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# Research on Compensation Mechanism of Land Acquisition in Rural Areas Based on the Practice of Anhui Province

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**Abstract** With the continuous development of Chinese economy and rapid progress it has made, land demand for urban construction becomes larger and larger. Rural urbanization has a great relation to common prosperity and plays a key role in realizing the 21st century great dream of Chinese people of all ethnic groups. Because of the complicated situation of land acquisition and compensation mechanism, we will conduct a systematic analysis on the compensation mechanism of land acquisition in Anhui Province and put forward the compensation methods to perfect the compensation mechanism according to the present compensation mechanism and the existing shortages of land acquisition in Anhui Province.

**Key words** Land acquisition, Compensation mechanism, Perfection

## 1 Introduction

The relation of balanced benefits matters a lot among land acquisition, the country, the group and the individual, which has a great influence on social stability. According to the Third Plenary Session of the 18th Central Committee, the previous compensation system is the result of the acceleration at the earlier stage of urbanization. The important factors leading to the increased sharp conflicts are different rights and prices of the same piece of land between rural and urban areas<sup>[1]</sup>. In some local areas, there is no legal procedure when land acquisition happens. In addition, low compensation standards, withholding compensation fees, land-renting instead of acquisition and unauthorized approval are especially serious. According to the Third Plenary Session of the 18th Central Committee, the unified construction land market must be established. The allocation mechanism of land value-added benefits among the nation, the group and the individual must be improved and the personal profits should be raised. The secondary market of land-renting, land-transferring and land-mortgage must be completed, which makes us imagine that, in the near future, compensation on land acquisition will bring in gigantic reforms. To be more specific, the standard of compensation is improved, which means land is acquired by the government, and then transferred or reused by the users. In this situation, the cost of land using by users will be increased, enabling the land users to choose to get the authority of collective land using directly. Transferring, or in other words, circulation of collective land may be a direction of development in China, which can guarantee the farmers' benefits in reality and distribute more profits to farmers to accelerate the urbanization

procedure of rural and urban areas<sup>[2]</sup>.

## 2 Analysis of the current compensation situation in Anhui Province

**2.1 The current compensation mechanism of land acquisition in Anhui Province** Firstly, compensation for collective land acquisition in Anhui Province is carried out according to the compensation standards of the new land acquisition. The land acquisition compensation for the construction of the large and medium-sized hydro-water project is under the standard of some principles of State Council. people's government of the city or the county level can raise the compensation standards for the special land acquisition according to the local situation. Secondly, to those state-owned land in Anhui Province, the compensation standards can be based on that of the village (the town and the street). The compensation standards of multi regions around can be performed with the highest standards of the local. Thirdly, the already legally approved land acquisition before the new standard of land acquisition which is informed in public by the people's government of the city and the county level should be performed under the standards in the notice. Those announced but not yet performed can be carried out according to the new standard. Finally, the compensation standards of all cities and counties in Anhui Province are issued by the provincial government and modified every two years according to the state's policies and the local development of economy. City people's government should issue compensation standards for houses, other attachments and crops. They can be performed after submitting to the Provincial Department of Land and Resources for record and modification every two years.

## 2.2 The current situation of land compensation for farmers

Combining many years' experience of land acquisition with the local features, Hefei issued Methods of Expropriating Collective Land and Methods of Landless Farmers' Security, basing on the previous policies. The new policy raises the compensation standard

Received: March 13, 2016 Accepted: May 25, 2016

Supported by Fund Project of Anhui Development and Reform Commission (20141121).

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for the landless farmers which is changed from 100 yuan per month per person to 460 yuan per month per person and can be modified according to the lowest living standard in Hefei<sup>[3]</sup>. Compensation measure for landless farmers is based on the settlement compensation in Fuyang. Extract 3% of the total compensation for land acquisition to solve unforeseen problems; in order to activate the local leaders, fund village office 1000 yuan per acre. Land acquisition will not be authorized until compensation fees are paid to ensure that the legal rights of farmers are guaranteed. In Xuancheng city, the local counties stick to the unified standard of annual output issued by the provincial government. In modifying compensation standards of crops and attachments, the city people's government issues some formal policies to ensure the smooth operation of compensation. The second is to ensure farmers' land compensation. To further standardize the management of land acquisition, guarantee the adequate payment of compensation fees and protect the farmers' legal rights in practice, the city government of Hefei issued the operation measure of pre-payment for land acquisition in Hefei in 2009 which started the policy of pre-payment. It ensures the farmers the approval and compensation fees of land acquisition within 5 days when the land acquisition is planned, which guarantees the farmers capital compensation for land acquisition. In order to solve the problems completely, such as withholding, misappropriating or defaulting compensation fees in land acquisition, the Land Resources Institution of Anhui Province started to perform the reserve fund system in 2001. On Jan 1st, 2010, *Notice of Compensation Standard of Land Acquisition in Anhui Province* was put into practice. The new standard takes into account the increasing of agricultural output, the price raising of agricultural products and the compensation improvement of landless farmers, and so on. Meanwhile, the new standard embodies the needs of living condition and future development of landless farmers which is 16% higher than the original standard in compensation fees.

### 2.3 Problems existing in the process of land acquisition

There are common phenomena during the process of land acquisition such as failing to obey laws, lower prices for land acquisition and higher prices for land acquisition and so on. The compensation fees for the state-owned important projects, especially the projects of local government, are obviously lower. Compensation for land acquisition and settlement lacks reasonable allocation between collective organizations and farmers which is in a mess in management. Many locals fail to obey laws to distribute fees but distribute fees among towns, villages, groups and farmers, which farmers can get is a very small part. The compensation fees are fixed according to the annual average output when the land is acquired while the selling price is based on the land usage in secondary markets. Even though the way of monetization compensation is based on the assessment of marketing value, the landless farmers may suffer huge added value of land. This kind of system is unfair, which is seriously against farmers' interests.

### 2.4 The innovation points of Anhui Province

Compensation fees are distributed between collective economic groups and individuals in time through one-card system. In Anhui Province, compensation fees are directly paid to the personal accounts of landless farmers. In this condition, it saves time and makes civilians much more convenient, from which farmers enjoy more benefits. Meanwhile, it enhances efficiency and protects farmers' interests in reality.

## 3 Thoughts based on the practice of land acquisition in Anhui Province

### 3.1 Reasonable compensation standards

The specific plans of compensation should be fixed from the following aspects: Firstly, the compensation fees should include fees for land ownership, land usage and compensation for crops and attachments. Secondly, compensation for farmers' investment in land. In the process of farming, farmers invest energy and fertilizer, which changes the physical, chemical and biological features of soil, generating labor and economy. All of which make soil become valuable, so it must be paid. Thirdly, compensation for bad effects. It means compensation must be made for those left parts of acquired land which are damaged because of construction, management loss and other related damages. Fourthly, compensation for interfering factors. Land owners or renters should be paid because of the disordered life for acquired land, making life in a mess. Fifthly, compensation for other factors, such as, settlement and so on. The price of land should be the basis of compensation for landless farmers. The reforming direction is, no matter the land is acquired for public usage, national key projects or for profits, the level of compensation fees should be the same. To be more specific, the national finance department sets up a special account and establishes compensation funds for land acquisition. The financial department establishes funds for land acquisition by using a part of transferring fees which are for profits, and finally transfers the fees to settlement compensation for the national projects or public usage.

### 3.2 Adjusting the compensation cycle of land acquisition

It is suggested that the compensation cycle of land acquisition should be adjusted according to the current situation. In other words, it can be based on the operation cycle of the project. The present cycle of a project is 2 to 3 years. Therefore, it is appropriate to adjust the compensation cycle to 2 years. In order to avoid the social conflicts, the corresponding policies should be made, making the standards of compensation and cycle adjusting corresponding, but not traceable.

### 3.3 Completing the compensation mechanism

We must define clearly the relations between collective economic organization and groups of villagers to avoid defaulting and withholding compensation fees of farmers for land acquisition<sup>[4]</sup>, and consider the following as the independent objects who should be compensated separately, such as the collective ownership of land, contracted management rights of land, using rights of residential house, construction rights of collective land, using rights of private plots and hills, easement and security rights. The social welfare and security rights of farmers should be guaranteed. Based on the land man-

agement law in which compensation rules are made, fair and reasonable policies should be operated: fix the amount of compensation fees according to the marketing value and adjust the compensation standards in terms of economical and social development to make sure that the farmers' compensation for land acquisition is fairly made<sup>[5]</sup>. In *Compensation Regulations of Compensation for Collective Land Acquisition in Rural Areas*, negotiation of compensation plans and prices before land expropriating is added as the preparatory process to show respects to villagers' willingness. In regulations, legal methods, such as announcement, notice and hearing are added to ensure farmers' rights to be informed and rights of hearing.

**3.4 Building diversified compensation modes** Firstly, establishing advance deposit. Finance departments of different levels should prepare adequate deposit according to the new-added construction land, making land-transferring fees a part of deposit and establish special accounts which are used for only compensation for land acquisition. Secondly, insurance compensation mode. There is a need to make landless farmers become members of all social security systems, realizing all-covering security system; the financial departments should set up all kinds of insurance types concerning land acquisition, and the government should formulate macro-policies, distributing compensation fees in a proper proportion among landless farmers to ensure their rights; respect farmers. Farmers who are willing to raise age pension by paying old-age insurance will be compensated for the amount which surpasses the basic pension part. And the compensation will be paid collectively by the government, the group and the individual. Thirdly, compensation mode for employment. At present, difficulties of employment faced by landless farmers are business partners and skills-lacking. Therefore, we should guarantee the farmers training course, providing training course for those who want to be re-employed and raising their technique and skills needed by new jobs. We also should process the training course into the training systems of unemployment. Meanwhile, broaden means of re-employment. We should establish special platforms for re-employment of landless farmers. The platform is established according to farmers from jobs and propagation approaches. Fourthly, compensation modes for shareholders. For construction land which can profit in a long and steady term and on the premise that farmers are willing to, after negotiation, the acquired collective economic groups and land users allow to become shareholders with compensation fees for the acquired land or the using rights of the approved land to set up enterprises. The collective groups and farmers can get profits in terms of preferred stocks by contracting. At last, diversified compensation modes. According to different levels of economic development in Anhui Province, the mode of giving farmers the construction land can be optionally chosen and help organizations to

foster rural entities. All of which embody collective rights and individual rights of farmers. Meanwhile, setting up tax on opportunity cost and interests of GDP increasing can be taken into consideration. It is necessary to change the modes of allocation where the government and enterprises share interests with farmers in an inappropriate way, keep adequate money for improvement of public facilities in rural areas and keep some construction land for fostering and developing rural industries<sup>[6]</sup>. According to the practical situation where villages in Anhui Province are abundant, small and scattered, we must accelerate the combination process of villages and construct new rural communities. Thoughts should be further set free and policies of using rural collective land to construct industrial zone should be formulated. In other words, collective land in rural areas can be used to construct industrial zone by lowering standards on the premise of obeying planning and no rights transferred to develop collective economy.

## 4 Conclusions

In order to solve the existing problems of compensation mechanism in an efficient way, we should obey fair, open, involving and efficient rules to perfect the compensation policies in Anhui Province. To be specific, it is necessary to establish preparatory process before acquisition is approved, such as negotiation between land users and land owners. In the process of application approval, we need to add determination of public interests and land acquisition committee decides compensation standards. Anyone who is not submitted to the determination can apply for administrative reconsideration petition or file a lawsuit. And at the same time, we should further specify the rules of compensation modes to enhance operability, provide farmers with more interests, and make farmers enjoy their rights most, to accelerate the process of urban and rural integration, and enhance the compensation level after land acquisition and protect the basic rights of farmers.

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