

THE TREASURY OPERATING MECHANISM IN ROMANIA

Nicoleta IONESCU (EFTENE)

Valahia University of Targoviste, Romania
eftene.nicoleta@yahoo.com

Gabriela MIHAI (ANDREESCU)

Valahia University of Targoviste, Romania,
gabi_andreescu2002@yahoo.com

Abstract:

The establishment of the state treasury in our country has become an objective necessity, resulting from the application program of the reform and the restructure of the economy, while the public finances were asked to amplify their role and functions regarding the management and a more efficient use of the public sector of the financial resources .

If in the years after 1990, for a more adequate mobilization of the resources for the public sector, especially taxes, a more appropriate legal and organizational framework has been created, similar measures were also necessary in the management and use of these resources under a more operational and efficient control of the state.

The state treasury was necessary for complying with new commands and demands of the finance and tax reform, levers and resources on creating specific financial and budgetary market economy with which the state may favorably influence the country's social and economic development.

In the modern economy, respecting the principles of the organizational unity, the autonomy and security operations by separating the duties and responsibilities of authorizing officers and accountants, in the process of diversification of the role and powers of the Treasury, the State has entrusted it with specific tasks and actions of its intervention in economy.

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INTRODUCTION

After 1989 it was imperative necessary to create specific mechanisms and instruments of a transitional economy, to stimulate the growth of the spirit of responsibility in building the state's financial resources and of how they are managed and used to achieve real social protection and efficient economy.

Starting the Public Finance treasury in our country has become an objective necessity determined by the implementation of the reform and restructuring of the economy, while the public finances were asked to amplify the role and functions concerning a more efficient management and use of the financial resources of the public sector.

By implementing the measures imposed by the reform program in the public finances and the banking system, the role and the attributions of the public finances were fundamentally restructured, based on how the accounting of revenues and expenses was organized and, could not meet the new requirements.

The state treasury was necessary for complying with new commands and demands of the finance and tax reform, levers and resources on creating specific financial and budgetary market economy with which the state may favorably influence the country's social and economic development.

From the analysis and experience of some countries with a developed market economy, it results that they have organized the execution of the public sector budget through units which provide the management of the expenses in close correlation with the administration of the income taxes, etc.. Thus, Italy, France and U.S. have organized the state treasuries, the Ministry of Finance, with the subordinate territorial entities that ensure the operations of the public sector receipts and payments and other countries have special organs for the collection and tracking of revenues and others for payments.

Whatever the system adopted in all these countries, it fully confirms the principle that the administration of taxes on the one hand, and spendings, on the other hand, must form a coherent whole, a basic attribute of the Government which is accomplished through organs that are strictly specialized and subordinated to it.

With our country transition to a competitive market economy and being given the changes occurring in the banking system, the Romanian authorities' decision to create a uniform system regarding the management of the state's financial resources, covering all phases from establishment, monitoring, to their final use, was fully justified.

By this measure, the Ministry of Finances has specific tools of analysis at all stages of development, approval and execution of the state budget, of the state social security budget and local budgets to ensure financial stability, monetary, currency and proper management of the public internal and external debt of the state.

The organization of the state treasury in Romania, as an integrated system, centralized and decentralized at the Ministry of Finances, in territorial level, was provided by an appropriate legislative framework that the Accounting Law, Government Decision nr.78/15.02.1992, the methodological rules given in its application, and especially nr.66/1994 Government Ordinance, as amended.

THE BASIC PRINCIPLES REGARDING THE FUNCTIONING OF THE STATE TREASURY IN ROMANIA.

The new institution, specific to the public sector, is designed to operate by the following rules:

- The reality of the information.

In many cases, to the organization of the state treasury, the information on the structure of the public revenues was distorted because of the errors made on the revenues of the subdivisions of the budgetary classification, due to an insufficient control of the document through which payments were made to the budget. Also, for the cash payments, the drawback was that due to the lack of control, cash payments were made, which were inconsistent with the subdivisions of the budgetary classification for which the budgetary credits were approved.

Basically, in many cases, significant diversion of resources were made;

- Achieving the control act.

A fiscal control in terms of correct classification of the budgetary and extra-budgetary revenues on the subdivisions of the budgetary classification and other pursued criteria and a preventive control on all payment documents, with or without cash, regarding the execution of the components of the general consolidated budget.

- Universality.

In the sense that we understand, in this context, it refers to the fact that the treasury activity should expand nationwide. Likewise, referring to a universality, in territorial level, this institution, through its operational authorities, enforces the execution at county level for all the components of the general consolidated budget;

- Uniqueness.

The subjective approach requires that all the budgets should be conducted only by treasury, the public institutions are required to maintain availability only in the accounts opened here, the possibility to have accounts at commercial banks being excluded. The exceptions are paid for purchase of foreign currency availability, retention, including the receipts in that currency from its work, donations or sponsorships. Uniqueness refers then to the working methodology and the implemented mechanisms, the documents that pass through the treasury, the control objectives, the data processing technique and to develop the synthesis situations, which makes it easier to set up a unified informational system.

- The information efficiency.

The ensurance of the efficiency of the information regarding the execution of the components of the general consolidated budget, both at county and national level, is achieved through its own informational system, particularly important for speeding up the implementation of the state budget execution, of the local budgets, of the state social insurance budget and the special funds budgets.

- The total correlation between the revenues and expenses with the budget from which they are part of, is called in the German literature "of completeness."

This principle requires that the received incomes be paid in full to the budget to which they belong and the expenses, also in their totality to be borne by the budget to which they have been provided, the general rule being that an expense can not be financed only from a single budget. The same rule requires the authorizing officers not to make direct payments from revenues, so that they do not eliminate the possibility of fiscal control over revenues collecting and of the preventive one on the expenses performance by requiring the registration of all receipts and payments.

- We note that this principle works well and in the case of the special funds budgets and extra-budgetary funds, expenses could be made only after the necessary funds have been established in advance.

- Balancing the treasury flows.

The public treasury requirement to balance the entries and the exists of the financial flows, are the iron rule which can not be violated under any circumstances, because this institution can not operate on "red. " The entering financial flows must fully cover at any time of the financier exercise, the payments. If sufficient resources are not collected from their own taxes, to cover the payments, one appeals to complete them by loans.

To stop the payments during the execution of an approved budget, not to pay the salaries or other strictly necessary expenses on time, in addition to direct consequences on the matter, would create a strong state of panic and uncertainty over the state institutions with the most striking implications on the whole economy.

In the German literature, that we made reference to, in addition to the stated principles, there are also mentioned the "clarity" (the revenues and expenses are bounded according to their source of origin), the "probability" (the execution is limited until the approval of the budget) and the "precision" (the revenues and expenses to be evaluated or designed in the approved budget).

The rules which the state treasury assumed, according to which they work, are those resulting in the obligation to ensure the state's necessary funds at any time of the exercise, so that this one can perform in the best of conditions the complex functions and atributions that it has.

THE FUNCTIONS OF THE STATE TREASURY IN ROMANIA.

The functions of the state treasury in Romania, as a a financial institution, like it has been involved in the administration of the public funds since its establishment in 1993 and until now, could be summarized as it follows:

- cashier of the public sector, which ensured the collection of the revenues, the cash payments and keeping of the state budget, the state social insurance budget, the local budgets, the special funds and the extrabudgetary ones. Through this function, the state treasury ensured the achievement of the state budget provisions, of the state social insurance budget and local budgets, reflecting the way of collecting the budgetary revenues from the taxpayers as well as the payments ordered by the authorizing officers. As the cashier of the public sector, the treasury ensures on the one hand, the execution of receipts and payments and on the other hand, the necessary disponibilities to meet the commitments assumed by the annual law of the state budget, the local budgets, the state social insurance budgets and the special funds;

- exercises a fiscal control on the collection of revenues and one preventive financial control on the payments regarding respecting the limits and the destination of the budgetary credits as they have been approved;

- carries out collections and payments operations in the account of the public institutions, following the establishment and use of the extrabudgetary funds and special funds;
- attracts the disponibilities of the economy through the state loans from individuals and companies in order to cover the temporary cash gaps and the state budgetary deficit.
 - on the existing disponibilities in the current general account and from the equivalent in lei of the external loans kept in the general account of the treasury, this one:
 - temporarily covers the state budget deficit, the state social insurance budget and special funds budgets of previous years and current year, as well as the cash gaps recorded by the local budgets;
 - makes financial investments in the short-term, at commercial banks through the National Bank of Romania, which acts as an agent of the state.
 - for the temporary cover of the gap between the receipts and payments of the General Account of Treasury, it contracts short-term loans from the National Bank of Romania;
 - manages the internal and external debt providing evidence and payment of the internal and external public debt.
 - carries out operations regarding the rights to collect and the obligations of payment of the state, which are based on governmental agreements and conventions;
 - provides the accounting regarding the cash execution for all the operations of receipts and payments of the public sector revenues and expenses;
 - ensures the proper functioning of the accounting informational system regarding the reporting of the creation and use of the public funds.

Compared with the traditional functions of the public treasury in the developed countries, presented to the previous subchapter, the ones of the the state treasury in Romania, as they currently occur, have important similarities but also many differences. The differences mainly consist of the fact that the treasury functions of Romania do not include the entire range of functions and powers enjoyed by the treasuries in the Western countries have, namely:

- the financial investments that the state treasury makes from its disponibilities are only made for short-term loans, through the National Bank of Romania and not directly as the Treasury of France which makes these kind of operations directly, giving a wide range of short-term loans, medium and long-terms, to finance public investitions;
- the influence of the treasury on the defense of the national currency rate is insignificant in Romania, this issue remaining, so far, almost entirely the responsibility of the National Bank of Romania. The state treasury can not intervene in the foreign exchange market to support the national currency , because it has not created the necessary mechanism , this one has not yet the right to hold foreign currency in the account ;
- the released banknotes and the minting of the coin is an exclusive attribute of the National Bank of Romania, compared with most developed countries in which "treasuries are responsible for minting the coin and even banknotes (USA);
- the state treasury means of intervention in the economy are much smaller and have a smaller amplitude compared with those of other European treasuries as it follows:
 - it does not grant permits for certain economic activities that lead to preferential financing;
 - the instruments used by the state treasury in Romania to attract disponibilities in the economy are much more limited than in other countries;
 - it does not grant refundable advances for research activities or priority of manufacture as in France;
 - other means of state intervention in the economy practiced in Romania are rather the attribute of the state budget provisions and not of the treasury, for example, the partial subsidization of some current economic activities (mining), etc.. or for investments; the grant of interest subsidy through the state budget financing of the difference in the interest of "cost" of the resource on the capital market and the interest incurred by the beneficiary; granting some requests for loans that the Government gives, on the state budget's risk and generally all facilities provided to support the

export or attracting foreign capital, is directly reflected in the state budget expenses and only indirectly and ultimately their financial coverage is the treasury's charge.

CONCLUSIONS

Through the establishment of the state's Treasury, the Ministry of Finances has specific means specific tools of analysis at all stages of development, approval and execution of the state budget, of the state social security budget and of the local budgets to ensure financial stability, monetary, currency and proper management of the internal and external public debt of the state.

In Romania, the treasury is conceived as an integrated system, centralized at the Ministry of finances' level and decentralized, in the territorial level, with functional and financial management units at the level of municipalities, cities and rural perceptions, the coordination of their activities being provided by the counties' Departments of Treasury and of Bucharest.

In the municipal, countryside and rural operative units, the financial flows are completed coming from the Commercial Banks, where the economic agents have opened accounts to pay their obligations to the budget. Also, through these units, the public institutions initiate the payments that they have to do to meet the tasks and duties that they have by law.

On how here, in these operational units, the proper and responsible activity is carried out, regarding the fiscal controls on financial flows of entry and preventive control over financial flows out, the "note" that the authorities can give to the activity of this institution depends on . If at this stage of the conduct of financial flows of resources and payments, the treasury's authorities act with professionalism and responsibility, the public revenues will be properly shown on the subdivisions of the budgetary classification and on the payer depending on their nature and origin, and the expenses which have no legal basis, inappropriate or uneconomical, will be stopped.

The smaller tasks of the state treasury in Romania comparing with the treasuries of other states, constitute just as many real possibilities of their multiplying and amplifying. Of these more practical possibilities, we consider that the following can be retained:

- the diversification of forms and techniques to launch the state loans. Firstly, the treasury share certificates may not be nominative, but bearer share certificates, as in this situation they could be traded on the securities market, which would lead to enhancing and accelerating the movement of the financial capitals. It is also necessary to diversify the technical issue of treasury bills as the system practiced in other countries (the roof mechanism, the coefficient of treasury, reserves, issuance of coupons in relation to the level of resources, etc..). Although through the normative acts which decided the establishment of the public finance treasury in Romania, its attribute was provided "to create deposits in the limelight and on time of the individual and companies and " the methodological rules"calls for the purposes of this provision "to attract disponibilities in the economy (financial institutions, traders, people) through the formation of deposits....", this right required by law is not exercised yet. A beginning in this regard has been made in 1999 through the launch of the state loans to the population, by issuing treasury certificates;

- the instruments of the intervention of the state in the economy through treasury, in a way which at least gets our country closer to the what is done in this regard in other countries. In this direction, we consider that the budget of the treasury should be better structured and enhanced. A budget whose resources are made up only of minor interest and fees can not afford actions and approaches on a large scale on the line of the intervention in the economy.

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