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E-Government and Public Finance Management

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E-government and public finance management

Introduction

This article has analysed the issues of the application of E-government on the public finance management and the innovation of the public finance management system. The government shall establish the portal web site of public financial department and the administrative affairs-handling system which has strong adaptability so as to realize the interactive business communication and service between the governmental public finance management departments and the enterprises and citizens. E-government’s application in public finance management will exert influence on public finance in two aspects of financial revenue and financial expenditure, thus perfecting the public finance system.

E-government’s application in public financial revenue has changed the method of collecting public management revenue such as taxation, and the managing procedure of financial revenue such as taxation becomes more simplified, more open and more transparent, thus bringing enterprises and citizens more convenience, and significantly reducing the costs of collection and management of public financial revenue.

E-government’s application in the public financial expenditure has renewed the method of traditional public financial expenditure management, realized the zero-distance service of the government toward enterprises and citizens, as well as changed the managing mode and managing procedure of public financial expenditure, all these will help improve the financial budget system and financial expenditure management system, as well as enhance the using efficiency of public financial expenditure.

Key words: E-government, public finance management
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E-government’s overall application in the public finance management has aroused the innovation of public finance management system. The establishment of portable web site of public financial department and the governmental affair-handling system which has a strong adaptability will ensure the government realize its functions of supplying communication service of interactive businesses between the governmental public financial management departments and enterprises and citizens, which will exert influence on public finance in two aspects of financial revenue and financial expenditure, and lead the finance management department to internally rebuild the mutually independent and specialized new system for decision-making, execution and supervision.

Since July 2002, the China National Informationization Leading Group has officially approve the “Golden Finance” project, marking the overall entry of E-government into the fields of public finance management. The “Golden Finance” project, also known as governmental financial managing information system, is a set of advanced information management system suitable to the target of setting up the framework of public finance system in China, as well as an important composing part of the undergoing construction of E-government’s strategic program. The “Golden Finance” project that demonstrates the demand of public financial reform is not only the foundation of public financial reform, but also the important content of public finance management.

After the overall entry of E-government into the fields of public finance management, the financial management efficiency was enhanced effectively, the governmental financial revenue and expenditure have become more open and transparent, and the corruption occurred in the public finance management could be prevented and wiped out from the source.
Electronic applying for taxation enhancing the efficiency of collecting public revenue

Since the most important source of public financial revenue is taxation, the electronic applying of tax could reduce the taxation cost and improving the collecting efficiency of public finance.

1 The progress of electronic applying of taxation

The electronic applying of taxation implies that the tax-payer applies tax data to the taxation institution in the electronic information mode, known as “paperless application”. The tax-payer could complete his/her applying responsibility by using electronic applying method which can send information through carrier (for instance IC card, floppy disk, etc.), as well as sending directly via telephone, computer and network. The electronic applying, as a new-type applying method featuring high-efficiency and high-speed, was applied in some developed regions such as Shenzhen, Xiamen, Qingdao, etc and saw a steadily popularization nationwide.

The electronic applying of taxation has turned the applying mode from carrier to network. The early-stage electronic applying was mainly done in the modes of applying carrier and telephone with the application form filled out by tax-payer and then entered into the computer by the hand of tax staff. Because the applying time is relatively centralized, with so many tax-payers and complicated forms, as well as the time-consuming and cost-consuming of hand entering, the error in data are frequently occurred. For solving this problem, some tax-paying organs have adopted the online applying form via modem. Although the problems of low efficiency and high error ratio existed in data collection were reduced to some extent, but the occurrence of holding back and alteration of data in the sending process as well as assuming the identity of somebody else
and the deeds of denying and refusing of paying tax could not be solved. In recent years, more and more tax-paying units have adopted the method of applying the tax on-line by computer, thus the problems above mentioned are effectively solved.

Applying tax on line has realized the zero-distance service of governmental taxation department toward the enterprises and citizens. The on-line tax-applying system was mainly composed of tax-payer, taxation department and the taxation management system of the special banks. Tax-payer will encrypt the data file transformed from the taxation statements, the original copy of value-added tax receipt, etc. with public cryptographic key of taxation department, then sending them to the designated web site of taxation department after digital signing them. Meanwhile, the payable tax sum should be transferred to the special tax-payer of the special bank. The taxation department will acquire the taxation applying data encrypted by the tax-payer from web site, encode them and the digital signature of tax-payer, and encrypt the checked results with the public cryptographic key of the tax-payer, then send them to the tax-payer via designated web site after digital signature, at the same time, check and acquire the tax-paying balance of tax-payer from the special bank, and notify the bank to conduct the money, and finally the bank will send the certificate of tax-paying to the tax-payer after signature and encryption.

The tax-applying on line has extremely benefited the tax-payer and taxation administration, simplified the procedure of tax-paying and tax-collecting, reduced the error ratio of the ax-paying and tax-collecting, improved the tax-collecting efficiency and cut down the taxation cost.
2 The problems existed in the electronic applying of taxation

1 The networking of taxation not yet launched, the matters involving taxation needs to be reformed

Applying is only one link in the paying of tax by tax-payer. Except applying, there are other tax-evolving matters included in it such as payment of tax sum, registration of tax affairs, examination and approval of receipt, etc. Under the situation that no other matters except applying being electronization, although the tax-payer needs not to apply his/her tax by visiting the taxation department, but he/she has to call on it for approval of receipt and the registration of taxation, as a result, the working efficiency of tax-payer could not be improved. In addition, the electronic applying was not adopted by the State Taxation Bureau and the Local Taxation Bureau coordinately towards the same tax-payer. Therefore, as for the unit/individual who should pay tax to both the State Taxation Bureau and the Local Taxation Bureau, it has to submit the paper material whether to the former or the latter. Even if the two bureaus could adopt electronic applying simultaneously, if the data forms of the two sides are different, the tax-payer has to process the applied data twice.

2 About the effectiveness of electronic applying data

The efficiency of electronic applying data means that the tax-payer should be responsible for correctness of his delivered electronic applying data. As for the paper form applying, the tax-payer identifies the accuracy of his applied data by adding stamp of his/her unit on the application form. While electronic applying data can only be identified by the electronic signature, whereas the legality of electronic signature was not yet recognized by the government. In addition, the electronized applying data has the features of no form, easy to alter and left no mark, prone to cause responsibility dispute between the tax-collector and tax-payer. At
present, this problem was solved by presenting electronic data as well as the paper material at the sacrifice of lowering the efficiency of electronic applying.

3 About the standardization of electronic applying

The standardization of electronic applying includes three aspects: the standardization of mode for collecting the applying data, the standardization of the applying data form and the standardization of operation procedure of electronic applying. The standardization of electronic applying is the key concerning whether it could be popularized over the whole country, as well as the key to guarantee the share of the data. At present, the taxation head office has not yet work out a unified standard for the adopted technique and the data forms of electronic applying. The different companies adopted different technique and data forms to develop recorder of electronic applying, IC card, etc. which can not be compatible each other. The local taxation bureaus have adopted their own doings and different products from the different companies on the basis of its collecting and management information system. The non-uniform in the electronic applying even in the same province has exerted serious influence on the openness of electronic applying products and the sharing of electronic applying data.

4 The non-adaptability about the applying operation procedure

Electronic applying is not only an advanced technical means, it needs the simplified procedure to meet it. The present applying operation procedure is designed in accordance with the feature of applying by handwriting, many links in it are not suitable to the electronic applying, thus increasing the working volume of taxation department.
3 The countermeasures for perfecting the electronic applying of taxation

1 The mutual coordination of the Local Taxation Bureau and the State Taxation Bureau

Since the electronic applying should be carried out by the State Taxation Bureau and the Local Taxation Bureau for the same tax-payer after coordination, therefore the State Taxation Bureau and the Local Taxation Bureau should adopt the electronic applying form in the same data mode, while the applying data which needs treat only one time should be co-managed by the two bureaus. Thus, it will benefit the tax-payer as well as improve the tax-collecting efficiency.

2 Perfecting the legal environment

Actively promoting of the electronic applying needs a perfect legal environment. The correspondent laws and regulations on the legality of the electronic applying data, the legality and the non-denying of electronic signature, the keeping of the commercial secret of tax-payer, as well as the preventing the theft of tax-payer’s information should be formulated.

3 The applying procedure suitable to the electronic applying

The present applying flowing, the mode of applying form are all designed according to the characteristics of applying on paper, not suitable to the electronic applying. Therefore, a new applying procedure according to the electronic applying should be designed so as to simplify applying procedure, ensure a simple, standardized filling out of applying form, meanwhile, the forms of the financial statements of all trades should be unified.
4 Matured safety technique and perfected credit system

The matured data safety covers the non-qualification access and assuming the identity of somebody else, disclosing and losing of the information, the damage of the integrity of the data, the attack of virus, etc. Identification is an import link for identifying and confirming the real identity of the two sides of paying and collecting tax, also vital for the electronic applying for taxation so a perfect credit system should be established as a guarantee.

5 The reform of management system inside the taxation department

To maintain the efficiency of electronic applying of taxation, a mutually independent and specialized new system for decision-making, execution and supervision inside the financial management departments should be rebuilt in order to strengthen the collection and management of tax, to decrease and remove the occurrence of tax evasion and prevent the corruption within the tax-collecting management department.

6 Implementing budget electronization and improving public expenditure management

Governmental budget is the base for public finance and governmental budget electronization is an important aspect of applying E-government in public finance. Governmental budget electronization is advantageous to a scientific, rational and transparent public expenditure and it is an omni-directional electronization covering the process from budget drafting to budget implementation and adjustment and to final accounting and performance evaluation.

Budget electronization applies a large-scale information network covering financial management departments and financial funds utilization
departments of governments at all levels as its support and bases upon an
detailed departmental budget. It takes it as its basic pattern to make all
financial revenues and expenditures into the single account of national
treasury. It adopts such main controlling mechanisms as budget quota,
money-spending program, purchase orders, as well as evaluations on
implementation of financial policies and analysis on the tracks of macro
economic momentum and features a high concentrated receiving and
paying out linkage and implementation of an effective control of national
treasury cash.

1. Current situation and problems of budget electronization

(1) Departmental budget electronization is in a decentralized
state

Nonuniform departmental budget data formats give rise to a
decentralized departmental budget electronization. Departmental budget
refers to one budget for one department. It is drafted by various
governmental departments to uniformly make funds dispersed in different
budgetary items based on expenditure functions into the departments for
using these funds. Department budget shall be checked and approved by
financial department and considered and passed by the National People’s
Congress at the same level. It reflects the budgetary system of revenues
and expenditures of all departments. With respect to the draft contents, a
comprehensive budget is carried out, i.e. to uniformly draft budgetary and
extra-budgetary funds and other funds of departments and units into
departmental budget; with respect to draft method, a zero-base budget is
adopted and bases in former years are cancelled. Departments and units
budget is re-calculated and rearranged on the basis of responsibilities,
tasks and targets of departments and units, and administrative program
of governments in the next year combining possible financial capacity and
doing in order of importance and urgency. Since it is difficult to unite
budget contents with classifications, it is hard to unite budget
electronization data. Therefore, department budget electronization is in a
decentralized state.

(2) Low electronization concentration of budget implementation

The implementation of public budget is an operational process of
social and governmental program on public financial activities. The system
of concentrated receiving and paying out of national treasury is an
implementation linkage of public budget, which is based on budget draft
and implements the system of concentrated receiving and paying out.
Implementation of this system is a great innovation in financial system
and is a high-efficiency and standard public budget implementation
system under public financial framework.

A system of concentrated receiving and paying out by the national
treasury is a common practice for countries with market economy to fit in
with the needs of market economic system and enhance management of
financial revenues and expenditures. It is a method adopted universally
for solving malpractice in decentralized payment of financial funds.
Globally, it is called the national treasury single account or the national
treasury concentrated receiving and paying out system. It is a system of
the government to manage and control the whole process of financial
funds from allocating to appropriating, utilization, bank clearing, and to
accounts of commodity suppliers and labor suppliers. The basic meaning is
that financial department opens unified bank account and financial funds
of various units will be unified under this account in classified accounts so
that a centralized management can be implemented. Financial funds will
be no longer appropriated to various units to keep them in a dispersed
way. Each unit will make decision by itself on purchasing commodities and
labors within its budget in the light of requirements of performing its
responsibilities but payment will be managed by financial department. In
addition to special-purpose utilization, funds shall be paid to commodities and labor suppliers directly through financial department.

At present, public expenditure appropriating management system, public expenditure quota adjustment system, financial general budget accounting management system have all formed their own functioning models and it is hard to attain the goal of controlling the whole process from achieving public expenditures to transferring them into the national treasury, from budget allocation to funds appropriation of public expenditures, and funds utilization.

2. Countermeasures for improving budget electronization

(1) Improve budget draft electronization

A systematic design for budget draft electronization will be conducted on the basis of operational process of drafting budget, including budget management, budget input, budget check and verification, budget report to a higher body, budget transfer to a lower body, budget summary, budget check and approval and other aspects so that the objectives of detailing budget draft, improving budget transparency, enhancing financial management, as well as reflecting financial funds circulation information in an all-round and correct way can be attained.

(2) Establish financial centralized management electronization center and improve unified national treasury receiving and paying out system

A centralized financial management of government on financial expenditure funds is advantageous to standardizing public financial expenditures, cutting down and avoiding waste of financial funds, and improving public finance managerial standard. Centralized financial
management means that no bank accounts will be set up and no accountants assigned for all departments and units under the prerequisite of keeping the right of funds utilization and financial decision-making power of all budget units unchanged. Accounting personnel management, funds clearing and accounting management will be unified and implemented by financial department. It is a new type of financial management mechanism integrating accounting service with supervision and management. Implementation of centralized financial management is of vital importance to standardizing accounting work, improving funds utilization efficiency, standardizing administrative behavior, and etc..

Financial centralized management electronization center (hereinafter called “center”) is the carrier of financial centralized management. It is mainly for opening accounts for all budget units included in the center, receiving revenue and expenditure budget of individual units in financial general budget drafting system or drafting budget for each budgetary unit in the system, inputting bills of each budget unit, clearing funds and printing checks for examined and verified bills, establishing account voucher for cleared bills for each unit and putting the voucher into respective substantial accounts of each unit. At the same time, it has provided voucher-processing function with regard to each budget unit in the center. Vouchers in accounts of all budget units can be checked, verified and modified on the front stage system. With respective to vouchers of all budgetary unit accounts, the center provides a merged financial system which summarizes vouchers in accounts of all budget units into general account of accounting center. On the general account of the center, vouchers, account books, reports of individual unit can be checked out and classification can be made to produce new financial statement in accordance with respective departments of each unit. At the end of a term, account verification can be conducted directing against accounting center and account-opening bank, the national treasury funds management system, financial general budget accounting clearing system
and bank deposit recording between all accounts of administrative and public institutions.

After the centralized financial management centers were established in some local governments, distinct achievements have been made in improving public finance management: firstly, it improves the transparency of financial work. Before getting into the centers, only a few leaders and accountants know the financial revenues and expenditures of each unit. The limit for financial check and approval, as well as handling process is unclear and violation of regulations happens all the time. After entering into the “center”, all revenues and expenditures are checked and verified by the “center” and the “center” only acknowledges system but people, thus regulating the financial behavior of each unit; secondly, it prevents the phenomenon of keeping funds in a dispersed way and low efficiency in funds utilization in the past. Funds of all budget unit are unified and deposited on single account of the budget center, which enables financial department to find out about the financial situation of each unit and control expenditures of each unit effectively and guarantee that funds can be used in good time and special funds used for special purpose; thirdly, it enhances financial supervision and management on unit financial departments, stops up loopholes of financial management, strengthens financial supervisory capability, prevents and cures corruption at the source, expands and increases financial capitals, saves financial funds, puts an end to expenditure against discipline, reduces accounting personnel, and improve efficiency of funds utilization; fourthly, it promotes departmental budget system. The establishment of centralized financial management electronic center is beneficial to drafting and implementing department budget, centralized receiving and paying out by the nation treasury, establishing supervisory and managerial mechanism of budget implementation so as to know well and supervise the direction, speed and scale of funds circulation of each budget unit in an omni-directional way.
throughout the whole process; and finally, with the establishment of centralized financial management center, funds will be no longer appropriated to units, which is beneficial to carrying out government procurement. Funds for government procurement belongs to administrative and public institutions in terms of proprietary rights and utilization rights, which not only includes financial budgetary and extra-budgetary funds, but also other funds. After the integration of national treasury single account with the “center”, purchase funds are unified and cleared by the budget center; budgetary and extra-budgetary funds are paid by the “center” by way of People’s bank (the national treasury)—governmental procurement special account—commodity suppliers; other funds will be paid by the “center” through bank accounts opened for each unit, thus effectively reducing intermediate linkages, getting rid of rebate and other problems, promoting capital turnover, guaranteeing the policy of special money for special purpose, improving efficiency of funds utilization, and allowing full play to the positive role of governmental procurement.
Conclusion

Public financial revenue’s most important source is taxation. Electronic applying of taxation not only brings tax-payer and tax-collector convenience, but also could reduce the taxation cost as well as enhance the collecting efficiency of public finance. The government budget is the foundation of public finance, so the electronization of government budget is an overall electronization covering from the working out of budget to the execution and adjustment of budget, and still to the final accounts and the assessment of performance. The electronization of the government budget is benefit to the scientific and transparent operation of public expenditure, as well as to the promotion of government purchasing, thus it can reinforce the supervision and management over the financial funds and increase the using efficiency of financial funds.

Reference:
