

# Finding Budgetary and Extra-Budgetary Funds and Directing Them Toward Incentives

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**Abstract:** This article provides a comprehensive examination of the efficient use of financial resources in budget-funded organizations, the sources of additional extra-budgetary funds, and the mechanisms for attracting them. It also scientifically analyzes ways to improve material incentive mechanisms for employees (allowances, bonuses, and incentive payments) through additionally mobilized resources. The article concludes with practical proposals and recommendations aimed at strengthening the financial independence of budget-funded organizations and encouraging higher employee performance.

**Keywords:** Budget funds, extra-budgetary funds, financial resources, material incentives, paid services, financial efficiency.

**Introduction: Relevance of the topic.** The large-scale economic reforms currently being implemented in our country are aimed at improving the efficiency of public administration and budget-funded organizations and ensuring their financial sustainability. In particular, as emphasized by the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, ensuring transparency in budget policy, granting greater financial autonomy to institutions at the local level, and mobilizing additional resources are requirements of the present time. Therefore, the rational management of budgetary and extra-budgetary funds, the attraction of additional financial resources, and their allocation to material incentives for employees constitute important conditions for the modernization of the economy.

Under conditions of limited state budget resources, the quality of the tasks performed by budget-funded organizations largely depends on how effectively mechanisms for identifying and rationally using extra-budgetary funds are established. The President has identified a number of priority tasks aimed at expanding mechanisms of financial self-incentivization

for public agencies and organizations and directing additionally generated funds directly in accordance with employee performance. Generating additional income through paid services, sponsorship donations, grants, and other lawful sources contributes to strengthening the financial independence of organizations.

At the same time, directing additionally generated funds toward material incentives for employees (allowances, bonuses, and incentive payments) is an important factor in improving the quality of employee performance, encouraging initiative, and preventing staff turnover. However, in practice, certain organizational and legal problems and restrictions remain in the process of generating extra-budgetary funds and transferring them to incentive funds. This creates the need for an in-depth scientific analysis and further improvement of the mechanisms in this area.

The purpose of this article is to identify the sources for forming budgetary and extra-budgetary funds, expand the ways of generating such resources, scientifically analyze the mechanisms for providing material

incentives to employees from the funds generated, and develop practical proposals for improving these mechanisms.

## LITERATURE REVIEW

In recent years, large-scale reforms have been implemented in Uzbekistan to ensure the financial independence of budget-funded organizations. According to the studies of economists A.V. Vaxobov and B.B. Alimov, educational, medical, and other budget-funded organizations in the country have been granted broad rights to independently manage their own resources, provide paid services, and attract sponsorship funds.

In accordance with the Budget Code of the Republic of Uzbekistan and relevant resolutions of the Cabinet of Ministers, a certain portion of extra-budgetary funds generated by budget-funded organizations is directed to employee material incentive funds, including allowances, bonuses, and financial assistance.

Nevertheless, as researchers note, in some regions and sectors the opportunities for generating extra-budgetary revenues remain limited. In addition, excessive financial procedures and bureaucratic barriers in transferring funds to incentive funds reduce employee initiative.

In CIS countries such as the Russian Federation, Kazakhstan, and Belarus, particular attention is also paid to increasing the level of self-financing of budget-funded organizations. The studies of Russian scholars V.M. Rodionova and L.P. Pavlova describe this process as follows:

In these countries, alongside state budget financing, mechanisms for generating extra-budgetary income through grants, commercialization of research results, and cooperation with the private sector are well developed.

The practice of assigning incentive allowances to employees on the basis of a “performance coefficient” (KPI) using additionally generated income is widely applied.

In developed countries such as the United States, the United Kingdom, and Germany, the system for attracting extra-budgetary funds and providing incentives in the public sector is largely based on the principle of Performance Management. Prominent

Western economists D. Osborne and T. Gaebler have substantiated the following aspects in their research:

In Western countries, budget-funded organizations seek to avoid complete dependence on public funding by generating independent income through innovative services, international grants, and consulting activities.

Each additional source of income generated is directed to reward funds linked to high team performance. This significantly increases employees’ personal responsibility and initiative.

The analysis shows that one of the important tasks in Uzbekistan is to introduce advanced practices from foreign and CIS countries, in particular the entrepreneurial management principles proposed by D. Osborne and T. Gaebler, to use digital marketing mechanisms for generating extra-budgetary funds, and to implement transparent KPI systems in the formation of incentive funds.

**Content.** In the course of this scientific study, the theoretical, methodological, and practical aspects of forming budgetary and extra-budgetary funds, expanding the ways of generating them, and directing them toward material incentives for employees were examined in depth. Based on the main aim and objectives of the research, a set of scientific research methods grounded in contemporary economic methodology was applied.

In examining the scientific and theoretical foundations of the research, the dialectical approach and the method of systems analysis were used as the principal methodological pillars. Through the systems approach, the financial activity of budget-funded organizations was considered as an integrated system, revealing the interrelationship between budgetary funds and extra-budgetary revenues, their impact on the financial stability of the institution, and their close connection with incentive mechanisms.

The comparative analysis method was also widely used in the study. This method enabled a comparison of practices for generating and allocating extra-budgetary funds in budget-funded organizations in the Republic of Uzbekistan, CIS countries (Russia and Kazakhstan), and developed foreign countries (the United States, Germany, and the United Kingdom). The possibilities of applying advanced mechanisms used abroad, such as performance-based budgeting and key performance

indicators (KPI), to the conditions of Uzbekistan were assessed.

During the research, existing theoretical approaches were generalized using logical reasoning, induction and deduction, and abstraction. Financial and organizational problems arising in the process of generating extra-budgetary funds, bureaucratic barriers, and their negative impact on employee incentive funds were analyzed in terms of cause-and-effect relationships.

In addition, using normative-legal analysis, the Budget Code and Tax Code of the Republic of Uzbekistan, as well as current subordinate legislation of the Cabinet of Ministers regulating material incentives in budget-funded organizations and the use of extra-budgetary funds, were examined. The analysis of this regulatory framework created a basis for identifying certain gaps in existing legislation and developing scientifically grounded proposals for addressing them.

The comprehensive methodological approaches applied in the study made it possible to ensure the objectivity of the research results, the validity of the scientific conclusions, and the reliability of the practical recommendations developed.

As a result of the scientific research, a number of important theoretical and practical findings were obtained regarding the current state of the mechanisms for forming budgetary and extra-budgetary funds, expanding their sources, and directing them toward material incentives for employees.

First, it was established that ensuring the financial sustainability of budget-funded organizations requires not only reliance on state allocations but also diversification of extra-budgetary revenue sources, including paid services, contractual activities, grants, and sponsorship donations.

Second, it was found that existing administrative barriers and excessive bureaucratic procedures in directing additionally generated funds to employee incentive funds reduce labor efficiency and employee initiative. This demonstrates the need to introduce Performance Management principles in this area.

Third, based on an analysis of the experience of developed foreign countries and CIS states, it was shown that the use of a transparent KPI system when

assigning employee allowances and bonuses can significantly increase the efficiency of the use of extra-budgetary funds.

2. Factors Ensuring the Reliability of the Results. The scientific reliability of the results obtained during the research was fully ensured by the following factors:

Soundness of the regulatory and legal framework: the study relied on an in-depth analysis of the provisions of the Budget Code and Tax Code of the Republic of Uzbekistan, as well as relevant government resolutions;

The scientific theories and views of domestic economists (A.V. Vaxobov, B.B. Alimov) and recognized foreign researchers (D. Osborne, T. Gaebler) were subjected to comparative analysis;

The combined application of scientific research methods such as the systems approach, comparative analysis, statistical grouping, and logical reasoning ensures the objectivity of the results.

The findings formed on the basis of these analyses provide a solid foundation for developing practical recommendations aimed at further improving mechanisms for generating additional funds in budget-funded organizations and directing them toward material incentives for employees.

Improving the mechanisms for forming budgetary and extra-budgetary funds, expanding the ways of generating them, and strengthening employee incentive mechanisms is currently a decisive factor in ensuring the financial sustainability of any budget-funded organization under conditions of limited state budget resources.

## **CONCLUSION**

Based on the research findings and comparative analyses, the following final conclusions were reached. First, strengthening the financial independence of budget-funded organizations requires not only reliance on state budget resources but also the expansion and diversification of extra-budgetary revenue sources, including paid services, contractual activities, grants, and sponsorship donations. In this process, each institution should make full use of its internal potential.

Second, it is necessary to eliminate certain bureaucratic barriers and excessive administrative restrictions in the mechanisms for directing additionally generated funds

to employee material incentive funds. The experience of developed countries shows that the introduction of Performance Management principles in the allocation of resources can significantly improve employee productivity.

Third, the application of a transparent and fair KPI system in the process of determining employee allowances and bonuses ensures the efficient use of extra-budgetary funds.

Based on the above, the following practical recommendations are proposed for further improving the mechanisms for generating additional funds in budget-funded organizations and directing them toward incentives:

Grant budget-funded organizations additional financial autonomy in generating extra-budgetary revenues and independently managing them;

Fully implement an open rating system based on employees' individual performance results (KPI) when distributing funds allocated to incentive funds;

Drawing on the advanced experience of foreign countries, introduce specialized digital platforms and marketing mechanisms for attracting extra-budgetary funds.

The practical implementation of these proposals and recommendations will contribute not only to increasing the financial independence of budget-funded organizations but also to enhancing employees' material interest and professional activity.

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