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Article

Economic Cooperation Between Non-Governmental Non-Profit Organizations and State-Owned Entities: An Econometric Assessment of Financial Support Effectiveness

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Abstract: This article studies two linked questions concerning non-governmental non-profit organizations (NGOs) in Uzbekistan: how their economic cooperation with state organizations and state-owned entities should be organized, and which factors determine the effectiveness of the financial support provided by NGOs that promote women's entrepreneurship. The study relies on the results of a PhD dissertation on the directions of ensuring the financial stability of NGOs. The first part substantiates the need to develop free economic relations among state organizations, legal entities with a state share of more than 50 percent in the authorized capital, and NGOs on the basis of mutual cooperation agreements, using the 2024 contract of the "Tadbirkor ayol" Association as a practical case. The second part estimates a multinomial logistic regression in Stata 18.0 on cross-section data of 205 randomly selected entrepreneurs. The model shows that the effect of the financial score and the number of employees differs across types of activity (for example, the effect of the number of employees in production is positive, $p = 0.038$), that the marginal effects of the financial score are insignificant in most activity types, and that smaller organizations respond more strongly to financial support. On this basis, differentiation of financial support by organization size and type of activity is justified. Forecasts to 2030 suggest that the number of NGOs will reach 11.8–12.9 thousand and state support about UZS 4.2 trillion, so that state funds per NGO may rise from UZS 113 million to UZS 320–350 million. The overall explanatory power of the model is limited, and the results are treated as indicative.

Keywords: non-governmental non-profit organizations; state-owned entities; economic cooperation; women's entrepreneurship; multinomial logistic regression; effectiveness of financial support; forecast; Uzbekistan.

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1. Introduction

Non-governmental non-profit organizations, often described as the "third sector", are one of the main mechanisms for developing and supporting the social spheres of a democratic society. By 2025 their number was estimated at about 2 million in India, above 1.5 million in the United States, 1.3 million in France and more than 580 thousand in Germany, and at more than 10 million worldwide; according to the World Bank, NGOs provide developing countries with more than USD 50 billion of financial assistance every year [1]. In Uzbekistan, NGOs operate as public associations, public foundations, institutions, unions and associations, and their role in democratic reforms has been repeatedly stressed at the highest level [2]. State support has grown rapidly: the Public Fund under the Oliy Majlis directed UZS 268.1 billion to this purpose in 2023, UZS 1,272 billion in 2024 and UZS 1,276 billion in 2025 [1].

Growth in the volume of funds, however, does not by itself guarantee that NGOs become financially stable or that the support reaches those who can use it best. Two questions remain insufficiently studied. The first is institutional: how NGOs can build durable economic relations with state organizations and with legal entities in which the state holds more than 50 percent of the authorized capital, so that cooperation is based on agreements and mutual economic interest rather than only on subsidies. The second is empirical: which factors make the financial support provided by NGOs effective, in particular for NGOs that support women's entrepreneurship, whose beneficiaries often have low financial literacy and limited access to financial services [1].

The aim of the article is to substantiate the development of free economic relations between NGOs and state-owned entities on the basis of mutual cooperation agreements, and to assess econometrically the factors of the effectiveness of financial support, on the basis of which the support can be differentiated by organization size and activity type. The article addresses four tasks: to examine the institutional logic of cooperation between NGOs and state-owned entities; to analyse a practical case of such cooperation; to estimate a multinomial logistic regression for the financial score of entrepreneurs; and to present forecast indicators of the number of NGOs and of state support until 2030.

1.1 Literature Review and Theoretical Background

The institutional nature of the non-profit sector and its relations with the state were studied by H.B. Hansmann, L.M. Salamon, H.K. Anheier, K.H. Sivesind, P. Eynaud, P. Light and J. Yankey [3] [4]. This literature explains why non-profit organizations exist alongside the state and the market and why they depend on both. For the purposes of this article, its key implication is that cooperation between NGOs and state bodies is not an exception but a normal element of the sector's institutional environment, and that the form of this cooperation influences the financial position of the NGO.

Financial vulnerability was assessed by H.P. Tuckman and C.F. Chang, who proposed a methodology for measuring the financial vulnerability of charitable non-profit organizations, and later by J.S. Greenlee and J.M. Trussel and M.A. Hager [5]. The effect of revenue diversification on stability was examined by K.A. Froelich and by D.A. Carroll and K.J. Stater, who showed that diversifying revenues reduces income volatility and can raise financial stability [6] [7]; W. Bowman and T.D. Calabrese reached related conclusions. The empirical literature also shows that the effect of diversification is not the same for all organizations, which supports the idea of differentiating the analysis and, later, the support, by organization type and size. The relations between NGOs and external funders, including donor dependence and restrictions on foreign funding, were studied by M. Edwards, D. Hulme, K. AbouAssi, K. Dupuy and A. Prakash [8] [9].

In Uzbekistan, the sources and problems of NGO financing were examined by O.N. Xusanov [10], accounting and reporting by O. Ne'matov, D. Atikov and N. Do'smuxamedova, the place of NGOs in the economy by J.B. Xasanov, their organizational and legal mechanisms by B.A. Narimanov, J.J. Shirinov and D.R. Xolmanova [11], and priority directions of strengthening financial stability by A.S. Aliyev [12]. The dissertation on which this article is based notes that the directions of ensuring NGO financial stability, the structure of financing sources and the factors affecting them have not been comprehensively studied for Uzbekistan, especially through an econometric assessment for NGOs that support women's entrepreneurship [1]. This is the gap that the article addresses.

Two conceptual positions of the dissertation are used below. First, an NGO is defined as a self-governing organization that does not distribute income among participants, attracts financial resources for its statutory goals from various sources (the state, donors, business, citizens and its own activity) and is accountable to stakeholders for their purposeful use. Second, financing sources are grouped by their degree of stability into regular sources (membership fees, subsidies, paid services, endowment income) and project-based sources (grants, donations, sponsorship), and a higher share of regular sources allows an NGO to cover operating costs more reliably [1]. Economic cooperation

based on agreements, in which an NGO provides services and the partner pays for results, is one of the ways to increase the share of regular, self-earned income.

2. Materials and Methods

The information base of the study consists of official data of the Ministry of Economy and Finance, the Statistics Agency under the President, the Public Fund under the Oliy Majlis, the Ministry of Justice and the "Tadbirkor ayol" International Business Women Association [1]. The methods include scientific abstraction, induction and deduction, systemic analysis and synthesis, comparative analysis, statistical grouping, analytical smoothing of time series, a questionnaire survey and econometric modelling. The study also builds on earlier publications of the author on state support, public–private cooperation and performance evaluation of NGOs [13] [14] [15] [16].

The financial condition of the Association was assessed with three coefficients: financial independence (Kfi = own funds / total balance), financial dependence (Kfd = liabilities / total balance) and solvency (Ks = current assets / current liabilities). The normative thresholds are Kfi ≥ 0.5, Kfd ≤ 0.5 and Ks ≥ 1.5–2.0. These calculations rely on conditional example data.

To identify the factors that influence financial stability, data on six parameters of 205 randomly selected entrepreneurs operating in the republic were modelled in cross-section form in Stata 18.0. The null hypothesis stated that financial support, the number of employees, business form and type of activity do not jointly have a statistically significant effect ($p < 0.05$) on the financial score. The general form of the model is:

$$\text{Financial_score} = \beta_0 + \beta_1 \cdot \text{Financial_support} + \beta_2 \cdot \text{Employees} + \beta_3 \cdot \text{Business_form} + \beta_4 \cdot \text{Activity_type} + \varepsilon \quad (1)$$

Because the type of activity is a categorical variable with several unordered values, a multinomial logistic regression was applied, supplemented by conditional marginal effects and predictive margins at the 95 percent confidence level. In the estimated table, the activity types serve as outcome categories and the financial score, financial support and the number of employees as explanatory variables. The number of NGOs in 2014–2025 was analysed by analytical smoothing and projected with the average growth rate, the average absolute change and the linear trend methods; the forecast of state support is based on the ARIMA model of A.S. Aliyev built on 2012–2025 data [12]. Amounts are in Uzbekistani soums (UZS); the base calculation amount (BCA) in force since 1 August 2025 is UZS 412,000.

Several measurement caveats should be kept in mind. The data are cross-sectional, so the estimated relationships describe associations at a point in time and do not prove causation. The variable of financial support has a very large range (0 to 132,000), so its raw coefficient is close to zero and should be read together with the marginal effects. The sample consists of 205 entrepreneurs, and the number of observations in some activity types is small, which widens the confidence intervals. These caveats do not make the model uninformative, but they determine the cautious tone of the interpretation below.

The results are organized around four complementary dimensions: contractual cooperation between NGOs and state-owned entities, the financial profile and econometric estimates for women's entrepreneurship support, differentiated assistance across organizational segments, and projections of sector development through 2030. The findings draw on the documented 2024 cooperation agreement, the cross-sectional survey of 205 entrepreneurs, and the reported administrative time series. Interpretations distinguish observed associations from causal effects.

3. Results

3.1. Economic Cooperation Between NGOs and State-Owned Entities

The first scientific proposal examined here is that free economic relations should be developed among state organizations, legal entities in which the state holds more than 50 percent of the authorized capital, and NGOs, on the basis of mutual cooperation agreements [1]. The proposal rests on three observations. First, the financing of NGOs is

still heavily dependent on the state: in the average structure of NGO financial sources, state grants account for 60 percent, foreign donors for 22 percent, and own funds and sponsorship for 18 percent. Under such a structure, a change in financing policy puts the activity of NGOs at risk [1]. Second, the growth of state funds is not equal to the growth of support to NGOs: after the public funds were merged under Presidential Decree No. PF-124 [17], about 70 percent of the fund's resources were directed to the mahalla system, and the share of subsidies in total funds fell from 86.3 percent in 2020 to 24.6 percent in 2025. Third, international comparison indicates room for broader cooperation (Table 1).

Table 1. Indicators of state–NGO cooperation: Uzbekistan and comparison countries

Indicator	Uzbekistan	Comparison countries
Share of subsidized NGOs	45 percent	Higher (Poland, Hungary, Georgia)
State–NGO cooperation programmes	8	More (Poland, Hungary, Georgia)
Joint state–NGO projects	420	480–530 (Lithuania, Estonia, Czech Republic)

Source: compiled from the dissertation abstract [1].

To understand the proposal it is useful to recall how the state currently finances NGOs. State financing takes the form of subsidies, grants and social orders. Subsidies and grants are distributed through the Parliamentary Commission and the Public Fund; subsidies are allocated for socially significant activities specified in the NGO's charter, while grants are awarded on a competitive basis to winning projects, and reports and inspections of the Accounts Chamber ensure the transparency of spending [1]. Foreign experience shows a broader repertoire. In the United States, individual donations, public foundations, income-generating events and crowdfunding platforms give NGOs wide opportunities, and the experience of the United States and Europe indicates that diversity of sources, tax incentives and the stimulation of charity are the basic conditions of NGO stability. In Central Asia, by contrast, the sustainability of NGOs measured by the CSOSI index has not yet reached an "enabling" level (for example, 5.3 points for Kyrgyzstan) [1].

These indicators show that both the coverage of subsidies and the number of joint projects are lower in Uzbekistan than in the comparison countries, and the dissertation concludes that they should be expanded and allocated on a competitive basis and according to results [1]. Free economic relations, in this context, mean that an NGO and a state organization or state-owned entity can conclude an agreement under which the NGO supplies services, research, training or other results, and the partner pays on agreed terms. Such relations differ from a subsidy because the income is tied to a defined outcome, which makes it closer to the regular, self-earned sources that raise financial stability. At the same time, they use the capacity of the state side, which has organizational resources, and of the NGO, which has access to target groups. According to the dissertation, agreements of this type help to develop effective solutions in the social sphere, ensure financial stability and improve governance [1].

The idea of cooperation on a contractual basis is not limited to the state. The author's earlier work on cooperation between the state and the private sector in ensuring the financial stability of NGOs points in the same direction [15]. Practice also shows that economic activity is already forming within the NGO system: membership fees are in the range of UZS 90–245 thousand per year; training and competition fees and socially oriented production bring additional income; the Bukhara training and production enterprise in the system of the Society of the Deaf earned UZS 1,013.1 million, and a similar enterprise in the system of the Society of the Blind UZS 222.9 million [1]. These

examples show that NGOs can generate substantial income from economic activity, and that cooperation agreements with larger partners can add a stable demand for their services.

The practical aspects of the proposal were examined using the "Tadbirkor ayol" Association. In 2024 the Association concluded a contract with the International Center for Strategic Development and Monitoring in the Field of Food and Agriculture with a total value of UZS 1,124,049,945.65 excluding VAT. The contract is performed in stages, and each stage is financed only after the report on it is accepted [1]. Of the contract value, 85 percent (UZS 955.4 million) is paid in tranches according to the results of the work performed, while reimbursable expenses of UZS 555.2 million are first incurred by the Association and compensated later. Table 2 presents the data of the case and the coefficients of the Association's financial condition calculated on conditional example data.

Table 2. The 2024 contract and financial condition coefficients of the "Tadbirkor ayol" Association

Indicator	Before	After	Normative threshold
Contract value excluding VAT	–	UZS 1,124,049,945.65	–
Paid in tranches on results (85 percent)	–	UZS 955.4 million	–
Reimbursable expenses advanced by the Association	–	UZS 555.2 million	–
Financial independence coefficient (Kfi)	0.87	0.90	≥ 0.5
Financial dependence coefficient (Kfd)	0.13	0.10	≤ 0.5
Solvency coefficient (Ks)	2.50	4.17	≥ 1.5–2.0

Source: dissertation abstract [1]; coefficients are based on conditional example data.

The coefficients are better than the normative thresholds, which means that the Association's activity is financed mainly from own funds. But the contract structure also reveals the liquidity risk that every agreement of this type carries: a large part of the value is paid only after stage results are accepted, and the NGO must pre-finance a significant amount of expenses. For this reason, the dissertation recommends coordinating solvency planning with the schedule of tranches and forming an operating reserve of at least one tranche; on this basis, forms of financial planning and an expenditure estimate were developed for the Association [1]. It is the combination of cooperation and financial planning, rather than cooperation alone, that makes the model viable for smaller NGOs.

Cooperation agreements also fit with the first proposal of the dissertation, according to which NGOs may voluntarily implement projects with a total value of up to 1,000 BCA (up to UZS 412 million at the current BCA) with the involvement of state organizations that provide organizational and methodological support. In this model the state organizations give not only financial assistance but also methodological consulting, legal and technical aid, training in project management and help in setting up a monitoring and evaluation system [1]. A cooperation agreement is a natural legal form for such assistance, since it can record the obligations of each side, the stages of work and the order of

payment. Used together, the two proposals create a path from small, supported projects to larger contractual relations with state-owned entities.

A further institutional condition concerns the way funds are planned. Because a large part of the unified public fund goes to the mahalla system, the dissertation recommends planning and recording the funds intended for NGOs separately from the expenses of the mahalla system and fixing their amount in BCA [1]. Without this separation it is difficult to judge whether the growth of nominal funds is accompanied by a real growth of support to NGOs, and difficult to evaluate the effect of cooperation agreements on NGO finances.

According to the certificate of the Ministry of Justice (No. 8/02-0794 of 30 July 2024), the proposal on mutual cooperation agreements was used in setting the requirements of the Regulation on the procedure for approving the receipt of funds and property by NGOs from external sources and for implementing externally financed projects, approved by Cabinet of Ministers Resolution No. 527 [18]. As a result, such agreements are reported to help develop effective solutions in the social sphere and improve governance [1]. The proposal is consistent with the broader legal framework that includes the laws on NGOs and social partnership [19] and Presidential Resolution No. PQ-5012 [20].

3.2. Effectiveness of Financial Support: Econometric Results

The second scientific proposal is based on the econometric model described above. Descriptive statistics show that the mean financial score is 0.551 with a standard deviation of 0.231 and a range of 0.15–0.9, which means that most organizations have average financial indicators and sharp deviations are rare. The mean financial support is 23,948.78 with a standard deviation of 32,212.17 and a range from 0 to 132,000, which reveals a sharp differentiation in the assistance received (Table 3).

Table 3. Descriptive statistics of the main variables

Variable	Mean	Std. dev.	Minimum	Maximum
Financial score	0.551	0.231	0.15	0.9
Financial support	23,948.78	32,212.17	0	132,000

Source: dissertation abstract [1]; Stata 18.0 estimates on data of 205 entrepreneurs.

A scatter plot of financial support against the financial score by region shows a positive relationship in Andijan and Namangan regions, almost no relationship in Tashkent region and a negative tendency in Bukhara and Surkhandarya regions. In regions with a negative tendency, resources may be used inefficiently or factors that weaken the effect of assistance may be present; hence financial programmes should be adapted to regional specifics [1]. The distribution of the financial score by business form was examined with a box plot, which also confirmed that the sample is heterogeneous.

The choice of NGOs that support women's entrepreneurship as the object of the empirical part has a clear rationale. Such organizations serve a segment of the population with relatively low financial literacy and limited use of financial services, so for them financial stability is of special importance. The dissertation considers that a financing model based on membership fees and paid training services is the most realistic path for these organizations, while state and foreign funds should complement it [1]. This is why the effectiveness of financial support, rather than its volume, is the central question of the econometric part: a model that explains where support has an effect can guide the choice between simply increasing funds and changing the way they are provided.

The results of the multinomial logistic regression are shown in Table 4. The financial score has an influence in the beauty salon, production and household services activity types, but with different levels of significance: the coefficients are significant at the 10 percent level ($p = 0.065$, 0.092 and 0.089 respectively) and are not significant in the other types. The number of employees is statistically significant only for production ($p = 0.038$), where it has a positive effect, and the effect of financial support is also observed mainly

in this activity type. The coefficient of financial support is zero to three decimals in all types, which reflects the scale of this variable rather than the absence of any effect, so it should be interpreted through the marginal effects and not through the raw coefficient.

Table 4. Multinomial logistic regression: coefficients (p-values) by activity type

Activity type	Financial score	Financial support	Number of employees
Fast food	−1.469 (0.231)	0.000 (0.821)	−0.033 (0.572)
Beauty salon	−2.046 (0.065)*	0.000 (0.491)	−0.034 (0.511)
Handicrafts	−4.566 (0.333)	0.000 (0.519)	−0.339 (0.423)
Production	−1.654 (0.092)*	0.000 (0.127)	0.090 (0.038)**
Household services	−1.796 (0.089)*	0.000 (0.768)	−0.001 (0.982)
Training center	−0.680 (0.572)	0.000 (0.779)	−0.037 (0.515)
Tourism	−0.655 (0.583)	0.000 (0.358)	0.000 (0.999)

Source: dissertation abstract [1]. ** $p < 0.05$, * $p < 0.1$. Base category is not shown in the source table.

The signs of the coefficients also need careful reading. In a multinomial model each coefficient shows the effect of the variable on the odds of belonging to a given activity type relative to the base category, which is not shown in the source table. A negative coefficient of the financial score in beauty salons, production and household services therefore means that a higher financial score is associated with a lower likelihood of belonging to these types relative to the base category; it does not by itself mean that financial support harms these organizations. The positive and significant coefficient of the number of employees in production shows that larger workforces are associated with a higher likelihood of being a production organization, which is natural for this type of activity and explains why workforce size is a relevant criterion when production organizations are supported.

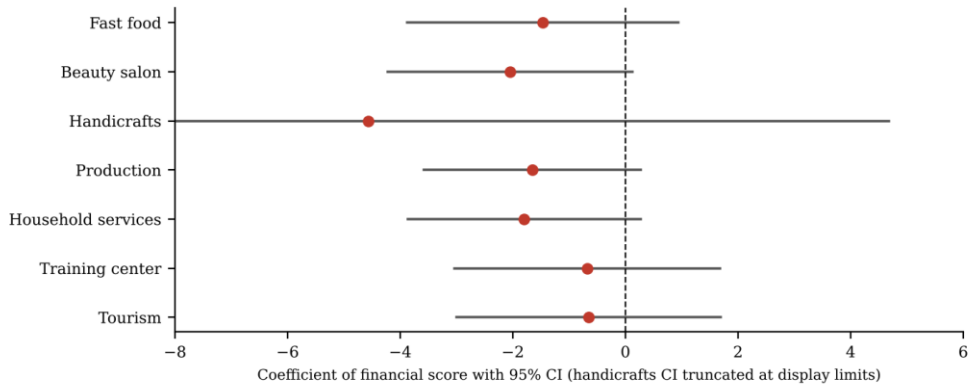

Figure 1. Coefficient of the financial score by activity type with 95 percent confidence intervals

Figure 1 makes the uncertainty of the estimates visible: all intervals include or nearly reach zero, and the interval for handicrafts is particularly wide, which reflects the small number of observations in this category. The model fit statistics in Table 5 point in the same direction. The pseudo R^2 is 0.332, but the chi-square test of the model as a whole is not significant (Prob > chi2 = 0.250) with 204 observations; the information criteria are AIC = 811.978 and BIC = 904.886. In other words, the explanatory power of the model is limited,

and the statistically significant individual results should be read as signals rather than as firm proof.

Table 5. Model fit statistics

Statistic	Value
Number of observations	204
Pseudo R^2	0.332
Chi-square	24.926 (Prob > chi2 = 0.250)
Akaike criterion (AIC)	811.978
Bayesian criterion (BIC)	904.886
Mean / SD of the dependent variable	22.377 / 2.248

Source: dissertation abstract [1].

The marginal effects lead to a similar picture. The marginal effect of the financial score is statistically insignificant ($p > 0.05$) in most activity types. For farms it is 0.2529 ($p = 0.053$), which is close to the significance threshold, and for production it is −0.0982 and insignificant. The predictive margins show that smaller organizations respond more strongly to financial support [1]. Two things follow. The null hypothesis of no joint effect cannot be firmly rejected on the basis of the overall model test, but the pattern across activity types and sizes is not uniform, and it is this non-uniformity that matters for policy: if the response to support differs, a single standard form of support is unlikely to be the most efficient.

3.3. Differentiating Financial Support by Organization Size and Activity Type

On the basis of the regression results, the dissertation substantiates the need to differentiate financial support according to the size of the organization and the type of activity [1]. Three empirical signals are used. First, smaller organizations respond more to financial assistance, so support aimed at them is likely to bring a larger relative effect. Second, the number of employees matters for production, which means that in this sector the scale of the workforce is a relevant criterion. Third, the relationship between support and the financial score varies by region and by activity type, from positive in Andijan and Namangan regions to negative in Bukhara and Surkhandarya regions. Table 6 summarizes how these signals can be translated into the forms of support. The right column is the author's interpretation for discussion and should be tested in pilot programmes.

The survey evidence in the dissertation explains why the effectiveness of support matters. About 60 percent of NGO leaders name the lack of funds as the main problem; of more than 10 thousand NGOs active in 2022, 40 percent could not fully implement their projects for lack of funds and 35 percent faced a shortage of qualified personnel. Respondents also pointed to insufficient support from local authorities (33 percent), potential sponsors and business structures (26 percent) and regional authorities (19 percent), as well as to imperfect legislation (16 percent) and the lack of specialists (9 percent) [1]. The obstacles are thus both financial and institutional, and the form of support should address both.

Table 6. From empirical signals to differentiated support

Segment	Empirical signal	Implication for the form of support
Small organizations	Respond more to financial support (predictive margins)	Priority access to smaller amounts combined with organizational and methodological assistance

Segment	Empirical signal	Implication for the form of support
Production	Number of employees is significant (p = 0.038); support effect observed mainly here	Link the amount of support to workforce size and plan it with employment indicators
Farms	Marginal effect of the financial score 0.2529 (p = 0.053)	Monitor closely; potentially responsive to support
Beauty salons, household services	Financial score significant only at 10 percent level	Use cautiously; combine support with training in financial management
Regions with a negative tendency (Bukhara, Surkhandarya)	Negative relationship between support and score	Review the use of funds and adapt programmes to regional specifics

Source: compiled by the author on the basis of [1].

The same logic is reflected in the other proposals of the dissertation. The first is to monitor NGO financial stability with the integral index NGO-MBI, calculated as the arithmetic mean of four normalized coefficients (diversification of revenue sources, operating stability, financial independence and liquidity), with four levels of stability from low (0.00–0.40) to high (0.81–1.00), and to include the index in the criteria for allocating state support [1]. The second is to train NGO employees and project coordinators in financial management, project management, monitoring and evaluation and to use information technologies and scenario simulation in financial planning [21] [1]. Together with differentiation by size and type, they make it possible to direct funds to organizations in which they will have the greatest effect, while maintaining a path for weaker organizations to improve.

Table 7. Levels of financial stability by the NGO-MBI integral index

Index value	Stability level	Description	Recommended measure
0.00–0.40	Low	High dependence on one or two sources; weak liquidity	Financial recovery; cost optimization
0.41–0.60	Average	Reserves and independent income are insufficient	Diversification strategy; creation of a reserve fund
0.61–0.80	Sufficient	Sources are relatively stable; some risks remain	Transition to multi-year financing
0.81–1.00	High	High financial independence and liquidity	Large social projects; cooperation on a public–private basis

Source: author's development [1].

The last column of Table 7 links the index with the first theme of this article: organizations with a high level of stability are those for which large social projects and public–private cooperation are recommended, while organizations at lower levels first need diversification and reserves. The Association's financial independence and solvency coefficients can be used directly as the components of the index [1].

3.4. Forecast Indicators Until 2030

The number of NGOs in Uzbekistan rose from 8,458 in 2014 to 11,321 in 2025, which is a base growth of 133.9 percent. Analytical smoothing gave the trend equation $\hat{y} = 9{,}683.7 + 103.0 \cdot t$ with a determination coefficient of $R^2 = 0.92$. According to forecasts by the methods of average growth rate, average absolute change and linear trend, the number of NGOs in 2030 will be in the range of 11.8–12.9 thousand [1]. The count of active NGOs between 2017 and 2025 was 9,470, 9,431, 9,681, 9,546, 9,805, 10,098, 10,250, 10,379 and 11,321, so the increase of 2025 is the largest in the period.

Table 8. Number of NGOs and state support, 2017–2025

Year	Number of active NGOs	State support, UZS billion	Chain growth rate, %
2017	9,470	12.0	–
2018	9,431	17.7	147.5
2019	9,681	28.5	161.0
2020	9,546	38.0	133.3
2021	9,805	75.7	199.2
2022	10,098	97.7	129.1
2023	10,250	268.1	274.4
2024	10,379	1,272.0	474.4
2025	11,321	1,276.0	100.3

Source: compiled by the author on the basis of data of the Public Fund under the Oliy Majlis and the Ministry of Justice [1].

State support grew in the same period from UZS 12.0 billion to UZS 1,276 billion, that is, about 106 times, with a total of UZS 3,085.7 billion over nine years, of which 82.6 percent fell on the last two years. In 2025 growth almost stopped (100.3 percent), and in BCA terms state subsidies declined from 810.7 thousand BCA in 2024 to 762.4 thousand BCA. Nominal growth therefore does not always mean real growth of support, and the question is now the efficient use of funds [1]. According to the ARIMA forecast of A.S. Aliyev based on 2012–2025 data, state support may temporarily decrease to UZS 1,027.9 billion in 2026 and reach UZS 4,168.1 billion in 2030 [12]. Compared with the forecast of the number of NGOs, state funds per NGO are expected to rise from UZS 113 million to UZS 320–350 million (Table 9, Figure 2).

Table 9. Forecast indicators of the NGO sector until 2030

Indicator	Base value	Forecast
Number of NGOs	11,321 (2025)	11.8–12.9 thousand (2030)
State support, UZS billion	1,276 (2025)	1,027.9 (2026); 4,168.1 (2030)
State funds per NGO, UZS million	113	320–350

Source: author's calculations; ARIMA forecast by A.S. Aliyev [12] [1].

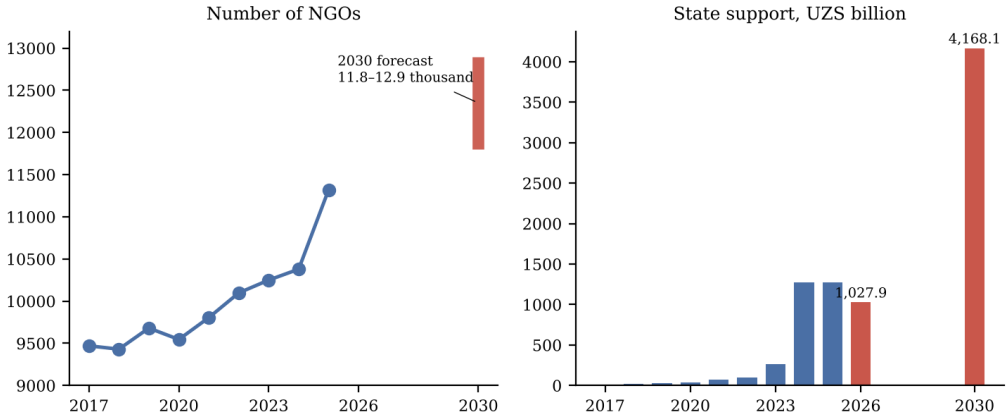

Figure 2. Number of NGOs and state support, 2017–2025, and forecast values for 2026 and 2030

The structure of state funds also changed. State subsidies distributed through the Public Fund increased from UZS 32.8 billion in 2020 to UZS 314.1 billion in 2025, that is, 9.6 times. In state grant competitions in 2015–2021 the number of winners was around 230–290 and the average grant per organization rose from UZS 18.9 million to UZS 41.0 million, whereas in 2022–2023 the number of winners fell to 160–192 and the average grant rose to UZS 75–88.5 million. The orientation of funds toward fewer but larger projects narrows the chances of small NGOs, and this is consistent with the finding that smaller organizations respond more to support [1].

These forecasts have important consequences for the two themes of the article. A temporary decline of support in 2026 followed by a sharp rise means that NGOs cannot rely on uninterrupted nominal growth, and that income obtained under cooperation agreements and other regular sources provides a buffer. The more than twofold expected increase of state funds per NGO makes the principle of distribution central: if funds concentrate in a smaller number of larger projects, as the grant competition data already suggest (the number of winners fell to 160–192 in 2022–2023 while the average grant rose to UZS 75–88.5 million), many small NGOs will remain outside the support [1]. Differentiation by size and activity type, supported by systematic monitoring, is a way to prevent this. According to the certificates of the Ministry of Justice and of the "Tadbirkor ayol" Association (No. 219/1 of 26 August 2024), the forecast indicators were used in developing the sector and in drafting the new version of the Association's Charter [1].

4. Discussion

The two parts of the study complement each other. The institutional analysis shows why cooperation agreements between NGOs and state-owned entities are valuable: they diversify income, link it to results and bring the NGO into regular economic relations with partners that have resources. The econometric analysis shows that the effect of financial support is not uniform, so the way in which funds and cooperation are offered should depend on the characteristics of the organization. In practical terms, this suggests that cooperation agreements can be offered more widely to organizations with sufficient capacity, while smaller organizations, which respond more strongly to support, need methodological assistance and a careful liquidity plan.

Several limitations should be stated. The regression has limited explanatory power and an insignificant overall test; the financial coefficients of the Association are calculated on conditional example data; a single case does not allow generalization about all cooperation agreements; and long-horizon forecasts are inevitably uncertain. The results should therefore be treated as indicative, and further research should use larger samples, panel data and direct evaluation of cooperation agreements with state-owned entities.

These limits do not remove the main practical conclusion, which is consistent across the analysis: support should be planned, monitored and differentiated rather than distributed in one standard form.

Cooperation with state-owned entities also raises questions of accountability that should not be left aside. Public funds are subject to reporting and to inspections of the Accounts Chamber, and the dissertation stresses that transparency and accountability remain mandatory conditions of any mechanism for attracting funds [1]. Agreements with state-owned entities should therefore include clear stages, acceptance procedures and reporting obligations, as in the case of the Association, where each stage is financed only after the report on it is accepted. Such design protects the public interest and at the same time gives the NGO a predictable schedule of payments, provided that an operating reserve covers the interval between expenses and tranches.

In terms of implementation, the measures can be arranged in a logical sequence. In the first stage, the funds for NGOs are recorded separately from the expenses of the mahalla system and fixed in BCA. In the second stage, cooperation agreements with state organizations and legal entities with a state share above 50 percent are developed together with organizational and methodological assistance for projects of up to 1,000 BCA. In the third stage, the NGO-MBI index and differentiation by organization size and activity type are included in the criteria for allocating grants and subsidies, and training programmes are organized for NGO employees. In parallel, the share of regular sources is increased through membership fees, paid services, social entrepreneurship and endowment funds [1]. The results can also be used in improving legislation on NGOs and in teaching Finance, Economic Theory, Microeconomics and State Regulation of the Economy in higher education institutions [1].

5. Conclusion

The article substantiated two scientific results of the dissertation. First, the development of free economic relations among state organizations, legal entities with a state share above 50 percent and NGOs on the basis of mutual cooperation agreements is justified by the high share of state funds in NGO budgets (60 percent), by the weak real growth of support in 2025 and by the lower number of joint projects in Uzbekistan (420) than in the comparison countries (480–530). The 2024 contract of the “Tadbirkor ayol” Association, with a value of UZS 1,124,049,945.65 excluding VAT, shows that such cooperation is feasible and that it must be accompanied by liquidity planning and an operating reserve of at least one tranche.

Second, the multinomial logistic regression on data of 205 entrepreneurs showed that the effects of the financial score and the number of employees differ by type of activity (for example, $p = 0.038$ for the number of employees in production), that the marginal effects of the financial score are insignificant in most types, and that smaller organizations respond more to financial support. Although the explanatory power of the model is limited (pseudo $R^2 = 0.332$; Prob > chi2 = 0.250), the heterogeneity supports differentiation of financial support by organization size and activity type. The forecasts to 2030 (11.8–12.9 thousand NGOs, state support of about UZS 4.2 trillion and UZS 320–350 million per NGO) require advance planning of the mechanisms, monitoring through the NGO-MBI index and a focus on efficient use of funds rather than on their nominal growth.

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