

## Legal Basis of Public Funds in Uzbekistan

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### Abstract

This paper explores the legal basis and operational function of public funds in the social protection system of the republic of Uzbekistan. They take a multidimensional view of social protection covering not just the economic but the social status and well being dimensions too. This gap in empirical justification of good practice, as well as an assessment of effectiveness, does exist against a backdrop of methodological developments and significant partial reforms, and left unexplored are key questions regarding the sufficiency of the legal regulation of public funds. To fill this gap, the study analyses normative legal framework of public funds, that consist of the constitution, the sectoral laws related to non governmental non profit organizations and charitable activity resources, and the related taxation laws. The research draws on qualitative legal analysis of domestic law and regulations, as well as secondary academic sources, supported by a survey of de facto practices on registration, financing, control, and reporting of public funds. Our results reveal that despite the legal framework being in place, public funds continue to struggle with bureaucratic obstacles in registration, inadequate systems of legislation for sponsorship opportunities, burdensome administrative reporting standards and a lack of support at the regional level. The findings show how these constraints lower the actual potential of public funds to support the poorest as well as development processes. The study suggests that tightening practical enforcement of existing legislation, streamlining administrative processes, and expanding advisory and information assistance will significantly improve the efficient use of taxpayers dollars. The findings and recommendations drawn from this research are significant for policy design, which should enhance the public funds as a long-term tool for social protection and socio economic development in Uzbekistan.

**Keywords:** Social protection, social protection system, social policy, public funds, social state, non-governmental non-profit organizations, empirical work, regulatory framework, charity, charitable funds.

### 1. Introduction

Social protection is one of the significant domains of contemporary states socio economic policy, which acts as a financial instrument and provides for the realization of social stability, human dignity, and sustainable development [1]. The transition from the Soviet-style social protection system in Uzbekistan has gained greater urgency with ongoing institutional and legal reforms in this Central Asian republic. In this process, public funds have become important civil society institutions that assist the state in helping marginalized groups, promote social initiatives, and ensure community involvement. Their increasing involvement indicates a transition from a state-centric welfare state to a state with a variety of actors involved in social welfare [2].

Theoretically, social protection is seen as a multidimensional concept, which includes economic security, access to social services and opportunities for self evidence. Over the years, theories of the social state, civil society development, and social partnership have highlighted that in terms of delivery, social support can be provided more flexibly and efficiently by non governmental non profit organizations, including public funds, than through mechanisms that are purely state based. Public funds have a non commercial character, based on donations, grants and social projects and operate in a legally regulated environment, where their rights, obligations, and liability are defined. Such mechanisms only work well when legally rigorous, transparent, and institutionally embedded.

Although there is a legal framework in place, the results of prior research as well as the practical experience suggest further problems in the operation of public funds in Uzbekistan. Previous research has looked at social policy and giving more generally, but not nearly so much the particular legal and institutional

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Article history

: submitted; 2025/10/15 revised; 2025/11/03 accepted; 2025/12/10 published; 2026/01/21

problems of public funds. Little has been written about bureaucratic obstacles, sponsorship systems and administrative hurdles, filling a gap in knowledge about how well existing legislation works – and whether that legislation meets the aims of social protection overall [3].

A qualitative legal analysis of constitutional norms, legislation, and regulatory acts governing public funds is complemented with a review of academic literature and institutional practices in this study. The analysis should uncover structural discrepancies between law and practice; The results are to highlight of the main problems hindering effective use of public money and to point out the path in which legal regulation should develop. The findings have policy and practical implications for policy makers and practitioners working on how to reinforce public funds as a sustainable and effective element of the social protection system in Uzbekistan.

## 2. Research Method

The study uses qualitative research design for the legal features, institutional framework, and actual functioning of public funds in the system of social protection in the Republic of Uzbekistan. Methodologically, the study is doctrinal legal analysis, including and systematic examination of the constitutional provisions, national legislation and subordinate regulatory acts regulating the establishment, activities and oversight of public (including all forms of taxpayers derived with that) funds [4]. The main legal sources are: the Constitution of the Republic of Uzbekistan; laws on non governmental non profit organizations and non profit organizations carried out charitable activities; as well as relevant parts of tax legislation. Also, using official resolutions and normative documents connected with social protection and civil society development, the consistency of regulations and practices of enforcing standards tried under the same regulation- another method. The inter weaving of legal analysis with literature and empirical studies concerning social protection social policy and the role of non profit institutions lends a comparative national and international interpretation to the findings. Specifically, this note develops analytical methods including comparative legal analysis, content analysis and logical synthesis to find core principles, rights, obligations, control over public funds and legal and administrative limitations as to public resources [5]. We focus on state registration, sources of financing, reporting and transparency requirements that directly influence the efficiency of operations. Combining these methods allows for a holistic assessment of the relationship between the written law and real practice and a solid empirical foundation on which the systemic gaps can be identified and evidence-based findings and recommendations produced.

## 3. Result

There are some inconsistencies in the full understanding of the meaning of the term "social protection". Often, in scientific publications and literature, social protection is described in the form of financial assistance, mainly for the least socially protected segments of the population. At the same time, not enough attention is paid to the effectiveness of social protection, especially if it should ensure not only material well-being, but also economic independence, social status, health and psychological well-being of a person. Based on the above, it can be concluded that social protection is a multifaceted concept, and financial assistance and support are considered as one of the forms of social protection [6].

The main task of the state social protection system is to ensure independent income generation (ensuring the right to work) for all able-bodied citizens in need of social protection, and to systematically improve the social protection system for the needy, low-income, orphans, disabled, and other groups of the population in need of social protection. In this regard, the importance of non-governmental and non-profit organizations is of paramount importance [7].

Public foundations are one of the important institutions of civil society, playing an important role in the development of social activism, supporting vulnerable groups, and solving various problems in society. In recent years, Uzbekistan has also implemented a number of reforms in the legal regulation and support of the activities of non-governmental non-profit organizations (NGOs), in particular, public foundations. Public foundations are an important category of non-profit organizations engaged in social, cultural, charitable, and other activities beneficial to society [8]. The legal basis for the development and activities of public foundations in Uzbekistan is reflected in regulatory legal acts established by the state. This article analyzes the legal basis of public foundations in the Republic of Uzbekistan, the main norms governing their organization, activities, and control. The concept of "public foundation" is clearly defined in Uzbek legislation [9]. The Law "On Non-Governmental Non-Profit Organizations" adopted on April 10, 2014 defines a foundation as an NGO established on a property basis for certain social, charitable, cultural, educational and other beneficial purposes:

### **Legal status of public foundations:**

- are established on a property basis;
- are subject to state registration;
- pursue non-commercial goals;
- have the status of a legal entity.

### Legal status of public foundations:

The legal basis of public foundations in Uzbekistan is firmly established in legislation. The main legal documents are:

1. The Constitution of the Republic of Uzbekistan (Article 23 - freedom of public associations);
2. The Law "On Non-Governmental Non-Commercial Organizations" (No. 754-I of April 14, 1999);
3. The Law "On Charity and Charitable Activities" (No. ZRU-649 of December 4, 2020);
4. The Tax Code (new edition, 2022) - establishes tax benefits and payment procedures for public foundations.

An analysis of the activities of public foundations shows that these organizations face a number of legal and practical problems [10]:

- the state registration process is still fraught with bureaucratic obstacles;
- the lack of clear mechanisms in the legislation for attracting sponsorship funds;
- there is an excessive administrative burden in reporting;
- there is a lack of information and advisory centers in the regions.

These circumstances limit the effective operation of public foundations and prevent many initiatives from being implemented in practice.

### Main aspects of the activities of public funds:

#### Control mechanisms:

- Internal control (by administrative bodies)
- External control (by the Ministry of Justice)

#### Sources of public funds:

- Funds allocated by donors (individuals and legal entities);
- State and international organization grants;
- Income from social projects (concerts, auctions, ceremonies).

#### Reporting:

- Submission of annual reports;
- Transparency of financial reporting.

Public foundations are public organizations in Uzbekistan aimed at meeting the social, cultural, household and other needs of the local population [11]. They are managed and financed by local self-government bodies (neighborhood committees, citizens' assemblies).

#### The main objectives of public funds are:

- Development of local public infrastructure (roads, water supply, electricity networks);
- Social protection (assistance to the poor, disabled and low-income families);
- Support for cultural, sports and educational activities;
- Promotion of local entrepreneurship and job creation.

#### The rights of foundations:

- to own property on the basis of property rights and other property rights;
- to conclude civil law agreements;
- to receive donations, contributions, grants and other funds;
- to represent and protect their interests in court, other bodies and organizations;
- to establish mass media and carry out publishing activities [12];
- to disseminate information about their activities;
- to open representative offices and establish branches;
- to submit proposals to state authorities and management bodies in accordance with the established procedure;
- to establish international relations, conclude cooperation agreements and participate in international programs and projects.

#### Obligations of foundations:

ensure the transparency of the foundation's activities and publish annual reports on the use of the foundation's property;

- provide representatives of the registration authority with free access to events held by the foundation;
- submit reports on their activities to the state tax service and state statistics bodies.

**Public foundations** (public foundations or social foundations) are non-profit organizations established by society to organize social assistance and charitable work [13]. They operate mainly for social, cultural, educational, health care, and other charitable purposes.

#### The main functions of public foundations are:

1. Social assistance - providing financial assistance to families in poverty, the disabled, single people and other needy groups;
2. Supporting education and culture - scholarships, grants, development of schools and libraries;
3. Healthcare - providing equipment and medicines to hospitals, financial assistance to patients;
4. Supporting citizens' initiatives - developing the participation of youth, women and non-profit organizations in solving social problems in society.

**Legal position:**

In most countries, public foundations are registered as non-governmental non-profit organizations (NGOs) and operate on the basis of special laws (for example, the Law "On Charity"). They are subject to financial reporting and transparency requirements [14].

Public foundations are an active tool for social development. Although a legal framework has been created for this institution in Uzbekistan, it is necessary to improve it and expand the conditions for the free and effective implementation of the activities of foundations. Legal reforms should be strengthened not only by regulatory documents, but also by practical facilitations [15]. In Uzbekistan, the legal framework for public foundations is being formed as an important element of socio-economic development. The introduction of new legislation is creating an opportunity to make the activities of public foundations more transparent and controllable.

#### 4. Conclusion and Recommendation

In conclusion, the research finding reveals that public sources are an important institutional part of social protection system in Uzbekistan, serving as a tool for social assistance, community development and civil society building. The analysis shows that, despite forming a fairly complete legal framework that regulates the establishment, activity and supervision of public funds, there are considerable obstacles that hinder the functioning of public funds in practice, among them the bureaucratic barriers to state registration, lack of legal mechanism for attracting the sponsorship, disproportionate number of administrative reporting, as well as lack of regional consulting & advisory support. Such restrictions cut down the effective power exercised by public funds and stunt their capacity to help vulnerable communities and contribute to local socio economic development. The results underscore the necessity to go beyond mere legal regulation toward facilitating effective implementation of the existing norms via measures of administrative simplification, additional transparency mechanisms and institutional support. This research has implications for policymakers, regulatory authorities, and practitioners as they seek to make the best use of public funds as a relatively sustainable and operational form of social protection. The next stage should include empirical field data, comparative international studies, and quantitative measures of public fund efficacy to assess long-term results and inform evidence based legal and policy changes.

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