

# Enhancing e-Democracy via Fiscal Transparency: A Discussion Based on China's Experience\*

Ling Lan

Tianjin University of Finance & Economics Tianjin, China.  
llinglan@eyou.com

**Abstract.** The transition process from E-government to e-democracy involves a number of complex government changes, among which one of the important reforms for China, lies in the fundamental transform of its public finance regime from a “secret tradition” which has been holding for centuries long, towards a modern democratic open process. From 2003, Chinese government decided to release the Audit Report of its central and local budget to the public; this unprecedented event had stirred a so-called “Audit Storm” in the country. This paper therefore explores the significant meaning of fiscal transparency in China, analyzes the relationship between fiscal transparency and government accountability. Hereby argues that fiscal transparency can service as a catalyst both to e-government and open government process. Finally the paper points out China should follow the Code of Good Practices on Fiscal Transparency edited by IMF, enhancing e-democracy via fiscal transparency.

## 1 Introduction

E-government, the use of information and communication technologies ( ICT ) to transfer government by making it more accessible, effective and accountable , is not an end in itself, but a means to facilitate E-democracy----A new fashion of democracy of modern information age, in which ICT empower citizens and human society to accelerate and ultimately realize the Elysium of a unprecedented democratic society .

From theoretical and historical perspectives, democracy is an evolving concept; the word derived from two Greek words: demos (the people) and kratia (rule), proving the Greek city-states in the 6th century BC was the first democratic forms of government. Then in Athens all citizens, whether rich or poor, participated fully in government activities. Hereby, Webster's dictionary defined **democracy** as “a government in which the supreme power is vested in the people and exercised by them directly or indirectly through a system of representation.” Democracy is thus distinct from government controlled by a particular social class or group as oligarchy or a single person as dictatorship and monarchy. Since the time of ancient Greece, democracy has attracted support throughout history, because it represents an ideal of justice as well as a form of optimal government. The ideal is the belief that freedom and equality are sacred and that democratic participation in governance enhances

---

\* This paper is one of the results of Chinese national social science research programs. No.04BZZ040.

**Ling Lan**

human dignity. Nowadays, when we put an “e” in front of democracy is by no means we should draw any substance out of democracy, but to enhance or perfect it by a more powerful engine. Government equipping with digital technology, should be supposed to be driving by a powerful engine, it should run with high speed on the road of democracy.

However, if we remember what Thomas Hobbes compared government to Leviathan in 17 century<sup>1</sup>, what James M. Buchanan, Gordon Tullock and other public choice scholars explain government "cures" often cause more harm than good, and how interest groups seek favors from government at enormous costs to society; also we may keep in mind the words Ronald Reagan spoke in his president inauguration that government is not a solution to our problem, government is the problem, etc, then we should logically reach the similar conclusion that e-government is not a panacea, not a royal road smoothly leading to e-democracy. Great ancient philosopher Aristotle once convincingly argued that any selfish abuse of power can cause different kinds of governments, including democratic origin, deteriorate into tyranny, oligarchy, and even inferior mob rule.<sup>2</sup>Therefore government should be restricted, monitored and subject to the will of its people. Any malfeasance of government agencies, such as bribery, cronyism, embezzlement, extortion, fraud, graft and so forth should be punished severely according to state law. In information age what digital revolution has imparted to people is the edge tool of public participation by which people can share information, disclose scandal, enjoy and radiate sunshine of e-democracy.

The paper is divided into five parts: Part two dwells briefly on the far-reaching event in China---from 2003 government began to publish audit report of its central and local government via e-government project---a so called “audit storm” had been stirred with the exposure. Analysis the interdependent and co-existence of fiscal transparency and government accountability is the subject of part three. The possible consequences or impact of open budget in China, and the implication in which fiscal transparency could promote open government and e-democracy is the main contents of part four. Concluding comments reviews the opportunities and challenges entailed in the implementation of open government and e-democracy in China, the critical issue of whether Chinese government has a strong volition to carry e-government and e-Democracy through.

---

<sup>1</sup> In his political treatise *Leviathan* (1651), the English philosopher Thomas Hobbes compares the state, with its innumerable competing members, to the largest of natural organisms-- the whale, or leviathan, one of the names of the primeval dragon subdued by Jehovah at the outset of creation. By this analogy Hobbes argued that the state, like the monster, requires a single controlling intelligence to direct its motion.

<sup>2</sup> Aristotle distinguished three kinds of government: monarchies, aristocracies, and democracies, in his famous book *Politics* ( 335 BC ), The differences among them chiefly concerned whether power was held by one, by a few, or by many. He also argued that the selfish abuse of power caused each type to become perverted, respectively, into tyranny, oligarchy, and a lower form of democracy characterized by mob rule. Monarchy tended to become tyrannical because it vested authority in a single ruler. Aristocracy, a government based on birth and privilege, in which the rulers governed for the good of the whole society, tended to become oligarchy as a consequence of restricting political power to a special social and economic class; only a few members of the class would have enough drive and ability to acquire the power to govern. The polity, likewise, would deteriorate into ochlocracy, or mob rule, if the citizens pursued only their selfish interests.

## 2 E-government Project Stirred Audit Storm

Public finance sector has long been a notorious locus of government corruption since early history of nation-state. Slavery or feudalistic monarchies, had taken advantage of state treasures, usurped and prioritized public money to augment benefits and preserve wealth for themselves and royal families; meanwhile malfeasants up and down whole bureaucratic hierarchy competed each other vigorously for stealing public money from state treasury.<sup>3</sup> Comptroller or Audit Agency, although existed as some watchdog institution in many dynasties, however they merely served the monarchies, so that fiscal transparency and government accountability were limited only to one person, i.e. the king. Great Athenian democratic state pioneered in the way to keep public treasure and fiscal transparency under a nascent democracy of people's representative regimes. Ancient China, unfortunately, had not founded similar organizations to authorize public purse or keep fiscal transparency to the people in spite of the fact that auditing theory and practice in China can be traced as long as some 3,000 years in history.<sup>4</sup>

Thus, we have inferred from above analysis that exposure information of public revenue and expenditure, i.e. holding fiscal transparency is one of the importance elements for good governance in China. Along that routemap another crucial necessary reform is the auditing system, because it is the auditing agency, rather than any other institution, which can expedite process of fiscal transparency, enforcing the auditing system will win the victory against ascending corruption in the country.

Pursuant to schedule of China's e-government framework drew by the State Council, a so called "Golden Auditing Project"<sup>5</sup> was launched and kept improving since 2000 in tandem with other parallel e-government projects covering the field of public finance, tax collection, customs duty and social security, etc. The "Golden Auditing Project" aimed to establish an auditing information system that enables the effective monitor and supervision over the government revenue and expenditure by a new online auditing model. One mighty advances promoting fiscal transparency by China National Audit Office (CNAO) is to release full text of auditing reports of central and local governments to the public via CNAO's internet website ( <http://www.audit.gov.cn> ) from the year of 2003. Before that year the CNAO only reported to the State Council and the National People's Congress, but not to the public

---

<sup>3</sup> One such example in Chinese history is in Qianlong aged, Qing dynasty 18 century. Heshen, an emperor's former bodyguard had lulled Qianlong emperor's trust, was authorized with various government affairs. Heshen availed himself of emperor's trust and lavish his arbitrary power to build up his personal fortune. The blind Qianlong emperor, although is regarded as a sage emperor in Chinese history, was let-alone Heshen's whatever behaviors. The extent of Heshen's corruption came to light immediately after Qianlong died. Rough accounting, Heshen had accumulated gold bowls, silver bullion, land, and pawnshops, the total was valued at half of what the state collected in revenues over a 20-year period. Heshen was forced to commit suicide, but the dynasty had difficulty recovering from the damage. The story had been vividly represented by a series TV drama in recent years.

<sup>4</sup> Auditing system in China has a long history. A rudimentary form of auditing emerged as early as the Western Zhou Dynasty, 3,000 years ago; a royal audit court was set up in the Song Dynasty in 992 A.D. From then on, every dynasty established specific institutions or offices in charge of monitoring state revenues and expenditures.

<sup>5</sup> According to Chinese ancient tradition, golden color is noble and auspicious that the use of the color was restricted to some kind of special occasions. Giving the name of "Golden projects" to e-government projects, indicating Chinese government has attached great importance to the projects and taken strong commitment to carry them through.

## Ling Lan

by keeping full texts of almost all audit reports as secret with only some abstract summaries be occasionally published in some occasions.

The first open budgeting audit report issued on June 25, 2003, it focused on the budgeting of 2002 fiscal year. Based on a great number of auditing data, the report was sharply critical of the improper activities of the Ministry of Finance, of state-owned banks, of large state-owned enterprises and some other ministries. For instance, the report exposed serious problems ranging from the Ministry of Finance's mishandling of pension funds to fraudulent loans granted by dozens of local branches of the China Construction Bank.

The releasing of the national auditing report through e-government project was a prelude to a significant reform toward fiscal transparency and e-democracy, just like a thunderbolt, the audit results drew wide media attentions, shook the whole nation, and consequently resulted in a so-called "Audit Storm" all over the country. According to 2003 fiscal year's audit report, financial malpractice was discovered at 41 of the 55 surveyed departments in the central government and its affiliates. The misused money amounted to 1.4 billion yuan (US\$170 million) in 2003's budget, and the situation is so serious that even emergency funds earmarked for disaster-relief programs were defaulted. During the period between 2003 and 1983, when the CNAO was established, the CNAO has examined more than 3 million institutions throughout the country, and exposed extensive misuse of public funds by some government departments, seized illegal and suspect funds worth 130 billion Yuan (US\$15.7 billion).

The "Audit Storm" was sweeping rapidly from central to provincial levels, Guangdong province, once again acted as a precursor in leading the movement of fiscal transparency.<sup>6</sup>The province had adopted a more detailed department budget report method since 2001, intending to provide delegates of local People's Congress with more concrete information for checking and ratifying. It had reported that during the latest session of local congress of Guangdong province, delegates noticed four kindergartens affiliated with government agencies, which were reserved for children of government employees, were allocated more than 20 million yuan (US\$2.41 million), thus delegates demanded an explanation as to why taxpayers' money could be used to raise civil servants' children without approval or even inform to taxpayers. Other problems detected by local audit body and delegates include the lack of a feasibility study before commencing a construction project, poor accounting, inadequate management, shortcomings in bidding process, low efficiency and legal violations and so forth.

Spurred by process of open budget and fiscal transparency, the fight against corruption has been intensified in recent years all over the country. The Supreme People' Court of China, the juridical section of the government, also has playing an active role in fighting corruption. In 2003 Chinese courts at all levels concluded investigation into 5,687,905 cases which involved a sum of 768.5 billion yuan, and

---

<sup>6</sup> Guangdong province is a place teemed with revolutionary tradition economically and politically. At dawn of last century, the revolutionary movement led by Sun Zhongshan, gained momentum and overthrew the last feudalism dynasty in the province, since then China became a republic. Beginning from 1979, foreign investment led to spectacular economic development in Guangdong province, particularly in the three Special Economic Zones regions of Shenzhen (near Hong Kong, Zhuhai (near Macao), and Shantou (near Taiwan)

six former ministerial-level officials were sentenced on charges of job-related crimes<sup>7</sup>. The penalties on them range from death sentence with a reprieve, life imprisonment, to 12 and 15 years behind bars, according to China's chief justice report.

It is a worldwide movement towards open government and fiscal transparency----an international consensus based on the facts that financial crisis bred in part due to fiscal practices that were not open to scrutiny----putting an urgent emphasis on public participation and supervision of government behavior, among which, the most crucial matter is certainly how government spend public money. The "Audit Storm" inspired by China's e-government "Golden Auditing Project", however, is only a small advance compare with many other countries' best practices, but in fact, it is already a great leap forward from a remote scratch line in China's "secret budget history", it is also a path-breaking endeavor towards e-governance and e-democracy.

### 3 Fiscal Transparency Strengthen Government Accountability

It was observed that fiscal transparency and government accountability are interdependent. There could be no government accountability without achieving fiscal transparency, neither could be fiscal transparency without government making strong commitment to mobilize citizens involving in budget process by holding public hearing, facilitating public discourse, and dispatching budget priorities according to citizen's preference of public good and service. All that activities manifests the best practices of government accountability.

Briefly speaking, government accountability can be simply understood as answerability for government performance in that, taxpayers expect and are entitled to the best possible value for their tax money, they must have assurances that the tax money they paid are being spent wisely and effectively, government in turn, should give them a satisfied answer. Besides auditing arrangement, government accountability embeds in the public finance system itself. Many disciplines and frameworks, which have hitherto been related to public expenditure management and fiscal transparency, are gradually becoming international criterions<sup>8</sup>. Among which two influencing documents are *the Manual on Fiscal Transparency* and *the Code of Good Practices on Fiscal Transparency* edited by the Fiscal affairs Department of International Monetary Fund

The Good Practices on Fiscal Transparency, according to that Manual, include the following basic principles:

- Clarity of Roles and Responsibilities.
- Public Availability of Information.
- Open Budget Preparation, Execution, and Reporting.

---

<sup>7</sup> The six former high-ranking officials were former governor of Yunnan Province Li Jiating, former vice chairman of the Shandong Provincial Committee of the Chinese People's Political Consultative Conference Pan Guangtian, former president of the Liaoning Provincial Higher People's Court Tian Fengqi, former deputy governor of Hebei Province Cong Fukui, former deputy governor of Zhejiang Province Wang Zhongli, and former governor of the China Construction Bank Wang Xuebing.

<sup>8</sup> From the mid-1990s, the IMF has been leading efforts to develop and implement Code of Good Practices on Fiscal Transparency, and the Manual on Fiscal Transparency. This was done in response to a clear consensus that good governance is of central importance to achieving macroeconomic stability and high-quality growth, and obviously that fiscal transparency is a key aspect of good governance.

Ling Lan

- Assurances of Integrity.

From the basic principles of best practice in fiscal transparency above, we can recognize that the progression the “Audit Storm” in China has been accelerated, although a significant step forward in our own country, is only a starting phase, along this roadway there are still many challenges, even barriers lies ahead. It is no use to have well designed and written auditing law and regulation that are not followed, and it is no meaning either if after audit report release to the public whereas little has done by government to address exposed malfeasance, and the base line for punishment be kept lifting higher and higher. Because it will send a wrong message to some person informing them that it is really does not matter even if someone is caught for wrongdoing. Obviously sufficient punishment should be meted out so as to stop others from doing the same thing. In China, further open budget process such as public hearing, public debate and discourse and more dynamic citizen participation still fare very poor, we should not merely applaud over the “Audit Storm” therefore, the fundamental problem we have to seriously consider for next step reform is how to put into practice some more sound and specific measures to enforce fiscal transparency and government accountability succeed the “Audit Storm”.

Premchand ( 2001 ) had interpreted government accountability to be of two kinds ----vertical accountability and horizontal accountability. The former has relevance to the pyramidal structures of governments and essentially refers to the accountability of the lower levels to the higher levels. The latter refers to the patterns of relationships between governments and the legislatures as well as to the public. Romzek and Dubnick gave a more complicated matrix in 1987 (See Figure.1), they also articulated four types of government accountability .All of their analytical frameworks are relevant to our open government and fiscal transparent discussion.

**Fig. 1. Government Accountability Framework**

		<i>Source of Expectations and/or Control</i>	
		External	Internal
<i>Degree of Autonomy</i>	Low	Hierarchical	Legal
	High	Professional	Political

Source: International Public Management Journal Vol.6, No.1, 2003,P20

In Figure.1 Romzek and Dubnick distinguished four kinds of government accountabilities: Hierarchical, Professional, Legal and Political; and measured the degree to which government agencies have a low or high autonomy, and the origin of control or expectation coming from internal or external forces. It is self-evident that Hierarchical and Professional Accountabilities are endogenous; they exhibit a gradual increase of autonomy vertically. Contrarily, Legal and Political Accountability are

extraneous, but the autonomous degree of theirs is also increase vertically. Public budget is more than simply technical tools for allocating public expenditures; it is also a social and institutional arrangement that shape public life, state institutions and promote good governance in a country. Form a theoretical perspective, we shall discuss below on how fiscal transparency will facilitate the implementation of these four kinds of government accountabilities.

Firstly, government Professional Accountability entails assigning the professional budget tasks to professional persons who are experts based on special knowledge, background, experiences or training, such as accountant, auditor, tax collector, computer engineer and programmer etc. To empower them with high degree of autonomy is equivalent to reinforcing their Professional Accountability simultaneously. Process of fiscal transparency, especially under certain comprehensive e-government project, is undoubtedly a pivot point for a great democratic undertaking that will mobilize all sorts of professionals, with each doing his best according to his abilities. Professional Accountability will be enhanced by various tasks in framework of best practices of fiscal transparency, for example, to make budget information more understandable to wider range of readers by giving non-technical explanations of term and jargon; supportive charts, graphics, sometimes a navigation etc, will summon many talent experts and strengthen their responsibility automatically.

Secondly, government Hierarchical Accountability requires a clear definition of government structure and function that is coincident with the request of clarity roles of government responsibility for fiscal transparency that require the budget document to reveal details about government units, including descriptions of their activities, performance standards and achievements. Fiscal transparency will certainly bring about a performance motivation, evaluation and supervision mechanism, both for government agencies and for civilian persons, under this reasonable and distinctive pyramid of responsibility assignment, Hierarchical Accountability within government bureaucracy will eventually be strengthened.

Thirdly, government Political Accountability refers to responsiveness to the concerns of key stakeholders, mainly supervisors, elected officials, and general citizens according to western tradition. Although in China, the system of checks and balances is not so strong and sharp-edged by nature, it is the citizens who are exclusive beneficiary of government service are beyond question. Thus budget report, as one of important policy documentations, should be prepared and presented within some long-term assumptions, comprehensive macroeconomic frameworks, and so forth. In order to respond citizen upon how enforced budget is being implemented a monthly, quarterly or at least mid-year report on budget developments should be presented to the legislature as well as to the public. Despite government Political Accountability has a relatively larger room for political manipulation, a responsible government must take crucial measure to strengthen its accountability to the public and expedite the tasks of fiscal transparency.

Fourthly, government Legal Accountability involves some strong supervision from outside, demanding government compliance with the established budget mandates, budget policy and program. Fiscal transparency can enhance government Legal Accountability by government releasing budget reports timely and actually, and confirm that public money is not allocated by a few oligarchies, but under strict monitor, being spent in a legal and efficient manner. The best practices of fiscal

Ling Lan

transparency provide many regulations, mandates and rules to intensify government Legal Accountability.

Fiscal transparency is a prerequisite for government Hierarchic, Professional Legal and Political Accountability. To be brief, if budget information were not available, the public could not have a chance to discuss it, thus not only budget policies but also national macroeconomic strategy could not be assessed and analyzed, under that situation fiscal policy could never lead to efficient resources allocation. Fiscal transparency also facilitates the identification of governmental weaknesses, promoting the adoption of needed reforms. Adherence to fiscal transparency can increase faith in governments; it can also contribute to build consensus on and commitment to social trade-offs that is an impetus to macroeconomic stability, because it prevents the build-up of a crisis in secret, introducing any smaller adjustments as soon as possible. The increased faith in and support of a transparent government can also attract international investors, which is especially important to China, since fiscal transparency and government accountability are valuable elements of healthy investment atmospheres within a country.

#### **4 Government Accountability Induce E-democracy**

Nowadays as e-democracy is in its beginning stages in China, there is much confusion about what it encompasses and how to clearly define it. Steven Clift, an acknowledged expert and leader in the worldwide e-democracy campaign, describes e-democracy as “how the Internet can be used to enhance our democratic processes and provide increased opportunities for individuals and communities to interact with government and for the government to seek input from the community” (democracy online <http://www.dowire.org>). From his statement we can get the core of e-democracy is to strengthen democracy through the use of innovative ICT to deliver improved democratic decision-making processes, to increasing citizen participation

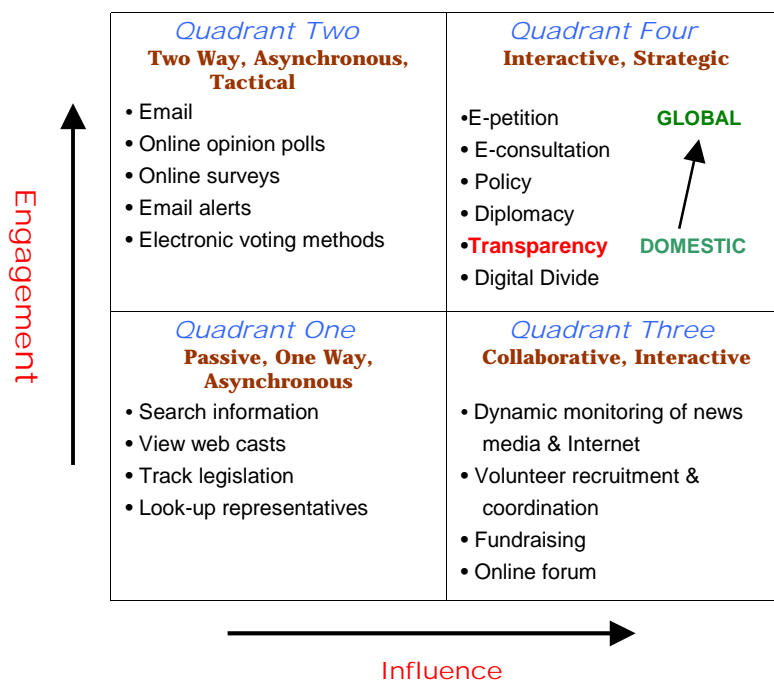
How about the evolution from e-government to e-democracy? The Institute for Electronic Government ( IEG ) has designed a four-stage model of “e-development” ( see Figure 2 ) , which mapped four progressive scenarios from an informed to an engaged citizenry. It also serves as a scorecard of digital savvy----how successfully a government entity interprets and responds to the digital world and exploits technology accordingly to advance influence. There are two axes in the Figure, one axis measures the degree of engagement, the other measures influence.

Figure 2 depicts a life cycle of e-government, from initial stage of asynchronous information dissemination to a higher level of two-way communications, then an even higher level of collaborative, interactive and transaction between government and citizens, and finally, the most advanced level of e-democracy. Some people think that now in China even e-government is still in its early phase, hence e-democracy is a more marginal occurrence. This opinion only focuses on extent of ICT use and development, but neglect the soul of e-democracy. We believe, certainly the technological limitation does not discount e-democracy’s potential, which requires us pay more attention to democratic processes and institutional innovation in our country. As we argued above, fiscal transparency ----one ingredient of advanced phase of e-democracy ( see Quadrant Four in Figure 2 ) ----will enforce government accountability, and consequently induce e-democracy. we can speed the process of



citizen engagement in policy-making and gain e-democracy by virtue of ICT and e-government infrastructure, ( Cullen and Houghton 2000 ) , we can also increase trust in government ( Heichelbech 2002 ) ,promote predictability in public service performance ( United Nations 2001 ) ,and promote credibility through better incorporation of citizen needs and access to information ( Martin and Feldman 1998;Roberts 1999 ) ,as well as encourage oversights in the fight against corruption ( Radics et al 2001 )

Fig. 2. E - Democracy Model ( IEG )



Source: E-democracy: Putting Down Global Roots Janet Caldw January, 2004,P.5

Government, a Leviathan as Thomas Hobbes's imagery, plays both positive and negative roles in society. Many research found out that government---through overbearing regulation or taxation, waste and outright corruption---could be a serious impediment to economic development. In China, for example, the cases of bribery, cronyism, embezzlement, extortion, fraud, graft, nepotism and even bureaucratic corruption are seemingly going up in recent years. Of which there are many occurred in government subsidies, public procurement, state owned enterprise and tax expenditures. Thus public financial activities if not subject to transparency and accountability, will create high stakes for political rent seeking and corruption will stifle entrepreneurship, innovation and market adjustment and fail to achieve social, environmental and economic goals. Expose public finance performance to public supervision will curb corruption in government activities.

**Ling Lan**

Based on above arguments, the following list of core measures for fiscal transparency and government accountability should be taken by Chinese government:

Continue to make an effort to construct effective and practical audit network based on e-government projects, connect audit institutions to the major audited bodies nationwide, and develop a suite of auditing application software that satisfies requirements of audit tasks. Install a group of economic and practical computer facilities and infrastructure to facilitate scrutiny and monitor work over public revenue and expenditure; Meanwhile, construct a group of databases (working platforms) to support audit assignments and provide general public with annual national audit report on budget as well as other audit report on a regular basis, create a transparent environment for effective public decision-making.

Continue to promote the reform of budget process, ensure that government budget may function as a policy document, financial plan, operational guide and a communication device. Take initiative in public hearing, public participating, budget debate and other budget discourse activities. Cast away the old tradition of “budget secrecy” by inviting citizen participation. Government should reveal financial and economic information on regular basis. Budget report should be comprehensive, including all quasi-fiscal activities, financial and non-financial assets held by government, contingent and future liabilities, and tax expenditures. In order to facilitate ordinary people understand budget terms and programs, a “citizen’s budget” should be provided for the help of a wider audience.

Continue to deepen public participation in democracy by strengthening the connection between citizens and delegate of National People’s Congress, citizens and government agencies as well as groups of citizens in civil society, highlights the importance of ensuring the integration of online and traditional methods for citizen engagement in policy-making, open up new channels for democratic communication to encourage involvement by people who in the past may have felt excluded from the democratic process or unable to participate. Use the Internet and other ICT tools; to encourage citizens’ engagement in e-discussion, e voting, e-consultation, e-petition e-scrutiny and many other e-activities within more comprehensive e-government framework. People, who for various reasons had not use traditional democratic forums and channels, should be empowered to use new technologies to make their voices be heard.

Continue to experiment with performance-targeted or result-oriented management reform in government organization and public sectors, especially “performance-based budgeting”, linking fiscal expenditure allocations to clarifying and measurable performance targets in government agencies. For the sake of government transparency and accountability, it is necessary to develop ICT software for analyzing public input providing feedback from citizens on how their comments and suggestions have been used in reaching to decisions on budget expenditure and revenue. In order to build a transparent and accountable culture in government institutions, reform designer should focus on such matters as “mainstream” performance budgets by linking allocations to results requirements; develop performance criteria to ensure the relevance readability and realism; clarify accountability relationships by creating results oriented “bottom-lines”; and make accountability relationships enforceable by creating appropriate institutions.

## 5 Conclusions and Future Challenges

Just the same as “every roads lead to Rome”, there are also many approaches leading to e-democracy. However, one of the best approaches for China, a country with centuries long history of “fiscal secrecy”, to choose is to open up its budget process, so as to install effective mechanism of good governance in the body of government. The importance of e-transparency in all phases of e-government in general and the fiscal transparency in particular, highlight the urgency of China's budgetary reform. Following the Code of Good Practices on Fiscal Transparency of IMF, China should strive hard to reach this destination.

In light of this statement, China should be prepared to facing barriers and challenges ahead; some crucial gist should be emphasized:

- **Government commitment:** Chinese government must determine its mind to carry the political reform through, changing governmental structure and function according to the requirement of e-government and e-democracy; this commitment must be enforced stronger and stronger.
- **Strengthen legal framework:** Transparent and responsible fiscal management need a legal environment; government should promulgate series of new legislation that promote policy transparency and government accountability
- **Strengthen institutional framework:** The unprecedented degree of interactivity offered by rapid ICT development raises the prerequisite to expand the scope, breadth and depth of government institutional framework concerning some technical, political and governing implications.
- **Eliminate corruption:** Fiscal transparency is to expose government to the monitor of its citizens. In order to get rid of the “social cancer”, government must implement strict self-discipline; penalize any corrupt behavior and activity within government bureaucracy.
- **Moral integrity:** Integrity is the quality being honest and firm to moral principles and all just causes, a country's moral integrity is a political and administrative system that encourages social equity and justice. Being honest, particularly make sure that all government agencies and public sectors being honest, practical and realistic is the key point to cultivate and keep moral integrity in the whole nation.
- **Awareness of citizen:** It is the Chinese citizens who will benefit from the reform of open budget and transparent public policy; government should make great efforts to raise awareness of the citizens, to empower them the capacity, with the edge tool and new channels offered by ICT, to participate the new opportunities of policy-making in e-governance.
- **Technological supporting:** China is a country with sharp developing discrepancy, therefore, offering citizens, especially those living in remote regions with technological supporting for digital engagement in e-government and e-democracy is primarily important, before that step it is urgently necessary to wipe out illiteracy in all rural areas.

Ling Lan

## References

1. Andrew Chadwick: E-Government and E-Democracy: A Case For Convergence. Paper for presentation to the panel: Public Policy in the E-Government Era (II) Political Studies Association Annual Conference (2003)
2. China Daily: Audit storm' stirs furore in media.5, July 2004
3. Democracies Online: <http://www.mail-archive.com/do-wire@tc.umn.edu/>
4. E-Government project, U.S. Senate: [http://www.senate.gov/~gov\\_affairs/egov/](http://www.senate.gov/~gov_affairs/egov/)
5. IMF: Code of Good Practices on Fiscal Transparency: Declaration on Principle (1998) and Manual on Fiscal Transparency (2001) <http://www.imf.org>
6. James E. Alt et al: Fiscal Transparency and fiscal policy Outcomes in OECD Countries, presentation at the EPRU-Network conference on Danish and International Economic Policy. University of Copenhagen (2002)
7. Janet Caldwell: E-Democracy: Putting Down Global Roots. Institute for Electronic Government, IBM (2004)
8. Kurt Thurmaier: The Role of Budget reform in the Accountability of Polish and Ukrainian Local Governments. International Public Management journal, Vol.6 No.1 (2003)
9. Ling lan: E-government: A Catalyst to Good Governance In China. Maria Wimmer (eds.): Proceedings of KMGov04.Springer-Verlag Berlin Heidelberg (2004)
10. Meng Xi: Goals set to improve auditing system. China Daily, 10,July 2004
11. OECD: Engaging Citizens Online for Better Policy-making. Policy Brief March (2003)
12. Paul Waller et al: E-Government in the service of Democracy. ICA Information, No.74. General Issue (2001)
13. Premchand: Fiscal Transparency and Accountability: Idea and Reality. Paper prepared for the workshop on Financial Management and Accountability. Rome Nov 28-30 (2001)
14. Putnam, Robert D: Making Democracy Work. Princeton University Press, Princeton. USA. (1993)
15. Roumeen Islam: Do More Transparent Governments Govern Better? World Bank Policy Research Working Paper 3077(2003)
16. Steven Clift: (1) Enhancing E-Democracy in Our Communities (2) Top Ten E-Democracy "To Do List" for Governments Around the World (3) A to Z for E-Government and Democracy. Democracies Online Newswire (2002) <http://www.e-democracy.org/do>
17. The E-Democracy E-Book: <http://www.publicus.net>,
- 18.The International Institute for Democracy and Electoral Assistance: <http://www.idea.int/index.htm>
- 19.Thoma.B Riley et al: E-government to E-democracy: Examining the Evolution Commonwealth Center for E-Governance. <http://www.electronicgov.net> (2003)
- 20.Thomas B.Riley. et al: E-government vs. E-democracy: Examining the Differences in a Changing Public Sector Climate. Commonwealth Center for E-Governance. <http://www.electronicgov.net> (2003)
- 21.United Nations: Transparency and Accountability in government Finance management ST/ESA/PAD/SER.E/14(1999.)
22. United Nations: World Public Sector Report2003: E-government at the crossroads (2003)
23. Xinhua News Agency: China to audit more State-funded institutions. July 7, 2004.
24. Xinhua News Agency: Six Ministerial Officials Punished for Corruption in 2003. March 10, 2004
25. Zhou Deming: China's golden Auditing Project. <http://www.audit.gov.cn> (2003)