

## PROBLEMS IN FINANCIAL PROVISION OF SOCIAL SECTORS AND THEIR SOLUTIONS

**Abstract:** *The article deals with the issue of the problems of financial support of social sectors and their solution. As is known, one of the main goals of the economic policy of the modern state is the full financial support of a viable system of social support for the population, focused on the comprehensive development of citizens and social alignment. Effective financial support of the social support system requires the development of a scientifically based methodology and financial mechanisms built into the market economy within the framework of clearly defined social policy priorities, especially in the field of higher education, as it is an important and priority direction in the development of the country's economy. World economic history knows many different models for financing social spending, almost all of them are known. The main characteristic of financing the social sphere is its share in the gross domestic product, in other words, the share in the total economic well-being of the people, which allows us to assess the degree of attention of the latter to certain sectors, compare their importance with each other, and also make international comparisons. An analysis of the financing of social expenditures is impossible without considering the structure of their sources. Despite the fact that in the context of growing fees for all types of services, one often gets the impression of the leading and, at the same time, constantly increasing importance of private financing, statistics show that this is not the case. Thus, although, of course, the role of private sources is significant, it is not predominant. In practice, attention is focused on the qualitative aspect of the costs of educational institutions related to the social sphere, in the processes of cost planning, the terms "cost obligations" and "result-oriented budgeting" are widely used, which is focused on the effectiveness of this area. Accordingly, in this research are considered and analyzed solutions for the financial provision of social sectors in Uzbekistan.*

**Key words:** *social sphere management mechanism, state support for the social sphere, efficiency of financial support, performance-oriented budgeting.*

### Introduction.

The overall goal of effective management of the processes of planning and financing of the educational system of social sphere institutions is to fully ensure the well-being of the population not only today, but also in the future.

As the President of the Republic of Uzbekistan, Sh.Mirziyoev, stated in his speech dedicated to the 26th anniversary of the Constitution of the Republic of Uzbekistan, "The main goal of our Constitution is to create decent conditions for our people to live comfortably. In the future, we will have to implement the following tasks in the social sphere based on the implementation of the tasks defined in the strategy of actions and the proposals made in the dialogue with the people"<sup>1</sup>. It is known that in such conditions, theoretical-methodological and organizational issues focused on the technology of "effectiveness-oriented budgeting" in the planning and financing of the expenses of the state budget of the educational system, increasing the efficiency of budget and extra-budgetary funds allocated for these expenses, and management of organizations belonging to the social sphere, become extremely important.

---

<sup>1</sup> An educated generation is a guarantee of a great future, an entrepreneurial people is a guarantee of a prosperous life, and friendly cooperation is a guarantee of development. / Speech of the President of the Republic of Uzbekistan Shavkat Mirziyoyev at the solemn ceremony dedicated to the 26th anniversary of the adoption of the Constitution of the Republic of Uzbekistan. <http://uza.uz/oz/politics/bilimli-avlod-buyuk-kelazhakning-tadbirkor-khal-farovon-ayet-08-12-2018>.

The purpose of this work is to analyze the existing problems of financial support for social sectors and ways to solve them among the many options for the development of this industry. Everyone knows that the social protection of the citizens of the country is the priority task of the state and it is not for nothing that it is equated with one of the drivers of the economy, which reveals the relevance of the selected study.

### **Theoretical aspects of research.**

People's needs for social benefits and social services are constantly increasing. All economic processes and factors affecting the well-being of the population in society are important. All opportunities, accumulated experience in the organization of activities such as management of the education system and financing of its expenses are extremely useful in the development of the country. Certainly, one of the important factors of improving the living standard of the population and improving the socio-economic status of citizens is to provide them with a quality education system.

In global practice, focusing on the quality aspect of the expenses of educational institutions related to the social sphere, the terms "cost commitments" and "performance-oriented budgeting" are widely used in the processes of cost planning[1]. It is appropriate to approach the technology of "performance-oriented budgeting" from the point of view of the reform of public expenditure management. In contrast to budget expenditure planning, which currently leads budget practice, the use of Result-Oriented Budgeting (a program-targeted method of budget expenditure planning) allows the allocation of state budget funds to the socially significant and usually quantifiable results of managers' activities, and at the same time arises from the need to monitor the achievement of the set goals and results at the same time.

There are general views that "budget planning is a structural part of management, and it is a planned management of the processes of organization, distribution, redistribution and use of state funds". The stage of budget planning is the most important stage in all stages of management, sources of budget revenues and directions of expenses are determined during budget planning. The socio-political tasks of the state will be materialized and the management bodies will be assigned socio-economic tasks[2].

The use of this method of budget expenditure planning also implies improvement of budget planning and financial management in budget organizations. In practice, the effectiveness of the usual methods of using financial resources (state procurement, open competition, tender, treasury technologies, internal control, internal audit) is increasing in increasing the efficiency of budget expenditures. At the same time, the need to properly improve the quality of state social services requires the improvement of the mechanism of planning and financing the education system costs.

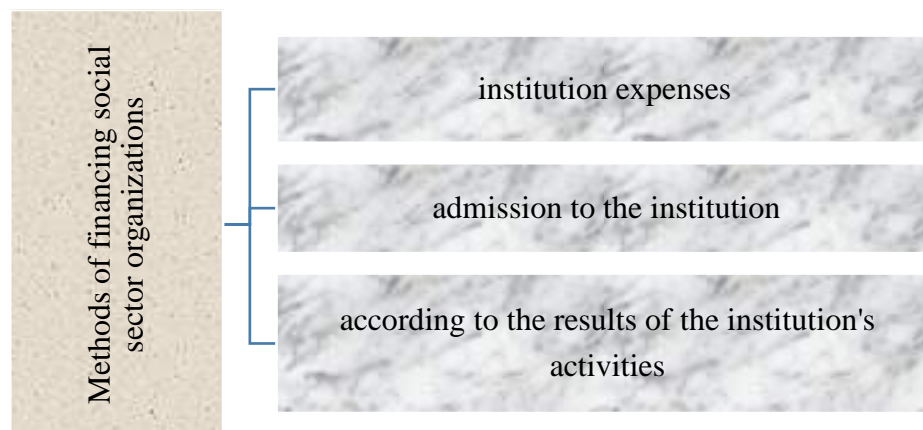
Among the methods of evaluating the effectiveness of budget expenditures proposed by A.V.Gukova, D.M.Shor, it is appropriate to apply in practice through the four stages of using "outsourcing" in the provision of budget services. Outsourcing functions used by the authors in the provision of budget services are given[3]:

- expressing the amount and directions of the budget funds used rationally in the provision of services by allocating budget organizations;
- to provide the expected budget service to the consumer, consumers, at a quality and prices suitable for them;
- organization and development of entrepreneurial activities in the market of activating, budget services; optimization, development of measures aimed at optimizing budget funds at the regional and local level.

According to T.Silvestrova, it is necessary to optimize the planning of the expenditure part of the budget in terms of providing high-quality budget service. Outsourcing of budget services contributes to the optimization of budget costs. Therefore, the optimal planning of budget expenditures should be understood as the process of maximally meeting the needs of customers by choosing a reasonable option of possible monetary expenditures. In practice, the concept of "budgeting" (budgeting) refers to the final results achieved by the various expenses of the budget, in turn, in the most effective way. The budget is "purpose-programmed planning method" or

budget planning according to programs (planning, programming and budgeting system - planning programming and budgeting system - PPBS). "Objective-programmatic planning method" was first used in the USA in the 60s of the last century by the Secretary of Defense Robert McNamara. Gradually, other ministries of the federal government began to use this method. The purpose of this method is to improve decision-making on the allocation of resources to increase the efficiency of budget funds in the field of public finance.

Foreign experiences have shown that in practice the "cost-based" method, "input-based" method and "outcome-based" method are used for social sector expenditure planning (Figure 1).



**Figure 1. Methods of financing social sector (education system) organizations[4]**

A portion of public funding in educational institutions is channeled through educational spending incentives or through the student. The more freedom is given by the state to higher education institutions in spending the funds allocated to them, the more widely used is the technology of "access-based" financing. Taking into account the number of students enrolled in higher education institutions, the use of the method of financing "on entry" also leads to the fact that the decisions made by higher education institutions are contrary to the requirements of the labor market in modern conditions, which results in the homogeneity of higher education institutions and specialties. Most of the "cost-based" financing mechanisms fail to provide incentives to increase the efficiency of the educational process.

If the state allocates funds only according to the types of educational activities, this does not guarantee that these funds will be spent on improving the quality of education or that educational institutions will find the best ways to allocate resources. The method of financing "by results" is based on the effectiveness of training graduates of educational institutions[5].

The use of efficiency-oriented budgeting technology is focused on the following tasks:

- allocation of budget resources not according to the types of expenses, but according to strategic goals;
- provision of services according to the actual demand of the population;
- comparison of expenditure programs and selection of the most cost-effective ones based on the results of evaluation of the effectiveness and efficiency of expenditure;
- establishing control over these expenses by choosing the most economical way of providing budget services;
- increasing the level of comprehensibility and transparency and reasonableness of budget expenditures;
- determining not only the monetary value of social services, but also its social effect;
- focusing on strengthening internal accountability and internal control over the effectiveness of spending rather than external control over the targeted use of funds.

Researches show that the issue of developing and improving the efficiency of educational services and business activities in higher educational institutions, ensuring their competitive advantage is becoming one of the important aspects. In order to effectively manage the internal capabilities of the higher educational institution, it is important to determine and analyze indicators

that represent the effectiveness of educational services and business activities.

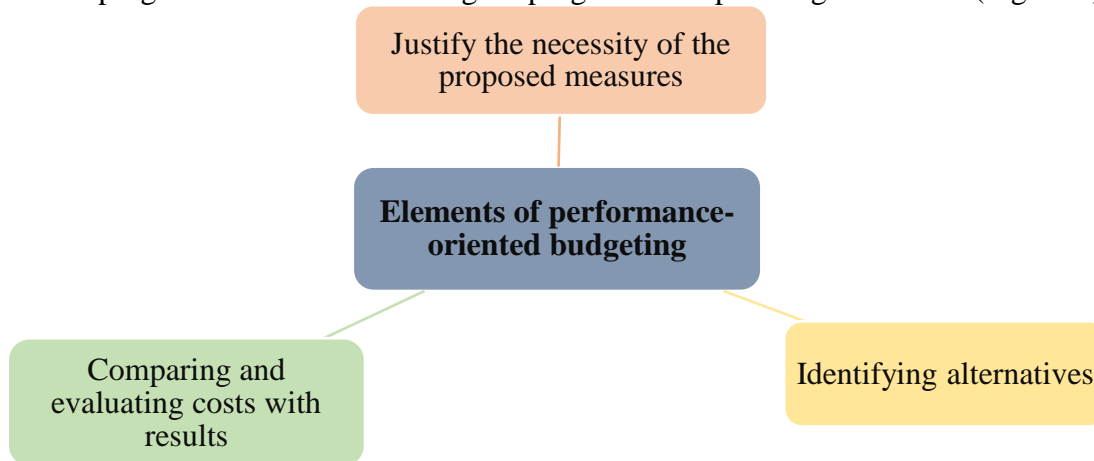
The issue of providing competitive, high-quality educational services in the conditions of state and market principles is one of the most serious issues facing the higher education institution. At the time when the educational system is moving to new conditions, the current methods of evaluation should also be modernized.

**Methodological aspects of research.**

International experience shows that "following the United States, in the 1960s, in order to allocate large-scale financial resources, in order to use more effective methods in the process of developing the budget project, the new "objective-programmatic planning method" and to begin be used "performance-oriented budgeting" method[6]. One of the important directions of budget reform in many countries is the introduction of performance-oriented budgeting. Performance-oriented budgeting envisages increasing the clarity, control, evaluation and efficiency of the allocation and use of financial resources. In order to increase the efficiency of the use of budget funds, to optimize the management of state expenses, this method of budget planning is used in the world practice in the planning of the state budget. Practitioners believe that one of the best ways to optimize budget costs is to apply and improve the "performance-oriented budgeting" method. Expenditures at different levels of the budget are directed to the final results achieved in the most effective way. Most importantly, the results of the implementation of the budget in the country are also evaluated[7]. In "cost management" technology, budget expenditures are not based on expected results, errors and shortcomings, budget management problems are visible in the implementation of control in accordance with actual and planned indicators. It should be noted that in such a planning system there may be difficulties in performing the task of evaluating the priority and efficiency of budget funds or in determining the directions of budget funds expenditure, this technology does not give an opportunity to make innovative decisions in order to reform the budget process and create an effective budget. In order to reform the budget process, in accordance with the priorities of the state policy, conditions will be created for effective management of state finances with efficiency-oriented budgeting.

Efficiency-oriented budgeting technology is a system of organizing the budget process and state management, in which expenditure planning is carried out depending on the achieved results. The concept of efficiency-oriented budgeting is constantly developing. Performance-oriented budgeting in each country has its own characteristics; There is no single method, principle, or instrument. Nevertheless, several elements can be noted that distinguish performance-oriented budgeting from other concepts of budgeting[8].

A study of Poland's budgeting method shows that many so-called "supporting" budgets are drawn up to develop the main budget. At the same time, great importance is attached to the elements of rapid budgeting, which will be at the center of the draft report on financial results. The main components of determining costs for needs in target-program planning are cost analysis and results for each program. Three elements of goal-programmatic planning are shown (Figure 2).



**Figure 2. Elements of performance-oriented budgeting[9]**

In general, performance-oriented budgeting is a budget formation (execution) system that reflects the interaction between planned budget expenditures and expected results. The purpose of this model in budgeting is to control the consistency of the spent resources and the obtained direct and social results, to assess the importance of one or another type of activity financed from the budget and the level of social and economic efficiency.

#### **Analyze and result of research.**

Although the legal-regulatory documents on results-oriented budgeting (RBB) have not been fully formed in Uzbekistan, some provisions are given. The adoption of the Budget Code of the Republic of Uzbekistan is explained by the improvement of the principles of the budget system and the adoption of the decision of the President of the Republic of Uzbekistan No.4555. This document envisages the step-by-step implementation of results-oriented budgeting in the areas of health care, public education, highways and water management.

So, in our country, the first steps have been taken to introduce a result-oriented budget. From this point of view, it is important to study the scientific-theoretical foundations of the result-oriented budget and compare it with other methods. As the main principle in the implementation of results-oriented budgeting, it represents the transition from “budget cost management” to “results management”. Results-oriented budgeting is a method of creating, implementing and controlling the budget, which reflects the budgeting process that requires the achievement of results in order to achieve strategic goals in accordance with the priorities of public policy.

In our opinion, the implementation of the result-oriented budgeting method involves the development of a system of indicators reflecting the strategic results of the country's development in the cross-section of sectors. This requires that these indicators be implemented on the basis of criteria that can be evaluated and compared to this system. If the creation of an opportunity to evaluate the indicators makes it possible to direct the budget expenditures, the comparison creates conditions for determining how positive/negative the results.

At the same time, the criterion set for the final indicators in the resulting budgeting is term. The reason is that the strategic goals of the country's development are long-term, so it is necessary to take this approach into account when planning budget expenditures. In turn, this aspect serves to create a form of medium and long-term budgeting. It should be noted that starting from the 2019 financial year, the practice of planning the budget for 3 years has been introduced in Uzbekistan. In particular, the medium-term budget was adopted for the first time by the decision of the President of the Republic of Uzbekistan No.4086 of December 26, 2018 “On the forecast of the main macroeconomic indicators of the Republic of Uzbekistan for 2019 and parameters of the state budget and budget targets for 2020-2021”.

Therefore, it is important to create a system of indicators that reflect the results at the initial stage of introducing performance-oriented budgeting. These should be divided into the following groups: financial indicators - reflect the economic calculations required to achieve results and serve to determine the size of budget expenditures; effectiveness - a system of evaluating the results of the budget organization's activities in achieving national strategic goals, in which the term and finality should be clearly reflected; purposefulness - it is necessary to move from management of budget costs to management of results and to link costs to results rather than to time (for example, analysis of the implementation of salary payment in budget organizations in a business-like manner rather than a time-based manner); sociality - it is possible to express and evaluate the effectiveness of a person or group as a result of budget expenditures; economic efficiency - the resulting budgeting should provide gross added value in the current and long-term period; socio-economic efficiency - a mutually harmonious ratio of cost and result. It is appropriate to take into account that one unit of cost affects the creation of a certain unit of value.

“Performance-oriented budgeting” has advantages over “item-based cost management” (Table 1).

**Table 1**

**Comparative analysis of “Performance-oriented budgeting” and “Expense management” technologies[1]**

Comparison criteria	Performance-oriented budgeting	Expense management
Purpose of planning	Determination of current and accepted obligations; establishing the powers of heads of budget organizations	Funding of budget expenses; indexation of current costs
Planning object	Achievable results	Budget expenses
Planning subject	Directing the spending of funds to results	Expenditure of funds in accordance with the plan
Planning period	Approval of the medium-term, three- to five-year budget	Approval of the annual budget
Planning	Not detailed	Detailed
Responsibility of heads of budget organization	Increase the responsibility of the heads of the budget organization and clearly establish the results	Clarification of the budget expenses of the heads of the budget organization based on the established procedures
Powers of the chief allocators of budget funds	Effective management of financial resources, including budget funds, to achieve specific results	Establish budget costs based on established procedures
Economic interests of the main allocators of budget funds	There is an interest in the results of the main allocators of budget funds	The main allocators of budget funds have an interest in the quantitative appropriation of budget funds
Object of control	Achieving results from the expenditure of budget funds	Purposeful spending of funds
Regulatory bodies	External control bodies, internal control	External control bodies
The main principle of choosing the financing of new expenses	Depends on the expected result and efficiency	Based on established budget procedures

Within the framework of solving the issues of improving the welfare of the population in order to achieve the development goals in Uzbekistan, attention is paid to the following: supporting the level of financing of programs and projects in the direction of strategic development, in areas such as education and health;

development of a medium-term budget planning system as a basis for formulating and implementing practical medium-term policies and programs;

to increase the efficiency of the use of state funds by implementing performance-oriented budgeting;

increasing the transparency of the budget process based on the full implementation of the treasury system and the improvement of information supply.

#### **Conclusion.**

In general, the technology of “performance-oriented budgeting” can be said to be a modern form of budget formation and execution. This technology represents the interrelationship between the budget costs and the results expected from these costs, the result achieved by the provision of budget services and their social, economic efficiency and effectiveness.

According to the research work, there are proposed the following recommendations for improving this area:

1. In order to strengthen the role of the local budget in improving the financial provision of social services, it is necessary to fully reflect the local budget expenses in the financial support of the state socio-economic policy.

2. Development and financial support of the social sector should be the focus of local authorities, attracting various interest and charitable funds to these areas, and the amount (account) of such expenses should be reflected in separate approved documents.

3. It is necessary to conclude bilateral contracts with various commercial entities in the implementation of additional support measures for the social sphere in the regions.

Therefore, the implementation of performance-oriented budgeting should be approached from the perspective of public expenditure management reform, even public sector reform, which includes civil service reform, institutional reform, and change management.

#### References:

1. An educated generation is a guarantee of a great future, an entrepreneurial people is a guarantee of a prosperous life, and friendly cooperation is a guarantee of development. / Speech of the President of the Republic of Uzbekistan Shavkat Mirziyoyev at the solemn ceremony dedicated to the 26th anniversary of the adoption of the Constitution of the Republic of Uzbekistan. <http://uza.uz/oz/politics/bilimli-avlod-buyuk-kelazhakning-tadbirkor-khal-farovon-ayet-08-12-2018>.
2. Касимова Гуляра Ахматовна. Натижавийликка йўналтирилган бюджетлаштириш – ижтимоий соҳани бошқариш ва молиялаштиришни, vol. 11, no. 131. 2019.
3. Н. А. Истомина, “Этапы эволюции и перспективы развития \*,” pp. 77–82, 2015.
4. Д. М. Ш. ГУКОВА, А. В., “Бюджетная политика методические аспекты измерения,” vol. 22, no. 64, 2011.
5. L. Bolton, “Innovative financing methods for social protection,” 2017.
6. J. Stamalevi, “The Importance of Payback Method in Capital Budgeting Decisions Article by Jones Stamalevi,” South Am. J. Manag., vol. 1, no. 2, pp. 1–6, 2015.
7. Б. И. Е. Г. О. Ориентированность and Н. А. Результат, “ДЗАНКИСОВА И.Х.,” pp. 190–194, 2006.
8. I.S. Bogomolova, “On the directions of increasing the efficiency of on-budget expenditures.”
9. А. Д. А. Ўғли, “Фойда солиғининг миллий иқтисодиётнинг,” vol. 2020, no. 2006, pp. 199–206, 2020.
10. Г. Агзамова, Н. Қўчқорова, Ўзбекистон Республикаси матбуоти солномаси. 2011.