

# Thoughts on Promoting the Reform of Rural Collective Operating Construction Land Entering the Market: A Case Study of the Rural Collective Operating Construction Land Entering the Market Reform Pilot in Cili County

Biao Cheng<sup>1,2</sup>, Chendi Zhao<sup>1,2</sup>

<sup>1</sup>The Third Surveying and Mapping Institute of Hunan Province, Changsha, Hunan, China

<sup>2</sup>Hunan Geospatial Information Engineering and Technology Research Center, Changsha, Hunan, China

**Abstract:** In order to effectively activate rural collective resource elements, increase village collective land property income, provide land resource element support for returning home entrepreneurship and innovation, and alleviate the relatively tight situation of urban land, market-oriented construction land is a very powerful measure. Cili County is one of the pilot counties of 12 rural collective operating construction land in Hunan Province. We will actively and steadily carry out pilot work, adhere to the guidance of the national requirements for rural land system reform, focus on establishing and improving a rural collective management construction land market system with "equal rights and prices, smooth circulation, and shared benefits", highlight problem orientation and bottom line thinking, strengthen institutional innovation supply, promote grassroots exploration and practice, and strive to explore new models and experiences for rural collective management construction land to enter the market reform.

**Keywords:** Agricultural Land Entering the Market; Rural Revitalization; Urban Rural Integration; Cili County

## 1. Introduction

Since 2023, various regions across the country have conscientiously implemented the requirements of documents such as the "Notice on Deepening the Pilot Work of Rural Collective Operating Construction Land Entering the Market" and the "Notice of the General Office of the Ministry of Natural Resources on Issuing the Plan for Deepening the Pilot Work of Rural Collective Operating

Construction Land Entering the Market." These regions have steadily and orderly promoted the pilot work of rural collective operating construction land entering the market. The Department of Natural Resources of Hunan Province issued the "Notice on the Plan for Deepening the Pilot Work of Rural Collective Operating Construction Land Entering the Market in Hunan Province," selecting 12 counties (cities, districts) including Yuhua District of Changsha City, Heshan District of Yiyang City, Shaodong City of Shaoyang City, Yueyanglou District of Yueyang City, and Cili County of Zhangjiajie City as pilots. These pilots aim to initially establish a unified urban and rural construction land market, activate rural land resources, protect farmers' property rights, safeguard the legitimate rights and interests of enterprises, further enhance the willingness of social capital to invest in rural areas, improve the development of rural industries, and promote common prosperity among farmers. From 2022 to 2023, the approved area of collective land converted from agricultural land to construction land in the province increased from over 100 hectares to more than 600 hectares, a rapid growth of 600%. This highlights the significant role of land elements in assisting rural revitalization, effectively linking the transaction system of collective operating construction land with that of state-owned construction land, and achieving the same land with the same rights.

## 2. Significance of Entering the Market

Entering the market is of great significance for improving land use efficiency, increasing farmers' income, promoting rural revitalization, and integrating urban and rural development

[1]. This is specifically reflected in the following three aspects:

### **2.1 Activating Stock Land Resources and Alleviating the Contradiction between Land Supply and Demand**

With the deepening of industrialization and urbanization, the demand for construction land is increasing day by day. The delineation of the 1.8 billion mu (approximately 120 million hectares) arable land red line has made the supply of construction land increasingly tight and cautious. On one hand, the contradiction between the supply and demand of state-owned construction land is becoming increasingly prominent, and the land acquisition system is becoming stricter, making the tapping of stock land potential gradually an important source of land for economic development. On the other hand, a large amount of land resources in rural areas are underutilized. The prominent structural contradiction between the supply and demand of construction land has become an important factor restricting the economic and social development of China. Entering the market can effectively activate idle and inefficient construction land resources in rural areas, improve land use efficiency, and break through the land bottleneck that restricts China's economic development, thus freeing up new space for industrial development and urbanization [2,3].

### **2.2 Making Rural Land Value Explicit and Protecting Farmers' Property Rights**

Land is the most important means of production for farmers. The previous dual urban-rural construction land market system made it difficult to fully reflect the value of collective land, hindering the opportunity for collective land value to increase with economic development, and urgently needing reform and improvement [4]. Entering the market is an important step in establishing a unified urban-rural construction land market with "the same land, the same rights, the same price, and the same responsibilities." By developing the rural factor market, it empowers the farmers' collective with rights, increases the property rights of farmers' land, and establishes a land value-added income distribution mechanism that considers the interests of the state, collectives, and

individuals. This allows farmers to rely on collective economic organizations to share in the achievements of industrialization and urbanization, broadening their income channels, while also preventing the potential harm to farmers' interests caused by the private transfer of collective construction land use rights, thereby protecting farmers' property rights [5].

### **2.3 Promoting Rural Industry Prosperity and Supporting Urban-Rural Integration**

Compared to state-owned construction land, the process of entering the market is relatively simple, and the time cost for enterprises is lower. As mentioned earlier, entering the market is a key step towards achieving "the same rights," with the release of rights such as the mortgage of collective operating construction land use rights providing financial support for enterprise development. This will also be more conducive to attracting capital, talent, and technology to rural areas [6]. Rural production factors are becoming more complete, and resource allocation is becoming more reasonable. On one hand, it drives the integrated development of rural cultural tourism, wellness, and primary, secondary, and tertiary industries, stimulates rural vitality, promotes the prosperity of rural industries, and strengthens the economic foundation of rural revitalization [7]. On the other hand, prosperous rural industries will create more employment opportunities, increase the chances of local urbanization for farmers, and facilitate the construction of rural infrastructure and the improvement of living environments. This promotes the development of new urbanization and further supports the integration of urban and rural areas [8,9].

## **3. Current Situation and Achievements**

Cili County is located in the northwest of Hunan Province, on the eastern edge of the Wuling Mountains, in the middle reaches of the Lishui River. It is a mountainous county characterized by "seven parts mountains, one and a half parts water, one and a half parts fields, and one part roads and estates." The county's geographic location is not prominent, industrial development is relatively singular, and rural development is relatively lagging. There is an urgent need to deepen industrial structure adjustment and drive the

development of village collective industries through various means. Therefore, the entry of rural collective operating construction land into the market is imperative.

### **3.1 Scientific Planning to Lay a Solid Foundation for the Pilot Entry into the Market**

Adhering to the principle of planning first and scientific regulation is key to exploring the pilot work of rural collective operating construction land entering the market. 1. Establishing a Work Coordination Mechanism: Under the leadership of the county government, a coordination mechanism involving departments such as natural resources, development and reform, and finance was established. This mechanism clarifies the task objectives, responsibilities, policies, coordination methods, and completion timelines of each department, forming a cohesive work force. A special task force, led by the deputy county mayor in charge of natural resources, was set up specifically to handle the entry work. 2. Scientific and Reasonable Planning and Layout: Efforts were made to compile the overall land and space plan, as well as the township and village plans, to efficiently and intensively utilize the existing stock of collective construction land. The county's proposed market-entry plots were included in the village plans and the land and space plan, and were also incorporated into the 2023 supply plan for state-owned and collective construction land. 3. Setting Standards and Formulating Plans: The county issued the "Pilot Plan for Rural Collective Operating Construction Land Entering the Market (Trial)" and the "Management Measures for the Entry of Rural Collective Operating Construction Land Use Rights into the Market (Trial)" among eight other regulations. These documents detail the operational uses of market-entry land and explore innovative management methods for its use in industry, commerce, tourism, and other sectors. The maximum term for the transfer or valuation (equity investment) of collective operating construction land use rights is set at 50 years for industrial and warehousing land, and 40 years for commercial and tourism land. For land leased, the minimum lease term is no less than 5 years, and the maximum term does not exceed 20

years. When entering the market through valuation as investment (equity), the duration cannot exceed the operational term of the investing enterprise.

### **3.2 Laying the Foundation and Making Preparations for the Market Entry Pilot**

Establishing rural benchmark land prices, building an entry platform, and thoroughly understanding the stock of collective operating construction land are foundational tasks for promoting market entry reform. 1. Setting Benchmark Land Prices: In 2022, technical units were hired to investigate and analyze rural collective construction land throughout the county. Using administrative villages as basic units, the county was divided into four land grades, with benchmark land prices for commercial, industrial, and warehousing land clearly defined at each level. The benchmark land price results were submitted to the provincial department and the municipal self-regulation bureau for approval. After passing the acceptance process, these prices were announced and implemented on January 1, 2023. This provides a fundamental basis for the price evaluation and minimum price determination of rural collective operating construction land entering the market. 2. Building an Entry Platform: In 2023, the county government allocated funds to jointly develop an online transaction system for rural collective operating construction land in Cili County. This system aims to standardize the transaction behavior of rural collective operating construction land, strengthen supervision and services, and establish a transparent, fair, and just market allocation mechanism. 3. Conducting a Comprehensive Inventory: A thorough inventory of the stock, scale, and distribution of rural operating construction land across the county was conducted. Led by the County Natural Resources Bureau, a research team comprising members from the County Development and Reform Bureau, Finance Bureau, and Agriculture and Rural Affairs Bureau conducted extensive visits and research. This included exploring two key mechanisms and establishing detailed survey files for industrial, warehousing, commercial, and school land within village residential areas. To date, they have identified 27 parcels of land with legal registration and approved agricultural-to-

construction land conversion, totaling 473 mu (approximately 31.5 hectares). On October 26, 2023, a parcel of rural collective operating construction land in Jiashi Village, Yanghe Township, Cili County, was successfully transacted through online listing, marking a substantial breakthrough in the county's rural collective operating construction land market entry reform.

### 3.3 Strengthening Management to Ensure the Orderly and Normative Pilot Entry into the Market

Advancing the market entry of rural collective operating construction land prudently while strengthening supervision is crucial. Cili County is focusing on improving post-entry regulatory agreements and controlling the pace of rural collective operating construction land entering the market. They are establishing a comprehensive service supervision and guarantee system to further deepen the reform.

1. **Standardizing Land Value-Added Income:** The adjustment fee for land value-added income of collective operating construction land entering the market is based on the benchmark land price and must not be lower than the cost price of land acquisition. The interests of the state, collectives, and farmers are considered when determining the adjustment fee ratio by category. For industrial land, an adjustment fee of 10% of the total transaction price is levied. For commercial land, a progressive adjustment fee rate of 20%, 30%, and 40% is applied. The income from market entry by village collective economic organizations is uniformly included in a special account designated by the county finance department for unified accounting and management. At least 30% of the income is used for the development and expansion of the village collective economy and the improvement of agricultural production facilities, while the remaining portion can be fairly distributed among members of the collective economic organization or project participants. The income distribution and the usage of the collective portion are included in village-level public disclosure and are subject to audit and government supervision.

2. **Improving Market Entry Transaction Processes:** Drawing on external experiences, the county has developed a relatively complete market entry transaction process, continuously

promoting the institutionalization and standardization of rural collective operating construction land entering the market. The process includes democratic voting, market entry application, township review, departmental verification, plan approval, public transaction, and result announcement. This process fully respects the wishes of the people while strengthening the supervision of the government and relevant departments, and leveraging the decisive role of the market in resource allocation. This ensures openness, fairness, and justice, maximally safeguarding and realizing the rights and interests of farmers.

3. **Implementing Comprehensive Supervision:** Strictly adhering to the requirements of land space planning and usage control, the county upholds three bottom lines: not changing the nature of public land ownership, not breaching the red line for arable land, and not harming farmers' interests. They implement spatial control requirements such as permanent basic farmland, ecological protection red lines, and urban development boundaries to ensure economical and intensive land use. The county monitors three negative lists and adheres to two preconditions: land cannot be converted from agricultural use to new construction land for market entry, and homestead land cannot be included in the market entry scope. Land that meets market entry conditions cannot be used for commercial residential development. After land enters the market, a "Collective Operating Construction Land Use Rights Transfer Supervision Agreement" is signed based on the transfer plan, following a consensus among the supervisory party, the transferor, and the transferee. This ensures effective supervision and prevents the collective construction land from being supplied but left undeveloped and idle.

### 4. Main Current Issues

The work of bringing rural collective operating construction land to market is highly policy-driven, attracts significant social attention, and involves various interests. It is still in the exploratory stage. Recent research has identified several major issues: delays in planning, inefficient decision-making mechanisms, slow progress in land adjustment and market entry, and difficulties in mortgage financing. These issues need to be carefully explored and continuously improved in the

future.

#### 4.1 Serious Delays in Planning

Currently, due to insufficient county financial investment and a lack of planning awareness at the grassroots level, spatial planning and village planning for all 26 townships (sub-districts) in the county have not been completed. There is a significant gap in detailed control planning, and planning conditions for collective operating construction land are missing. Except for townships with prominent industrial advantages, such as established towns and tourism-oriented towns, the industrial layout planning is generally lagging. Township and village enterprise layouts are arbitrary, functional layers are unreasonable, and regional effects are low. The integration of various plans is not high, and the connections are not close, which restricts the enthusiasm of social funds to invest in the development of collective operating construction land.

#### 4.2 Inefficient Decision-Making Mechanism

The entry of collective operating construction land into the market requires the consent and resolution of more than two-thirds of the village committee members or more than two-thirds of the village representatives. In practice, grassroots village staff and village cadres need to spend a lot of time and effort repeatedly working with villagers to meet the required number of approvals, severely affecting the land market entry process. The main reasons are the large number of people in the village, different interest demands, villagers' insufficient understanding of policies, and difficulties in reaching a unified opinion in a short period, resulting in low efficiency in collective decision-making.

#### 4.3 Slow Progress in Land Adjustment and Market Entry

According to the pilot requirements, the market entry of collective operating construction land mainly involves stock construction land. The county is predominantly hilly, with most stock construction land scattered and fragmented. Due to development planning, location conditions, and adjustments in industrial structure, much of the stock construction land no longer has development value. Revitalizing idle stock land relates to

the "quantity" of land resources that can enter the market, but collective economic organizations are fundamentally unable to bear the upfront costs of revitalization. Additionally, the use of surplus indicators from land use changes is not smooth. It generally takes 1-2 years from project initiation to acceptance. The indicators of construction land sorted out can only be used after all the old areas have passed acceptance, making short-term promotion of land adjustment and market entry work difficult.

#### 4.4 Difficulties in Land Mortgage Financing

1.Limited Financial Institutions Providing Mortgage Financing Services\*\*: Currently, in Cili County, apart from rural commercial banks, other financial institutions do not accept the mortgage loan business for collective operating construction land use rights. This leads to a single financing channel. 2.Small Loan Amounts and High Interest Rates\*\*: Banks stipulate that mortgage loans for collective operating construction land use rights can be up to 60% of the land value, with loan interest rates being 30% higher than the benchmark rate, which is significantly lower than the loan rates for state-owned construction land. Currently, both the "Property Law" and the "Guarantee Law" in China do not set mortgage rights for collective operating construction land. The China Banking and Insurance Regulatory Commission has not yet issued management measures for market entry mortgage loans, resulting in high risks for financial institutions and making it difficult to obtain mortgage financing for collective operating construction land.

#### 5. Recommendations

Advancing the market entry of rural collective operating construction land can effectively promote farmer income, rural development, rural revitalization, and the establishment of a unified urban and rural construction land market. It is crucial to not only focus on the improvement and completeness of the land transfer system itself but also to coordinate and support it with other reforms to enhance the systematicness and completeness of the reforms [10]. Based on research, learning, and practice, four recommendations are proposed:

### **5.1 Scientifically Prepare Plans and Fully Utilize Spatial Planning to Lead**

Whether rural collective operating construction land can enter the market largely depends on the guiding role of planning [11]. Currently, attention should be given to the following three aspects. 1. Establish Special Financial Funds at Various Government Levels: These funds should be coordinated and used for the preparation and implementation of spatial planning, providing financial support to achieve "full coverage" planning. 2. Complete the Spatial Planning as Soon as Possible: The lack of higher-level planning has significantly restricted the preparation of village plans. Spatial planning should fully incorporate the results of the "third national land survey" and adhere to the principle of "seeking truth from facts," ensuring that the spatial planning is both guiding and applicable. 3. Scientifically Promote the Preparation of Village Plans\*\*: It is necessary to clearly include rural collective operating construction land in the planning scope. Under the premise of conforming to higher-level planning, new plots of land should be designated in villages or townships with suitable conditions for rural revitalization industrial development projects and included in the management of village collective operating construction land.

### **5.2 Standardize Decision-Making Procedures and Accelerate the Collective Resolution Process for Market Entry of Collective Operating Construction Land**

According to the requirements of market economy operations and rational rural structure reform, village collective economic organizations should be guided to follow a decision-making procedure of "publicity and mobilization, soliciting opinions, forming a plan, democratic resolution, and public supervision." Members of the collective economic organization should be involved in all decision-making processes related to land market entry. The decision-making system, where a resolution can be formed with the consent of more than two-thirds of the members or their representatives, should be strictly implemented. This will reduce the risk of delays in forming collective resolutions due to unreasonable demands from some members [12].

### **5.3 Leverage Platform Advantages and Explore Methods for Implementing Surplus Land Quota Adjustments**

1. Leverage Platform Advantages to Revitalize Idle Stock Land\*\*: It is recommended that county governments introduce platform companies to establish a reserve pool for land quota adjustments. Initially, the government platform company would sign agreements with townships (sub-districts), prepay fees, and reclaim and re-green scattered stock construction land. After acceptance, the government platform company would uniformly purchase the resulting quotas, implementing "ledger management, planned control, and coordinated use." This approach would provide resource reserves for land adjustments and market entry while consolidating scattered plots to meet project land needs. 2. Relax Policies on the Use of Urban-Rural Construction Land Quota Adjustment Projects at the Provincial Level: It is suggested that, upon phased acceptance of reclaimed projects in old areas, the implementing body should be allowed to use a certain proportion of new construction quotas. Priority should be given to quota transfer or the use of benefits for subsequent project investments to alleviate funding pressures on the implementing body. 3. Promptly Issue Guidelines on the Use of Surplus Construction Land Quotas from Farmer Concentrated Housing Projects: Allow the transaction or use of quotas to extend beyond township boundaries, enabling more extensive coordination of urban and rural land resources [13-15].

### **5.4 Innovate Financing Methods to Support the Resolution of Financing Difficulties for Collective Operating Construction Land**

1. Establish a Government Risk-Sharing Mechanism: County governments should invest in the establishment of state-owned guarantee companies. Based on the valuation of collective operating construction land, these companies can provide guarantees for land users applying for loans from banks, thereby sharing the policy and market risks faced by financial institutions. 2. Financial Support for Rural Financial Reform: Use financial subsidies or fiscal deposits to guide and incentivize multiple financial institutions to extend their business outlets to rural areas,

expanding the scope of financial services. 3. Improve the Credit System: Conduct credit ratings for land users and supplement the credit information database to provide credit support for land mortgage loans.

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