

ISSUES OF IMPROVEMENT OF MECHANISMS TO ENSURE THE FINANCIAL STABILITY OF NON-GOVERNMENTAL NON-PROFIT ORGANIZATIONS

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ANNOTATION

This article is dedicated to the issues of improvement of mechanisms to ensure the financial stability of non-governmental non-profit organizations.

Keywords: financial stability, non-governmental non-profit organizations, subsidies, grants, social orders.

INTRODUCTION

Presently, in the Republic of Uzbekistan registered more than 9 thousand non-governmental non-profit organizations (NGO) that operate in various fields and make a significant contribution to the development of society and the state [1].

During the years of independence, a strong legislative base was established in the country which regulates the matters of the establishment, activity, financing and state support of NGOs.

According to the article 29 of the Law of Uzbekistan "On the non-state non-profit organizations" the following can be sources of the formation of property of non-state non-profit organizations: entrance and membership fees, if they are provided by the charter; one-off and regular contributions from the founders, participants (members); voluntary property contributions and donations; income (profit) derived from business activities, used only for the fulfillment of goals appointed in the charter; other incomes which are not prohibited by legislation [2].

The issues of organization, operation, financing and state support of NGOs in the Republic of Uzbekistan are regulated by a number of normative legal acts.

The legislation of Uzbekistan contains the following mechanisms for financial support of NGOs:

1) In accordance with the Law of the Republic of Uzbekistan "On guarantees of the activities of non-governmental non-profit organizations", the state may support the activities of NGOs in the form of subsidies, grants and social orders or otherwise [3].

State subsidy The state budget is a financial or other material support provided to support NGOs at the expense of the state trust funds and not related to special projects.

State grants are funds and material resources provided to NGOs on a competitive basis from the state budget for the implementation of projects aimed at achieving socially useful goals.

The state social order to NGOs consists of a state assignment aimed at carrying out work or carrying out activities through the conclusion of a contract between a state body and an NGO for the implementation of projects of social and public importance.

Public administration bodies may issue direct state social orders to NGOs at the expense of extra-budgetary funds for the implementation of projects of social and social significance.

In particular, the Public Fund for Support of Non-Governmental Organizations and Other Civil Society Institutions under the Parliament (hereinafter - the Public Fund) received 38 billion soums from the state budget in 2020 (in 2019 - 28.6 billion soums).

In 2020, the Public Fund provided 9.2 billion soums state grants to 237 NGOs, 5.2 billion soums state social orders were provided to 14 NGOs and 1 newspaper editorial office and 22.9 billion soums subsidies were provided to 11 NGOs for the implementation of socially significant projects [4].

However, the number of NGOs receiving state grants, government social orders and subsidies accounted for only 3 percent of the total number of registered NGOs.

2) In accordance with the Tax Code of the Republic of Uzbekistan, the following income of a non-profit organization is not taxed [5]:

targeted revenues for the provision of non-profit organizations and the implementation of their charter activities;

the portion of the sum of the positive difference in the exchange rate that exceeds the sum of the negative difference in the exchange rate;

income from the sale of goods intended for religious use by the population.

Also, the following, which belong to non-governmental non-profit organizations, are not subject to taxation:

the amount of the grant received directly from NGOs, international and foreign organizations and foundations, as well as from the taxpayer grantor under international agreements in the field of scientific and technical cooperation of the Republic of Uzbekistan, if there is a conclusion of the competent authority;

facilities used by non-profit organizations in the implementation of non-profit activities;

lands used by non-profit organizations in the framework of non-profit activities;

water resources used by non-profit organizations in the implementation of non-profit activities.

In addition, it should be noted, that according to Article 317 of the Tax Code, fees, charges and other payments to non-profit organizations and international organizations are among the costs that are not deductible in determining the tax base.

According to the Decree of the President of the Republic of Uzbekistan No. PD-5430 of May 4, 2018 "On measures to radically increase the role of civil society institutions in the process of democratic renewal of the country" The Public funds to support NGOs and other civil society institutions under the Jokargi Kenes of the Republic of Karakalpakstan, regional and Tashkent city Kengashes of People's Deputies established and since 2019 necessary funds from the budget of the Republic of Karakalpakstan, local budgets have been allocating for them to continue their activities [6].

Moreover, some NGOs have been provided with free offices in the "NGOs' houses", that have established in each region of the Republic [7].

However, nowadays some of the NGOs have difficulties in providing their financial stability, which negatively affects their performance.

This fact determines the necessity of a detailed study of the current issue of today in order to improve the mechanisms of provision financial stability of NGOs.

In this connection, the main aim of this research is to conduct a detailed comparative analysis of mechanisms to ensure the financial sustainability of NGOs of Uzbekistan and other developed countries. The ultimate goal of the research work is to develop proposals and recommendations to the legislation on NGOs activities for the further improvement of the mechanisms of enhancing financial capacity of NGOs.

Due to the lack of study of this topic, in order to form the theoretical and practical foundations of research work, several scientific works of foreign scientists were studied.

In particular, was found the research work of Hiroshi Ito (Are Professional Nonprofits more Marketing Oriented?: Evidence from a Survey of NPOs in Japan), who argues that nonprofit organizations oriented on marketing are more financially stabilized than other “volunteer nonprofits” [8]. Hiroshi Ito concluded that NPOs that consider themselves to be professional are more marketing oriented, are less likely to struggle with variety issues, and thus are likely to enjoy greater success.

As well the research work of Lakesha T. Brown (Sustainability Strategies for Nonprofit Organizations During General Economic Downturns) is dedicated to explore the financial strategies some NPO leaders used to maintain financial sustainability during general economic downturns. This research paper is based on empirical data collected by the author through direct interviews with leading NGOs in Northwest Indiana.

Empirical research has shown that financially sustainable NGOs have pursued specific strategies to ensure the sustainability and quality of social service programs. That said, skillful use of partnerships, fundraising strategies, and diversification strategies are key to building a financially sustainable organization [9].

The study of such scientific works of foreign scientists makes it possible to compare the practices of Uzbekistan and other states in the field of ensuring the financial stability of NGOs.

In foreign countries, there are different approaches to support to ensure the financial stability of NGOs.

For example, German tax law, in turn, provides for tax benefits for non-profit organizations that pursue socially beneficial and sponsorship purposes. If an organization pursues these goals, it can obtain tax-exempt organization status. The business activities of such organizations are exempt from taxes, provided that they meet the socially useful goals set out in the constituent documents [10].

In Japan, NGOs such as “public interest corporations” are exempt from income tax on businesses related to their social activities. In addition, donors sponsoring NGOs such as “public interest corporations” and “certified nonprofit corporations” are subject to tax deductions (their income tax is reduced).

However, “corporations of certified nonprofit organizations” have some indirect tax benefits, in particular, if a certified NGO spends its income from commercial activities in the course of its nonprofit activities (sponsorship), this income is an expense and is not taxable [11].

Based on foreign experience and practice, as well as taking into account the peculiar characteristics of NGOs in Uzbekistan, it is advisable to provide for tax and other benefits for individual NGOs, as well as individuals and legal entities, in the legislation for the amount of donations made in favor of NGOs.

In addition, it is also necessary to revise the legislation in the field of NGOs to improve the corporate governance of NGOs in order to prevent illegal actions on the part of the management bodies and management of NGOs, which usually negatively affects the financial stability of the organization.

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