

Audit Results of Land Management and Land Funds of 24 Cities and Counties from 2009 to 2010

(Announced on April 20, 2012)

In order to promote the implementation of the State's relevant land policies and ensure the sustainable development of socio-economy, the National Audit Office of China (CNAO) in 2011 conducted an audit on the land management as well as collection, management and use of land funds (including revenues from land transfer and funds related to land control) of 24 cities, districts and counties (hereinafter referred to as 24 cities and counties) from 2009 to 2010, and traced back some matters to previous years. The audit results are hereby announced as follows:

I. Positive Achievements on Land Management

The audit results show that local governments in 24 cities and counties attached great importance to land acquisition, transfer, management and control, conscientiously implemented the central government's macro-control policies, promoted and improved the building of land management system, strengthened the management of land resources and land funds, and achieved positive results.

A. Further improving the land management system, strengthening farmland protection and the economical and intensive use of land. 24 cities and counties formulated and improved relevant implementation rules and operational measures regarding land acquisition & transfer, land control and land funds management, established target responsibility systems for farmland protection, intensified land-use performance evaluation and assessment, stepped up efforts on cleaning up idle land and other work, thus promoting farmland protection and economical and intensive use of land.

B. Optimizing the structure of land supply to ensure land-use needs for people's livelihood and social development. Through coordinating the allocation of land-use plans, 24 cities and counties gave priority to fulfilling land use quotas for key construction projects. In 2010, the land area of 24 cities and counties used for residential, public management and public services, as well as commercial and service sectors accounted for 32.46%, 16.18%, and 6.86% respectively of the total area provided, up by 0.6%, 6% and 0.5% respectively as compared with those in 2009.

C. Strengthening management of land funds and promoting urban construction and farmland protection. 24 cities and counties increased efforts in collecting land funds. From 2009 to 2010 the actual revenue collected from land transfer amounted to 269.964 billion *yuan* and land-control-related funds amounted to 21.893 billion *yuan*. 53.362 billion *yuan* from land transfer was used for the construction of urban public infrastructure, while 20.124 billion *yuan* of land-control-related funds for farmland protection, thus effectively promoting the urban construction and farmland protection.

II. Main Problems Found in the Audit and their Preliminary Rectification

The audit found that there were still irregular and non-standardized practices in land transfer, acquisition

and the management and use of relevant funds in 24 cities and counties, and a few problems were quite serious. After these were identified in the audit, the various local governments and relevant departments paid great attention to them, carefully sorted out these problems and actively developed rectification plans. Further rectification measures have also been formulated regarding those problems that can not be fully rectified in the short-term. The details are as follows:

A. The acquisition of 14,900 hectares of land failed to comply with relevant regulations in 14 cities and counties. Among them, 7 cities and counties (Shenyang City, Yichang City, Xiangyang City, Jiamusi City, Qiqihar City, Huachuan County and Tianjin Municipality's Dongli District) circumvented the control of new construction land quotas and expropriated 13,606.7 hectares of collective land. Land use units in 10 cities and counties (Xiangyang City, Yichang City, Qiqihar City, Zhengzhou City, Jiamusi City, Shenyang City, Zhongmu County, Wuhu County, Yangdong County and Pixian County) used 1,106.7 hectares of land prior to approval; 51 enterprises in 4 cities and counties (Shenyang City, Qiqihar City, Jiamusi City and Liaoyang County) occupied and used 187.32 hectares of collective land by "renting instead of acquisition" for the construction of industrial, real estate and other non-agricultural projects.

After these problems were identified in the audit, the relevant city and county governments and departments took measures such as improving the examination and approval procedures for land acquisition, abolishing land acquisition agreements irregularly signed, and have rectified 11,726.7 hectares of collective land irregularly expropriated. Other problems are being further rectified.

B. 9 cities and counties irregularly agreed to transfer or provide 113 pieces of land totaling 614 hectares in violation of tendering and auction regulations. Among them, from September 2004 to June 2011, 3 cities (Chengdu City, Qiqihar City and Jiamusi City) agreed to transfer 55 pieces of land for commercial use totaling 58.83 hectares in the name of resolving legacy issues; from 2008 to 2011, 8 cities and counties (Chengdu City, Zhengzhou City, Wuhu City, Jiamusi City, Yangjiang City, Tianjin Municipality's Dongli District, Wuhu County and Huachuan County) transferred 58 pieces of land for business use totaling 555.2 hectares by such means as predetermining land users and land prices, setting exclusive conditions through tenders and auctions. In addition, 3 counties and cities (Wuhu City, Zhongmu County, and Shanghai Municipality's Qingpu District) provided 66.446 hectares of farmland to the "theme parks" and low density residential housing projects from 2009 to 2010, which are prohibited from occupying farmland.

After these problems were revealed, the relevant city and county governments and departments are working on improving the system, strengthening management, and effectively regulating the operation of land supply.

C. In 2010, 4 cities and counties (Xiangyang City, Yichang City, Wuhu City and Wuhu County) failed to meet the policy requirements that land provided for "three types of housing" (subsidized housing, shantytown renovation and small & medium size ordinary commercial residential housing) should account for 70% of land provided for residential housing. From 2009 to 2010, there were 175,200 farmers whose lands had been requisitioned and should join the insurance, the actual attendance was 106,100 with participation rate of 60.56% in 7 cities and counties (Shenyang City, Jiamusi City, Wuhu City, Rizhao City, Beijing Municipality's Fangshan District, Tianjin Municipality's Dongli District and Pixian County). As

of the end of July 2011, 3 cities and counties (Xiangyang City, Yichang City and Zhongmu County) failed to pay 196 million *yuan* of land requisition compensation on time; Zhengzhou City used 274 million *yuan* of land requisition compensation money, which should be paid, to build compounds for resettlement of villagers, and 3.2 million *yuan* to offset expenses for demolition and relocation work, without consent from the village collective whose land was being requisitioned.

After these problems were disclosed, the relevant city and county governments and departments have improved systems for compensation and resettlement of farmers whose lands were requisitioned. Among these, Beijing Municipality's Fangshan District issued a "*Guidelines for Compensation and Resettlement of Requisitioned Construction Land in Fangshan District (Trial)*"; Zhengzhou City has recovered and disbursed outstanding land requisition compensation totaling 178.5189 million *yuan*.

D. 1,220 hectares of farmland involving 226 land control projects in 3 cities and counties (Jiamusi City, Beijing Municipality's Fangshan District, and Yangdong County) failed to meet quality standards or were abandoned. Of them 65.27 hectares of farmland added in 3 land control projects mostly remained as grassland or unlevelled ditches, unable to meet cultivation requirements; 1,160 hectares of farmland added in 223 land control projects were abandoned by farmers due to poor cultivation conditions and low grain yields.

After these problems were identified, relevant city and county governments and departments have taken measures to strengthen work related to land control. Regarding the problem of farmland being abandoned, the Yangdong County government has issued a "*Notice regarding Further Standardization of the Management of Later Stage Cultivation of Developed and Added Farmland*", and transferred the farmland after development and acceptance to the agriculture and forestry department for cultivation management. Some cities and counties have instructed the relevant township governments and village collectives to incorporate all abandoned land into their farming plans in 2012.

E. 14 cities and counties under-collected and reduced or exempted 4.079 billion *yuan* of land funds. Of them, 3 cities (Chengdu City, Qiqihar City and Jiamusi City) failed to collect supplementary land transfer revenue in accordance with standards for additional payment for volume rate adjustment, under-collecting 180 million *yuan*. 12 cities and counties (Zhengzhou City, Chengdu City, Qiqihar City, Jiamusi City, Yichang City, Yantai City, Rizhao City, Haiyang City, Shanghai Municipality's Qingpu District, Wuhu County, Liaoyang County and Huachuan County) irregularly reduced or exempted 3.565 billion *yuan* by collecting and then refunding in disguise. 7 cities and counties (Zhengzhou City, Yantai City, Rizhao City, Jiamusi City, Haiyang City, Pixian County and Huachuan County) under-collected 334 million *yuan* of land control funds, accounting for 11.3% of the total land control funds collectable for the above localities from 2009 to 2010. In addition, 11 cities and counties (Shenyang City, Zhengzhou City, Chengdu City, Wuhu City, Yichang City, Qiqihar City, Jiamusi City, Huachuan County, Wuhu County, Pixian County and Zhongmu County) failed to collect 13.747 billion *yuan* of land transfer revenue in due time.

After these problems were disclosed, relevant city and county governments and departments have recovered 1.154 billion *yuan* of land funds that were reduced, exempted, under-collected or failed to be collected in time, the remaining irregular funds are being actively retrieved.

F. 11 cities and counties (Chengdu City, Yantai City, Zhengzhou City, Jiamusi City, Xiangyang City, Yichang City, Huachuan County, Wuhu County, Zhongmou County, Yangdong County and Pixian County) failed to place land transfer revenues totaling 9.719 billion *yuan* under funds budget management, accounting for 9.76% of the 99.554 billion *yuan* of land transfer revenues actually collected by the above localities from 2009 to 2010. Of them, 1.883 billion *yuan* was paid directly by the land use units to the first level land development enterprises, and 7.836 billion *yuan* failed to be turned in to the State treasury in time in accordance with regulations.

After these problems were revealed, relevant city and county governments and departments have turned in to the State treasury 4.13 billion *yuan* of land transfer revenues irregularly managed, and proposed to strictly implement "separating revenues from expenditures" in future, and place all land transfer revenues under financial funds budget management.

G. 12 cities and counties (Zhengzhou City, Chengdu City, Shenyang City, Qiqihar City, Jiamusi City, Haiyang City, Shanghai Municipality's Qingpu District, Tianjin Municipality's Xiqing District, Huachuan County, Yangdong County, Wuhu County and Pixian County) irregularly used 1.542 billion *yuan* of land funds, accounting for 0.88% of the 173.618 billion *yuan* of total land fund expenditures of the above localities from 2009 to 2010. Of them, 731 million *yuan* was used for public works projects including youth palaces, art theaters, port expansion, and laboratory buildings; 1.78 million *yuan* was used to compensate for the lack of administrative expenses of the land, planning and other departments; 109 million *yuan* was used to subsidize business operations and plant construction of enterprises; 207 million *yuan* was used for lending; 317 million *yuan* was used for out-of-scope expenditures such as larch ecosystem development and wetland restoration.

After above problems were identified, relevant city and county governments and departments have recovered 200 million *yuan* of land funds irregularly used, the remaining funds are being actively rectified.

In the course of earnestly rectifying the above mentioned problems, the discipline inspection and supervision departments of various localities, in accordance with relevant regulations, have held 10 persons accountable for illegal and irregular actions. In addition, after clues to 3 cases in violation of laws and irregularities were transferred to relevant departments, they are being investigated and prosecuted.

The CNAO will carry out follow-up investigations and announce the final results in due time regarding those problems that the rectification are still on the way.

Annex 1: List of 24 key cities (districts) and counties in the audit of Land Management and Land Funds

Beijing Municipality: Fangshan District

Tianjin Municipality: Xiqing District, Dongli District

Liaoning Province: Shenyang City, Shenyang City's Sujiatun District, Liaoyang County

Heilongjiang Province: Jiamusi City, Qiqihar City, Huachuan County

Shanghai Municipality: Qingpu District

Anhui Province: Wuhu City, Wuhu County

Shandong Province: Rizhao City, Yantai City, Rizhao City's Donggang District, Haiyang City

Henan Province: Zhengzhou City, Zhongmu County

Hubei Province: Xiangyang City, Yichang City

Guangdong Province: Yangjiang City, Yangdong County

Sichuan Province: Chengdu City, Pixian County

Annex 2: Types of funds relating to land control

Compensation fee for incremental land used for construction

Revenue from transfer of land used for agricultural land development

Fee for farmland cultivation

Fee for land reclamation