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Improving The Practice of Financing Social Protection Expenditures in The Republic of Uzbekistan

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Abstract: This paper analyses theoretical principles on financing social protection system in the Republic of Uzbekistan, directions of social expenses and financial aspect of subsidies from the state budget. Moreover the study addresses a system of tools to ensure social security among vulnerable population groups and to supply high-grade social services. According to the current social normative legal documents of the Republic, the structural changes and reforms in the sphere are interrogated: such as creation of digital platforms for social protection, types of social support and criteria of their provision; indicative parameters characterizing a socially safe situation at country's population. The paper concludes with recommendations to enhance the practice of financing social protection spending.

Keywords: Social Protection, Social Guarantees, State Budget, Social Expenditures, Quality of Life, Social Insurance, Poverty, Unemployment

1. Introduction

Social policy takes the leading positions in a complex of social and economic reforms that began to be realized in the Republic of Uzbekistan. The importance of this policy is that it helps to neutralize the negative factors that could appear for the nation because of widespread reforms, direction held in the republic. Furthermore, in every society there are also defined such groups of people those, for objective reasons (age, diseases, disabilities, country's unemployment rate and so on), can't be involved in production. Hence, the state takes on the burden of taking care of these people where a part of national income is being redistributed to guarantee their material welfare [1].

Social protection systems of the population is a set of such institutions with which the state focuses on and guarantees normal conditions of life to society. There are a lot of people in Uzbekistan who benefits from social protection but can't work.. One of the structural features of a modern skilled-labour economy is believed to be that there is an effective social protection system [2].

The reasoning of state budget expenditures on social protection is conducted through the structure in the framework of four main components: social benefits, pensions, subsidies, financial assistance to persons with disabilities. At the same time, it is equally important: - to evaluate efficiency of such expenditures; - see whether and in what way they serve the priority goals of social policy; - understand economic and social consequences of use of budget funds. This operation contents also is the development of

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the reasonableness of expenditure, disposal based on actual needs of population, and stability of system of social protection [3].

The systems of social protection in most countries of the world are focused on the compulsory form of social insurance, which is fixed in the normative acts of ILO and UN. Yet underdevelopment of social insurance and social aid institutions has resulted in a decrease in the number of people for whom society provides any mutual guarantees, including among them those that have lost their jobs, self-employed and workers at small enterprises. In countries with an economy in transition, the trends of institutional development have generated a low level of payment for the risk of loss of income at work - often at or below the subsistence minimum [4].

The World Bank's 2025 publication notes of the present situation of social protection summary findings on progress and continuing challenges in building social protection and labor systems on a global scale within low- and middle-income countries. The approach is described in the report as movement along a pathway of managed, gradual action on gaps in coverage and adequacy experienced by the poorest people in the world [5].

2. Methodology

There are numerous domestic and foreign academic publications that evidence the role of social protection in financial aspects of Uzbekistan and the participation and function of stakeholders in these relationships. Indeed, the financial system is dominated by M. Murodov and D. Karimov, while relations exist primarily in respect to the state budget and social funds [12]. Although specific ideas on insurance-based instruments in social protection have been elaborated, the link to recent phenomena of digitalization and public-private partnership (PPP) relations is not fully explored. In this work the authors consider economic functioning of social protection, employment, healthcare and educational systems.

The foreign scholars Mengzhi Xiong and Xuan Yang believe that in the new stage of social economic development, digitalization is the most effective and indispensable tool. They believe that promoting digital finance in social protection not only makes financial services more convenient and efficient for the public and enterprises, but also has great potential in the area of social management. Social governance means adopting a unified design and systematic arrangements to govern and manage social matters and public life in the process of negotiation, cooperation, regulation between government, citizen, corporations and social organizations.

In the framework of the study, a methodological approach was developed that relied on contemporary scientific concepts and methods applicable worldwide for analyzing the provision of funds to financing systems of social protection and its financial capacity. The following methods of research have been used to study the modern financial possibilities and figures problem of social insurance in Uzbekistan:

- **Theoretical-methodical approach** – analyzing the social protection system on the basis of international and national experience;
- **Descriptive arrangement** - description of the legal and institutional framework for the introduction of the system of social protection in Uzbekistan;
- **Statistical analysis**: an analytic review of the national social system financed through expenditure on social protection;
- **Comparability** – comparison of materially needy households by region in Uzbekistan.

3. Results and Discussion

The state budget performs a significant function of the tool of financial mechanism in the country's sustainable social-economic development. More specific, the spending part of the budget has an immediate impact on all aspects of social life such as education, health care, transport, social protections and so on. Efficient and goal-directed State Budget expenditures management ensures social economic development, population welfare and the rise in living standards.

Uzbekistan has recently undertaken substantial reforms to improve the transparency and accountability of public finance management. Specifically, at the initiative of the President of the Republic of Uzbekistan Shavkat Mirziyoyev, it has been established that proposals for implementation of projects are being funded based on public opinion to ensure effective use of state budget resources. Within the scope of this project, the mechanisms were designed to ensure active participation by the population in shaping state budget and development of regional socioeconomic projects, as well as broadening public participation in resolving acute local problems [6].

Starting from May 2021, it was gradually introduced that 5 percent of the approved total expenditures of district (city) budgets would be allocated to financing initiatives formed based on public opinion. From January 1, 2022, this practice was extended to all districts and cities across the country. In this context, the updated "Open Budget" portal was launched in Uzbekistan in 2021, providing public access to information on the state budget and public debt. The portal includes a dedicated "Initiative Budget" section, which allows citizens to submit proposals regarding problems in their local communities [7].

Reforms in the social sector currently represent one of the priority areas of state policy. The main objective of these reforms is to improve the quality of life of the population, ensure citizens' freedom and development, promote active engagement in creative and productive activities, and enhance the overall content and meaning of life. Special attention is also being given to the development of social insurance as an effective mechanism for social protection and support. State social insurance applies to all employees, with contributions paid by employers as well as insured employees themselves. Therefore, all employees should be covered by state social insurance mechanisms [8].

Table 1. Comparative Analysis of Social Assistance and Social Insurance Elements within the Social Protection System

Criteria	Social Assistance	Social Insurance
Object	Human interests related to maintaining an acceptable standard of living not lower than minimum state guarantees	Human interests related to preserving labor income and work capacity
Subject	Acceptable standard of living, social guarantees	Labor income, work capacity, life and health
Financial mechanism	Budget-based financing	Insurance-based mechanism
Sources of financing	Taxes, customs duties, and other state budget revenues	Insurance contributions from employees and employers, budgetary subventions and subsidies
Governance	State authorities and local self-government bodies	State, public, and private organizations
Principles of provision	Needs-based approach and intergenerational solidarity	Universality and solidarity based on participation in financing

Financing the provision of funds and expenditures for socially vulnerable population groups is primarily carried out through allocations from the state budget. The legal framework governing these expenditures financed from the state budget is based on the Decree of the President of the Republic of Uzbekistan No. 74 dated February 17, 2022, "On Additional Measures to Support Persons with Disabilities and Socially Vulnerable Population Groups", as well as the Resolution of the Cabinet of Ministers No. 119 dated March 23, 2023, "On Approval of Regulations on the Procedure for Assigning and Paying Allowances and Material Assistance to Certain Categories of Socially Vulnerable Persons and on Additional Measures to Improve the Quality of Public Services through the Wide Implementation of Modern Information Technologies in This Sphere" [9]

In accordance with this legislation, in order to ensure the timely and high-quality provision of public services related to the assignment of allowances and additional payments to citizens in a proactive format, the Ministry of Health, the Ministry of Preschool and School Education, the Ministry of Justice, and the extra-budgetary Pension Fund under the Ministry of Economy and Finance of the Republic of Uzbekistan are required to ensure continuous and full integration of their respective information systems with the Unified National Social Protection information system administered by the National Agency for Social Protection under the President of the Republic of Uzbekistan [10].

The assignment of allowances in a proactive format represents a public service provided by an authorized body through information systems using information and communication technologies, without requiring any form of application from individuals who have become eligible for benefits in accordance with legislative acts, and without human intervention [11].

Social protection of the population constitutes one of the most important functions of the state, serving as a key instrument for ensuring social stability in society, supporting vulnerable population groups, and directing investments into human capital development. Expenditures implemented within the framework of the social protection system are financed through the state budget, state targeted funds, the social insurance system, and other sources. These expenditures are aimed at supporting various population groups, including children, the elderly, persons with disabilities, low-income families, temporarily incapacitated individuals, the unemployed, and other socially vulnerable groups [12].

Table 2. Main Expenditure Areas of Social Protection of the Population

Area	Description
Pensions and allowance payments	Old-age pensions, disability pensions, survivor pensions, social pensions, as well as compensation and supplementary payments
Targeted assistance to low-income families	Allowances, material assistance, temporary support, compensation for housing payments, energy subsidies, <i>Iron Register</i> programs, social contracts
Social support for children	Childcare benefits, maternity allowances, support for orphaned children, orphanages, rehabilitation centers
Assistance to persons with disabilities	Prosthetic and orthopedic devices, rehabilitation services, home-based care, transport and utility benefits, inclusive education
Employment policy and labor market support	Unemployment benefits, public works programs, vocational training, youth employment programs, entrepreneurship subsidies
Healthcare and social services	Guaranteed free medical services, provision of medicines, patronage services, social workers, rehabilitation centers
Social housing policy	Mortgage subsidies, social housing, housing reconstruction, infrastructure development

Emergency assistance

One-time financial assistance, temporary shelter, provision of food and clothing, humanitarian aid

The regional distribution of material assistance funds in Uzbekistan is directly linked to income levels and demographic conditions of the population. Regions with lower income levels and larger populations receive higher volumes and broader coverage of material assistance, whereas relatively higher-income regions demonstrate lower levels of support [13]. This indicates that the social assistance system in Uzbekistan is being formed in accordance with the principles of targeting and social equity (Table 2).

Table 3. Social and Demographic Indicators of the Population by Regions in Uzbekistan, 2024

Region	Material Assistance Funds (billion UZS)	Number of Beneficiary Households	Per Capita Total Income (thousand UZS)	Permanent Population (thousand persons)
Republic of Karakalpakstan	21,062.10	4,562	16,858.00	2,029.7
Andijan Region	22,376.80	4,846	21,926.30	3,461.0
Bukhara Region	13,835.70	2,987	27,508.00	2,077.0
Jizzakh Region	11,924.30	2,587	19,435.10	1,537.6
Kashkadarya Region	18,071.20	3,917	18,473.50	3,639.3
Navoi Region	6,810.10	1,481	38,112.30	1,094.7
Namangan Region	33,531.20	7,232	16,849.00	3,131.7
Samarkand Region	19,188.50	4,152	19,215.40	4,297.5
Syrdarya Region	4,201.50	906	19,036.50	930.8
Surkhandarya Region	10,759.30	2,327	17,880.00	2,945.5
Tashkent Region	8,001.50	1,739	25,123.30	3,108.5
Fergana Region	18,196.10	3,975	19,119.90	4,144.7
Khorezm Region	11,699.70	2,536	23,410.80	2,032.4
Tashkent City	2,990.60	655	60,594.40	3,112.8

An analysis of the data presented in the table indicates that there are significant regional disparities across Uzbekistan in terms of the volume of material assistance funds, the number of beneficiary households, per capita total income, and permanent population size. The maximum of material aid was ordered in Namangan region with 33 531.2 billion sums and the financial assistance was given to 7,232 families there. This fact may be clarified by the high population level (3,131.7 thousand people) and per capita income (16,849 thousand UZS) [14]) in the region.

The Republic of Karakalpakstan and Andijan Region also show relatively high share of material assistance allocations. In low-income areas where per capita income has not reached the national average, these areas require heavy state support. These observations confirm that the allocation of social assistance material aid funds in Uzbekistan is in close accordance with regional demographic and income variation, based on the targeted and needs-based nature of the country's social protection system.

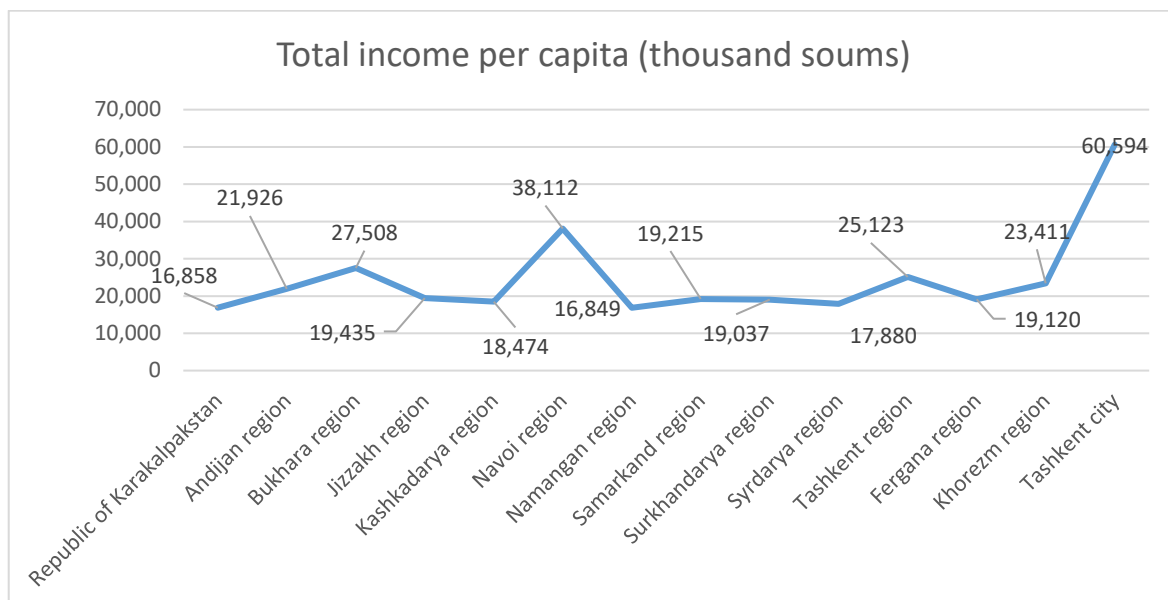


Figure 1. Per Capita Total Income of the Population of Uzbekistan in 2024 (thousand UZS)

The highest per capita total income is in Tashkent City (60,594.4 thousand UZS). Similarly, Tashkent City receives the smallest amount of material assistance funds (2 990.6 billion UZS) and provides support to the least number of beneficiary households (655). This describes that material support is targeted as it is mainly aimed at relatively poorer areas [15].

The amount of material aid and the number of families to whom it was provided in the populous regions, such as Samarkand, Fergana and Kashkadarya are also moderately high. In these regions, PCIs amount from 18000 to 19000 thousand UZS showing a great deal of importance of material help for the maintenance of socially vulnerable population groups.

At various levels of economic development, each country prioritizes the social objectives for development. The aim of these policies is to increase the welfare and living standards of the populace. According to the level of national development, some countries pay more attention on lowering unemployment rate and eradicating poverty and some emphasize increasing state support for people. The means to achieve each of these goals may differ, however the most essential is the formulation of a sound strategy for reforming social protection.

This policy should tackle pressing social problems such as rising employment, declining poverty levels, enhancing citizens' social security and an effective system of social protection.

4. Conclusion

Financing the social protection system represents one of the top priorities of public expenditure and is a basic tool for enhancing social stability, for protecting groups facing social risks and threats and for investing in human resources. The remarkable increase recorded in the volume and composition of social protection expenditures during last years testifies that the state has made a strategic choice in favor of the social policy as well.

It follows from the analysis that over the years funding for social projects, material assistance, benefits and other measures targeted at population support have been growing constantly. The extension of social security spending helps to stabilise society. In the framework of state budget, the proportion for payments like the children benefit, the

allowance for disabled people, care money and survivor's pension are enhanced greatly to consolidate the obligation of government towards vulnerable groups.

Meanwhile, uneven development of social protection continues, with the amount of funding still fluctuating in various regions according to population size, economic conditions and proportion of socially disadvantaged groups. This points to the requirement of further fine tuning of financial incentives at micro level and achieve better targeting.

The state-funded social protection system in Uzbekistan is reportedly being modernised. The launch of the Unified Register of Social Protection has led to a dramatic improvement in benefit targeting, transparency and accuracy as well as substantially decrease in cases with over- and underpayments. This has now emerged as a major consideration for judiciously and purposefully utilizing budget outlay.

And what's more, the spending on social protection is strongly associated with levels of economic development. A social-oriented budget policy increases the capability of households in consumption, stimulates internal demand and gives an impetus to economic development. So state expenditures with a social character not only lead to the mobilization of off-budget income but can contribute both to social stability and macroeconomic development.

Improving EDP is needed to increase transparency in the social protection system. Such measures as administration of all types of assistance (including benefits, subsidies, material aid and social privileges) through a single integrated automated information system the Unified Register of Social Protection are especially important. This process eliminates double or wrong allocation of support by the different organizations, guarantees their full transparency to citizens in social protection actions, reduces costs and time that social aid delivery takes, as well as making information about what a citizen is entitled to easily available.

Due to the ongoing development of the Unified Register, arbitrary or repeated help can be avoided, funds used more efficiently and social support targeted more exactly to meet the poor's requirements.

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