

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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
0.8	24.7

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	15.4	9.5	-5.9
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	-	-	-
Total (1+2+3=policy cost(A))	15.4	9.5	-5.9
Analysis period (years)	17 years	16 years	-1 year

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

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	15.4	9.5	-5.9
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	15.4	9.5	-5.9
Government expenditure (subsidies, etc.)	15.4	9.5	-5.9
Government revenue (payments to the government, etc.)*1	-	-	-
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*2	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
9.5	9.5	-	-	-	-
(A) Policy cost (previously cited)	Case of a 1% increase in operation expenses	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
9.5	9.5	+0.0	+0.0	-	-

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

*1 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.

*2 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.

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	15.4	9.5
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	9.8	9.5	-0.3
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- None

○Factors behind policy cost decrease

- Decrease in subsidies, etc. due to operation plan changes (-0.3 billion yen)

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: 6 areas (FY2022) including 5 areas for irrigation drainage and 1 for integrated farmland disaster prevention
- 3) Size of operations subjected to estimation: 7,128 million yen (FY2022) *Covering land improvement and other expenses required for public works
- 4) Analysis period: 16 years from FY2022 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			
	2016	2017	2018	2019	2020			2021	2022	2023	2024
Operation revenues	31,054	25,857	28,138	26,038	23,042	19,847	14,371	8,602	4,103	2,941	2,433
Operation expenses	30,068	24,237	27,220	24,562	21,923	19,847	14,371	8,602	4,103	2,941	2,433

FY	Assumptions for calculation										
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Operation revenues	1,954	1,630	1,330	1,089	891	657	468	315	156	71	20
Operation expenses	1,954	1,630	1,330	1,089	891	657	468	315	156	71	20

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]

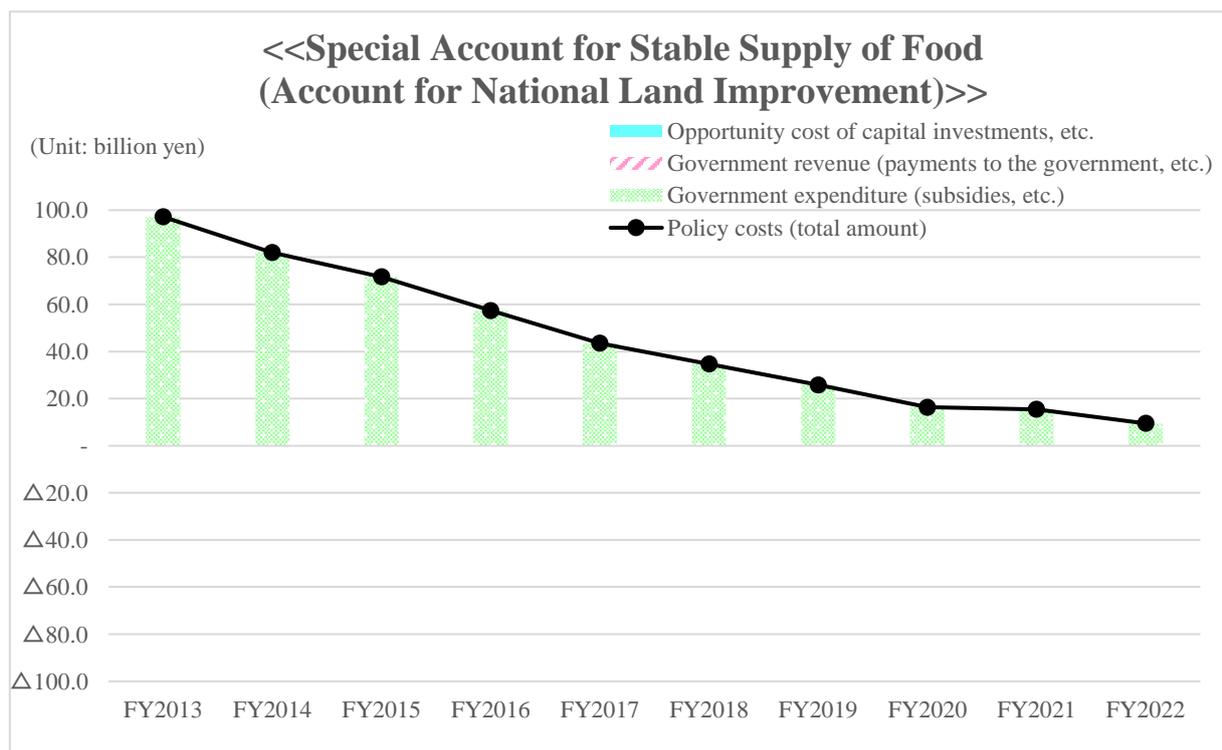
Article 166-1 of the Supplementary Provisions for the Act on Special Accounts as applied mutatis mutandis under Article 231-6 of the Supplementary Provisions provides that "out of expenses and relevant interest shouldered under Article 90 of the Land Improvement Act regarding land improvement, the amount 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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	97.2	82.0	71.7	57.4	43.5	34.7	25.8	16.3	15.4	9.5
Government expenditure (subsidies, etc.)	97.2	82.0	71.7	57.4	43.5	34.7	25.8	16.3	15.4	9.5
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 (FY2022)】

The policy cost in the FY2022 analysis declined by 5.9 billion yen from FY2021 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. Meanwhile, the results of the sensitivity analysis (the case before the negative interest rate policy) showed that the policy cost was not affected by the assumed interest rates (the discount factor and future interest rate) and that expenditures for land improvement operations financed by transfers from the General Account did not change, and therefore, there is no particular problem. The results of the sensitivity analysis (case of a 1% increase in operation expenses) showed that although expenditures for land improvement operations increased by 0.0 billion yen, the impact is limited, and therefore, there is no particular problem.