

# CHINESE GOVERNMENT BUDGETARY SUPERVISION OF NATIONAL PEOPLE'S CONGRESS

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## **Abstract**

*The government budget is a reflection of public fiduciary liability. The arrangement of the budget system should render people enough capacity to supervise the government. In China, according to the Constitution and the budget law, as the people's representative organization, National People's Congress performs the duty of government budgetary supervision. Due to the lack of the People's Congress authority, imperfection of relevant laws and regulations system, budget management still has many defects. On August 31, 2014, the revised budget law namely new budget law is approved, the new budget law make major breakthroughs in expanding the supervision scope and perfecting budget supervision content, setting up National People's Congress accountability system of the government budget behavior; refining draft budget which is submitted to the National People's Congress, government budget principle and so on, which greatly improves the efficiency of the supervision of the National People's Congress for the government budget. Finally, according to the exiting problems of government budgetary supervision system of National People's Congress, the thesis put forward prospects and suggestions for further improving supervision of National People's Congress.*

**Key words:** Chinese government Budgetary supervision National People's Congress

## **Overview of Chinese government budgets and National People's Congress**

The government budget, according to the principle of one level government setting up one level budget, is composed of five level budget: the central budget, provincial budget or budget of autonomous region or municipality directly under the central government, budget of city /autonomous prefectures which is divided into districts, budget of counties/autonomous counties/ cities which is not divided into districts/municipal districts, budget of townships/ towns. One level budget is the summary of corresponding level government budget and the budgets of the next level. Drawing up the central and local budgets at various levels is according to the dual budget principle, setting up 4 level budget items as "article" "paragraph" "subparagraph" "item" .China adopts the historical budget year, i.e. from January 1 to December 31.

According to "The constitution of the People's Republic of China", National People's Congress of the People's Republic of China is the highest organ of state power, exercising the state legislative power of the National People's Congress.

The representatives of National People's Congress are elected from provinces, autonomous regions and municipalities directly under the central government, special administrative region and the PLA. National People's Congress consists of many specialized committee, including financial economic committee and budget committee.

The representatives of National People's Congress are elected for a term of five years, and the annual meeting is held in every March in the first quarter. National People's Congress has the authority of reviewing and approving of the national budget or budget implementation and repealing inappropriate budget decision.

### **The theory origin of government budgetary supervision of National People's Congress**

The government budget is a reflection of public fiduciary liability, the aim of the government budget is in order to better meet the needs of the social public. Good government budget system should be based on the premise of fair, open, transparent, facilitating social members' expression of the demands on the public resource allocation. The government budget procedure should be the process of joint decision of public service supply side and demand side. The government budget should be open to citizens, the arrangement of the budget system should make the people to supervise the government and know clearly about whether the budget process enhances the public interest.

In the modern civil society, state power authority namely Representative Institution represent civil to express the public pursuit of resource allocation, involve in the government budgetary process, supervise the government budget. In essence, government budget system is to determine the allocation of state financial power between the power authority, administrative organs and their respective internal system, and the budget formulation process is actually a process of political decisions. Fiscal budgets power generally can be divided into the preparation power, approval power, executive power and supervision power. An administrative organ has preparation power and executive power, legislative authority has approval power and supervision. Legislative authority's control of the government budget lies in the correction of budget bill, passing or vetoing the budget resolution, sanctioning funding or tax bill.

The Legislative authority's supervision of the government budget needs to be justified and programmed by passing a law. As a law which standardizes the government budgetary behavior, budget law is made under this background. The ultimate goal of Budget law is to constrain excessive concentration of government power, prevent the abuse of power and realize the people's oversight to government. The liability of budget law, therefore, is not just standardizing government internal budgetary revenues and expenditures, but also a legislative basis for supervising government.

### **Existing problems of supervision of National People's Congress under the framework of 1995 budget law**

1982 constitution and 1995 budget law of the People's Republic of China rule that, review and approval of national budget and budget execution is one of the important functions and powers of National People's Congress, and stipulates that the state budget adjustment of scheme in the process of execution will be examined and approved by National People's Congress. In essence, the final decision and supervision power of national budget lies in the National People's Congress, the allocation of budget power basically coincides with the requirement of public financial system.

Although the implementation of 1995 budget law promotes the reasonable allocation of financial resources, Due to the lack of the People's Congress authority, imperfection of relevant laws and regulations system, budget management still has many defects. From multiple perspectives, government budgetary supervision system of National People's Congress is not perfect, this is mainly embodied in following aspects:

- National People's Congress authority is not enough, the government budgetary supervision and become a mere formality. The Constitution makes only principled provision for People's Congress approval and supervision power of the budget, and for the scope, procedures, personnel agencies of supervision, Constitution lacks meticulous and complete rules. What is narrated above results in difficulty of National People's Congress supervision, serious formalism problems of budgetary approval, lack of the supervision of the budgeting process, barely substantial contents for examination and approval of the budget.
- Insufficient budget information disclosure leads to difficulty of National People's Congress undertaking public fiduciary responsibility, forming effective supervision on government budget behavior. Annual government budget submitted to the National People's Congress did not reflect refined principle of budget, budget is listed just according to the categories, not "article" "paragraph" "subparagraph" "item", and no specific information about spending department. Budget information is obscure, non-public , which greatly weakens the supervision function of National People's Congress.
- Lack of National People's Congress examination and evaluation on the government budget implementation process and results, results in the soft budget constraint phenomenon. Although article 9 of the budget law stipulated that, the budget approved by the people's congresses of corresponding levels, shall not change without going through legal procedure", the approved can be changed in the process of execution in case of special circumstances. But the special circumstances aren't specified by law explicitly, and the budget adjustment condition is vague. In this case part of government or government agencies make use of legal defect, frequently change budget, thus leading to the fall of legal authority of National People's Congress.
- National People's Congress supervision is not very professional. National People's Congress review authority is incomplete, professional quality of review staff is not very high. National People's Congress only has one budget committee and lack supervision institutions which can review every link of budget. Budget committee members are not professional finance experts, leading to low efficiency of supervision.
- National People's Congress supervision procedure is unreasonable, and budget approval time can't meet the needs of the review. Every year National People's Congress exam and approve the government budget in March, which means the government budget activities at the beginning of every year do not have legal effect. According to regulations, government should submit budget to National People's Congress one month before the congress meeting be held, but in many cases, government submit budget only more than a week in advance. National People's Congress at all levels need to complete the formal work of reviewing budget and other various examination and approval work in 10 days. Due to tight time and heavy task, budget examination and approval work will become a mere formality.

**Progress of revised budget law in improving the People's Congress supervision**

On August 31, 2014, revised budget law namely new budget law which was widely expected was passed by the standing committee of the National People's Congress. The new budget law made breakthrough in regulating the government budgetary behavior, especially in strengthening National People's Congress to supervise the government budget.

The new budget law strengthens the supervision system of National People's Congress in the following aspects:

- Expand and perfect the scope and content of budget supervision. Article 48 of new budget law specified in the process of draft budget approval, the National People's Congress must review eight aspects of government budget; Article 79 stipulates clearly that in the government final review process, the National People's Congress must review 12 aspects, including the budget implementation bill which National People's Congress at the corresponding level approve; Article 85 and 84 specified the process and method of investigation, interrogation and inquiry on budget by National People's Congress, "the National People's Congress at all levels and the standing committee of National People's Congress at or above the county level shall have the right to investigate the major matters and specific issues in the budget and actual budget. In the survey, relevant government department, unit or individual shall truthfully report the situation and provide the necessary material". In aspect of budget supervision scope, according to the new budget law, National People's Congress is not only to supervise legal compliance and the rationality of government budget, but also to supervise effectiveness of budget and legitimacy of the government debt. Article 79 regulated that when National People's Congress reviewed final accounts, it is imperative to review "implementation of spending policy, expenditure and performance of fundamental spending or major investment projects".
- Build accountability system of National People's Congress on government budget behavior. As prescribed in article 92 of the new budget law, establishing budget draft, approving the budget and adjusting the budget not abide by legal procedure, not making budget public, setting up the government funds or using reserve funds and opening fiscal revenue out of line, is illegal. National People's Congress shall investigate relevant principal for administrative and criminal responsibility.
- Refine the draft budget which is submitted to National People's Congress. In article 46 of new budget law stipulated that, the draft budget submitted to People's Congress at various levels for examining and approving shall be in detail. General public budget classified according to its function shall be listed in "item", while basic expenditure classified according to its economic nature shall be listed in "section". Elaboration of the submitted draft budget makes budget approval no longer a "Number game", and reviewing and questioning of National People's Congress on government budget is no longer groundless and unjustified now.
- Grant higher budgetary legislative authority to National People's Congress. In the government budget power system, National People's Congress holds the legislative power of the budget, but the local People's Congresses legislative power is much smaller. In order to make budget legislation fit the local financial characteristic and better serve the local economic development, as prescribed in article 100 of the new budget law, "People's Congress or its standing committee of provinces, autonomous regions and municipalities, in accordance with this law, can formulate relevant budget review decision or local rules and regulations".

- Strengthen the decisive position of National People's Congress in the government budget activities. The new budget law stipulated in article 13, "the budget approved by People's Congress, shall not be adjusted without going through legal procedure ". Article 21 stipulated that People's Congress at all levels are responsible for reviewing the budget adjustment plans of all levels, and People's Congress can make the cancel inappropriate resolutions made by government at the corresponding level on budget and final accounts.
- Advance the time when budget is submitted for reviewing. New budget law stipulated in article 44, the financial department of the State Council shall submit central government draft budget to the finance and economic committee of National People's Congress 45 days before the annual meeting of the National People's Congress, the local budgets at various levels should be submitted 30 days before local People's Congress meeting. Local government of district level or below should listen to the voters and the social bracket from all levels before submitting the draft budget to representative of People's Congress at the corresponding level.
- New budget law highlighting the principles of government budget in several aspects also laid a solid foundation for strengthening supervision of National People's Congress. First is integrity principle of budget. New budget law stipulated in article 5, "the government budget is comprised of the general public budget, the government fund budget, the state-owned capital management budget and social insurance fund budget, and each of them maintain integrity and independence respectively". Obviously, new budget, with all government activities included, provides the necessary and sufficient conditions for National People's Congress to oversee the government activity. Second is the openness principle of budget. New budget law stipulated in article 14, "budget, budget adjustment, implementation of budget and final accounts, reports and statements, shall be public within 20 days after approval." Openness of budget information provides a reliable basis for National People's Congress supervising government budget, and reflects the principle that government budgets are subject to supervision of the taxpayer and responsible for the taxpayer. Third is the performance principle of budget. As stipulated in article 32, "budget at various levels shall be drawn up according to the annual target of economic and social development, national macroeconomic regulation and control , overall requirements of cross-year budget, budget implementation in previous year, the performance appraisal of expenditure, the opinions from social bracket from all levels through specified procedures ", departments and units budgeting should according to "budget performance objectives management ", establish the performance objectives management and the responsibility of the application of the performance evaluation results. The performance principle which new budget law strengthened has positive significance in enhancing supervision effect of National People's Congress.

### **Outlook of further strengthening supervision of National People's Congress on government budget**

To a great extent, the practice of the new budget law promoted the standardization and efficiency of the government budget. It also strengthened and improved supervision of People's Congress. However, under this background, government budget system and supervision of National People's Congress still exists many omissions. To further strengthen the government budget supervision of National People's Congress, something needs to be improved in the following direction:

- Eliminate deviation between budget year and review time. In the new budget law, budget year is still from January 1 to December 31. Considering that National People's Congress examine and approve government budget in March, the government budget activity at the beginning of every year does not have legal effectiveness, and budget approval time is nervous. In order to realize that the draft budget is examined and approved before implementation, it is recommended that new budget year starts from April 1 and ends at March 31 next year. The draft budget should be submitted to representatives of National People's Congress before the meeting, giving enough time for consideration of National People's Congress.

- Specify that National People's Congress shall enjoy the changing right of budget. New budget law regulated that administrative department prepare budget and National People's Congress exam and approve budget. From the practice of budget examination and approval, the approval authority of National People's Congress only lies in approving or rejecting the government budget, but the approval authority does not include the right of changing budget.

When parts of the government budget include a few unreasonable budget project arrangement, if National People's Congress approve the budget ,it damage the social and public interests, and if National People's Congress veto the entire budget just because there are a few the unreasonable place, social cost is also very big. In this dilemma situation, National People's Congress probably approves the budget, leading to failure of National People's Congress supervision. To solve this contradiction, we should change the way of examination and approval —"yes or no". If National People's Congress has power of budget adjustment between each subject or project, government budget will be better supervised.

- Budget of the specific project should be public, and budget separate approval system should be established. Article 46 of new budget law stipulated that draft budget in functional classification shall be listed in the "item", in economic nature classification shall be listed in the "paragraph". In the future budget practice, the government budget, especially the project budget must be listed to specific budget items .Only by doing this, budget has practical significance. When budget is specified to the concrete project, the way of the budget examination and approval should not be comprehensive, but be separate. Doing like this would eliminate the concerns of damage caused by People's Congress vetoing the draft budget due to a few unreasonable part of the project budget. Separate approval also will strengthen budgetary responsibility consciousness of project principal, which improves the efficiency of budgeting.

- Specify legal consequences of budget vetoing. The new budget law does not stipulated the legal consequences of rejecting budget, weakening the budget examination and approval authority of National People's Congress and reducing constraints on budget greatly. Rejected budget should not be executed, and government department should put forward new budget solutions to submit to National People's Congress after the proposal was voted down. Before the new budget is approved, the government financial activities should refer to last year's implementation, but the projects which have been proceeding should no longer be funded.

- Identify budget committee of National People's Congress as special budget reviewing censors. Improve professional quality of committee staff and equip the committee with corresponding financial experts. The new budget law does not make clear which institutions should review of government budget during the meeting of People's Congress. There are six main agendas during the meeting of National People's Congress, so there is very little time for budget reviewing. Moreover, the professionalism of representatives of National People's Congress is hard to competent for complex and detailed budget reviewing work. Budget committee of National People's Congress is in the closest relationship with the budget supervision and reviewing, and their main responsibility is to assist the financial committee to exercise the budget supervision. However, their legal status is unclear, and the local People's Congress budget committee is vacant. Therefore, the budget committee should be identified as full-time budget supervision department, which can supervise government budget constantly and previously.
- Strengthening rewards and punishment system of combining National People's Congress evaluation of budget performance and budget arrangement next year. New budget law stipulated that budget at various levels shall refer to budget implementation in previous year and the performance appraisal of expenditure. To better motivate government to efficiently allocate and use fiscal funds, during the meeting of National People's Congress next year, through the allocation of budget adjustment, units or departments which draw up budget scientifically, implement budget strictly and high efficiently last year should be given more budget funds, while units or departments which are not should be given less budget funds.

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