

IMPROVING THE MECHANISM FOR FORMING AND DISTRIBUTING LOCAL BUDGET RESERVE FUNDS IN THE SUSTAINABLE FINANCING OF THE SOCIAL SPHERE

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Abstract. This article provides a scientific analysis of the role and importance of local budget reserve funds in the sustainable financing of the social sphere. The mechanisms for forming and distributing reserve funds are examined, and the existing problems are identified. Based on the research findings, scientific and practical proposals for improving these mechanisms have been developed.

Keywords: *local budget, reserve fund, social sphere, financing, budget policy, efficiency, financial sustainability.*

Introduction

In the context of economic modernization, ensuring sustainable financing of the social sphere is one of the priority directions of state financial policy. To guarantee the uninterrupted functioning of education, healthcare, social protection and other related sectors, it is essential to establish stable financial sources. In this process, the role of local budgets is steadily growing in importance.

Reserve funds occupy a significant position within the structure of local budgets. These funds serve as an important financial resource in emergency situations, in covering unexpected expenditures, and in addressing priority tasks in the social sphere. At the same time, existing shortcomings in the mechanisms of their formation and distribution may negatively affect the efficiency of social expenditures.

Sustainable financing of the social sphere is one of the issues of priority importance in the socio-economic policy of any state. In particular, under modern economic conditions, accomplishing tasks such as raising the standard of living of the population, strengthening the social protection system, and improving the quality of education and healthcare services is directly dependent on stable financial sources. From this point of view, the importance of local budgets and the reserve funds within them continues to grow.

Local budgets are a vital link in the state financial system and play a decisive role in ensuring socio-economic development at the regional level. Educational institutions, healthcare organizations, and social protection facilities are financed through these budgets. However, imbalances between budget revenues and expenditures, economic changes, inflation, and unforeseen events create certain difficulties in financing the social sphere. Under such circumstances, local budget reserve funds emerge as an essential instrument for ensuring financial stability.

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In terms of their economic essence, local budget reserve funds represent a set of financial resources that ensure the stable operation of the budget system and are utilized in emergency situations and unforeseen expenditures. These funds perform the function of a “financial safety cushion” within the budget system. Through them, the possibility of uninterrupted financing of the social sphere is created in cases of natural disasters, economic crises, and epidemiological situations. At the same time, reserve funds also play an important role in implementing the priority directions of social policy.

In practice, the mechanism for forming local budget reserve funds is based on various sources. In particular, a certain share of budget revenues is allocated to these funds; remaining balances at the end of the fiscal year are directed to replenish them; and additional revenues, as well as state transfers in some cases, also serve as a source. However, in this process, imbalances arise due to the lack of clear criteria, the limited volume of funds, and disparities in economic capacities among regions. This, in turn, hinders the effective formation of reserve funds.

The mechanism for distributing reserve funds is also of significant importance. In practice, these resources are mainly directed toward eliminating emergency situations, covering urgent expenditures in the social sphere, and restoring infrastructure. However, in the distribution process, problems such as insufficient transparency, the presence of subjective factors in decision-making, and the underdeveloped state of the system for assessing efficiency are observed. These circumstances negatively affect the rational use of resources.

Analysis of foreign experience shows that in developed countries, local budget reserve funds are managed on the basis of effective institutional mechanisms. For example, in the United States, there are reserve funds known as “rainy day funds,” which are formed and used in accordance with strict rules. These funds play an important role in maintaining budget stability during periods of economic downturn. In European countries, reserve funds are regulated by legislation, and their operations are highly transparent and accountable. Moreover, in these countries, the system for assessing the efficiency of the use of reserve resources is well developed.

In the conditions of Uzbekistan, a number of problems exist in the management of local budget reserve funds. First and foremost, the insufficient development of the regulatory and legal framework hinders the effective organization of this process. In addition, the absence of criteria for assessing the efficiency of resource use and the weakness of the monitoring and control system are also among the main problems. Furthermore, the lack of a mechanism for accurately and scientifically assessing the needs of the social sphere may lead to the misallocation of funds.

In order to overcome these problems and ensure sustainable financing of the social sphere, it is necessary to improve the mechanisms for forming and distributing local budget reserve funds. In this regard, first of all, clear and transparent norms should be established in the formation of these funds. This will ensure fairness and efficiency in the allocation of budget resources. Likewise, the introduction of a risk-based approach can help to direct funds to the most essential areas.

Furthermore, the introduction of digital technologies can enhance the efficiency of reserve fund management. For instance, electronic budget systems make it possible to monitor the movement of funds in real time. This contributes to increasing transparency and reducing the risks of corruption. At the same time, it is advisable to develop a system of specific indicators for assessing the efficiency of the use of reserve funds.

The Economic Essence of Local Budget Reserve Funds

Local budget reserve funds are a set of special resources formed for the purpose of ensuring the stability of the budget system, covering unforeseen expenditures, and reducing financial risks.

From an economic standpoint, these funds:

- ensure budget stability;
- diversify financial risks;
- create the possibility for prompt financing in the social sphere.

Reserve funds serve as the “safety cushion” of the state financial system.

Mechanisms for Forming Reserve Funds

In practice, local budget reserve funds are formed from the following sources:

- a fixed share of budget revenues;
- year-end balance of resources;
- additional sources of revenue;
- state transfers.

However, the current system has a number of problems:

- the lack of clear criteria for fund formation;
- the insufficient volume of resources;
- imbalances among regions.

The Mechanism for Distributing Reserve Funds

Reserve funds are distributed in the following directions:

- eliminating emergency situations;
- covering urgent expenditures in the social sphere;
- restoring infrastructure.

At the same time, the distribution process is characterized by:

- insufficient transparency;
- subjectivity in decision-making;
- the absence of mechanisms for evaluating efficiency.

Directions for Improvement

- Establishing clear standards for the formation of reserve funds.
- Introducing a risk-based mechanism for distribution.
- Implementing a digital monitoring system.
- Enhancing transparency and accountability.
- Developing indicators for assessing efficiency.

Conclusion

In conclusion, local budget reserve funds are of great importance in the sustainable financing of the social sphere, and their effective management contributes to enhancing the efficiency of state financial policy. By improving the mechanisms for forming and distributing these funds, it is possible to ensure budget stability, raise the quality of social services, and improve the welfare of the population. Therefore, deepening scientific research in this direction and applying advanced foreign experience in practice remain among the most pressing tasks. Local budget reserve funds play an important role in the sustainable financing of the social sphere. Their effective formation and

distribution make it possible to ensure budget stability, improve the quality of social services, and reduce financial risks.

The findings of the study indicate that, in order to improve this system, it is necessary to implement institutional, economic and organizational measures in a comprehensive manner.

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