

## **IMPROVING FINANCIAL POLICY FOR HUMAN DEVELOPMENT IN THE CONDITIONS OF TRANSFORMATIONAL CHANGES**

The dynamics of social development dictates the need to strengthen the effectiveness of financial regulation of human potential, allocate a sufficient amount of funds to finance the social sphere and improve its infrastructure, and the country's financial policy should contribute to the formation of conditions for a qualitative increase in the level and availability of medical care, education, science, and social protection services and social security. The system of state financial regulation of human potential needs constant improvement, taking into account progressive methods, adaptation to internal and external economic factors under the conditions of institutional transformations of the economy.

The state should apply a systematic approach to the financial support of programs aimed at stimulating human potential, which includes:

- determination of priority goals, development of financial policy measures for the support and development of the social sphere in the medium-term perspective;
- coordination of the state's financial capabilities for the implementation of these goals within the budget periods;
- ensuring the functioning of the mechanism of financial regulation, monitoring, control, audit,
- development of the institutional foundations of financial support branches of social production, which will provide an opportunity to expand the share of insurance and investment sources in the general structure of financing measures to increase the level of development of human potential.

The priorities of the socio-economic development of the country and administrative-territorial units do not sufficiently define among the main tasks the issue of raising the quality level of human potential. At the same time, the appropriate level of financial support of its components is a significant tool for stimulating innovative activity and achieving social stability. Consistent and balanced application of fiscal policy tools in the sphere of ensuring social development is a prerequisite for the formation of an institutional environment. Implementation of the above will contribute to reducing the level of uneven distribution of the population's income, increasing the quality and availability of public services, improving the

system of criteria for receiving social assistance, increasing the level of quality and average life expectancy, and creating a competitive educational and scientific environment.

The improvement of the system of financial regulation of human potential should be carried out taking into account the priorities of social development, economic cyclicity, transformations of the financial system and the leading experience of countries with developed and transformational economies. The features of countries with a socially oriented economy are determined by both the sufficient volume of expenditures for the maintenance and development of the social sphere, and their significant impact on the well-being of citizens. The effectiveness of these financial policy measures is evidenced by the human development index, which is calculated on the basis of a set of indicators of the material situation of the population and socio-demographic indicators. The category with the highest level of human potential traditionally includes countries with Scandinavian and Western European models of socio-economic development. At the same time, despite the significant amounts of state financial support of the social sphere in these countries, the diversification of sources of financing projects and programs in the educational and medical fields is increasing, the insurance medicine and the accumulative level of the pension system are developing. Under the conditions of the recession, the role of the state in ensuring the stabilization of the financial market has increased, which is a necessary condition for the functioning of non-state pension provision and mandatory and voluntary insurance programs.

Financial support of human potential development programs is, to a large extent, carried out at the expense of state and local budgets, targeted state social insurance funds. Domestic budget policy is aimed at fulfilling the tasks of social development of the country, which is evidenced by the structure of the expenditure part of the state and local budgets in terms of functional classification. Budget expenditures are redistributed among the components of the budget system with the help of interbudgetary transfers, including subventions for the implementation of state programs of social protection, educational and medical subventions, which is due to the need to fulfill the tasks set in this area by state authorities and local self-government bodies, taking into account the principles of subsidiarity, transparency and efficiency.

In today's conditions of transformation of socio-economic relations, it is expedient to improve the methodological foundations of the formation of budget programs, to strengthen the level of their coordination with state target programs, a significant part of which is aimed at the development of human potential. It is important to form a strategy for financial provision of the social sphere, which must be developed in accordance with the conceptual objectives of increasing the quality of human potential and

adapted to changes in macroeconomic dynamics, institutional transformations of the public finance system, and the influence of globalization factors.

It is expedient to develop and implement programs for the development of the human potential of territorial communities, combining budget financing mechanisms, funds from financial and credit institutions and institutional investors. Taking into account the above, territorial communities should be empowered to combine these sources of resources in order to implement tasks and responsibilities in the field of human development. The appropriate mechanism will enable local self-government bodies to improve the quality of public services and strengthen their financial independence. The allocation of financial resources sufficient to finance measures for the human development of territorial communities should be accompanied by the formation of an effective system for monitoring the indicators of the effectiveness of the use of the relevant funds. The implementation of these directions will contribute to strengthening the level of functional adaptability of the domestic system of state financial regulation of human potential.

Tax policy has a corresponding impact on the dynamics of human development, the main instruments of fiscal stimulation of human potential are tax relief, tax credit, tax discount. It is expedient to improve the institutional basis for forecasting the amount of tax social benefits in terms of benefits provided using the coefficient of change in the number of beneficiaries, taking into account the dynamics of the ratio of the subsistence minimum and the average monthly wage. It is important to improve the control procedures for the formation of obligations to pay value added tax, the application of the concept of tax expenses when granting benefits, and the monitoring of the effectiveness of their use by industry. It is necessary to develop approaches to the improvement of tax policy, taking into account the peculiarities of taxation of the relevant categories of taxpayers.

Further improvement of the efficiency of the pension system should be carried out taking into account changes in the institutional structure of financial policy, diversification of the regulatory function of the state. It is necessary to implement accumulative mechanisms of pension provision, which reduces the burden on the solidarity system and makes it possible to form individual pension accounts for insured persons. It is important to support the processes of pension personalization, to create conditions for the insured person to choose different pension programs. The development of the system of non-state pension funds should take into account the interests of all participants of the financial market, which involves increasing the level of its capitalization and ensuring effective protection of property rights of investors. Under modern conditions, the amount of investment income in most funds is insufficient, which to some extent correlates with the degree of

reliability of financial instruments that can ensure proper diversification of pension assets.

The public-private partnership mechanism is an effective tool for attracting investments in the development of transport and social infrastructure at the level of the state and administrative-territorial units. The use of this institute provides opportunities for concession management, helps to increase the efficiency of the use of budget funds and support the implementation of innovations in the field of social development. It is necessary and urgent to strengthen the level of institutional capacity of state authorities, local self-government regarding the further implementation of public-private partnership in economic activity, the development of methodological bases for the provision of state support within the framework of the implementation of projects in the fields of health care and education, which will contribute to strengthening the effectiveness of mechanisms for providing public services.

In order to increase the effectiveness of economic transformations, it is advisable to improve the activities of financial institutions, which accelerate the pace of reproduction of productive forces. The priority directions of the state financial policy for the development of human potential should be the formation of a hierarchical system of state targeted social programs, the development of the institutional component of financing education, science, health care, increasing the effectiveness of the application of the program-target method in the budget process, strengthening the effectiveness of the relationship between the state budget and local budgets, improvement of the pension system. It is important to further strengthen the role of the financial component of the development of human potential in ensuring the processes of economic growth.