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The 2022 Global Philanthropy Environment Index North Macedonia

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Benefit Corporation, Endowment, Foundation, Trust

Five main social issues addressed by these organizations: Environment, Health and Medical Research, Human Rights, Rule of Law

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: USD 70

Government levels primarily regulating the incorporation of philanthropic organizations: State Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.67	3.50	5.00	3.50	4.00	3.00	3.94
2018 GPEI	4.67	3.50	4.50	3.00	N.A.	4.00	3.93

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 5.0

The freedom of association, assembly, expression and information is a constitutional right guaranteed in North Macedonia. This guarantee applies to all individuals and legal entities without discrimination on the grounds of gender, race, nationality, sexual orientation, or religious views. Anyone is allowed to establish and participate in an informal or registered organization. The Law on Associations and Foundations provides a broad framework for the operation of associations and foundations. The Central Registry of Republic of North Macedonia is the government agency responsible for registration of all legal entities of interest. It performs its duties in a professional, consistent, independent, and apolitical manner. Registration is generally fast (approximately up to 5 days if the submitted documentation is in order), cheap (around USD 70), and easy to complete. The Central Registry is obliged to respond to the submitted Request for Registration in 5 working days. No capital or assets are required at the time of establishment for associations. The foundations are required to possess capital or assets no less than EUR 10,000 (around USD 12,000) on the day of submission of the registration documentation. The Law on Associations and Foundations is sufficiently clear with respect to organizational governance, work of civil society organizations (CSOs), reporting obligations, and other aspects of operations. CSOs are generally able to work without hindrance and are allowed to perform economic activities that align with their statutory goals. CSOs can also participate in public procurements at the national and central levels under the same conditions as other entities.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 4.0

Interference from the state (central and local government) in internal affairs of associations and foundations is explicitly prohibited by legislation in North Macedonia. The internal governance of the organizations is mainly self-regulated, allowing the associations/foundations to adopt the most suitable model for operation. The CSOs are also free to communicate, collaborate, network, and partner with domestic and international organizations. Right to safely share information through any media remains legally respected in the country. There are no restrictions in regards of access/use of internet and social media. Regarding the reporting/financial reporting requirements, it is important to note that the CSOs in North Macedonia have to obey the same financial reporting and accounting standards as any other legal entity. These are applied in same manner, regardless of the size/type of the organization.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 5.0

The organization's governing body is able to voluntarily terminate its activities. Involuntary termination by a government entity occurs only during severe violation and failure to correct said violation. Clear and fair legal regulations exist to guide the involuntary dissolution of an organization. According to the Law on Associations and Foundation, the governing body has the authorization to voluntarily terminate the CSO. The organization's governing body has to adopt a Termination Act, and the organization has to be able to cover all its debts and liabilities prior termination. CSOs in North Macedonia can be involuntary terminated and their activities banned if: the organization undertakes unconstitutional actions; encourages and calls for military aggression; promotes racism, nationalism and religious hatred; encourages violation of human rights; or is engaged in a terrorism linked activities. The request for termination is submitted to the Central Registry. According to the abovementioned law, any citizen can submit a request for involuntary termination of any association/foundation to the competent district attorney. The district attorney, can, if there is a ground in accordance with the Law; submit a termination lawsuit to the competent court. The organization that is subject to a legal process related to involuntary termination can file a legal complaint/appeal to the competent court in 15 days following the written notification.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 4.0

Individuals and corporations have access to tax deductions. The ceiling on such incentives is somewhat restrictive, limiting the size of donations. The process of receiving a tax benefit is clear and consistent, but somewhat onerous, requiring moderate time and resources. Entities making the donations are moderately regulated by the governing body. The Law on Donations and Sponsorships of Public Benefit Activities sets out a comprehensive framework for tax benefits on donations and sponsorship both for corporate and individual donors. CSOs are eligible to receive donations if they engage in activities which support and promote public benefit purposes. The law requires a donor and recipient sign a donation/sponsorship agreement. At a donor's request, the Ministry of Justice, with the approval of the competent line ministry, will issue a decision which will confirm that a donation in question will serve public benefit purpose. Originally, the law provided that the Ministry must issue a decision following a quite elaborate and time-consuming procedure.

Corporations can deduct up to 5 percent of their taxable income for qualifying public benefit purposes, if this does not exceed the amount of EUR 60,000 (around USD 74,000). Individuals may deduct up to 20 percent of their taxable income for giving to qualifying public benefit purposes, but may not deduct more than EUR 400 (USD 493). CSOs which engage in qualifying public benefit activities are exempt from gifts and inheritance taxes on goods and objects they receive if they use them to further their main (nonprofit) objectives. Income generated from gifts is not taxed for five

years following the transfer of gift to the recipient. In-kind donations are exempted from value added tax (VAT). The law prescribes excessive administrative requirements for the donor and the recipient of donation entering into the agreement in writing.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.0

CSOs which engage in qualifying public benefit activities are exempt from gifts and inheritance taxes on goods and objects they receive if they use them to further their main (nonprofit) objectives. Income generated from gifts is not taxed for five years following the transfer of gift to the recipient. In terms of how and whether the tax deductions are obtained, the tax deduction is applied to the individual donations (regardless of the value) and not to the organization, meaning that organization cannot obtain a permanent tax deduction on all donations based on its status, according to the Law on Donations and Sponsorships. In other words, the CSO has to apply for a tax deduction for each received donation, regardless of source, value, and type. This presents a significant administrative and financial burden which often forces the donors and recipients not to apply for tax deduction at all.

Civil society organizations are eligible to receive donations if they engage in activities which support and promote public benefit purposes. In addition to CSOs, other domestic legal entities, including public institutions, state bodies, and local municipalities may also be the recipients of donations that are subject of tax deduction. Both the donor and the recipient of donations are subject to specific reporting requirements with respect to given/received donations, the details of which are set out in the Law on Donations and Sponsorship, which they have to file with the tax authority within 30 days following the execution of the agreement. In addition, following the execution of the agreement, a recipient is obliged to issue to a donor a receipt in writing, the form of which is to be detailed by regulation issued by the Ministry of Justice.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 5.0

In North Macedonia, the legal entities and individuals can send donations abroad without any restrictions. The donors are obliged to pay the bank transaction fees (for financial donations). The Law on Donations and Sponsorships envisions tax deductions to donations made abroad only in cases of natural and other types of humanitarian disasters. According to the Law on Prevention of Money Laundering and Financing of Terrorism, the measures for clients' due diligence, such as monitoring of certain transactions, introduction of internal programs for implementation of the measures and actions for prevention of money laundering and financing terrorism and collecting,

and keeping and submitting data on transactions and clients performing them, are implemented by the financial institutions, associations and foundations, certified auditors, or real estate agents. The client due diligence procedures are applied when carrying out one or several linked transactions amounting to EUR 15,000 (around USD 18,500) in MKD counter-value. The record-keeping requirements on transactions, identification data, account files, and business correspondence must be kept for up to five years. These requirements are in full compliance with the international standards for prevention of money laundering and terrorism financing.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 5.0

The organizations in North Macedonia are free to receive donations from abroad to support their activities. Apart from bank fees, no taxation or other expenses are applied to cross-border donations. There is neither a specific approval process nor preconditions implied by the governmental institutions. The only system of control applied is defined by the Law on Prevention of Money Laundering and Financing of Terrorism and is applied to one or several transactions amounting to EUR 15,000 (around USD 18,500). There are no restrictions in terms on what type of activities can be supported by the cross-border charity donations, as long as these are in line with the Constitution and the Laws of R. of North Macedonia.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 4.0

The implementation of the Strategy for Cooperation with and Development of the Civil Society and an Action Plan for 2018–2020 noted progress. Information concerning the implementation of the measures and activities is regularly collected and published by the Unit for Cooperation with NGOs, and the Council is engaging in quarterly oversight. Progress in the main development measures for civil society is still slow (reform of public funding, individual and corporate donations, social services and volunteerism), since part of the targets for progress are envisaged for 2020. CSOs undertook different activities that contributed to the realization of the Action Plan. Even though CSOs are not listed as implementers, as this is to be understood as an obligation of the relevant institutions, their contribution is mentioned in the report on the implementation. CSOs are included in the monitoring of the implementation of the Strategy, through the Council that is mandated to follow the implementation. These institutions and mechanisms are responsible for facilitation of the cooperation with CSOs: The Council for Cooperation with and Development of the Civil Society; the Unit for Cooperation with NGOs; and the network of public servants for monitoring the implementation of the Strategy, consisting of 18 state institutions. The main mechanism, the Council as a cross-sectoral advisory body, remained functional.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 3.0

In general, the government didn't show significant level of commitment towards promotion of culture of giving and fostering philanthropy in Macedonia. CSO funding predominantly comes from foreign sources. Donors are in general free to support and direct their funding to the initiatives and causes they find important and worth supporting with no government interference, although larger donors mainly coordinate and collaborate with the institutions of central and local government in order to prioritize sectors and areas of support. Despite several initiatives aimed at strengthening the support of the Government to civil society organizations, the distribution of public funding is still not transparent, although there is a policy regulating the distribution of public funds, the measures introduced are either insufficient or not properly implemented in practice. In addition, mechanisms for regular monitoring and reporting on the spending of public funds are missing (European Center for Not-for-Profit Law, 2015, p. 17). Distribution of non-financial state support is also lacking clear and transparent measures.

Government funds are distributed through several institutions, including the Government Unit for Cooperation with Civil Society (which is part of the General Secretariat of the Government), the Ministry of Labor and Social Policy, and the Ministry of Culture. Such funds tend to support project activities, not institutional or co-financing support, and are not always distributed transparently. Lottery proceeds are distributed to a limited number of CSOs through a non-transparent procedure.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 4.0

The ongoing stability and steady economic growth in North Macedonia from 2018 onwards have contributed to an overall favorable environment for development of philanthropy. North Macedonia maintains a relatively permissive regulatory framework, and its institutions provide equal treatment of foreign investors and domestic business interests under similar circumstances. Attracting foreign direct investments is one of the government's main pillars for economic growth and job creation. However, the country's overall regulatory environment remains complex and frequent regulatory and legislative changes, coupled with inconsistent interpretation of the rules, create an unpredictable business environment conducive to corruption. The government generally enforces laws, but there are numerous reports that some officials remain engaged in corrupt activities.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.0

Citizens of the Republic of Macedonia experience philanthropy as assistance for socially vulnerable groups and individuals and therefore support the humanitarian activities and actions that are organized for such purposes. CSOs appear as the initiators of these activities and invite citizens and businesses to contribute to the success of the campaign. Companies, especially those that are large and want to promote themselves as socially responsible entities, openly support and often initiate philanthropic efforts in their communities. There is a high level of commitment to donate among citizens from all levels of society, which shows that in society there is a dominant tendency of affirmative attitude, determination, and desirable behavior towards donating. The status of citizens in society determines their behavior when it comes to donating; more economically stable groups such as businessmen and intellectuals appear as more frequent donors. Social and employment status affects reasoning when donating, emphasizing their personal humanistic attitude toward donation as well as the economic situation of the donor. The elements of trust and the proper use of the donation that is not to be abused are also emphasized. As regards of the donating practices among companies, in most cases the decision to make donations is based on the current need to respond positively to requests from individuals and organizations in the community. Smaller companies prefer in-kind donations to CSOs, and both small and large companies prefer to provide financial support to those CSOs that they are familiar with or have successfully collaborated with in the past, showing that confidence, trust, and well-established relations are key factors for positive response.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

Even though there is less international funding available, CSOs in Macedonia are generally hesitant to approach the corporate sector and individual donors. Fundraising efforts are still largely centered on Requests for Proposals from international donors. Unfortunately, CSOs often have a passive approach to fundraising, waiting for funding opportunities to come to them, rather than a proactive approach to market themselves for potential funding opportunities. As a result, many CSOs in Macedonia have made themselves dependent on one or two major donors only. Although most CSOs in Macedonia recognize the need for engagement in fundraising from local resources and have developed a sense of the arguments and causes that are most suitable for local fundraising, only a small number of organizations raise funds from local sources on regular basis. This is mainly due to the lack of strategic approach towards planning and performing local fundraising and lack of appropriately trained staff and volunteers to engage in fundraising activities. Part of the CSOs still think that the support from the international donors is the only effective and sustainable way. CSOs in Macedonia are well organized in different networks and umbrella organizations. There are approximately 200 networks and coalitions in North Macedonia. Also, there are legally specified umbrella bodies, for example for sports unions.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. COVID-19 pandemic
2. Prespa Agreement and resolving the name dispute with Greece
3. Adoption of the new Government Strategy for Collaboration with the Civil Society

Future development trends in the philanthropic landscape

It is very important to strengthen the role of Macedonian civil society in the ongoing initiatives for creating a favorable legal and financial environment for mobilization of local resources, including income generating activities, service delivery by CSOs, and development of volunteering on local level. It also necessary to develop networking structures that will serve as a platform for fostering cooperation among CSOs, business sector, media, local authorities, and public institutions in building joint partnerships to contribute to the enabling environment for CSOs and increasing philanthropic initiatives among the business sector and individuals. The network will also provide infrastructure and will serve as knowledge base for all institutions, organizations, and individuals interested in the local fundraising. It is also necessary to support the development of intermediary organizations and community foundations that will engage with companies and individual donors to encourage greater giving and influence such giving and increase its impact through research, advisory, and management services. Interventions should seek to develop consensus around best practices in impact assessment, transparency, and reporting norms through promoting consultations between different sets of stakeholders in the philanthropic sector in North Macedonia. These stakeholders include donors, management of philanthropic organizations, and experts in various sectors.

Three key recommendations to improve the environment for philanthropy

- To create a whole new ecosystem for data collection, analytics, and usage in the nonprofit sector;
- To secure favorable fiscal treatment of CSOs through amendments of the relevant tax laws; and
- To stimulate the replication of the community foundation model in the country.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

“Organizations are using innovative ways to fund their responses, such as mobilizing in-kind or other donations from local communities, using savings from canceled events, and forming partnerships. They are also implementing health action plans, playing a key role in sharing information about the pandemic with local communities, and adapting their programs to become more resilient in the face of the crisis for the long term” (Dayal, 2020).

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

“A majority of organizations have moved at least some of their work online or to other remote formats, but some are unable to transfer their activities online because of lack of needed technology, lack of technical capacity by staff and beneficiaries trained to use online platforms, or simply because their programs do not fit remote formats.” (Dayal, 2020).

Impact of COVID-19 on the philanthropic environment

“Some organizations have already experienced or are anticipating a loss in funding because of the crisis. To add to this concern, many anticipate a reduction in philanthropic giving as a result of economic disruption or redirected funds.” On the other hand, “some funders have shifted away from their traditional approaches to better respond to immediate needs. They are launching new initiatives, pooling resources, providing funds outside normal grant cycles, making additional grants to existing grantees, increasing flexibility around application and reporting requirements, and conversing with both their peer and grantee communities to inform their decision making” (Dayal, 2020).

Anticipated impact of COVID-19 on the philanthropic environment in 2021

With the availability of effective vaccines, it is expected for the COVID-19 pandemic to end in 2021. With the end of the pandemic, the philanthropic environment will return to normal, with increased use of collaborative online tools and technologies.

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