



ENSURING THE FINANCIAL STABILITY OF NON-GOVERNMENTAL NON-PROFIT ORGANIZATIONS THROUGH THE DEVELOPMENT OF THEIR ENTREPRENEURSHIP

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Annotation

In this article author provides his views on financial stability of non-profit organizations (NGOs), existing problems in the entrepreneurial activities of non-profit organizations, the issues that collide in the conditions of the "COVID-19" pandemic. It will come up with proposals aimed at strengthening financial supply and stability of NGOs.

Keywords: civil society, Non-governmental and non-profit organizations, financial support, financial stability, "COVID-19" pandemic, entrepreneurship, social order, grant, subsidy

In the Message of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis on December 29, 2020, priority directions for the further development of our country are defined.

In particular, it was emphasized that the support of non-governmental non-profit organizations and the mass media in the development of a free civil society will continue.

It was noted that the activities of the public fund for the support of non-governmental non-profit organizations and other civil society institutions should be aimed at solving urgent problems on the ground.

As noted in the appeal, non-governmental non-profit organizations are widely involved in identifying existing problems, analyzing them in-depth, developing proposals for their solution and ensuring public control over their implementation on the basis of a social order. It is advisable to widely introduce such cooperation, first of all, in such problematic areas as education, culture, medicine, ecology, construction, cadastre, transport, public utilities, employment, and the provision of social services.

It was also noted that 60 billion soums will be allocated from the budget for the organization of these works next year.

In general, over the past four years, 117 billion soums have been allocated from the state budget to support more than 1,270 projects of non-governmental non-profit organizations and other civil society institutions.

Of course, financing the activities of non-governmental non-profit organizations through the public fund for the support of non-governmental non-profit organizations and other civil society institutions and other areas, financial support through the provision of state orders to them, is a practical expression of large-scale work aimed at the development of civil society.

Nowadays, there is an annual increase in the number of non-profit organizations. In particular, if in 1991 the number of non-governmental non-profit organizations was only 100, then in 2018 there were 9,235, as of January 1, 2019-9,860 and as of January 1, 2020-10,501.



In these conditions, to achieve the real goal of creating non-governmental non-profit organizations, first of all, their financial stability is important. Because state orders, funds from the public fund for the support of non-profit organizations and other civil society institutions cannot cover all non-governmental non-profit organizations equally.

The financial stability of non-profit organizations is ensured by:

- state support in the form of subsidies, grants and social orders;
- entrance (membership) fees, voluntary property contributions and donations, sponsorship (grant) funds;
- to carry out business and publishing activities;
- access and use of tax and other preferences (benefits);
- rent of property and other valuables, collateral, etc.

At present, the period when non-profit organizations carry out free business activities of non-governmental organizations is becoming a necessity. It is more important than ever to ensure the financial stability of non-profit organizations, especially in the context of pandemics, and to achieve the goal of creating an organization.

Based on this, the concept of civil society development was approved by the decree of the President of the Republic of Uzbekistan No. PD-6181 of March 4, 2021-2025. In the concept:

Legal regulation of financing of non-governmental non-profit organizations and other civil society institutions under the Jokargy Kenges of the Republic of Karakalpakstan, people's deputies of the regions and non-profit organizations under the Tashkent city Kengashes and others from public funds of support from the local budget;

expanding the practice of financing socially-oriented projects by civil society institutions by providing a clearly oriented social order from the form of a state grant;

Expanding the role of the parliamentary commission for the management of funds of the public fund for the Support of Non-governmental Non-profit organizations and other civil society institutions under the Oliy Majlis in sectoral and territorial financing;

it is planned to increase the efficiency of civil society institutions, expand the scope of their activities, as well as strengthen their financial support.

Non-governmental non-profit organizations, in order to strengthen their financial position, have the right to engage in beneficial activities, creating separate economic entities as participants in civil law relations.

A non-governmental non-profit organization may carry out any type of activity that is not prohibited by law and corresponds to the purposes provided for in its constituent documents.

At the same time, the specificity lies in the fact that the created economic entities serve only to fulfill the tasks defined by the Charter of non-profit organizations.

According to the law "On Non-Profit Organizations", income (profit) from business activities is used exclusively for statutory purposes. The funds are not distributed among the founders (members, participants).



According to statistics, as of January 1, 2021, there are 135 economic entities of non-governmental non-profit organizations.

Non-profit organizations earned more than 23 billion soums through entrepreneurial activity in 2020. However, due to the pandemic, this figure has become twice as low as in 2019.

At the same time, it should be particularly noted that when carrying out business activities by non-governmental non-profit organizations representing the interests of persons with disabilities, certain issues arise.

For example, the activities of enterprises belonging to the Uzbek Society of the Blind are mainly related to cotton raw materials, which are used to produce beds, pillows and other similar products.

Through direct sales to local textile enterprises that have production facilities for processing cotton fiber, enterprises of the Republic of Uzbekistan are sold under direct contracts within the framework of technological needs and existing production capacities.

However, due to the cancellation of the state order for the cultivation of cotton raw materials from the 2020 harvest, as well as the work on the liquidation of the activities of “Uzpakhtasanoat” JSC and its regional associations, the issues of supplying cotton fiber to the enterprises of the blind society may not be fully resolved.

The analysis shows that currently more than 500 non-profit organizations do not carry out their activities, and more than 400 are in the process of liquidation. One of the main reasons for this is that the material and technical support of organizations is not always adequate, low personnel potential, and additional benefits for the implementation of business activities from the non-state sector are not considered.

The collection of analytical articles “Uzbekistan in focus” (Spotlight on Uzbekistan), prepared by the research institution of the Center for Foreign Policy (The Foreign Policy Center), located in the UK, shows that the financial stability of the “third sector” in Uzbekistan is limited in some cases.

Accordingly, it would be appropriate to develop new legal mechanisms to further promote the financial sustainability of non-governmental non-profit organizations.

Comparative legal analysis in this area shows that in Japan and in countries such as Germany, some types of non-governmental organizations can receive tax benefits if they meet certain requirements. For example, in Japan, non-profit organizations such as “public interest corporations” are exempt from tax on business income related to their social activities.

In some cases, non-profit organizations spend their income from commercial activities in the form of their non-profit activities (which is sponsorship), these income are treated as expenses and are not subject to taxation.

Even in the German tax legislation, there are benefits for organizations that, in turn, pursue socially useful and sponsored goals. If an organization pursues these goals, it can get the status of a tax-exempt organization. The business activities of such organizations are exempt from paying taxes.

In the Russian Federation, the United States and Germany, non-profit organizations were provided with the following opportunities during the pandemic:

delay the term of rental payments;



reducing inspections;

exemption from payment of a penalty (fine, penalty fee) in case of non-performance or improper performance of obligations under government contracts;

delay in payment for utilities;

exemption from certain types of taxes;

providing preferential loans and the like.

The fact that such privileges and benefits were granted by developed and relatively developed countries demonstrates their exceptional role in maintaining the financial sustainability of non-profit organizations.

Based on the experience of national and foreign practice, it is advisable to consider the following proposals for supporting non-governmental non-profit organizations and ensuring their financial stability:

1. Provision of indirect tax benefits to non-profit organizations engaged in business activities.

The proposal to provide indirect tax benefits implies the adoption of a model of partial exemption from business income tax by limiting the tax base of non-profit organizations. At the same time, it is provided that part of the income from commercial activities directed (reinvested) to the social mission of organizations is not subject to taxation.

2. Provision of tax benefits to persons engaged in charitable (sponsorship) activities in non-profit organizations.

In particular, it is advisable to study the inclusion in Article 317 of the Tax Code of contributions, fees and other payments paid to non-profit organizations in the proposal of expenses to be deducted when determining the tax base.

3. In the context of a pandemic, special preferences (preferences) are established for the business activities of non-profit organizations.

In the event of non-performance of obligations or improper performance of obligations, the Bund will be exempt from non-payment of penalties (fines, penalties), provided that there are deductions related to the payment of utilities, etc.

4. Introduction of the procedure for state subsidies for the purchase of products by enterprises of non-governmental non-profit organizations representing the interests of persons with disabilities through exchange trading, above their original price, in terms of achieving a socially useful goal.

These proposals are aimed at improving the effectiveness of the incentives and ensuring their financial stability.

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