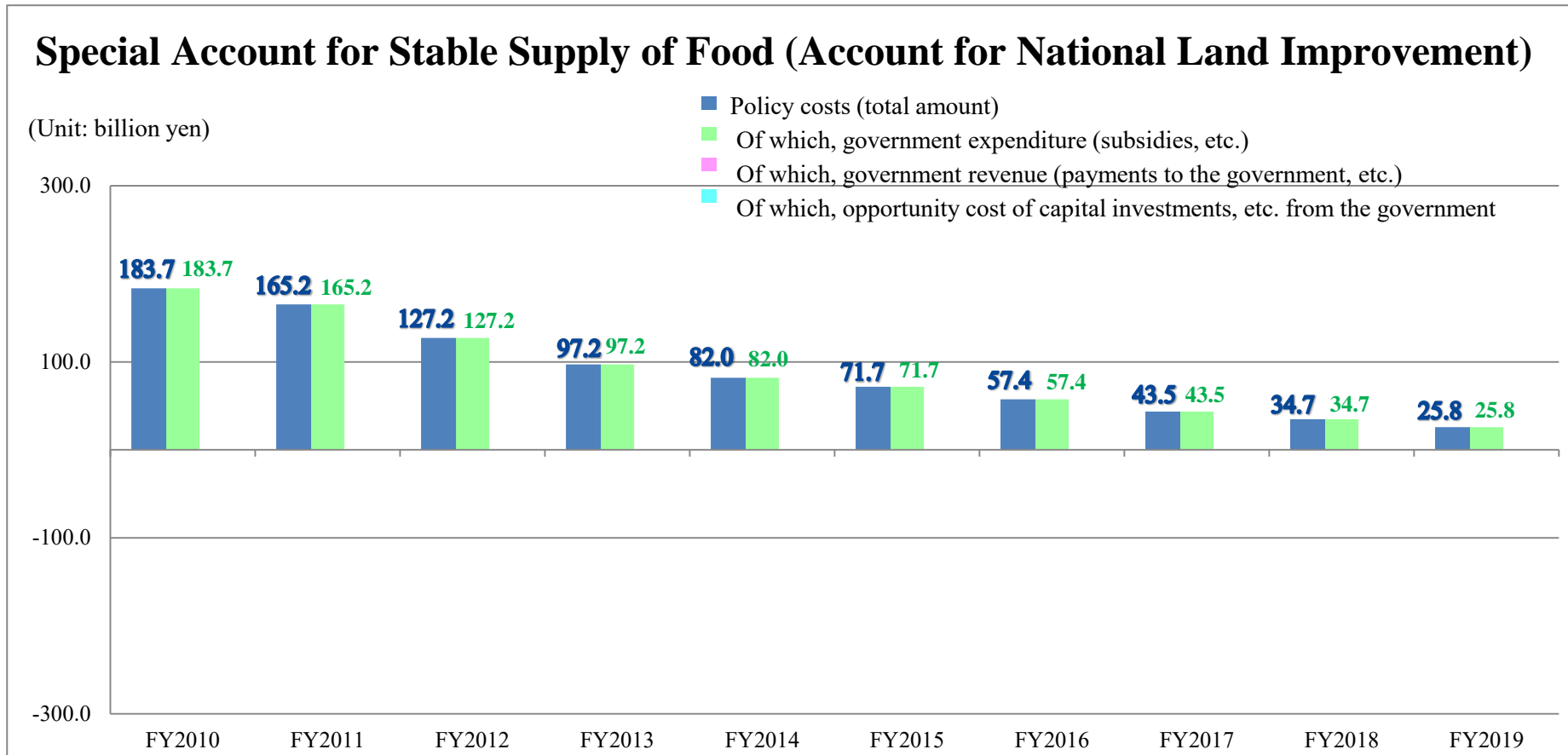
[The national treasury payment provision]

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

(Reference) Changes in Policy Costs by Component



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

(Points)

- In the policy cost analysis for the Special Account for Stable Supply of Food (Account for National Land Improvement), policy costs increase in line with a rise in expenses for land improvement as transfers from the General Account are designed to partially cover expenses required for land improvement.
- Policy costs fall year by year as outstanding expenses for public works decline.