

**PRC THEMATIC REPORT NO. 2**

**Asset Valuation in  
Land Acquisition and Compensation**



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# I. Overview of Research

**T**his study is a part of the work of RETA 6091: Capacity Building for Resettlement Risk Management. It focuses on the problems in the current valuation methods for compensation in agricultural land acquisition and proposes possible solutions to improve the methodology.

This work was carried out as an empirical research. The studies looked at the land acquisition situation at the urban-rural transition stage in four cities—i.e. Nanjing, Ningbo, Wuhan, and Shijiazhuang—were selected as targets. Of these cities, Nanjing and Ningbo are situated in the eastern part of the People’s Republic of China (PRC). They are economically developed, rapidly urbanizing and industrialized, with a strong need for land for development purposes. Wuhan is in Central PRC, with a moderate economic growth rate, but strong need for land. Shijiazhuang lies in Northern PRC, with slow economic growth, and a moderate need for land. Four teams in the four cities conducted the studies simultaneously.

First, this study covers the land acquisition cases that had already occurred in the study area; second, the degree of acceptance by the land acquisition stakeholders of the current land acquisition compensation policy; and

third, the need for policy and interest in compensation reform. The case study was carried out in typical areas in four cities—Yuhuatai District in Nanjing; Haishu, Jiangdong, Jiangbei, Yinzhou, Belcang, and Zhenhai Districts in Ningbo; Jiangxia and Liufang Districts in Wuhan; and Yuanshi County and Zhengding County in Shijiazhuang. Collected were 103 land acquisition cases during 1999–2004, which relate to different land use projects such as business, residence, industry, infrastructure construction, schools, and government. The survey was conducted by the China Land Surveying and Planning Institute from May to June 2005 across each city targeting farmers, government administrators, and land users. Completed were 284 effective questionnaires, including 138 from farmers, 78 from government administrators, and 68 from land users. Those who experienced land acquisition account for 61.6% of the total number of responding farmers. The government administrators came from the macro-administration authority, planning authority, and land administration authority. The number of respondents from the land administration authority accounts for 91% of the total number of government administrators surveyed.

# II. Land Acquisition Case Analysis

## A. Case Distribution

### 1. Distribution of Cases in Nanjing

In this study, 15 land acquisition cases during 2001–2003 were selected from Yuhuatai District in Nanjing. These cases had a total acquisition area of 309 hectares (ha), total land acquisition compensation of yuan (CNY) 328 million (tax included), and average land acquisition cost of CNY1.1 million/ha. The purpose of land acquisition related to residences, industries, infrastructure construction, schools, government, and so on. The land acquisition situation is shown in Table 1 according to different purposes.

### 2. Distribution of Cases in Ningbo

In this study, 16 land acquisition cases from 2001–2003 were selected from six districts in Ningbo. These cases had a total land acquisition area of 43.6 ha, total land acquisition fees of CNY59.8 million (tax included), and average land acquisition cost of CNY1.4 million/ha. The purpose of land acquisition related to residences, industry, infrastructure construction, school, government, and so on. The land acquisition situation is shown in Table 2 according to different purposes.

### 3. Distribution of Cases in Wuhan

In this study, 21 land acquisition cases from 2002–2003 were selected from the villages of Dashu, Daqiu, and Hukou, Liufang Street, Jiangxia District, Wuhan. The land before acquisition was mostly arable (including irrigated and dry lands), industrial, and mining in the villages, water field, transportation, and unutilized land. Of which, the arable land took a greater share. After acquisition, the land was mostly used for industry, business, residence, transportation, education, and infrastructure. Of these, the following land cases were used: 10 for industry or 47.6% of the total, 2 for business or 9.5% of the total, 5 for residence or 23.8% of the total, 1 for transportation or 4.8% of the total, 2 for education or 9.5% of the total, and 1 for infrastructure or 4.8% of the total. These land cases had a total acquisition area of 179 ha, total land acquisition fees of CNY41.95 million (tax included), and average land acquisition cost of CNY234,357/ha. The purpose of land acquisition related to residence, industry, infrastructure construction, school, government, and so on. The land acquisition situation is shown in Table 3 according to different purposes.

**Table 1: Classification of Land Acquisition Cases in Yuhuatai District, 2001–2003**

Type of Land Acquisition	Number of Cases	Area of Land Acquisition (ha)	Average Land Acquisition Compensation (CNY10,000/ha)	Average Land Acquisition Cost (CNY10,000/ha)
Land to be used for residences	2	117.8	106.1	144.1
Land to be used for industry	4	52.7	96.4	132.1
Land to be used for schools or institutions	3	12.3	124.6	160.9
Land to be used for infrastructure construction	6	126.2	57.7	97.3

CNY = yuan, ha = hectare.

Source: Data from Land Acquisition Contracts of 15 cases in Nanjing.

**Table 2: Classification of Land Acquisition Cases in Ningbo, 2001–2003**

Type of Land Acquisition	Number of Cases	Area of Land Acquisition (ha)	Average Land Acquisition Compensation (CNY10,000/ha)	Average Land Acquisition Cost (CNY10,000/ha)
Land to be used for residences	1	8.0	115.1	183.1
Land to be used for industry	10	9.7	65.6	133.6
Land to be used for infrastructure construction	4	23.9	73.5	141.5
Land to be used for business	1	2.0	73.2	141.2

CNY = yuan, ha = hectare.

Source: Data from Land Acquisition Contracts of 16 cases in Nanjing.

**Table 3: Classification of Land Acquisition Cases in Wuhan, 2002–2003**

Type of Land Acquisition	Number of Cases	Area of Land Acquisition (ha)	Average Land Acquisition Compensation (CNY10,000/ha)	Average Land Acquisition Cost (CNY10,000/ha)
Land to be used for residences	5	83.1	21.0	27.9
Land to be used for industry	10	24.2	18.0	23.0
Land to be used for business	2	1.3	15.0	21.0
Land to be used for transportation	1	1.0	16.6	22.4
Land to be used for schools or institutions	2	50.6	18.6	25.8
Land to be used for infrastructure construction	1	18.8	16.2	22.7

CNY = yuan, ha = hectare.

Source: Data from Land Acquisition Contracts of 21 cases in Wuhan.

#### 4. Distribution of Cases in Shijiazhuang

In this study, 51 land acquisition cases from 1999–2004 were selected from Yuanshi County and Zhengding County in Shijiazhuang. These cases had a total land acquisition area of 298.4 ha, compensation of CNY158.35 million, and average land acquisition cost of CNY530,800/ha. Land acquisition was done for infrastructure construction, school, government, school, residence, business, industry, and so on. The land acquisition situation is shown in Table 4 according to different purposes.

#### B. Basic Composition of Compensation

Each city is different in the basic composition and elements of land acquisition compensation. See Table 5 for details.

#### C. Features of Compensation

The analysis of the data shows that land acquisition compensation of these cities has the following features in common:

- Wide Gap between Land Acquisition Compensation for Different Land Acquisition Purposes, and relatively Lower Land Acquisition Compensation for Land Acquired for Infrastructure**

According to the different uses of land after acquisition, there is a wide gap on land acquisition compensation. The compensation for land to be used for infrastructure was relatively lower. The compensation for land to be used for business and marketable residences was relatively higher. For example, of the 51 land acquisition

**Table 4: Classification of Land Acquisition Cases in Shijiazhuang, 1999–2004**

Type of Land Acquisition	Number of Cases	Area of Land Acquisition (ha)	Average Land Acquisition Compensation (CNY10,000/ha)	Average Land Acquisition Cost (CNY10,000/ha)
Land to be used for residences	3	35.7	64.5	93.6
Land to be used for business and industry	14	41.3	27.0	56.0
Land to be used for school and government	18	143.4	23.5	52.5
Land to be used for infrastructure construction	16	78.0	12.4	41.4

CNY = yuan, ha = hectare.

Source: Data from Land Acquisition Contracts of 51 cases in Shijiazhuang.

**Table 5: Comparison of Basic Composition of Land Acquisition Compensation CNY10,000/ha**

Research Item	Research City			
	Nanjing	Ningbo	Wuhan	Shijiazhuang
Land compensation	3.00–42.00	18.00–42.00	2.00–6.00	7.70–50.00
Resettlement subsidy	1.40–4.00	9.50–63.00	0.30	1.00–6.00
Regional area price (including land compensation and resettlement subsidy)	–	27.00–105.00	–	–
Subsidy for young crops	0.80–1.50	0.75–11.60	0.40–0.75	0.50–1.50
Subsidy for attachments	Determined according to actual conditions	Determined according to actual conditions	Determined according to actual conditions	Determined according to actual conditions
Average land acquisition cost of the cases inquired	106.47	137.19	23.44	53.08

– = not available, CNY = yuan, ha = hectare.

Source: Data from Land Acquisition Contracts of 103 cases in selected cities.

cases in Shijiazhuang, 16 projects were infrastructure construction projects, accounting for 31.4% of the total number of projects, with an average compensation of CNY124,300/ha. But the compensation for residence projects was up to CNY645,100/ha, more than five times as much as that for infrastructure construction projects. See Table 6 for details.

## 2. Relatively Higher Proportion of Taxes and Expenses in Land Acquisition Cost

Land acquisition-related taxes in each city were largely similar with minor differences. These included fees for the following purposes: land acquisition administration,

unforeseen, arable land reclamation, new construction charges, water conservancy funds, and arable land occupancy tax, etc., which accounted for around 30% of the total land acquisition cost, some up to 50% over. See Table 7.

## 3. Wide Gap between Land Acquisition Compensation and Land Transfer Price

In the cases studied, compensation paid was significantly lower than the land transfer price, which was generally less than 50% of the land transfer price, with several cases even less than 10% of the land transfer price. See Table 8 for details. Obviously, farmers as the landowners

**Table 6: Comparison of Average Compensation for Urban Infrastructure Construction Projects and Residence Projects**

Research Item \ Research City	Nanjing	Ningbo	Wuhan	Shijiazhuang
Infrastructure construction projects (CNY10,000/ha)	57.7	73.5	16.2	12.4
Residence projects (CNY10,000/ha)	106.2	115.1	21.0	64.5
Infrastructure construction projects/ Residence projects	1.8	1.6	1.3	5.2

CNY = yuan, ha = hectare.

Source: Data from Land Acquisition Contracts of 103 cases in selected cities.

**Table 7: Comparison between Total Cost of Urban Land Acquisition and Relevant Taxes and Expenses**

Research Item \ Research City	Nanjing	Ningbo	Wuhan	Shijiazhuang
Total land acquisition cost (CNY10,000)	32,898.4	5,984.1	4,195.1	15,835.7
Land acquisition related taxes and expenses (CNY10,000)	10,036.6	2,436.7	1,374.1	8,924.3
Land acquisition related taxes and expenses Total land acquisition cost (%)	30.5	40.7	32.8	56.4

% = percent, CNY = yuan.

Source: Data from Land Acquisition Contracts of 103 cases in selected cities.

shared no added land value created by the change in the purpose of land. The landowners' sharing rights over land development was not reflected either. This is very unfair, resulting in the farmers' mistrust of the land acquisition behavior, and adversely influencing the farmers' future living standards.

#### 4. Lower Proportion of Earnings Goes to Farmers in Land Acquisition Compensation

The study shows that compensation was allocated differently between the village collective and farmers.

In some places, the compensation was paid fully to the farmers. In some places, the compensation was not paid to the farmers. Most of the compensation paid to the land-loss farmers accounted for 50–80% of the total land acquisition cost. See Table 9. Although most allocation was reasonable, the land-loss farmer's interest was not adequately compensated.

**Table 8: Comparison between Average Cost of Urban Land Acquisition and Average Land Transfer Price**

Research City Research Item	Nanjing	Ningbo	Wuhan	Shijiazhuang
Average land acquisition cost (CNY10,000/ha)	106.5	137.2	23.8	53.1
Average land transfer price (CNY10,000/ha)	1,340.6	1259.7	460.5	171
Average land acquisition cost/ Average land transfer price (%)	7.9	10.9	5.2	31.0

% = percent, CNY = yuan.

Source: Data from Land Acquisition Contracts of 103 cases in selected cities.

**Table 9: Allocation of Urban Land Acquisition Compensation between Village Collectives and Farmers**

Research City Research Item	Nanjing	Ningbo	Wuhan	Shijiazhuang
Average proportion of compensation paid to the village collectives (%)	20	15	25	59
Average proportion of compensation paid to the farmers (%)	80	85	75	41

% = percent.

Source: Data from Land Acquisition Contracts of 103 cases and survey questionnaires administered to respondents in selected cities between May and June 2005.

# III. Analysis of Survey Results

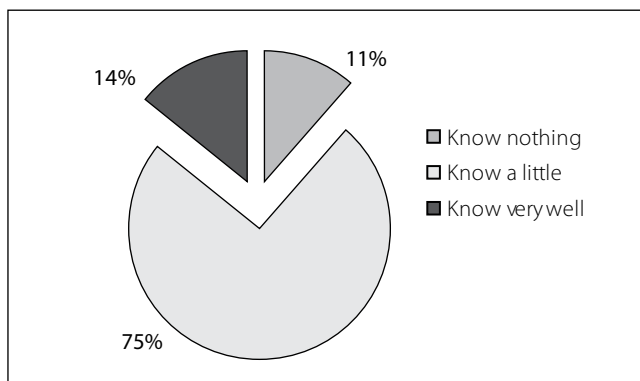
## A. Views on Current Land Acquisition Compensation

### 1. The land acquisition standard and valuation methods were not sufficiently open.

The interested parties in land acquisition were severely asymmetrical in respect of the information on land acquisition compensation.

Analysis shows that 75.0% of the respondents knew only a little about the market for land acquisition compensation; 11.0% of the respondents said that they knew nothing. Farmers comprise 87.5% of the total number of respondents knowing nothing, accounting for 20.3% of the total number of farmers surveyed. Among the respondents knowing very well about the market for land acquisition compensation, 77.5% were government officials and land users, only 22.5% were farmers who made up 6.5% of the total number of farmers surveyed. This indicates that in terms of the market for land acquisition compensation, farmers, government administrators, and land users were very unequal with respect to the information on land

**Figure 1: Knowledge of Land Acquisition Compensation**

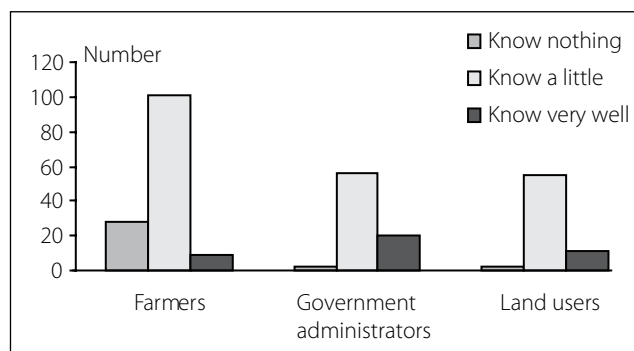


% = percent.

Source: China Land Surveying and Planning Institute (CLSPI), 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

acquisition compensation. The Government did not make adequate efforts to disclose market information of land acquisition standards, land acquisition compensation and so on.

**Figure 2: Knowledge of Local Market for Land Acquisition Compensation**



Source: CLSPI, 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

### 2. The Government was overinfluential in land acquisition compensation, while land-loss farmers had no decision-making rights.

Studies on the influence on land acquisition compensation (Figure 3) show that 62.6% of the respondents feel the Government has the most influence on land acquisition compensation. Of the respondents considering the Government has the most influence, farmers, government administrators, and land users account for 60.9%, 74.4%, and 52.9% respectively. Most farmers believe they have no decision-making and participating rights in land acquisition. The Government decides everything. Only 10.6% of the respondents consider that the farmers have the most influence on land acquisition compensation. In their opinion, farmers are able to bargain in the course of land acquisition. In land acquisition resettlement and compensation, farmers seek higher compensation

through postponing the resettlement. Usually, such additional compensation accounts for about 25% of the total resettlement compensation. Most respondents among the government administrators also consider that the Government has the most influence.

**3. Lower land acquisition compensation could not compensate the losses of land-loss farmers.**

In terms of the level of land acquisition compensation (Figure 5), 38.7% of respondents consider that the current land compensation level is relatively low; 17.3% consider the current land compensation level is very

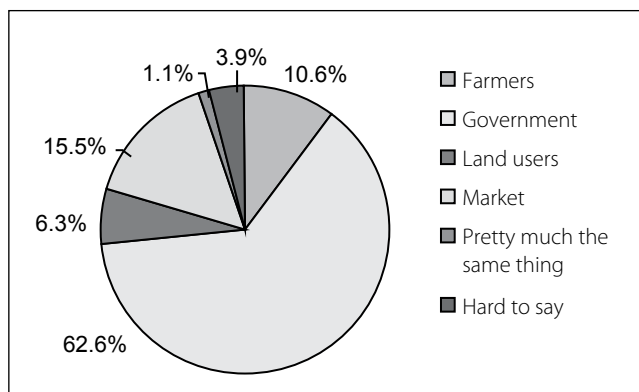
low; and 32.4% consider the current land compensation level is moderate. Furthermore, 1.1% of respondents consider the current land compensation level is very high; 7.7% consider the current land compensation level is relatively high; and 2.8% consider that it is difficult to say.

Different groups have different views on the level of land acquisition compensation. Figure 6 indicates that most respondents consider the current land acquisition compensation level is not high. Responding farmers considering the current land acquisition compensation level is very low and relatively low account for 73.9% of the total number of responding farmers. They are not satisfied with such low compensation levels. However, land users considering the current land acquisition compensation is very low and relatively low account for only 26.4% of the total number; 22.1% of them consider the compensation level very high and relatively high.

**4. Land acquisition compensation is compensation for livelihood guarantee instead of payment for the acquired property.**

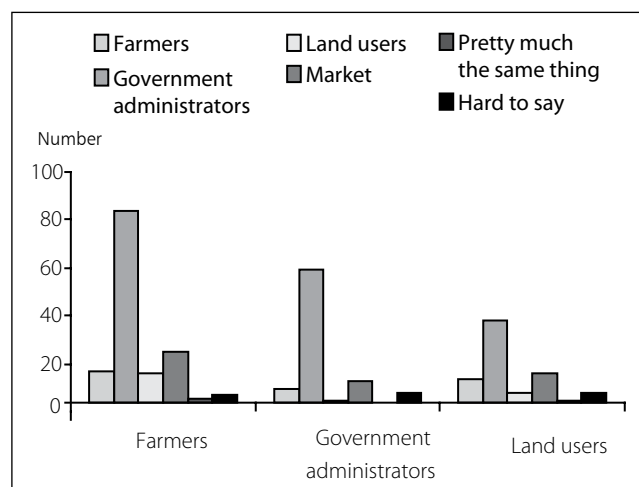
In terms of the basis on which land acquisition compensation is assessed (Figures 8 and 9), 13.4% of respondents consider it is compensation for property; 41.9% consider it is compensation for livelihood; 10.9% consider it is compensation for production capacity. Moreover, 24.3% consider the current compensation involves a little of everything; 9.5% consider that it is difficult to say; and nearly 50.0% of the respondent

**Figure 3: Basic Information on the Influence on Land Acquisition Compensation**



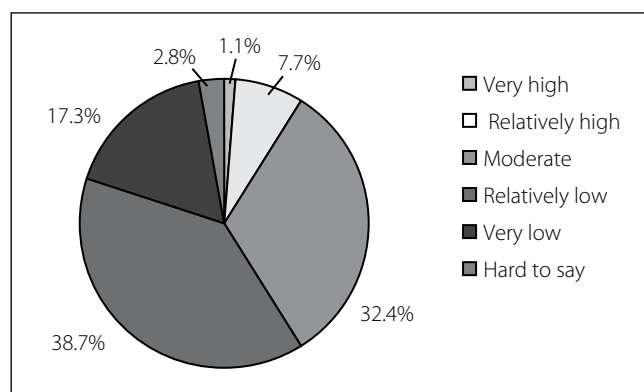
% = percent.  
Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 4: Influence upon the Amount of Land Acquisition Compensation**



Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

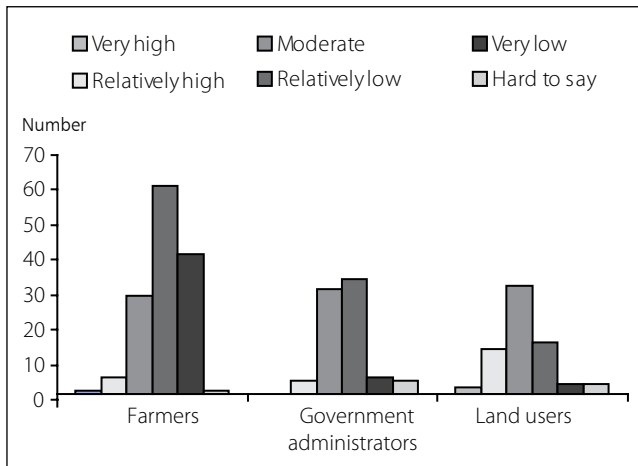
**Figure 5: Basic Information on Land Acquisition Compensation Level**



% = percent.  
Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

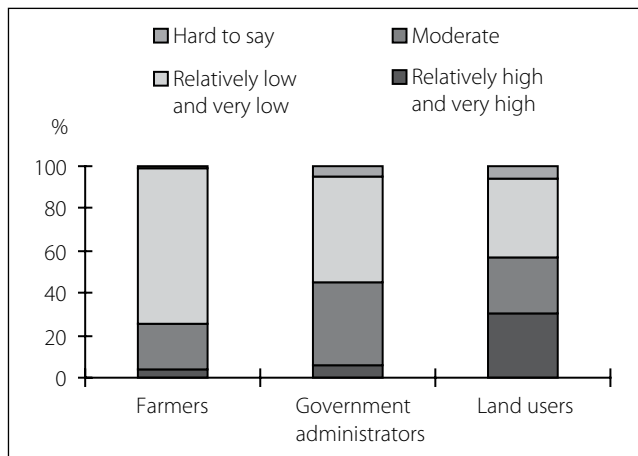
farmers consider it is compensation for their livelihood, but 15% of them know nothing about this. Thus, when considering land acquisition compensation, most farmers will consider the livelihood after land acquisition but do not believe that the land is a kind of property. This supports the view that land is reported as owned by the collective (state). Only 5.7% of the respondent farmers consider that land acquisition compensation is compensation for property. Government administrators and land users considering that land acquisition compensation is compensation for property account for 19.2% and 22.0% respectively.

**Figure 6: Satisfaction with Land Acquisition Compensation Level**



Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

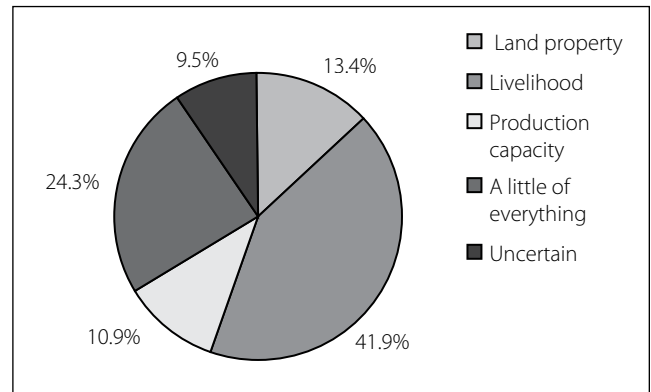
**Figure 7: Opinions on Land Acquisition Compensation level**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

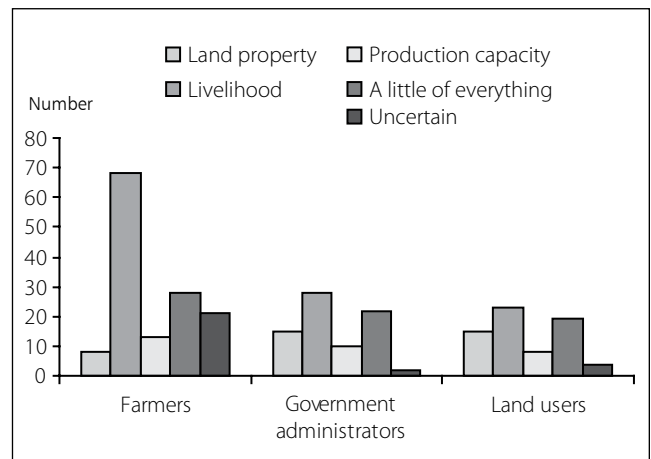
**Figure 8: Respondents' Views on Land Acquisition Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 9: Views on Land Acquisition Compensation Matters**



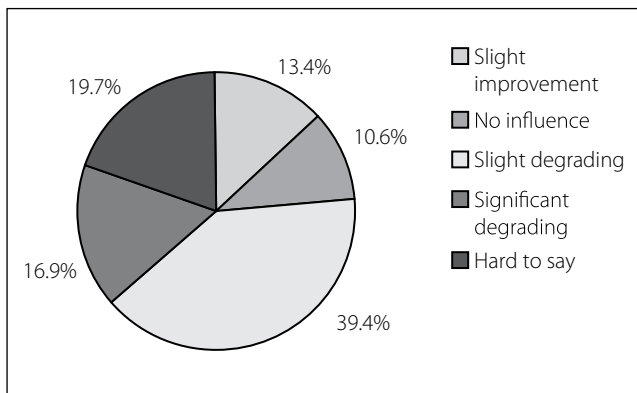
Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**5. The current compensation level causes a slight decline in the farmers' living standard.**

In terms of the influence of land acquisition compensation upon the livelihoods of affected persons (APs) (Figures 10–12), 39.4% of all respondents consider that land acquisition causes a slight decline in the farmers' living standard; 5.8% of farmers surveyed consider that land acquisition has no effect on their livelihoods; 5.1% consider that land acquisition improves their living standard slightly; 43.5% consider that land acquisition causes a slight decline of their standard of living; 23.9% farmers consider that land

acquisition causes a significant decline; and another 21.7% of farmers find it difficult to say. The study shows that among the respondents considering that land acquisition will improve the status, land users account for 57.9%. Moreover, among the respondents considering that land acquisition has largely degraded their status, farmers account for 69% (Figure 12). Thus, farmers and land users hold opposite views on the effect of land acquisition on the APs. Many farmers believe that after land acquisition, compensation should be paid to ensure that there will be no difficulties in their life in the next few years and they may even be able to improve their life. But from a long-range point of view, such compensation is not enough to overcome the

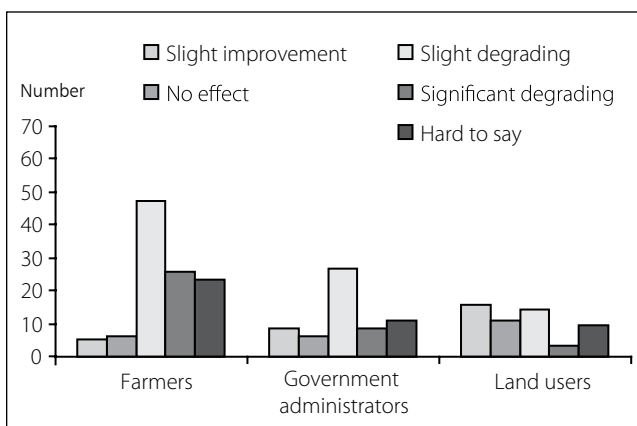
**Figure 10: Influence of Land Acquisition Compensation upon the Livelihoods of Affected People**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

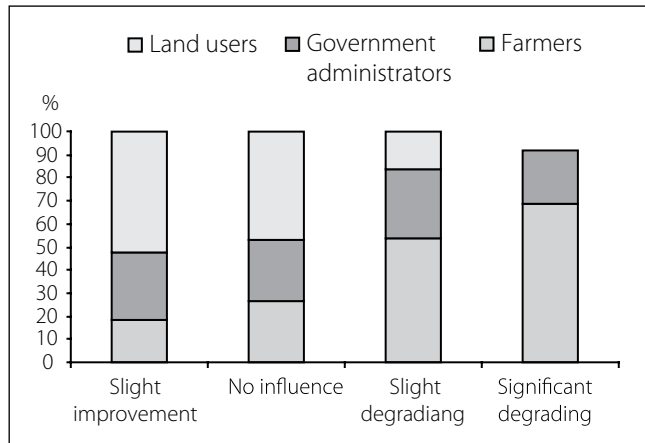
**Figure 11: Influence of Land Acquisition Compensation upon the Livelihoods of Affected People**



Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

risks associated with their long-term living standards and livelihoods. Land-loss farmers have relatively poor cultural accomplishments and industrial labor skills. Their survival in nonagricultural production activities is very unstable and risky. But living off the land can provide them with the basic guarantee of livelihood, especially guarantee of food and basic needs.

**Figure 12: Influence of Land Acquisition Compensation upon the Livelihoods of Affected People**



% = percent.

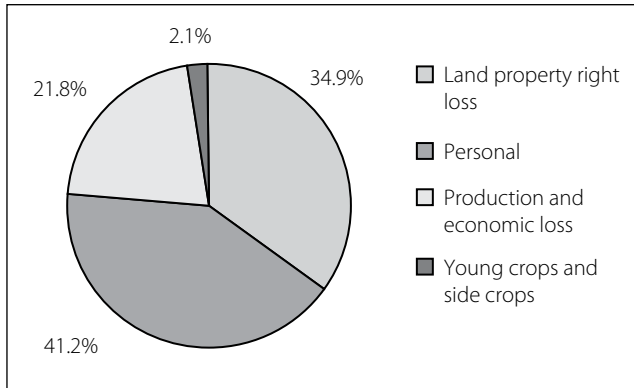
Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

## B. Opinions on the Future Form of Land Acquisition Compensation

### 1. Compensation should focus on land compensation and resettlement of affected persons.

In response to the question of what is to be compensated under land acquisition (Figures 13 and 14), 34.9% of respondents consider that compensation for the lost property is most important; 41.2% consider that resettlement of APs is most important; and 21.8% consider that compensation for production and economic losses is most important. The remaining 2.1% of the respondents consider that compensation for young crops and attachments is most important. Different respondents have different understanding of the most important matter in land acquisition compensation. Most farmers and land users consider the resettlement of APs and compensation for the land right loss as most important.

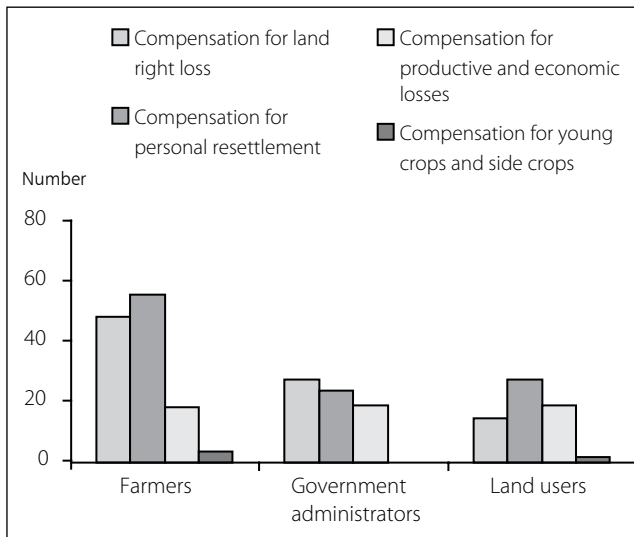
**Figure 13: Views on Land Acquisition Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 14: Basis for Land Acquisition Compensation**



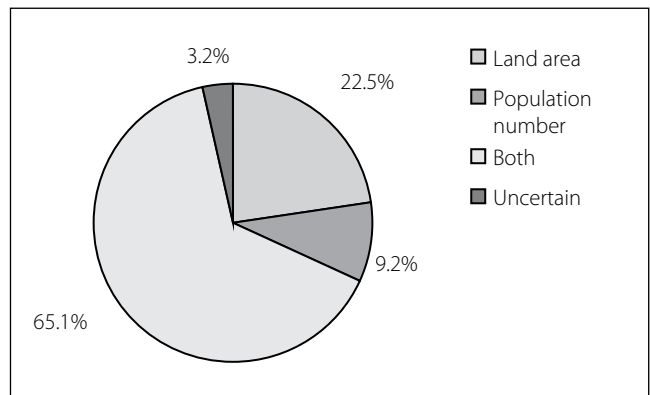
Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**2. Compensation should be based upon the land area and population.**

As for the basis upon which to calculate land compensation (Figures 15–17), the current compensation is calculated based on the land area and the resettlement subsidy is calculated based on the population. The study shows that 65.1% respondents accept this method, believing that the land area and population should be considered comprehensively to calculate compensation; 9.2% believe it should be calculated based on the population

considering that the land belongs to the collective. Each farmer is a member in the collective; each one should get the same compensation. Of the respondents, 22.5% believe it should be calculated based on the land area; 3.2% of the respondents have no opinion. With regard to this point, most farmers, land users, and government administrators among the respondents hold the same viewpoint, that is, in the valuation of land acquisition compensation, both the land area and population should be considered as a whole.

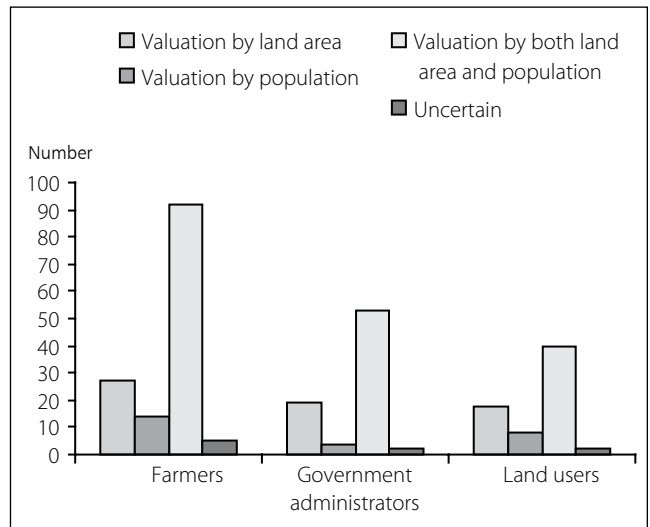
**Figure 15: Basis of Valuation for Land Acquisition Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 16: Valuation Basis for Land Acquisition Compensation**



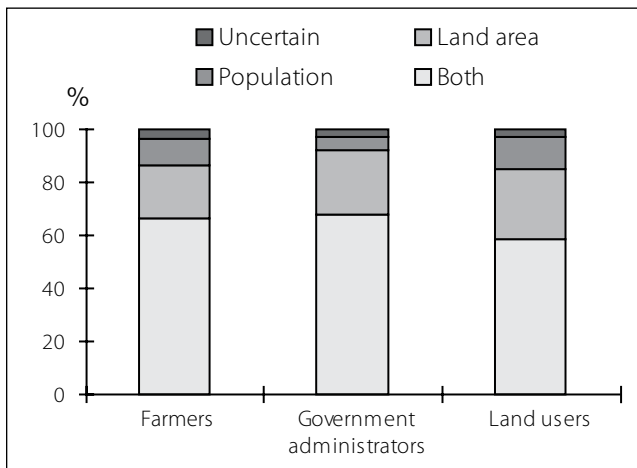
Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**3. The income from farmland and the prices of developed land and uncultivated land should be taken into account in land acquisition compensation.**

When asked what the land acquisition compensation level should be closest to, some farmers knew nothing about farmland prices (Figure 18), or undeveloped land price and cultivated land price at all. Therefore, 17 questionnaires were rejected. Of the remaining 267 respondents, 36.0% consider that land acquisition compensation should be closest to the output value multiples; 25.8% consider that value of compensation should be closest to the farmland price; and 21.7% said

that it should be closest to the undeveloped/untilled land price. Moreover, 9.4% consider that compensation should be closest to the cultivated land price, while 7.1% said it was difficult to say. As most responding farmers do not understand farmland price, undeveloped land price and cultivated land price very well, they can comprehend output value. Many responding farmers prefer to use the output value to determine the value of land acquisition compensation. For the same reason, responding farmers choosing “uncertain” in this study account for 12.3% of the total number of respondent farmers.

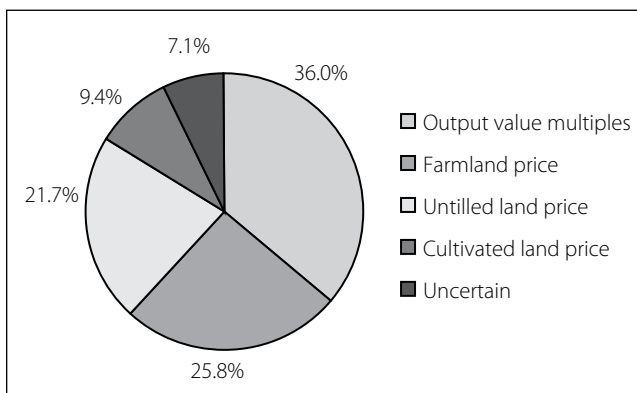
**Figure 17: Valuation Basis for Land Acquisition Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 18: Factors to be Considered in Land Compensation**



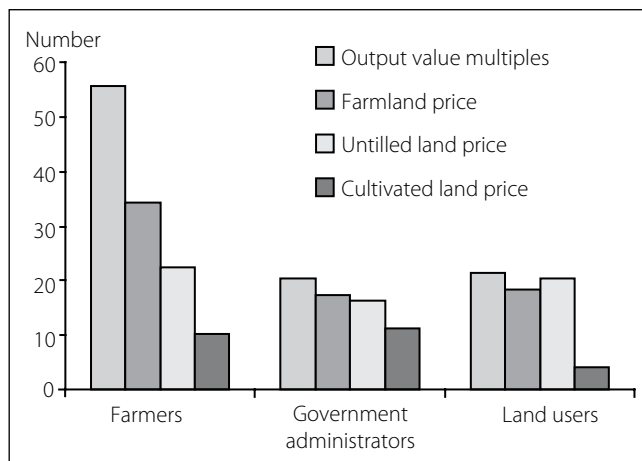
% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**4. Resettlement compensation for APs should be separate from compensation for land and should be the responsibility of the Government.**

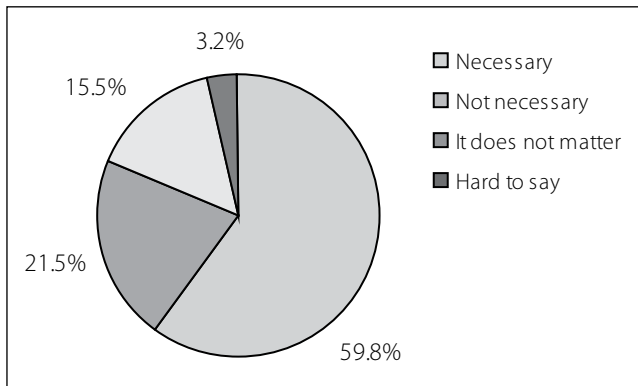
If compensation for land is increased to a level that can ensure the livelihood and development of the APs, is it necessary to pay additional resettlement compensation? This study (Figure 20) shows that 59.8% of respondents consider it is necessary; 21.5% consider it not necessary; 15.5% consider it does not matter; and 3.2% consider it uncertain. The data indicates that most responding farmers and government administrators hold the same point of view, believing that even if the compensation for land is increased to ensure the livelihood and development of the affected people, it is still necessary to pay additional resettlement compensation. Respondent farmers and government administrators holding this point of view account for 69.6% and 61.5% respectively.

**Figure 19: Factors to be Considered in Land Compensation**



Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 20: Need for Additional Resettlement Compensation**



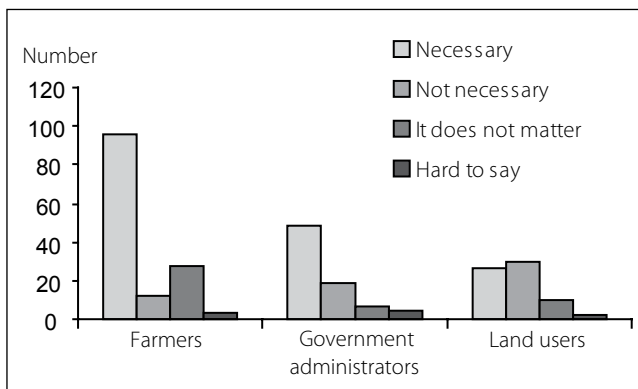
% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**5. If the compensation for land is very low, should the Government pay resettlement compensation?**

The survey shows that 95.1% of the respondents thought that the Government should pay resettlement compensation. Only 1.4% thought it was not necessary. Another 1.4% felt it did not matter. The remaining 2.1% were uncertain. A large 95.7% of farmers who joined the research thought that the Government should pay resettlement compensation; 96.2% of government administrators and 92.6% of land users also joined the research holding this view. If the land compensation is too low to guarantee the livelihood and developments of the APs, all respondents (including government

**Figure 21: Need for Additional Resettlement Compensation**

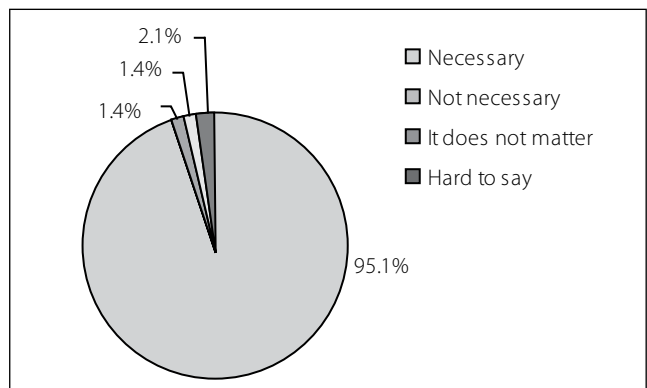


Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

administrators) think it is necessary for the Government to pay additional resettlement compensation.

Survey results show that most farmers do not know much about land acquisition compensation matters and standards. How to specify compensation clearly and find an easily understandable and reasonable compensation standard is an important responsibility in land acquisition and resettlement. At the same time, most respondents think that the Government should pay resettlement compensation when the compensation for land is inadequate to restore the livelihood and development of the APs.

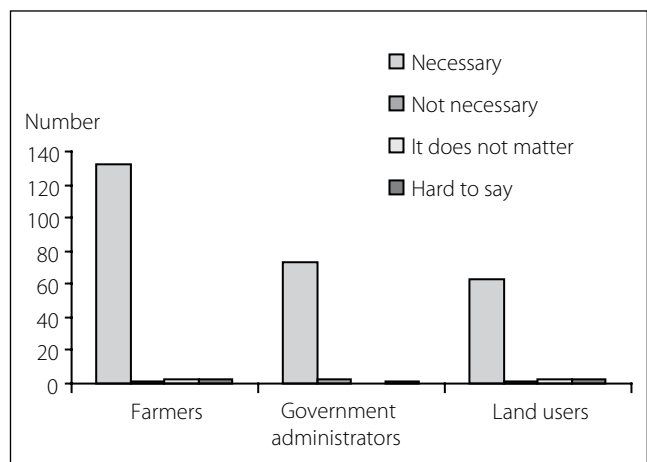
**Figure 22: Need for Additional Resettlement Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 23: Need for Additional Resettlement Compensation**



Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

### C. Opinions on Valuation Method for Land Acquisition Compensation

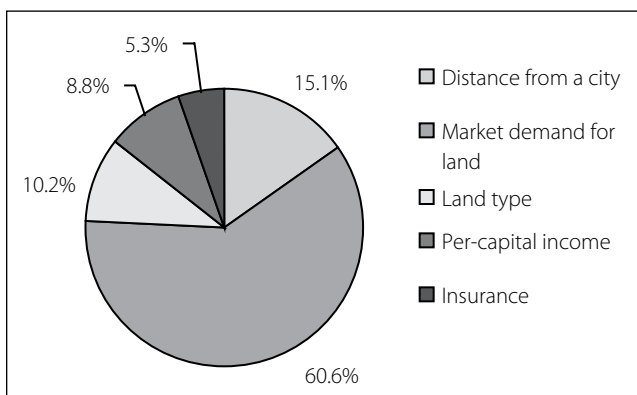
#### 1. Demand for land on the market and location should be primarily taken into account in deciding on land acquisition compensation.

Factors influencing the compensation for land include the distance from a city, market demand for land, type of land, per capita income, insurance, etc. In the study (Figures 24 and 25), the respondents hold different views on the most important factor influencing the value of land acquisition compensation. Most respondents still believe the amount of land acquisition compensation depends upon the demand for land, and the value will be higher when the demand is greater. Such respondents take a share of 60.6%. Of the respondents, 15.1% consider that the closer to a city the land is, the higher the compensation would be; 10.2% consider the type of land to be the most important factor influencing the value of land acquisition compensation; and 8.8% consider that locations with higher per capita income will pay higher compensation. The remaining 5.3% of respondents consider insurance to be the most important factor influencing the value of land acquisition compensation.

#### 2. The value of compensation should be determined mainly through market negotiation.

As to how to effect the land acquisition compensation, different respondents hold different views (Figure 26).

**Figure 24: Main Factors Influencing the Value of Land Acquisition Compensation**

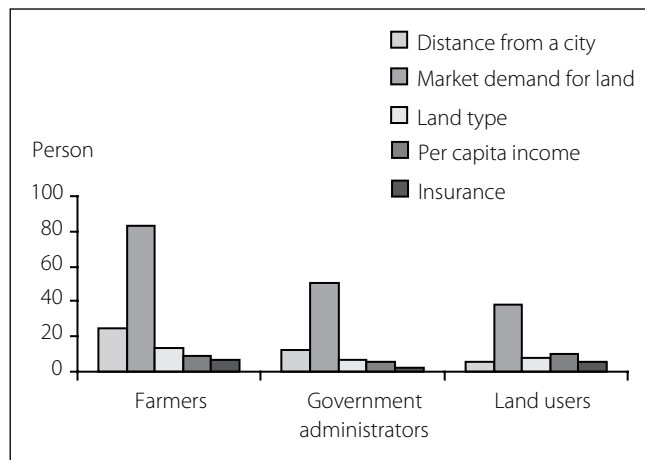


% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

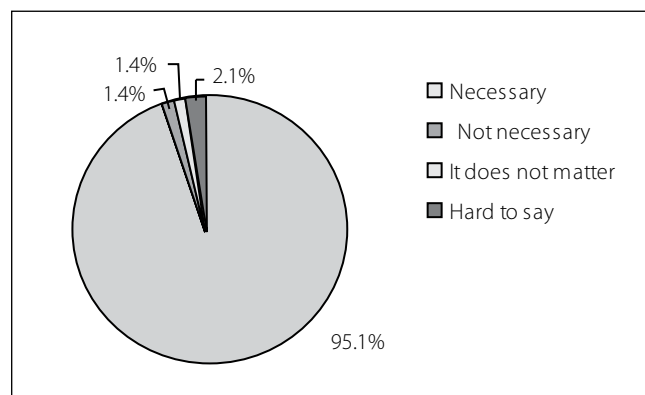
Of the respondents, 75.6% of government administrators consider it would be advisable for the Government to determine the minimum protection price, which could be increased through negotiation; while 69.1% of land users consider that the Government should announce a fixed compensation price in advance without further negotiation or fix a guiding price that will float. Of the farmers, 58.7% consider that land acquisition compensation should be completely negotiated among all the parties involved. It is obvious that different respondents consider their own interests and prefer a system of land acquisition compensation that is in their respective interests.

**Figure 25: Factors Influencing the Value of Land to Acquisition Compensation**



Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

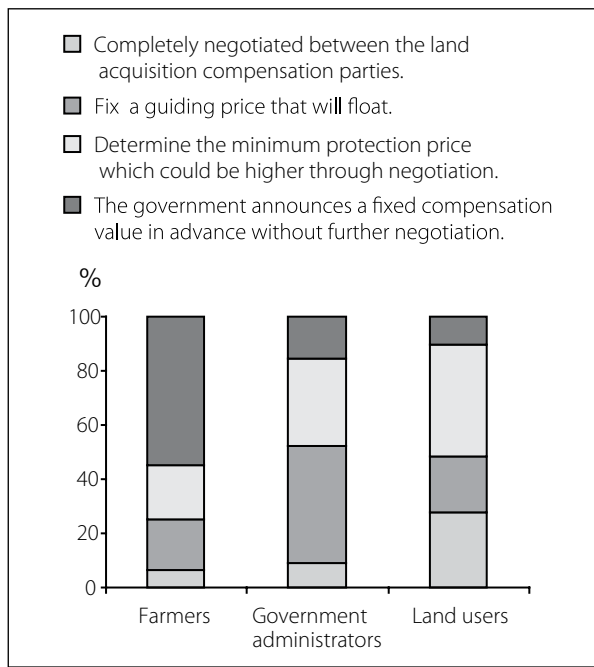
**Figure 26: Respondents' Preferences for Basis Assessing Land Acquisition Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 27: Respondents' Preferences for Basis of Assessing Land Acquisition Compensation**



% = percent.

Source: CLSI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**3. The compensation standard should be determined for each area, administrative village, and plot.**

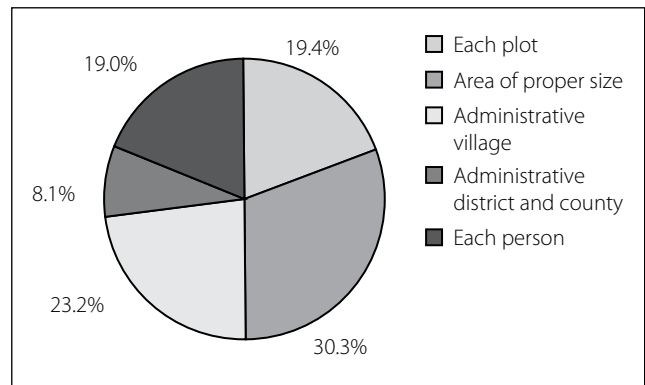
As to the scope of application of land acquisition compensation, 19.4% of the respondents consider that it should apply to each plot; 30.3% consider that it should be applied to appropriate areas; and 23.2% consider it should be applied to administrative villages. Of the other respondents, 8.1% say it should be applied to administrative districts and counties, while 19.0% consider it should be applied to each person (Figure 28).

**4. The market comparison method should be used for the assessment of land acquisition compensation.**

As for the valuation method for land acquisition compensation (Figures 29 and 30), 18.7% of the respondents prefer the method of output value multiples; 42.3% prefer the market comparison method; and 29.9% chose the method of anticipated price

deduction for converted use. Of the other respondents, 7.0% prefer other methods, such as land compensation plus social security. Another 2.1% (all farmers) did not know which method should be used, but said they would be happy with any method as long as they receive satisfactory compensation. As the market negotiation case comparison method is understood by the farmers, and easily enables the affected people to have a rough scope of compensation value before the occurrence of land acquisition compensation, 52.2% respondent farmers consider the market negotiation case comparison method should be used.

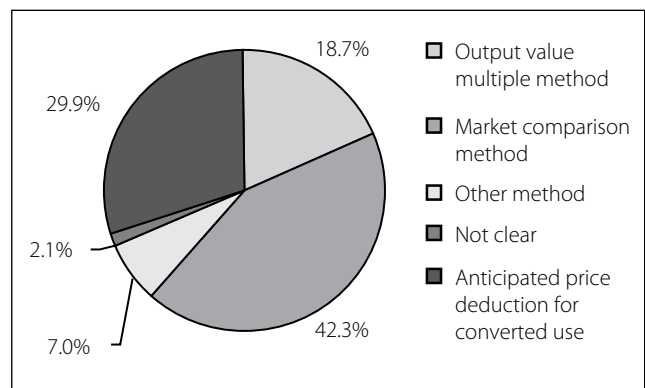
**Figure 28: Application of Land Acquisition Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

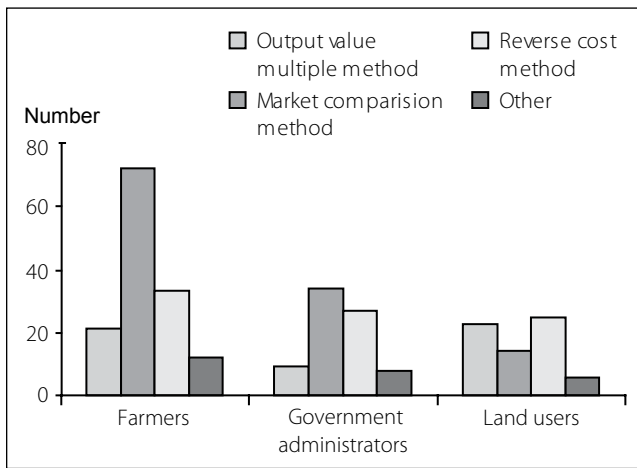
**Figure 29: Basic Information on Valuation Standard for Land Compensation**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 30: Valuation Methods for Land Acquisition Compensation**

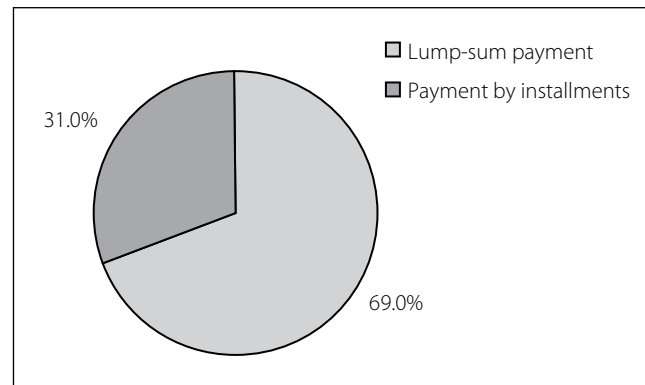


Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**5. Land acquisition compensation should be paid as a lump sum.**

As for the manner of payment of land acquisition compensation (Figure 31), 79% of responding farmers prefer lump-sum payment because many farmers cannot fully understand the social security system; have doubts about the retirement, medical, and other insurances. They would rather receive money than pay money for any insurance. Money they receive can be used for house construction, children’s education, other living needs or business operation, enterprise establishment, and other productive investments. Meanwhile, farmers worry about any arrears if the compensation is paid in installments. So they feel it is better to receive lump-sum compensation. Of the respondent land users, 50% felt compensation should be paid by installments mainly because this can ease the financial pressure caused by lump-sum compensation payment. Of the respondent government administrators, 67.9% said it should be paid in a lump sum mainly because it is easy to operate and can release the burden of follow-up land acquisition work.

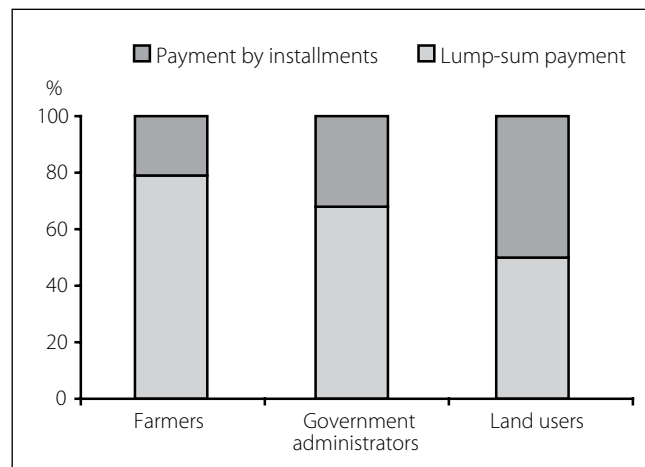
**Figure 31: Preference for Mode of Compensation Payment**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

**Figure 32: Preference for Mode of Compensation Payment**



% = percent.

Source: CLSPI. 2005. Findings of the Survey on Land Acquisition Compensation conducted from May to June 2005 in Four Research Cities.

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# IV. Analysis of Valuation Methods for Land Acquisition Compensation

## A. Problems to be Solved in Land Acquisition Compensation

**Low compensation level.** Low compensation level is the main reason causing social conflicts in land acquisition in the PRC, and it is the main challenge in land acquisition reform. Analyses of the study results show that the living standards of affected farmers have in fact been degraded after land acquisition. If this problem cannot be solved through improvements to the system, then the reform program will be deemed ineffective. Therefore, the most basic principle guiding the reform efforts must be to ensure that the farmers' living standards do not decline and their long-run livelihoods are safeguarded.

**The sharing of interest in land is not fair.** There will always be conversion of land use and improvement of land in the process of land acquisition, but no farmers share an appropriate added land value in the compensation. There is a wide gap between land acquisition compensation and value of land for development. Farmers generally think it is not fair and do not like to accept this situation. Thus, the gap between land acquisition compensation and land price for alternative uses should be narrowed as much as possible to pass on the benefits of land development more fairly through compensation.

**There is no review and monitoring of compensation.** Many places have compensation negotiated for each case. There is no uniform baseline for land acquisition compensation, which can be abnormally high or abnormally low. No minimum protection is provided for the farmers' compensation. To solve this problem, it is necessary to make the land acquisition compensation levels more formal and legally binding, reveal them to the public, and establish a land acquisition compensation monitoring system.

**No market guidance and training available to farmers.** The Government has been the main agency in land acquisition and is dominant in land acquisition policy and information. In contrast, farmers are in an inferior position with no access to the required information. As a result, the Government and farmers do not have an equal negotiating position in the process of land acquisition. In compensation decision making, it is necessary to introduce a negotiating mechanism to make the compensation standards more market-oriented.

**Undiversified compensation valuation method.** Other than the policy restriction, low land acquisition compensation also results from undiversified valuation methods. For long, the output value multiple method has been the only mode, which is difficult to verify and improve. Therefore, it is necessary to introduce other methods, especially those using market information.

**Lack of clarity about basis of compensation.** Farmers are not happy about the current compensation levels for land. Farmers have a better understanding of compensation through resettlement and compensation for attached crops, but ignore compensation for land, which is very low. From a long-term point of view, compensation for land should be based on property rights. Compensation should be paid for the actual area of land. A separate strategy should be adopted for the resettlement of APs, including their social security. The compensation reform program should aim to reach these goals.

## B. Principles to be Followed in the Valuation of Land Acquisition Compensation

**Prioritize land compensation,** while considering resettlement simultaneously to ensure that farmers'

living standards are not adversely affected and their long-run livelihoods are protected. The formulation of valuation methods for land acquisition compensation must consider the guarantee function of land for the farmers, to practically ensure the farmers' legal rights and interests, and to ensure the farmers' current living standards are maintained and improved. This is a principle that must be followed to solve the current practical problems.

**Prioritize the value of farmland**, properly considering the added value of farmland for converted purpose, enabling the farmers to share the benefits of future development rights of land. To some extent, land price is a way for the holder of land rights to share the profits from social products. Though the added value of land is mostly generated from the state's investment in infrastructure and improved investment environment, farmers as collective owners of land should have certain rights to distribute them after its purpose is converted. The state should participate in the distribution of benefits of land through taxes, and obtain their added value through property taxes and income taxes, which meet market principles.

**Prioritize market demand for land and consider the location of land**, enabling the farmers to share the benefits brought about by social development. The PRC has established a socialistic market economy system. Land is an important basic production element. For this purpose, market rules should be reflected in the requisition of agricultural land to enable the farmers to share the benefits brought about by social development and ensure their land rights and interests.

Based on the land area, **implement the compensation standard to the plot area within a narrow range**. Establish an open compensation information system. In the valuation of land acquisition compensation, the compensation standard should be more open. On one hand, the compensation standard must be transparent. On the other hand, the compensation standard should be valued more efficiently. And unnecessary disputes and losses should be avoided.

**Consider linking up with previous compensation levels**, while implementing different valuation methods at different stages. While increasing the land acquisition compensation standard, take steps to link up with the former compensation system to ensure a smooth transition.

## C. Design of Basic Valuation Methods for Land Acquisition Compensation

### 1. Basic Methods

#### a. Land acquisition compensation is calculated based on comprehensive annual output value of land.

The value of land acquisition compensation equal to the land compensation and resettlement subsidies, which are several times the comprehensive annual output value of land (the "output value multiple method").

The output value multiple method highlights the compensation for original land purpose stated by current law. At the same time, historical compensation levels are considered. A strong point of this method is that it links up with current laws and rules. Meanwhile, the result can link up with the historical compensation level. The reason is that the comprehensive annual output value of land and compensation multiple are key points of this method. The comprehensive annual output value of land may include additional incomes based on the original output value of crops to improve the annual output value standard and improve the compensation standard. Though some people believe that the compensation multiple is good, it has become an empirical parameter in practice as it has been used for long. It is very practical due to an open and standard process.

The output value multiple method is applicable to general areas. Several points should be noted in using this method. First, the annual output value of land should be the comprehensive annual output value of land, which can be fixed through unified annual output value standards or field surveys. Second, land compensation multiple and resettlement subsidy multiple should be fixed in accordance with relevant provisions in the Land Administration Law. Lastly, local economic development level as well as basic life guarantee level should be taken into account.

#### b. Land acquisition compensation is calculated based on average market cost of land acquisition.

The land compensation results from comparing and correcting the land acquisition cases (the "case correction method").

The case correction method aims to introduce the market comparison system into the valuation of compensation. A strong point of this method is that market information can be applied very well. And the compensation level can be raised step-by-step through correction. This method is applicable now and in the future. It is especially practical when the land acquisition compensation system is perfect. In contrast, this method helps provide the farmers with market training and guidance, and establishes the land acquisition compensation market mechanism.

The case correction method is suited to areas where land acquisition compensation is highly market-based. Several points should be noted in using the case correction method. First, land acquisition cases should be selected from land acquisition projects in past years. Second, comparable aspects of land acquisition cases should be identical. Third, the regional factor, individual factor, and time factor should be considered in the comparison and correction of land acquisition cases.

**c. Land acquisition compensation is calculated based on anticipated price of land for conversion of use.**

Land acquisition compensation is the remaining amount of anticipated price of land for conversion of use deducting the infrastructure investment and proceeds from the state's ownership (the "deduction from anticipated price of land for conversion of use method").

The deduction from anticipated price of land for conversion of use method aims to introduce the idea of distribution of proceeds from land development rights into land acquisition compensation. Though it is premature to set forth the concept of land development rights, the gradual involvement of its principles in compensation will help narrow the gap between compensation and future land price.

This method is applicable to areas close to cities. Several points should be noted when using this method. First, the anticipated price of land for conversion of use results from the weighted mean of baseline price of land for the use of commercial, residential, and industrial purposes in areas close to cities. Second, infrastructure investment is calculated in accordance with local given conditions on baseline land price and relevant charge rate. Third, proceeds from the state's ownership may be calculated according to local level of land transfer funds and land price.

**d. Land acquisition compensation is calculated based on farmland price by considering the per capita area of arable land and minimum living guarantee level for urban residents upon correction (the "correction of farmland price method").**

The correction of farmland price method is designed so that compensation places greater emphasis on compensation for land. This method pays less attention to per capita arable land area and to minimum guarantee for livelihoods for urban residents, thereby laying a foundation for land-based compensation and social security-based compensation. When compensation for land is raised to a certain level, the social security-based compensation will be lower and will be paid based on land compensation.

This method is applicable to areas where farmland operations are highly market-based. Several points should be noted when using this method. First, farmland price is based on market conditions, and evaluated by using the capitalization of earnings method on the basis annual output value of farmland. Second, correction factors mainly include the per capita quantity of arable land, location of land, land supply and demand relationship, local economic development level, and minimum living guarantee level for urban residents.

**2. Impacts of Different Valuation Methods**

In accordance with relevant research data, the valuation methods were compared in the research areas. The results are shown in Table 10.

**a. Comparison of compensation levels under different valuation methods**

Results show that compensation resulting from the method of deduction from price for conversion of use is higher than that from the output value multiple method and the market comparison method. Comparison of values resulting from different valuation methods shows that some areas (such as Wuhan) have lower valuations calculated using the market comparison method than the valuations calculated with the output value multiple method. Other areas (such as Nanjing and Ningbo) have lower values calculated with the output value multiple method than the result calculated with the market comparison method.

**Table 10: Results of Different Valuation Methods for Land Compensation: Average Value of Land**

(CNY10,000/ha)

Valuation Method	Nanjing	Ningbo	Wuhan	Shijiazhuang
Output value multiple method	50.0	65.6	28.0	–
Case correction method	74.5	61.0	15.9	23.2
Deduction from price for conversion of use method	219.9	155.9	373.8	60.0–105.0
Correction of farmland price method	–	–	–	60.0

CNY = yuan, ha = hectare.

Source: Data from Land Acquisition Contracts of 103 cases.

### b. Composition of value under different valuation Methods

In terms of the composition of value, the compensation value from the output value multiple method is the sum of land compensation and resettlement subsidies. The compensation value from the case comparison method is the total compensation deducting the compensation for attachments and young crops. If the total compensation is composed of only the land compensation, resettlement subsidies, compensation for attachments and young crops, the compensation value from the case comparison method amounts to the sum of land compensation and resettlement subsidies, which is equal to that from the output value multiple method. The compensation value from the deduction from anticipated price of land for conversion of use method amounts to the anticipated price of comprehensive land for construction deducting the infrastructure investment, proceeds from the state's ownership, and other relevant expenses (such as interest on investment, investment profits, relevant taxes), in fact, also including the added value of land. Therefore, the land compensation value from this method is much higher than that from the foregoing two methods.

### c. Implications of the different valuation methods

The compensation value from the output value multiple method is a multiple of the comprehensive average annual output value; that from the case comparison method, the average value of land acquisition cases within the valuation scope, the substantial portion of which is identical (i.e., composed of the multiples of land compensation and resettlement subsidies). What is different is that the maximum multiple is adopted

in the output value multiple method—that is 10 times and 6 times—and the land acquisition compensation standard in relevant provisions enacted in April 2005 is adopted. But in the case comparison method, besides the compensation calculated on the basis of actual output value multiples, the compensation for the cases also include the part bargained by the collectives and the farmers, which constitutes the actual average compensation. Therefore, the result from the case comparison method may be greater than the compensation value calculated with the output value multiple method. But as the land compensation standard newly prescribed is much higher than the previous compensation standard, the final result from the case comparison method is slightly different from the output value multiple method. The result from the deduction from anticipated price of land for conversion of use method is in fact the price of right to the use of land for agriculture after its purpose is converted for construction without any development and investment. It includes the added value of location and added value of purpose. The result will surely be greater than the results from the output value multiple method and case comparison method.

### d. Analysis of rationality

The output value multiple method is slightly better compared to the former method of evaluating the compensation according to the output value for original purpose. The reason is that it uses the comprehensive annual output value as the base of compensation by considering such factors as location of land and local economic development level. Thus, land acquisition compensation is increased accordingly. However, there should be a uniform method to calculate the comprehensive annual output value and balance it within a certain area.

The compensation value from the case comparison is a result of comparison of land acquisition cases within an area, with the market factor considered to some extent. However, this method needs a lot of land acquisition cases. But the compensation standard in most existing land acquisition cases is calculated with the method of output value multiple of original purpose. Though the actual compensation is a little higher through bargaining in the course of land acquisition, such increase is limited. Some nonmarket factors must be considered to have a correction.

As for the deduction from anticipated price of land for conversion of use method, the land acquisition compensation is calculated on the basis of market price of land to be used for construction. Using this method, the compensation will be increased sharply and the price difference between the land for agriculture and land for nonagricultural use is removed. It materializes the farmers' rights over land and will be more acceptable to the farmers. This method considers the potential utilization value of land and possible land transactions, as well as the price of land to be used for urban construction. It complies with the principle of integrated urban and rural land prices. However, in the course of application, this method cannot reflect the difference of location of land. It is difficult to determine the anticipated price for conversion of use. For example, the compensation may be a little higher using this method in the suburbs.

The above analysis shows that each of these valuation methods has its advantages and disadvantages, along with different applicable ranges and conditions. These methods should be selected according to actual conditions. In the valuation of land acquisition compensation, different methods may be used separately and compared against each other.

## **D. The Application of Valuation Methods for Land Acquisition Compensation**

### **1. Connotation of Compensation**

The number of APs now is taken into account in assessing compensation, in addition to the area of land. Thus, it is compensation based mainly on policy. The correction of farmland price method mentioned above is proposed considering that compensation for land should be based on the real value of property. Farmland price can be regarded as compensation for property, taking into account per capita area of

arable land, minimum living guarantee level for urban residents, and other factors. Therefore, what needs to be further specified is that land is the main connotation of compensation, with other subsidies as supplementary factors.

### **2. Delimit Districts**

For delimiting districts in cities and counties which have done farmland grading, the per capita area of arable land, land location, the supply and demand of land, local economic standards, minimum living guarantee level, and other factors should be chosen to modify and adjust the grades of arable land according to the Arable Land Grading Regulation and the Guiding Principle of the Improvement of the Land Acquisition and Settlement System [Guotuzifa 2004 No. 238]. For those cities and counties that have not done this, administrative villages should be taken as the basic units and delimit the districts after evaluating and regulating the types of land, per capita area of arable land, land location, and other factors of the basic units. Moreover, this district compensation standard should be set as the implementing standard during enforcement such as the same price for the same type of land.

### **3. Choose Different Valuation Methods**

There is currently only one valuation method. To guarantee an objective and scientific valuation outcome, the price of land acquisition compensation should be clarified later on with clear definitions. The production value multiple method, the case modification method, the converted price expectation deduction method, the correction of farmland price, and other methods should be used to evaluate farm land. Each city can use other appropriate methods according to the real situation. In principle, evaluation should be conducted using two or more methods, and set according to the market situation.

### **4. Validate and Regulate the Results of Valuation**

The preliminary results of land compensation standard must be compared and validated with the current living standard of land-loss farmers. Adjustment is needed if the evaluated land acquisition compensation standard is lower than those compensation and living standards and cannot fully pay the social security charges.

**5. Hold Hearings and Check before Acceptance**

Hearings should be held in accordance with law for the land acquisition compensation standard and in line with the requirements in the Regulations on Hearing for Land Resource. Opinions and advice of relevant departments, rural collective economic organizations, farmers, and various social parties should be solicited extensively. The standard should be modified according to the hearing, reported to the land resource department at the provincial level for assessment, and checked before acceptance to maintain overall balance.

**6. Regularly Review and Upgrade**

Land acquisition compensation standards should be reviewed and revised every 3–5 years.

**E. Future Perspectives of Land Acquisition Compensation**

**1. The Current Status of Land Acquisition Compensation**

Land acquisition compensation in the PRC, at this stage, is based mainly on policy compensation with compensation for property playing a lesser role.

Policy-based compensation aims to ensure that living standards of affected farmers are protected.

**2. Future Perspective of Land Acquisition Compensation**

The land acquisition compensation valuation methods will be improved as well as the land acquisition compensation system. Farmers' rights and interests in land acquisition will continue to be strengthened. Therefore, the ratio between policy compensation and land property compensation will change gradually. In this way, the market can decide the compensation price.

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# V. Land Acquisition Compensation and Risk Analysis

## A. Sources of Risk

In the PRC, land serves as reliable support for the farmers' employment guarantee, livelihood guarantee, injury, sickness, and retirement insurance. When land is requisitioned, farmers lose their basic resource for agricultural production and lose the basic conditions for social security. When land loss-farmers are converted into nonagricultural population, they experience a series of changes such as rural to urban ideas, farmers' lifestyle changes, production style, and behavior as citizens. They need a longer period to adapt to such changes. At the same time, they will face various risks:

### 1. Livelihood Risk

After their land is requisitioned, land-loss farmers see changes in their sources of income. The income level of some households declines. First, before the land requisition, house rentals are one of the important sources of income for many land-loss farmers. After their houses are removed and relocated, their living area is reduced. They lose the income from this source. Second, due to the difficult employment and higher unemployment rate, the wage levels of some households also decline. Third, after losing their land, farmers have higher cash expenditures and increased consumption costs. In addition, under the existing framework, land-loss farmers converting from agricultural population into nonagricultural population who have difficulties in their life have no opportunity to enjoy the minimum living guarantee as urban residents. They easily become urban vulnerable.

### 2. Unemployment Risk

Difficult employment for the land-loss labor force is a recognized problem. Some people have not found

jobs or have become unemployed. There are many reasons for the difficult employment situation of land-loss farmers. The main reason is that they are poorly educated and have poor productive technology and skills. Some people are older. They are less competitive in the labor market. The unemployment problem is relatively severe.

### 3. Impoverishment Risk

Land-loss farmers can accept the lump-sum compensation. However, this type of compensation causes irrational behavior of the farmers in the use of the funds. For example, some land-loss farmers will become lazy and do nothing because they have received a considerable amount of money. They spend all their money in a few years. Some farmers use all the land acquisition compensation for their children's education, marriage, house construction, and debt repayment. Some farmers use all the compensation for establishing an enterprise or business operation; and if it fails, they lose their money. Farmers will have no living guarantee after losing their land. Together with difficult employment, they can become poor after spending the land acquisition compensation and become the new poor people in the cities.

## B. Channels to Avoid the Risks

To ensure the land-loss farmers' livelihood and development and minimize various risks after land acquisition, the Government is required to make reasonable arrangements and policy improvements. A more effective measure is to involve the land-loss farmers in the social security system and pay the land acquisition compensation by installments instead of a lump-sum payment to provide the land-loss farmers with a long-term basic living guarantee. In Jiangsu, Zhejiang, and other places, land acquisition compensation

provides certain guarantees to those affected. But some problems still exist. In many places, compensation is not enough to pay the social security charges. Even if sufficient, it can only be used for the farmers' retirement guarantee. Not enough consideration is given to the land-loss farmers' livelihood risk, unemployment risk, and impoverishment risk. In the final analysis, the current land acquisition compensation cannot provide farmers with essential guarantees.

**1. Establish security system for livelihood rights, and improve the land-loss farmers' social security.**

The right to a livelihood is a basic right of a citizen. When farmers lose their only means of production, their living rights should be duly compensated. Therefore, it should be the most important factor in establishing the valuation system of land acquisition compensation to fully consider the land-loss farmers' living guarantee factors, safeguard their living right, and maintain their living standard. In addition, land-loss farmers can also be involved in the social security system that provides them with long-term basic living guarantee. Land acquisition compensation should also include the retirement guarantee. Resettlement subsidies can be used fully or partially to pay the social security premiums for land-loss farmers to ensure the retirement payment.

**2. Establish a mechanism to encourage land-loss farmers to find jobs and run businesses.**

**a. Establish an employment assistance and unemployment insurance mechanism for the land-loss labor force market.**

Land-loss labor force may complete the formalities of unemployment registration with the labor and insurance service department in streets or towns, apply for an unemployment certificate, and enjoy treatment equivalent to urban people, receive vocational education, and apply for vocational skill training. Employment service authorities at all levels should help the land-loss labor force find new jobs in the market. For example, the Jiangxia District held reemployment training for land-loss farmers in 2005. More than 300 land-loss farmers participating in the first training have found proper jobs. This is a practical demonstration to strengthen the reemployment capacity of land-loss farmers in the future.

**b. Encourage various enterprises to employ land-loss farmers**

Enterprises requisitioning land in the PRC should sign a contract of priority to employ the land-loss labor force. This can be used as a precondition for land acquisition. Enterprises absorbing land-loss labor signing labor contracts for a fixed term, and executing formalities of retirement insurance, medical insurance, and unemployment insurance, can be granted subsidies. Enterprises to which the land-loss labor force is absorbed that take a higher share of its employees than the average percentage shall be granted certain incentives.

**c. Encourage land-loss farmers to find jobs or run a business by themselves**

Every area should support the land-loss farmers find a job or run a business. Industry and commerce, taxation, and urban administration departments should have enhanced coordination to create a favorable environment by issuing business licenses preferentially to self-employed land-loss farmers and reducing or exempting their business tax, income tax, and administration charges upon verification. Land-loss farmers who do not have enough initial capital should be granted special loans at discounted interest rates through various channels. Farmers who have difficulties in finding a business premise or facilities should be granted assistance and service. Priority should be given to offer services for land-loss farmers who intend to work in cities. Their children should receive education equal to the urban children without discrimination.

**d. Select proper valuation methods for land acquisition compensation to raise the farmers' compensation base**

Most respondents in the survey agreed that the market price of land to be requisitioned should be the reference basis for compensation. Proper land acquisition compensation standards should be developed, relying reasonably on the market mechanism. The value of acquired land should be raised to realistic levels to ensure that such land is deployed for the most economic use of the resource. Meanwhile, more negotiation mechanisms should be introduced into the process. Land users, farmers' collectives, and farmers should negotiate the compensation and resettlement subsidies.

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