

## Treasury System as the Rod of the Budget Execution System: Structure and Functional Features

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**Abstract:** Organization and features of the activities of the treasury bodies as the core of the budget execution system is discussed in the article. The main functions of treasuries in some leading countries of the world are revealed. Structure and functional features of the treasury bodies are considered on the example of France, Great Britain and Italy.

**Keywords:** state regulation, financial and monetary regulation, treasury, treasury system, treasury budget execution, budget, budget execution, budget process, State budget execution system, cash execution of the state budget.

### Introduction.

Modern development trends that are typical for the states of the world in general and for each country in particular, as well as for the world economy and the national economies of individual states, determine the objective challenges that each state and its economy faces, challenges that need to be countered by appropriate effective solutions. The most significant challenges are price instability on world markets, restrictions imposed on individual countries or their associations.

Countering current external challenges should be a set of measures in various fields, the purpose of which is to reduce the volume of possible losses, reduce the degree of negative impact on various components of socio-economic relations, etc. In addition to external challenges, every state in the world faces internal problems, some of which are typical for almost any country (for example, unemployment, inflation, etc.), and some reflect the specific features of the state.

Competent management in order to reduce the consequences of internal problems and prevent their negative impact on the situation in the country should be recognized as no less important component in the activities of government bodies than work on external problems. This is due to the fact that internal problems are no less, and in some cases even more noticeable for the population and subjects of the country's economy, than external ones.

Thus, it is certainly obvious that state regulation is an important component to ensure the effective functioning of any state. Today, state regulation is applied to almost all existing issues, areas and processes (to varying degrees), and also involves the use of a wide range of tools. The most important

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object of state regulation is the country's economy, and the backbone blocks of regulation are financial and monetary regulation.

One of the key components of an effective policy in the field of financial management of a particular country is the activities of the treasury, aimed at increasing the efficiency of budget expenditures, creating a single information space for the financial activities of entities, cash services for organizations in the public administration sector, improving the system of budget payments, and increasing the efficiency of financial resource management.

**Literature review.**

Each country of the world develops and implements measures within the framework of financial and monetary regulation of the economy.

From an economic point of view, budget execution is a global financial and economic phenomenon that covers the activities of executive authorities and local governments in the framework of the implementation of the law (decision) on the budget, as well as the process of compiling and approving financial accounting statements on budget execution.

Analyzing the interpretations of the term "budget execution" given in scientific developments, taking into account its main elements (including content characteristics), it is possible to formulate a specific definition and designate budget execution as a stage of the budget process, which is a set of monetary and information relations between its subjects, in within the framework of which replenishment of the revenue side of the relevant budget and financial support for expenditures are carried out within the limits of specific budget allocations provided for in the relevant financial year.

This definition, as it seems to us in essence, is the most optimal and meaningful. Within the framework of budget execution, within the limits of the powers established by law, financial bodies, monetary authorities, state (municipal) financial control bodies carry out their activities. In this context, in almost every country there is an institutional structure that acts as the “backbone” of the budget execution system, which is entrusted with the responsibility for performing the main tasks within this stage of the budget process.

The “core” of the budget execution system can be either the Central Bank with the involvement of commercial banks (banking system), or a separate specialized state body (treasury system), as well as the cooperation of the organizations listed above in ensuring the functioning of the budget execution system (mixed system) .

In this regard, in Uzbekistan, the main tasks and functions of the Treasury are determined by the Order of the Ministry of Finance of the Republic of Uzbekistan dated December 22, 2016, “On approval of the rules for the treasury execution of budgets of the budget system of the Republic of Uzbekistan”<sup>1</sup>. Also, this normative act defines the basic principles of the treasury execution of the State budget: the unity of the cash desk and the unity of the organization of accounting and reporting.

The Treasury and its territorial subdivisions constitute a single centralized system and operate on the basis of subordination and accountability of lower-level chiefs to superior ones. Treasury departments make payments at the request of budgetary organizations and recipients of budgetary funds if they have budgetary allocations, legal and financial obligations, as well as within the limits of the balances of extrabudgetary funds of budgetary organizations [1].

<sup>1</sup> <https://lex.uz/docs/3081020>.

The structure and functional features of the treasury bodies have changed in the process of evolutionary development, due to the influence of changes in the system of public authorities and the socio-economic situation in the country.

In this context, the study of the functioning of the treasury in foreign countries shows that they do not have a single methodology for treasury budget execution.

The functioning of public finance is provided by the treasury bodies in modern developed countries, which put into practice the treasury model of budget execution. In this regard, "... the essence of the treasury system of budget execution lies in the fact that special bodies of the Ministry of Finance (Treasury) are entrusted with organizing the execution of budgets, managing their accounts and budget funds, and these bodies themselves act as a cashier for all managers and recipients of budget funds and carry out payments on behalf of and on behalf of budgetary institutions" [2].

Noteworthy is the interpretation in which treasury budget execution is understood as "the organization of budget execution regulated by the norms of budget legislation through the implementation by a special executive body - the treasury - of managing budget funds in the current financial period through a cash flow accounting system on a single account, a system of control over bringing budget allocations to budget recipients and spending budget funds" [3].

The main functions assigned to the treasury bodies include:

- budget planning and forecasting;
- execution of budgets for income and expenses;
- management of a single budget account;
- implementation of state financial control.

Depending on the role played by the treasury authorities of different countries in the budget process, their legal status, the following models of treasury budget execution are distinguished [4]:

- ✓ passive, if the treasury limits its own activities by simply allocating resources to budgetary institutions according to approved budgets (for example, treasury authorities in Canada, Italy, Germany);
- ✓ active, when the treasury, in addition to simply allocating resources, can set limits on obligations and on the payment of expenses (for example, the Treasury Secretariat of Brazil, the Treasury Department of the Australian Department of Finance and Administration, the General Directorate of Public Finance of the French Ministry of Budget, Public Accounts and Civil Service);
- ✓ hyperactive, if the treasury authorities are empowered to allow certain expenditure transactions based on pre-established criteria (US Department of the Treasury (Treasury) in the United States, Her Majesty's Treasury in the UK).

Similar in essence is the division of treasury budget execution systems:

- ✓ to centralized (in this case, the treasury authorities carry out all operations with budgetary funds and bear the main burden of exercising control over the payments made. This system of budget execution minimizes possible violations in the process of spending budgetary funds and ensures a high degree of legality in this area, and at the same time significantly increases the costs (time, human and material resources) for operations);
- ✓ decentralized (in this case, with such a treasury system, a significant part of the payment powers is handed over to budgetary institutions, while the treasury bodies are engaged in ensuring the

functioning of the payment system, automatically executing payment orders of budgetary institutions that comply with the established restrictions) [5].

**Main part.** We will consider the features of the functioning of the treasury in some developed foreign countries.

The French state budget should be considered the main link in the financial system, since it accounts for 50% of all financial resources of the state. By and large, the state budget is not approved by the legislature.

There are 4 stages of the budget process, which last for three years.

At the first stage, the draft budget is drawn up under the control of the Ministry of Economy and Finance. Each ministry and department draws up its own estimate for 9 months.

The second stage is the consideration and approval of the budget. The financial commission of each chamber considers the draft budget. First, it is discussed in the lower house, and after that it is transferred to the upper house. After the deliberations of the chambers, in the event that the draft budget is not approved, the President may declare the draft law as his charter.

The execution of the budget occurs at the third stage. Through an extensive network of financial agents, the revenue part is executed.

At the end of the fourth stage. It is carried out after the end of the budget year.

Of course, in the course of the budget process, financial control is carried out by a special body of state control, in France this is the Accounts Chamber.

The main goal of the reform is the transition from traditional budgetary financing of state institutions to performance-based financing. As a result of the reform, the state budget should become a document that will be accessible to the people. This will make it possible to clearly determine the amount of funds allocated by the state for various areas of its activity. The Ministry of Finance, Economy and Industry plays a major role in the implementation of the reform.

There is no unity of the budget system in France. Therefore, the budget is formally separated. In reality, there is a well-known centralization: the budgets of lower administrative units are approved by the executive power of a higher level.

France has implemented a two-tier model of treasury budget execution with a clear distribution of functions and powers:

- ✓ divisions of the State Treasury (both in the apparatus of the Ministry of Budget, Public Accounts and Civil Service of France, and in the territories);
- ✓ Agence France Trezor, organized as a separate department of the Ministry and subordinate directly to the Minister.

The State Treasury of France is headed by the Director General, who is subordinate to the general treasurers of the regions, who at the same time, as a rule, head the territorial divisions of the treasury. In the process of reorganization by merging with the General Directorate of Taxation, the French State Treasury also performs functions in the field of taxation:

- ✓ develops legislative and regulatory acts on taxes and transactions with real estate, calculates the taxable base and controls tax returns;
- ✓ collects tax and other payments;

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- ✓ carries out expenses and keeps records of transactions with the finances of the state, local authorities and state institutions;
- ✓ manages state property and offers expert services on economic issues.

The vertically integrated network of the State Treasury of France, within the framework of the principle of unity of the cash desk, consolidates all funds from the budgets of the state and its administrative-territorial units, state-owned enterprises, as well as funds for accounting for extrabudgetary activities on a single income-expenditure treasury account, which reflects all the movements of the state's funds and its correspondents.

Directly at the Bank of France, one central treasury account was opened and in its territorial divisions with a mandatory daily balancing regime independently carried out by the Bank [6].

**The UK Treasury** is responsible for the formation and execution of the state budget, and also occupies an important place in the implementation of all financial and economic policies of the government. The UK Treasury is led by the Chancellor of the Exchequer, the Board of the Treasury and the Permanent Secretary.

The solution of the main tasks of the UK Treasury is provided by (Fig.):

Department of Budget and Public Finance (development of state policy and legal regulation in the public sector, development of an effective taxation system);

Financial Management Department (development and implementation of concepts for improving public finance management, formation of financial statements);

Department of Financial Regulation and Industry (creating conditions that stimulate economic growth, developing the financial market and increasing the availability of financial services for the financial community and the economy);

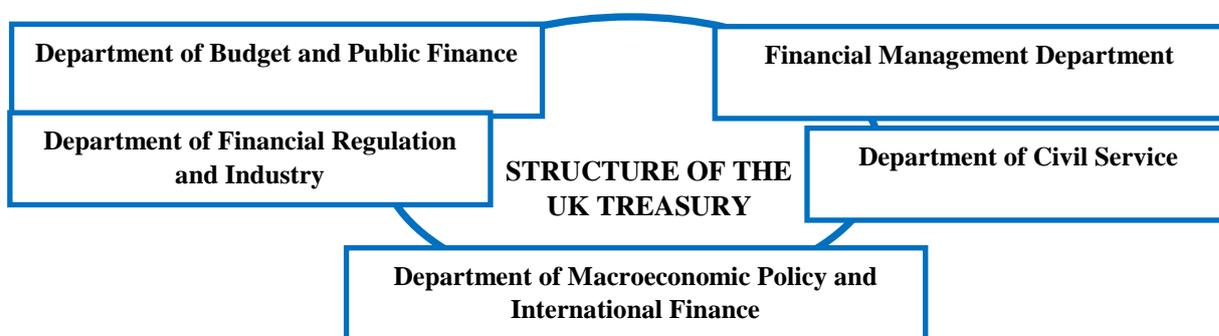


Figure. Structure of UK Treasury Departments <sup>2</sup>

Department of macroeconomic policy and international finance (development of the main directions of state policy, the purpose of which is to reduce unemployment and inflation, ensure stable economic growth);

Department of Civil Service (development of a policy in the field of improving the quality and efficiency of the provision of public services.

Cash execution of the state budget is carried out through the account of the Consolidated Fund and the account of the National Loan Fund. Funds from the account of the Consolidated Fund can be allocated

<sup>2</sup>This structure was compiled by the authors.

only with the permission of Parliament and under the control of a special official of the House of Commons - the Comptroller and the Auditor General.

The main revenues to the account of the Consolidated Fund are taxes, which account for about 95% of this part of the budget. The expenses of the Consolidated Fund include two main groups: expenses annually approved by the Parliament (expenses for defense, industry, agriculture, social and cultural sphere) and conditionally fixed expenses not considered by the Parliament (costs for servicing the public debt).

The income part of the National Loan Fund account is created from payments received from public corporations and local authorities for long-term loans granted to them by the UK Treasury, profits from the issuing department of the Bank of England, funds transferred from the account of the Consolidated Fund for servicing public debt, income from the placement of temporarily free cash balances.

The expenses of the National Loan Fund are used to service and repay the public debt, long-term loans for capital investments for state corporations and local authorities [7].

Among the main powers of the UK Treasury, which are of considerable interest for analysis, one can single out forecasting the state of public finances in general and, in particular, forecasting budget execution. The Treasury on a permanent basis receives information from ministries and departments on the amount of state budget funds planned for spending the next month, with details on spending areas. At the same time, departments indicate the source of funding (for example, the Consolidated Fund), the type of expenditure (for example, cash) and the method of payment (for example, non-cash). Major agencies are also required to provide information on planned transactions through an automated payment system.

Analysis of relevant information received from ministries and departments and from electronic settlement systems allows us to assess the state of stability and rationality in the formation and use of public finances and to identify possible deviations from the forecast as quickly as possible, which in turn leads to the adoption of the necessary corrective decisions on the structure of budget execution.

**In Italy**, the organization and execution of the budget is carried out by the Ministry of Economy and Finance, which includes the following structural units: Department of the Treasury, Department of Tax Policy, General Directorate of Accounting. The Department of Tax Policy develops and implements the main directions of state policy in the field of budget revenues. In its structure, the General Accounting Department has not only functional specialized and sectoral divisions - inspectorates, but also territorial bodies in each of the ministries, as well as in all regions of the country to organize cash services for the execution of budgets of the central Government on the basis of control principles of limitation and authorization.

The budgetary account of the central Government, functioning in the mode of the single treasury account - TSA, as well as the budgetary accounts of regions, provinces and communes are to be opened exclusively in the divisions of the Bank of Italy and are maintained by it on a partially reimbursable basis. At the same time, the Bank of Italy pays interest in the amount of 1% to the volume of the actual availability of funds on the TSA, carrying out all operations within its credit balance at the end of each operating day.

The parameters that are the basis for mutual settlements between the Government and the Bank of Italy are established on the basis of non-market principles and are annually regulated by the relevant bilateral agreements [8].

At the same time, it should be noted that temporarily free liquid funds of the budget are not placed on financial markets and are used to reduce the size of government debt and the budget deficit.

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Thus, in the structure of the central executive authorities of Italy there is no agency that has functions similar to those of the Treasury of Uzbekistan at the stage of budget execution. The implementation of the functions carried out by the Treasury of Uzbekistan in Italy is entrusted to several departments and organizations: the Ministry of Economy and Finance, the Central Bank, authorized commercial banks, the state company Equitalia.

During the years of independence in Uzbekistan, large-scale work has been carried out to introduce new mechanisms and methods for executing the State budget, managing budget funds and ensuring their intended use. Thus, the system of execution of the State budget in Uzbekistan has been transferred to the Treasury system, which takes into account the best practices of the financial systems of a number of developed countries and their principles, and fully meets international standards.

**Conclusion.** Summing up the above, it should be noted that the introduction of successful methods and technologies of the work of the treasury bodies of foreign countries in the field of payment transactions, the functioning of a single treasury account, the management of cash flows in treasury accounts contributes to the improvement of the work of treasury bodies in Uzbekistan and is an integral element of increasing the efficiency of spending budget funds. funds and optimization of public finance management at all levels of the country's budget system as a whole.

The modern treasury system of Uzbekistan is a system of control over the direction and use of budgetary funds, which has no analogues in world practice and represents a "hybrid" of various treasury systems, which allows accounting for budget execution, leading to strengthening payment and financial discipline and reducing the possibility of inefficient use of budgetary funds .

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