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Commercialization of Public Finance Management: Modern Realities and Organizational and Legal Modernization

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ABSTRACT

The subject of the research is a substantive study of the modern realities of commercialization of public finance management and the possibility of its organizational and legal modernization. **The purpose** of the research is to establish the current state of commercialization of public finance management and to identify emerging problems in managing the liquidity and debt of the state, together with the possibilities and ways of leveling them and hedging risks through the organizational and legal modernization of public finance management. **The relevance** of scientific research and its **scientific novelty** are based on the absence in the Russian Federation of fundamental research on the current state of public finance management and its commercialization factors. The domestic scientific and practical literature touches on certain aspects of the issue under study, which does not allow us to establish cause-and-effect relationships of problems arising in the course of public finance management. The research is based on general scientific and special **methods** containing elements of comparative jurisprudence, system analysis, structural and functional approach, as well as a comprehensive and complete study and critical analysis of domestic and foreign fundamental scientific research, containing a number of studies in the field of legal regulation, public administration, econometrics, and macroeconomic forecasting. The collection and analysis of the material for the preparation of scientific research was carried out by a scientific group taking into account the quantitative and qualitative indicators of the authors' citations, as well as the significance of their individual research. The authors **conclude** about the need to hedge risks when exercising the authority to manage liquidity and debt as integral elements of macroeconomic policy, with the elimination of the fragmented organizational structure of the authorities. Based on international experience, a number of authors' recommendations have been developed to create, within the framework of organizational and legal modernization, a unified effective commercialized public finance management system with the establishment of promising potential development options to ensure the achievement of the state's sustainable development goals stipulated by national projects.

Keywords: liquidity management; public finance; macroeconomic policy; budgetary system; economic security

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INTRODUCTION

In the conditions of changing technological paradigms [1] and economic formations [2], as well as in connection with unfriendly actions of foreign states, the management of state (public) finances (hereinafter referred to as "the Public finance) is of particular relevance. By increasing the efficiency of spending money, and creating drivers of efficiency and cost-effectiveness, prerequisites are being created for revising the organizational and legal system of state power and revising managerial functions as the basis of economic sovereignty. The revision of the procedure and mechanisms for managing public finances should be carried out taking into account the principles of protecting revenue items of the budgets of the budget system and ensuring hedging of the risks of productive items of budget expenditures and expenditure obligations for human capital resources as a public obligation of the state.

In the Russian Federation (hereinafter referred to as "Russia"), public finance management is carried out by public authorities for various purposes and functions, extra-budgetary funds, state corporations, and public joint-stock companies with state participation (hereinafter referred to as "the Public finance administrators") who form and directly implement the financial and economic policy (hereinafter referred to as "the Macroeconomic policy") of the state.

The monetarist approach, which dominates macroeconomic legal relations, is based on increasing borrowed capital, attracting foreign investment, and creating import substitution mechanisms against the backdrop of regulating the money supply and inflationary indicators. The basis of the ongoing macroeconomic policy is the floating exchange rate of the national currency, which creates a high level of volatility and the need to reserve foreign exchange earnings, inflation targeting, limited by government reserves accumulated in the face of increased demand for energy resources, as well as improved revenue management. The administration of budget revenue items with the definition of the main task in the form of increasing tax collection and reducing the administrative burden [3] creates an unprecedented increase in tax revenues instead of the expected balance between administrative and incentive measures to the budget system of the Russian Federation that exceed the official inflation rate. Liquidity and market volume are important for analyzing the dynamics of volatility, which is changeable in the context of changing economic formations when all variables show significant susceptibility [4]. The policy of attracting foreign borrowed capital and investments in the face of unfriendly actions of foreign states has led to a significant outflow of financial resources from strategic sectors of the economy. These consequences actualized the issues of commercialization of public financial management.

The reduction in the administrative burden under sanctions pressure from unfriendly states and international organizations, in turn, is expressed in the declaration of a quantitative reduction in tax audits. However, in fact, a risk-based approach and mechanisms of "pre-audit analysis" [5] are being introduced into the work of tax control authorities in symbiosis with multiple increases in the average amount of additional taxes and fees. Thus, when a chain of counterparties is identified whose actions contain signs of violation of the legislation on taxes and fees, a tax audit is carried out in relation to a person who has sufficient assets to recover the arrears. Measures of tax control with the subsequent prosecution of a person with a resource and property base cause the latter to optimize production and logistics costs in order to find the amounts payable to the budget system, based on the requirement of the tax authority issued as a result of a tax audit. The law provides for the possibility of appealing tax control measures, but this right, as a rule, is accompanied for the taxpayer by the appearance of signs of insolvency (bankruptcy)[1] (hereinafter referred to as "the Bankruptcy"), job cuts, and a reduction in the medium term of taxes and fees to the country's budget system.

At the same time, it should be emphasized that the declarative recommendations of the International Monetary Fund[2] and the World Trade Organization,[3] aimed at establishing common principles and mechanisms for managing public finances in the global economy have been embodied in national legislation. However, they pose a threat to the national security of the state and contradict the conceptual goals of its development[4] and the strategy of economic security.[5]

The scientific novelty and relevance of the study lies in the lack of current research at the intersection of financial law, public administration and economic theory, the subject of which is the study of the commercialization of public finance management, taking into account the possibilities of leveling the risks (threats) arising from the legal modernization of public administration during the period of changing economic formations. The scientific and practical significance of the research topic is substantiated by the need to conduct an interdisciplinary analysis of the current situation and vectors for the development of public finance management, including liquidity and debt management, to identify financial and legal triggers that lead to problems in the macroeconomic situation, a comprehensive study of functioning mechanisms for the commercialization of public finance management with the definition of conditions and opportunities for hedging risks (threats) to ensure the economic security of the Russian Federation.

The authors note the low degree of scientific and practical development of the research topic due to the interdisciplinary nature and a significant amount of econometric and macroeconomic data. This finds fragmentary reflection in the fundamental research of domestic and foreign practitioners and theorists in the field of comparative law, macroeconomics, econometrics, public administration, financial and budgetary legal relations.

The practical basis of the scientific work contains references to various studies and legal acts. The research methodology is based on general scientific and special methods containing elements of comparative law, system analysis and synthesis, structural-functional approach and critical analysis.

Among the main goals of the scientific study, the authors single out the identification and description of the problems that accompany the process of commercialization of public financial management with the establishment of opportunities for their leveling, the identification of drivers of macroeconomic stability that can ensure the economic security of the state. The team of authors pays special attention to establishing vectors for the development of the public finance management system and the need for modernization based on the centralization of a disparate system of state authorities in the field of macroeconomic regulation in order to effectively manage public finances.

The main objectives of scientific research are:

[1] Federal Law No. 127-FZ as of October 26, 2002 (as amended on July 2, 2021) "On Insolvency (Bankruptcy)". Legislation of the Russian Federation. 28.10.2002. No. 43, art. 4190.

[2] Articles of the Agreement of the International Monetary Fund (adopted on July 22, 1944) (as amended on December 15, 2010) (approved by Resolution of the Supreme Court of the Russian Federation as of May 22, 1992 No. 2815–1).

[3] Marrakesh Agreement Establishing the World Trade Organization (as amended on November 27, 2014). Legislation of the Russian Federation. 10.09.2012. No. 37 (Appendix, part V). P. 2019–2031.

[4] Decree of the Government of the Russian Federation No. 2816-r dated 06.10.2021 "On approval of the list of initiatives for the socio-economic development of the Russian Federation until 2030". Legislation of the Russian Federation. 11.10.2021. No. 41, art. 7051.

[5] Decree of the President of the Russian Federation of May 13, 2017, No. 208 "On the strategy for the economic security of the Russian Federation for the period up to 2030". Legislation of the Russian Federation. 15.05.2017. No. 20, art. 2902.

1. Establishing the current state of commercialization of public finance management.

2. Identification of problems and financial and legal opportunities for leveling them in the field of public finance management and ensuring the economic security of the state.

3. Development on the basis of the author's approach, taking into account domestic and international practices, the optimal model of public finance management.

The need to harmonize macroeconomic policy with public debt management [6] is due to the importance of ensuring the economic security of the state in the face of macroeconomic instability and uncertainty due to unfriendly actions of foreign states and international organizations that damage economic growth and increase operating costs in liquidity and debt management [7].

In classical economic studies, effective liquidity and debt management makes it possible to level the lack of tax revenues and builds an investment-attractive system of taxes and fees [8]. At the same time, liquidity and debt management makes it possible to secure government obligations [9] and satisfies the demand for liquidity by providing flexible tax rates [10]. However, in various states, public authorities provide pumping of markets with liquidity through the issuance of government bonds, which may lead to macroeconomic crises [11], accompanied by inflation.

Macroeconomic policy, including monetary and fiscal regulation, is interdependent and needs to be coordinated. In the absence of macroeconomic policy coordination and public financial management, various liquidity and debt management options can create threats to inflation and fiscal deficits. Certain aspects of monetary policy can affect the cost of financing the budget deficit through liquidity management, as well as the cost of servicing public debt and its size [12]. A high level of coordination and centralization of macroeconomic policy and public finance management allows reducing government spending on servicing public debt [13]. In turn, the fragmentation of macroeconomic management and the public financial management system contains the risks of a high budget deficit and obligations to systematically increase the volume of government borrowing.

An up-to-date example of the impact of monetary policy on liquidity and debt management is the change in the volume of foreign currency debt that occurs against the background of exchange rate and interest rate adjustments. Researchers argue that to ensure financial stability, broad coordination of the macroeconomic policy of the state and the public financial management system is necessary [14].

The importance of strategic interaction, coordination, and centralization of macroeconomic regulation and ensuring the effective functioning of the public financial management system against the backdrop of an investment-attractive fiscal policy is confirmed by a number of empirical studies [15]. In the conditions of changing economic formations, there is an interdependence between monetary and fiscal policies, which directly affect budget financing [16].

The interdependence of the elements of public administration requires the creation of a single body responsible for the implementation of macroeconomic regulation, the functioning of the public financial management system, including liquidity and debt management with a long planning horizon, taking into account the structure of the debt portfolio and the use of various financial instruments.

In a broad sense, public finance management is a manifestation of the function of systemic management of the treasury to achieve sustainable development goals and implement national projects by covering expenditure obligations based on the distribution and investment of free cash using short-term instruments to finance cash gaps in the budget system and generate profitability through account balances. Effective management of public finances makes it possible to level the risks of cash gaps and the need to attract borrowed funds by the subjects of the Russian Federation and municipalities [17], including unfriendly foreign states and international organizations. The conceptual task of public finance management is to be able to fully cover current government obligations at the lowest cost based on forecasting the movement and investment of funds in order to increase the speed of their turnover in the economy and ensure the financial stability of the state.

Effective management of public finances is complicated by a fragmented organizational structure and bureaucratic coordination of public debt and liquidity management. The need to create a unified state body with the legal capacity to form and ensure macroeconomic policy in a systemic crisis, changing economic formations and unfriendly actions of foreign states and international organizations is based on a decrease in the rate of turnover of funds in the economy, a decline in the purchasing power of people and a significant revision in the assessment of the liquidity of assets. This creates the risk of cash gaps in the execution of budget expenditures, a slowdown in economic growth and the impossibility of implementing national projects.

The main elements of public finance management are laid down in the works of generally recognized economists and are based on the key characteristics of modern liquidity management practice [18] and public money management methods [19]. These include: centralization of budget balances and the creation of a single treasury account (hereinafter referred to as "the STA"), planning and forecasting the movement of funds, accounting for operations, information exchange between the financial authority and administrators of the revenues of the budget system, the use of short-term financial instruments, the integration of debt and liquidity management [20], as well as the introduction of liability mechanisms.

Due to the change in economic formations, a number of states (the United States of America, Portugal, Canada, and Hungary) have recognized liquidity management as a necessary function of treasury management [21] in order to cover public expenditures and investments in the conditions of an outflow of foreign capital. In light of the epidemiological restrictions caused by the COVID-19 pandemic, there was a decrease in business activity and the level of budget revenues. The subsequent policy of unfriendly foreign states, aimed at curtailing economic relations between countries, further updated the mechanism for the commercialization of liquidity management and budgetary control through "money rationing" [22].

COMMERCIALIZATION OF PUBLIC FINANCIAL MANAGEMENT

The commercialization of public financial management is a process that includes liquidity and debt management of the state. It is designed to ensure the availability of funds to meet the spending obligations of the budget system and achieve national goals, as well as to minimize gaps between incoming and outgoing cash flows. The key to guaranteed budget execution is forecasting the movement of funds in the budget system, covering spending obligations without the need to implement borrowing mechanisms, and attracting foreign investment through effective management of public finances, which allows you to create additional profitability of the budget system without the risk of going beyond the corresponding budget of the budget system when making payments.

Liquidity and debt management are not part of the budget cycle or an instrument of budgetary control. The impossibility of covering expenses from available funds makes it necessary to reconsider priorities in the budget execution process, including adjustment, control of obligations, and rationing of budget funds to control limits. In this regard, in a number of countries, liquidity management is considered a part of the budget process, as evidenced by the full inclusion (Chile) or partial transfer of assigned functions (Ghana, Seychelles, Eswatini, Lesotho, Nigeria, Gambia) units of the Ministry of Finance or the Treasury [22]. Particular attention is paid to the combined management of liquidity and public debt (Colombia, Peru, Romania, Slovenia, South Africa, and Thailand), as well as their combination and integration in the countries of the Organization for Economic Cooperation and Development (hereinafter referred to as "the OECD") [21].

The economic security of the state is the basis of its viability, however, in the context of the fragmentation of responsibilities and powers of macroeconomic regulation and public finance management, the stability of the national currency, the growth of real disposable incomes of the population and the implementation of state planning[6] is minimal. Despite the functional affiliation of the definition of "state planning" to the socialist economic formation, its mechanisms and principles are implemented in a number of capitalist states: Japan, France, South Korea, and Germany. The unity and continuity of macroeconomic policy create conditions for maintaining economic stability, opportunities for building up state reserves and stimulating economic growth. The need for continuity is due to the length of economic cycles and supply chains in the production of final products. Complex science-intensive industries require capital investments for several decades to come, and the lack of confidence of the state and private investors in the payback and relevance of investment projects causes risks of completeness of financing and insolvency (bankruptcy). The threat of bankruptcy of knowledge-intensive sectors of the economy inevitably becomes a factor that must be taken into account when making decisions and implementing government programs.

The priority of scientific research in the process of training personnel and creating new promising models of devices and mechanisms is leveled by insufficient funding. Effective management of public finances creates incentives for private financing, which has a special place in infrastructure projects [23].

The management of public finances through the STA is a common practice and is carried out in the national currency in connection with the receipt of taxes and fees into it, followed by most expenditure transactions. However, in many countries, there is a practice of opening STA sub-accounts in foreign currency for foreign economic transactions (Albania, Angola and Colombia). Inefficient allocation of financial resources can lead to cash gaps and over- or under-borrowing. Therefore, to hedge such risks (threats) in the public financial management system, there is forecasting, the timing of which varies from daily (for one month) to annual (for the current year and the planning period). It is considered optimal for the public finance authority to receive a daily forecast for three months in advance.

The building blocks of public financial management and their level of commercialization depend on the effectiveness of budget planning and execution, and coverage is critical to determining the range of cash flow forecasting and liquidity and debt management. Depending on the degree of decentralization of management and the legal and regulatory compliance of accounting and control systems, coverage can be extended from the central government level to all public authorities, trust accounts [24], and local governments, as, for example, in France. In addition, despite the isolation of state corporations and state

[6] Decree of the Government of the Russian Federation as of October 22, 2021, No. 2998-r "On approval of the strategic direction in the field of digital transformation of public administration". Legislation of the Russian Federation. 01.11.2021. No. 44 (ч. III), art. 7467.

joint-stock companies with state participation, they are responsible for the stable functioning of the economic system, directly affecting the effectiveness of the commercialization of public financial management. The state, through credit legal relations, state guarantees, and obligations, including in the implementation of public-private partnerships, bears potential obligations to them.

The level of commercialization of public financial management is interdependent with the planning horizon and its accuracy. A number of states use the forecasts of tax departments when managing public finances, but there is a positive example of independent forecasting by liquidity and debt departments (Peru), as well as other departments of ministries and departments (Fiscal Policy Department — Thailand; Macroeconomic Forecasting Department — Seychelles).

Given the ceiling on spending commitments in the budget and the predictability of non-discretionary spending patterns, forecasting is generally easy. At the same time, when managing public finances, it is rational to use historical data based on traditional operations, seasonality, and legal regulation. Recognized as an effective cash flow forecasting strategy for large national projects and programs without the need for full forecasting. However, in countries with an appropriation calendar and a "spend it or lose it" budgeting approach at the end of the financial year, a significant number of spending commitments are recorded in the last months of the year. Thus, forecasting difficulties are created due to the lack of complete specialized information from public finance administrators. In this regard, it seems rational to involve the relevant sectoral ministries and departments — budget allocation managers, capable of providing expert forecasts for adjusting the public finance management program.

As a conceptual framework for forecasting and analyzing cash flows, you can use an analytical system based on big data on the movement of financial flows with disaggregation of accruals, which has a lot of meaningful information [25]. Moreover, the analysis of profit aggregation in debt and liquidity management distorts the real contribution of each item of income, and as a result, the breakdown of profits into cash flows and disaggregated accruals allows for a more accurate analytical system.

A high-quality analytical forecasting system is essential for efficient public financial management and increased commercialization through the use of advanced financial tools. International experience is based on various financial instruments for managing liquidity and public debt, which are presented in *Table* 1.

With effective debt and liquidity management, special attention should be paid to instruments for balancing cash gaps during the financial year, including on the basis of a short-term overdraft, which, in conditions of macroeconomic instability, can become a tool that can raise the required amount of funds for STA without deteriorating monetary policy indicators [26].

Liquidity management, based on raising funds through intergovernmental transfers and loans, provides mutual benefits for both parties. One of the parties does not have professional competencies in managing public finances with the need for high commercialization, and the other, helping the first, seeks to extract additional profitability while retaining part of the additional income.

A special place is occupied by a contractual loan (overdraft), thanks to which many public finance administrators have the opportunity to attract additional financing in order to increase commercial attractiveness, as a rule, with restrictions on the term and volume (used, for example, by India, Eswatini and Uruguay).

To cover the lack of liquidity, it is possible to use REPO transactions with flexible terms and collateral that reduce the risk of the borrower, which justifies their low cost

Table 1

Financial instruments for liquidity and debt management

<table>
<tr><td rowspan="4">Liquidity management</td><td colspan="5">Intergovernmental transfers and loans</td></tr>
<tr><td>REPO transactions</td><td colspan="2">Lending in commercial organizations</td><td colspan="2">Commercial securities</td></tr>
<tr><td colspan="5">Current loan</td></tr>
<tr><td colspan="2" rowspan="2">Treasury bills</td><td colspan="3" rowspan="2">Liquidity buffer</td></tr>
<tr><td rowspan="4">Debt management</td></tr>
<tr><td colspan="5">Fixed Rate Treasury Bonds</td></tr>
<tr><td>Internal loan bonds</td><td colspan="2">Indexed floating rate bonds</td><td rowspan="2">Sukuk (equivalent to bonds in the Islamic world)</td><td rowspan="2">Thematic bonds (note "green")</td></tr>
<tr><td>Commercial lending</td><td colspan="2">Government bonds of foreign countries (example of Eurobonds)</td></tr>
</table>

Source: compiled by the authors.

compared to unsecured borrowing and a high level of use in countries around the world, including OECD members, including the USA, Great Britain, France, Hungary, Sweden, etc. It should be noted that when carrying out REPO transactions, countries with a low level of commercialization of public financial management use the practice of issuing treasury bills to cover the liquidity deficit [19]. The use of the treasury bills in public financial management is associated with an optimal ratio of cost of service and risks, combined with meeting the need for financing in the absence of diversification. The issue of securities is possible with reference to the level of inflation, a fixed rate, or any other market indicator, including a stock index. With comparative disadvantages, a reverse REPO is also a rational financial instrument due to collateral, however, instead of counterparty risks, there are credit risks of the collateral issuer, which entails a low risk and level of return. Among the advantages is the ability to cancel the transaction in the event of default, which technically reduces the size of the public debt (at a neutral net present value).

The main financial instruments in a number of the above states are also commercial loans in organizations without collateral, with a high degree of flexibility and costs, including due to legal restrictions (Romania and Equatorial Guinea).

Standardized commercial securities issued on the financial markets of the USA, the European Union, etc., on the basis of an agreed emission program, allow diversifying the investment portfolio of a public finance administrator and attracting financing to cover the expenditure items of the budget system and debt, which is often used by EU and OECD countries.

The pooling of financial resources of public finance administrators in the STA through interbudgetary transfers and borrowings makes it possible to use unique mechanisms to attract funding to cover cash gaps and implement large infrastructure and

Table 2

Liquidity management tools

	Deposits in the Central Bank	Deposits in commercial banks	Government securities	Other securities	Reverse REPO transactions
Albania					
Brazil					
Chile					
Colombia					
France					
Hungary					
India					
Peru					
Slovenia					
Sweden					
Turkey					
Great Britain					
USA					

Source: data from national bureaus and agencies for public debt management.

national projects by extra-budgetary funds, local governments, state corporations, and others. Consolidation of financial resources of public finance administrators makes it possible to go beyond the standard effect of the commercialization of public finances and provide financing on special conditions for large strategic projects that are not able to be implemented by every person, even thanks to budget subsidies and the state and private partnerships. Domestic government borrowing is possible, including through attracting funds from specialized funds, including those created by countries to accumulate financial resources that receive "surplus" income from the sale of natural resources (copper, oil, gas, and others). This allows maintaining a high level of liquidity of specialized stabilization funds and extracting profitability into the budget system.

In conditions of limited financial markets and liquidity, it is also necessary to indicate the possibility of using deposits, corporate and government securities, which is often accompanied by significant drawbacks. Placing funds on deposits in the public finance department in reality often generates income that exceeds inflation. Investing in corporate securities is associated with a high level of risk and the need to hedge possible restrictions on financial transactions due to the unfriendly actions of foreign states. At the same time, government securities for public finance administrators can be equivalent to "moving" funds between different accounts of the budget system when borrowing at home and the emergence of a conflict of interest and sanctions restrictions in transactions with foreign government securities.

Based on the analysis of open information, we can present the following system of tools that are used in the framework of liquidity management (*Table* 2).

In the countries of the world, the minimum balance and the procedure for determining it differ. Despite the absence of official consolidation, the researchers note that in Brazil this is an estimated amount sufficient to refinance domestic debt within six months, and for external debt, the principle of an extended period of one and a half thousand banking days applies. The nominal amount of the balance is set in Ghana and Romania at $ 170 million and € 200 million. There are examples of linking the amount of the balance to the term of expenditure commitments. For example, in Thailand, the minimum balance must cover a two-week period, and in Uruguay, 12 months, based on historical volatility and forecasts. In the Republic of Turkey, the mechanism is more complex. It assumes a liquidity buffer equal to a percentage of the amount of debt due in the coming months, taking into account the weighted average market demand.[7]

There is no single formula for the commercialization of public financial management due to the volatility of market conditions, the difference in the position of public finance administrators in financial markets, the dependence on the investment attractiveness of the economic system, and the professional competencies of officials who make final decisions and bear responsibility. The difference in the constituent elements of public financial management necessitates the creation and integration of a liquidity buffer (reserve or minimum balance) to cover spending obligations and reduce the risks associated with liquidity and debt management due to market volatility and the possibility of unforeseen expenses associated with the "black swan" [27] or "gray rhinos" [28]. Reducing the cost of maintaining a minimum balance can be minimized by introducing a system of justification and calculation of the required amount.

International experience shows that the choice of various financial instruments is directly related to the availability of infrastructure and market participants, as well as the existence of an agreed financial plan for the commercialization of public financial management. Effective management of public finances is possible only as a result of systemic reforms of the state apparatus and modernization of the system of public authorities responsible for macroeconomic policy and liquidity and debt management, with further active investment and a high level of commercialization of public finances, which are preceded by the creation of incentive mechanisms, factors, and attraction competent officials in the early stages of reform [18].

MODERNIZATION OF THE SYSTEM OF STATE AUTHORITIES

In the above conditions, there is an urgent need to create a unified and coordinated mechanism for the commercialization of public finance management [29], which allows achieving the goals of sustainable territorial development. National projects as drivers of economic growth [30] create the fundamental foundations for improving the welfare of citizens and the gross domestic product within the country while increasing the share of knowledge-intensive and complex industries. The ability of their administrators to effectively manage public finances is of decisive importance in ensuring the economic security of the state in the face of changing technological patterns and unfriendly actions of foreign states and international organizations against the economic sovereignty of the country.

[7] OECD Working Group on Public Debt Management study on liquidity buffer practices (2017) and international case studies presented at World Bank workshops on cash flow forecasting and liquidity management (2018 and 2019).

In domestic practice, there is a positive experience of professional management of public finances and a high level of their commercialization through the activities of the Federal Treasury (hereinafter referred to as "the Treasury"). However, due to the fragmentation of the public finance management system, their activities are subject to bureaucratization and opposition from the bodies that carry out macroeconomic regulation in Russia. In order to ensure the effective commercialization of public financial management, it is necessary to create a centralized coordinated system of macroeconomic regulation and forecasting, taking into account the analysis of cash flows, the implementation of national projects, and the coordination of fiscal and monetary policy, with liquidity and debt management to increase the level of commercialization and achieve goals of sustainable development.

It must be clearly understood that investment decisions are based on many interrelated elements, and the fragmentation of powers between public authorities significantly increases the risks of public financial management and reduces profitability. The public finance administrator needs to have information not only about the facts of unclaimed balances and other liquidity on the accounts but also to have data on the amounts, procedures, and terms of the planned financing of projects and the conditions for spending funds in accordance with budget planning, take into account industry specifics and the risks of unforeseen items of expenditure combined with mechanisms for leveling the risks of cash gaps in the process of budget execution.

The competence of public finance administrators should allow rational management of the state treasury, cover spending obligations and maintain a liquidity buffer (irreducible balance) at a minimum level in order to ensure a high level of additional profitability of the budget system. An example of effective commercialization of public financial management can be found in Sweden, where the minimum balance after the completion of operations on the STA, after the completion of the daily investment, is zero, and short-term financial instruments are used to cover emergency liquidity shortages. Separately, it should be noted that recently there has been increased attention to the minimum balance, even in countries with a high degree of liquidity of government securities and developed lending, due to the change in economic formations and high market volatility, as a result of which a systematic increase in liquidity reserves is carried out (for example, in the US and France). An alternative to a minimum balance that allows you to reduce costs is to conclude an agreement with the Central Bank of the country on the calculation of interest on the balance of funds placed on the STA, which ideally corresponds to the market and exceeds inflation [31].

Despite the semantic similarity of the legal constructions "public finance" and "treasury", the latter does not have legal legislative consolidation in civil[8] or budgetary[9] legislation, which causes significant difficulties in the commercialization of public finance management and distribution of power. On the one hand, there is a distinction in terms of the degree of responsibility between public finances and the treasury, suggesting that the latter includes state property that is not assigned to business entities. In material terms, the connection between the treasury and finances lies in the content of the latter, characterized as public funds, while the former is characterized by identification with the property of public law entities, which is not assigned to persons on the right of operational management or

[8] Civil Code of the Russian Federation (Part Two) dated January 26, 1996, No. 14-FZ (as amended on July 1, 2021). Legislation of the Russian Federation. 29.01.1996.No. 5, art. 410.

[9] Budget Code of the Russian Federation dated July 31, 1998, No. 145-FZ (as amended on November 29, 2021). Legislation of the Russian Federation. 03.08.1998. No. 31, art. 3823.

economic management, including by means of the budgetary system.

Separately, it should be noted that the budget refers to the form of formation and spending of public funds that are used to cover spending obligations. However, on the basis of budgetary legislation in terms of regulating the execution of judicial acts on claims against the state for the recovery of funds from the treasury, execution is carried out only in accordance with the stipulated articles of the law on the budget. Thus, the treasury, which constitutes a significant property complex, is reduced by the legislator to the line of the budget list and is actually delimited from the budget, which is contrary to the law. Thus, a similar legal position was formed by the Supreme Arbitration Court of the Russian Federation when satisfying claims for the recovery of funds at the expense of the treasury of the relevant public legal entity, and not at the expense of the budget, since such a restriction is contrary to the Civil Code of the Russian Federation and the general rule on the responsibility of a public legal person with all the property belonging to him, constituting the treasury.[10] This casuistry causes a systemic crisis of law enforcement, since the real content of the treasury, of course, includes the budgets of the budgetary system. In order to regulate the boundaries and opportunities for the commercialization of liquidity management, it is necessary to consolidate the legal definition of the concept of "treasury" in order to restore a single vertical of power and determine decision-making centers for the following issues:

- a macroeconomic policy with the assignment of responsibility for its implementation;
- formation of revenue items of the budget system;
- determination of the limit of budgetary obligations;
- management of state property, liquidity, and debt;
- implementation of borrowings in the external and internal markets.

Based on the foregoing, it should be noted that the content of the term "treasury", which is not legally fixed, in a broad sense includes not only the property base but also funds from the budgets of the budget system, extra-budgetary funds, as well as other assets on the balance sheet of public finance administrators.

It is rational to assess current trends in public administration aimed at determining the actual legal boundaries and framework for the activities of the Treasury, in connection with the fundamental expansion of the authorities[11] of state power. In addition to exercising the functions of state internal control (supervision) and exercising budgetary rights and obligations of a technical and legal nature, the Treasury powers included:

- liquidity management of public finances;
- support for the activities of the GIS "Trade" with the regulation and control of the auction;
- accounting support for the activities of the tax service;
- control over the completeness and efficiency of the implementation of national projects.

For reasons of the need to ensure a responsible, efficient, effective, and economical macroeconomic policy, it seems rational to form a single state treasury management body on the basis of the Treasury. The author's analytics based on open data[12] allows us to conclude that the Treasury's

[10] Decree of the Plenum of the Supreme Arbitration Court of the Russian Federation as of June 22, 2006, No. 23 (as amended on May 28, 2019) "On Certain Issues of Application by Arbitration Courts of the Norms of the Budget Code of the Russian Federation". Bulletin of the Supreme Arbitration Court of the Russian Federation. 2006;(8).

[11] Decree of the Government of the Russian Federation as of December 1, 2004, No. 703 (as amended on December 28, 2020) "On the Federal Treasury". Legislation of the Russian Federation. 06.12.2004. No. 49, art. 4908.

[12] Information from the Federal Treasury website. URL: https://roskazNº a.gov.ru (accessed on 14.12.2021).

liquidity management is highly effective, which, by the end of 2021, brought about 300 billion rubles to the budget system. Based on a retrospective analysis of profitability from liquidity management, it should be noted that in 2020 this figure amounted to 280 billion rubles,[13] and in 2019–181.4 billion rubles (107.9% of the planned indicators), which is 2.3 times more than the same indicator in 2018. The total return from the start of liquidity management by the fall of 2021 amounted to more than 1 trillion rubles according to the federal budget.

The difficulties of planning and forecasting funds and the need to find and implement effective liquidity management mechanisms are due to the reflection of the general macroeconomic situation [32]. Despite the fragmentation of management functions, leading to cash gaps, in Russia, there is a high level of profitability from liquidity management by the Treasury, as well as qualitative changes in the management of public finances and a quantitative increase in revenues entering the country's budget system.

The impossibility of direct financing of the real sector of the economy due to budget constraints significantly affects the development of liquidity management. This, in turn, causes a free outflow of excess liquidity to the real sector of the Russian economy for its non-inflationary financing. Funding through liquidity management without financial speculation allows you to simultaneously solve a number of government tasks:

- stimulating the growth of the revenue base of the budget system;
- ensuring the safety of liquidity;
- increasing the rate of turnover of funds in the economy.

An example of stimulating the revenue base of the budget system through liquidity management is the provision of virtually free intra-annual treasury loans for up to six months to constituent entities of the Russian Federation, state extra-budgetary funds, and municipalities. This makes it possible to ensure uninterrupted financing of budgetary and public law obligations, together with leveling the need for market borrowings and conditional savings in total interest expenses by the above public law entities and extra-budgetary funds in the amount of more than 10 billion rubles compared to similar borrowing conditions in financial institutions.

The current level of liquidity managed by the Treasury increased on average per day and amounts to more than 1 trillion rubles, which makes it possible to speed up financial settlements and creates opportunities for public entities in the form of providing credit lines in excess of borrowing limits stipulated by budgetary legislation, which creates liquidity shortage conditions in the Russian regions and signs of technical bankruptcy. It is planned that in 2022, subjects of public law will receive their due part of the corresponding additional budget revenues that the Treasury receives from the effective management of public finances. In order to increase efficiency and neutralize the factors of fragmentation of liquidity management, the Treasury is transforming the organizational and functional model, moving away from the current management system in the constituent entities of the Russian Federation to one specialized functional structure that will optimize the resource potential of the department, completely depersonalize the interaction of officials with clients, which is essential reduces corruption factors and increases labor productivity, including through the full automation of a number of functional modules.

As part of developing approaches to determining the optimal level of liquidity

[13] Conclusion "On the results of an external audit of the execution of the Federal Law "On the federal budget for 2020 and for the planning period of 2021 and 2022" and budget reporting on the execution of the federal budget for 2020 in the Federal Treasury" (approved by the Board of the Accounts Chamber of the Russian Federation on April 30, 2021).

buffer, the Treasury is looking for a balance between reliability, due to the ability to cover current unforeseen budgetary expenses, and profitability from liquidity management, taking into account high market volatility and market conditions. The minimum STA balance is proposed to be determined on the basis of fundamental scientific research with reference to a number of coefficients of the risk management model based on the Treasury forecasting system.[14] In an idealized system, the profitability from liquidity management should fully cover the spending operations of the country's budget system, however, due to high market uncertainty and the possibility of a "black swan" or "grey rhino", it is necessary to ensure a minimum balance of the STA to cover current expenses in the short term (several trading weeks) to hedge budget management risks.

Based on the world's best practice, the creation of sections on the STA for sale in foreign currency on non-trading transactions is being implemented, with a conceptual request to expand the legal boundaries of the powers of the Treasury and vest the functions of a currency control agent. Particular attention is paid to improving the efficiency of cash execution of budgets through the interaction of the Treasury with credit, insurance, and microfinance organizations. In addition, on the material and technical basis of the Treasury, the state information system for municipal payments is being introduced into the processes of providing public services:

- "Digital enforcement proceedings"
- Notification and appeal of fines for violation of traffic rules and municipal improvement rules";
- "Justice online";
- "Labor migration online".

Reliable information is used and the time spent on legally significant actions is reduced with the further involvement of tax officials to improve the quality of tax administration.

Liquidity management is carried out through the use of various exchange mechanisms and financial instruments, including for the purpose of financing infrastructure projects[15]:

- REPO agreements, including on organized trades;
- bank deposits and accounts;
- bank deposits with a central counterparty;
- derivative financial instruments;
- budget lending to subjects and extra-budgetary funds;
- purchase (sale) of foreign currency.

In order to manage the liquidity of the STA, the Treasury introduced a cash flow forecasting model, including automation of forecasting processes as part of the development of a cash planning module of the cash management subsystem of the state-integrated information system for managing public finances "Electronic budget" [33]. A wide range of financial instruments makes it possible to effectively ensure the profitability of budgets of the budget system.

On the issue of the possibility of a conflict of interest in connection with the commercial activities of public civil servants, it should be noted that the risk of its formation and the emergence of a corruption component is offset by existing legislative restrictions.[16]

The ambiguity of the commercial activities carried out by the Treasury goes into the historical aspects of the public administration of the French Republic and the Russian Empire, due to the function of searching for treasury revenues and conducting economic policy on behalf of the state.

[14] Order of the Russian Treasury No. 13n dated March 31, 2020 "On the procedure for forecasting the movement of funds on a single treasury account" (registered with the Russian Ministry of Justice on June 19, 2020 No. 58722).

[15] Strategic map of the Russian Treasury for 2021–2024 (approved by the Russian Treasury on December 31, 2020) (as amended on September 23, 2021).

[16] Federal Law No. 79-FZ as of July 27, 2004 (as amended on July 2, 2021) "On the State Civil Service of the Russian Federation". Legislation of the Russian Federation. 02.08.2004. No. 31, Art. 3215.

At the same time, the currency risks of the Treasury and their hedging are implemented through the guarantee[17] of the Development Institute AO DOM.RF (hereinafter referred to as "the Development Institute") in the absence of venture capital investments, guarantee the sustainability of additional income to the budget system. However, there are total limits on covering losses and expenses of the Treasury, which cannot exceed the assets of a Development Institution, the sole owner of which is the state. This fact creates the risk of coincidence of the debtor and the guarantor in one person without the possibility of recovering losses, but due to the possibility of hedging through a credit default swap for a guarantee with a number of the largest taxpayers of the Russian Federation, and also taking into account the interests of national security, with international corporations, there is a real possibility of full coverage of risks and use of leverage for exchange transactions.

The effectiveness of liquidity management is a consequence of the lack of money in the economy, which arose due to the monetary policy of the Ministry of Finance of Russia and the Bank of Russia, confirmed by the budget law.[18] Among other things, financing of the real sectors of the economy is offset by a systematic increase in the base rate, which makes it impossible to attract borrowed capital, as well as the withdrawal of funds from the country's economy by increasing the spending limit from the National Welfare Fund up to 10% of gross domestic product. In addition, the aforementioned law provides for the expansion of the reserve fund of the Government of the Russian Federation to 1.4 trillion rubles with the transfer to it of the carry-over balances of funds not used by budget recipients and previously placed by the Treasury on bank deposits as part of liquidity management Against the backdrop of a budget surplus, an increase in the state's domestic debt is planned from 20.8 trillion rubles in 2022 to 26 trillion rubles in 2024, and external public debt — up to $ 75.7 billion (about 5.5 trillion rubles) by 2025, with total debt service costs of about 2 trillion rubles (12% of budget expenditures).

The foregoing confirms the need to revise the system of public authorities with the centralization of powers and responsibilities in the implementation of macroeconomic policy in a single executive body based on the Treasury in order to prevent the default of the constituent entities of the Russian Federation, the likelihood of which is high against the backdrop of the ongoing economic policy. Moreover, not only the Republic of Ingushetia,[19] but also, other subsidized regions may be among the insolvent subjects of the country in the near future.

CONCLUSIONS

The authors of the scientific study established a high level of commercialization of public financial management through the activities of the Treasury, in line with the world's best practices. Fragmentation of powers between public authorities and inconsistency of macroeconomic policy vectors were noted as significant deterrent barriers to effective public financial management, creating a high level of uncertainty and risks of cash gaps, as well as the impossibility of achieving the goals of national projects and creating an attractive investment climate. In order to ensure the economic security of the state in the face of sanctions pressure, the authors propose to consider the feasibility of creating a body of macroeconomic regulation and

[17] Decree of the Government of the Russian Federation of September 4, 2013, No. 777 (as amended on January 23, 2021) "On the procedure for managing balances of funds on a single account of the federal budget and a single treasury account in terms of the purchase (sale) of securities, not at organized trading under repurchase agreements and opening accounts for such transactions" (registered with the Ministry of Justice of Russia on August 20, 2021 No. 64732).

[18] Federal Law No. 390-FZ as of 06.12.2021 "On the federal budget for 2022 and for the planning period of 2023 and 2024". Rossiyskaya Gazeta. 10.12.2021. No. 281.

[19] Bukharova O. Time of debt. Rossiyskaya Gazeta. 08.11.2020.

public finance management on the material and technical basis of the Treasury, which is directly responsible for financially ensuring the powers and spending obligations of public law entities. As a promising direction in the development of public finance management, it is possible to empower the Treasury with the authority to manage unclaimed balances of funds of public finance administrators as an imperative or at their own discretion.

A dispositive mechanism for managing public finances can take place on the basis of an agreement, while an imperative one can take place through legislative consolidation of rights and obligations with the direction of income for the modernization of the production base and socio-economic projects, similar to the comprehensive plan for the socio-economic development of the Norilsk Territory with co-financing (120 billion rubles: 24 billion rubles — funds from the federal budget, 14.8 billion rubles — funds from the consolidated budget of the Krasnoyarsk Territory, and 81.3 billion rubles — funds from PJSC MMC Norilsk Nickel).[20]

In the future, effective management of the treasury will create a single state body responsible for implementing macroeconomic policy, managing public finances, collecting revenues, and achieving sustainable development goals reflected in national projects. The formation of a single center of legal regulation in the field of macroeconomic policy will make it possible to neutralize negative risks (threats) from unfriendly actions of foreign states.

In the conditions of foreign policy pressure against the background of changing economic formations, with the transition to state planning and regulation of economic processes on the basis of intersectoral balance, it is necessary to reform the organizational and legal system of public authorities. Significant costs in the process of commercialization of public financial management, arising from the fragmentation of powers and the lack of a single center for managing the treasury, create significant systemic and economic risks. The decrease in the efficiency of the processes of commercialization of public finance management, the growth of socio-economic tension within the country, and the lack of a rational macroeconomic policy that meets the challenges of our time determine the conceptual reasons for the implementation of organizational and economic legal modernization of the system of public authorities. To ensure effective management of public finances on the principles of commercialization and achieve high efficiency in the work of public finance administrators, it is necessary to consolidate the powers to manage the treasury and represent the macroeconomic interests of the state on the basis of the Treasury. The expansion of the powers of the state body while maintaining the system of checks and balances of public administration is possible on the basis of mutual control of the Accounts Chamber of Russia and the Treasury with the provision of officials with the last right to public critical discussion with representatives of the supreme audit body [34], which allows balancing its powers to carry out a comprehensive strategic audit and reviewing the activities of public authorities for compliance with legislation and best practices in public administration.[21]

In turn, the powers of the Ministry of Finance of Russia, based on the inefficiency of the implementation of the state economic policy, must be brought to the historical and legal basis of the domestic experience of public administration with the empowerment of the accumulation and analysis of statistical and financial reporting.

[20] Decree of the Government of the Russian Federation of December 10, 2021, No. 3528-r "On approval of a comprehensive plan for the socio-economic development of the municipality of Norilsk". URL: http://government.ru/docs/44096/ (accessed on 14.12.2021).

[21] Draft Federal Law No. 27388–8 "On Amendments to the Federal Law "On the Accounts Chamber of the Russian Federation"» (as amended by the State Duma of the Federal Assembly of the Russian Federation, text as of November 29, 2021). URL: https://sozd.duma.gov.ru/ (as of 29.11.2021).

In conclusion, it should be noted that the formation of a modernized organizational and legal model for the commercialization of public financial management and the fundamental regulation of macroeconomic policy in the context of liquidity management in order to hedge public risks should provide for the Friedman real balance effect against the Mundell-Tobin asset substitution effect, with tracking and regulation of causal relationships between interest rates and inflation, as well as leveling the liquidity trap at zero or negative interest rates with positive inflation [35].

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