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**RESEARCH ARTICLE**

## Review of the Opportunities for Collaboration Between Civil Organizations and Foundations with the Business Sector in the Republic of North Macedonia

Mevludin Ibish<sup>1</sup> and Nikola Dacev<sup>2</sup> ✉

<sup>1</sup>Assoc. Prof. Dr., Faculty of Law, Political Sciences Department, International Balkan University, Skopje, North Macedonia

<sup>2</sup>Assoc. Prof. Dr., Faculty of Law, Legal Studies Department, International Balkan University, Skopje, North Macedonia

**Corresponding Author:** Nikola Dacev, **E-mail:** [n.dacev@ibu.edu.mk](mailto:n.dacev@ibu.edu.mk)

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**ABSTRACT**

The development of the civil sector in society is of utmost importance for the democratic values of a country and the promotion of civic awareness. Cooperation between civil society organizations and businesses is a model that has been proven to work. In the Republic of North Macedonia, with the adoption of the Law on Donations and Sponsorships in Public Activities in 2006 and the Law on Associations and Foundations in 2010, the legal framework that regulates this area was harmonized with European standards, and the foundations were laid for the development of measures that will help the sustainability of the civil sector. Appreciating the contribution of the civil sector and its significant role in the development of society, encouraging pluralism, tolerance, and the development of democracy, 3 strategies for the cooperation of the government with the civil sector with an action plan were adopted in the Republic of North Macedonia in the past 15 years. These strategies were largely implemented through the adoption of several amendments to the aforementioned laws. In this paper, a detailed analysis is made of the Law on Donations and Sponsorships in Public Activities and the Law on Associations and Foundations in 2010 with their amendments. Research has also been done on the practical application of the legal norms that will indicate the advantages and weaknesses of these provisions. The primary goal of this paper is to determine the possibilities and ways to strengthen the cooperation between civil organizations and foundations and the business sector.

**KEYWORDS**

Civil Society, Tax Incentives, Associations and Foundations, Business Community.

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### 1. Introduction

The historical evolution of philanthropy reveals that individuals and societies have consistently exhibited a positive inclination toward mutual care, support, and solidarity. This inherent tendency is encapsulated in the term "philanthropy," derived from the ancient Greek "philanthropia," which translates to "love of humanity." This concept has manifested through voluntary donations by individuals or groups aimed at achieving public or general welfare. The historical trajectory of philanthropy has also seen the emergence of foundations that financially support non-governmental organizations (NGOs), thereby ensuring the financial and operational independence of the non-profit sector.

The rapid economic and industrial growth in countries like the USA, the UK, and many European nations has significantly influenced the development of philanthropy, including its legal frameworks. In these regions, philanthropic activities, donations, and sponsorships are deeply embedded in the cultural values and religious traditions of their societies. These traditions have fostered the distribution of resources and direct assistance to vulnerable groups such as the elderly, children, people with special needs, economically disadvantaged families, and single parents. This cultural backdrop has catalyzed the rapid development of various foundations, associations, and humanitarian organizations dedicated to societal improvement. These entities have played a pivotal

role in advancing the concept of philanthropy and establishing legal norms to regulate it. Notably, most European countries have recognized the importance of philanthropic activities, which have greatly supported social initiatives, partly due to incentives like tax exemptions. These exemptions encourage existing donors to increase their contributions and attract new donors.

Comparatively, philanthropic activities in the USA and European countries exhibit distinct dynamics. The USA leads in total donations, with approximately 224 billion euros compared to Europe's 22.4 billion euros. However, Europe surpasses the USA in the number of registered foundations, boasting 130,000 compared to the USA's 100,000. This discrepancy highlights that while the monetary value of philanthropy is higher in the USA, Europe demonstrates greater private sector involvement through a larger number of foundations. This robust foundation network in Europe contributes significantly to social capital and development.<sup>1</sup>

European philanthropic trends have also influenced the development of philanthropy in the Republic of North Macedonia. Following the political changes in 1991 and the growth of the private sector, there has been a noticeable increase in philanthropic activities and social responsibility among newly established private companies. This shift has prompted the creation of legal norms and regulations to systematize philanthropic activities and foster an environment conducive to the establishment of new foundations, increased donations, and a heightened awareness of the importance of philanthropy.

The historical and comparative analysis of philanthropy between the USA and Europe underscores the significant role of cultural values, economic development, and legal frameworks in shaping philanthropic activities. Both models have effectively supported societal development, with the European model demonstrating extensive private sector engagement through a large number of foundations. This engagement has had a direct impact on the growth of philanthropy in regions like North Macedonia, highlighting the global influence of philanthropic practices and principles.

## **2. Literature Review**

The collaboration between civil organizations, foundations, and the business sector has gained increasing attention due to its potential to address complex social, economic, and environmental issues. The literature review aims to explore the theoretical underpinnings, practical implementations, benefits, challenges, and future directions of such collaborations.

## **3. Methodology**

The methodology combines normative legal analysis with empirical fieldwork, utilizing both primary and secondary data sources. By employing a structured approach to data collection and analysis, the study aims to provide a comprehensive understanding of the legal issues under investigation and propose solutions based on the research findings. This detailed and systematic methodology ensures a robust analysis of the legal issues, combining theoretical insights with empirical evidence to provide well-rounded conclusions and recommendations. The normative approach focuses on the study of legal precedents, the development of legal theories and principles, and the enactment of rules governing legal activities. This involves developing legal theories (examining existing legal doctrines and contributing to the formulation of new theoretical frameworks) and rule enactment (studying how legal rules are formulated, implemented, and interpreted).

The empirical approach involves gathering primary data through fieldwork, including in-person interviews and observations. This method allows us to obtain firsthand information about the subjects under study. The study utilizes both primary and secondary sources of information:

- **Primary Sources:**
  - **Interviews:** Information gathered through direct questioning of individuals involved in or affected by the legal issue.
  - **Observation:** Data collected from observing legal processes or behaviors in relevant settings.
  - **Written Reports:** Original documents or reports generated from direct fieldwork or research.
- **Secondary Sources:**
  - **Literature Study:** Compilation and analysis of existing legal literature, including statutes, government papers, scholarly articles, and official documents.
  - **Third-Party Sources:** Analysis of third-party data in light of primary data to supplement and provide context to the findings.

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<sup>1</sup> [https://www.fondationdefrance.org/sites/default/files/atoms/files/philanthropy\\_in\\_europe\\_2015\\_0.pdf](https://www.fondationdefrance.org/sites/default/files/atoms/files/philanthropy_in_europe_2015_0.pdf)

The data analysis process involves several steps to ensure thorough examination and interpretation of the gathered information:

- **Compilation and Organization:** Collected data is systematically organized and compiled for analysis.
- **Deductive Reasoning:** This method is used to process legal documents and literature, making inferences about specific legal issues based on general principles and known facts.
- **Theoretical Analysis:** Examination of legal doctrines, regulations, and literature to understand the problem at hand.
- **Sentence Structure Analysis:** Analyzing the structure and content of legal texts for better comprehension and interpretation of the data.
- **Conclusion Drawing:** Synthesizing the analyzed data with existing literature to derive conclusions and provide answers to the research questions.

#### 4. Results and Discussion

##### 4.1. Historical Development of Legal Norms and Acts Regarding the Regulation of Donations and Sponsorships

The history of legal norms and acts governing donations and sponsorships in the Republic of North Macedonia reflects a prolonged period of regulatory absence following the nation's independence. Initially, there was no specific legislation addressing donations and sponsorships in public activities, with tax reliefs limited to contributions to the Red Cross and state institutions.<sup>2</sup> Prompted by initiatives from various associations, state institutions recognized the need for a comprehensive legal framework to regulate tax reliefs and incentives for corporate donations and sponsorships to institutions and NGOs. This led to the adoption of the Law on Donations and Sponsorships in Public Activities (Official Gazette No. 47 of 12.04.2006). This landmark law was the first to systematically address legal issues related to donations, endowments, and tax incentives. It created an enabling environment for NGOs, foundations, and private companies to collaborate and contribute to public interests.

The Law on Donations and Sponsorships in Public Activities underwent several amendments to refine and enhance its provisions:

-the amendments adopted on 14.07.2008 primarily involved cosmetic changes concerning the value and currency of fines.<sup>3</sup>

-the amendments adopted on 04.13.2011 (Official Gazette of the Republic of Macedonia, no. 51/2011) clarified the necessary documents and procedures for potential applicants, reducing the discretionary interpretation of the legal framework for the required documentation.<sup>4</sup>

-the amendments adopted on 06.02.2014 (Official Gazette of the Republic of Macedonia, no. 28/2014) introduced significant facilitation regarding the recording of donations and sponsorships. The contract ceased to be the sole legal proof of donations, and actual payment through bank transactions became sufficient for tax incentives.<sup>5</sup> This change particularly benefited associations and foundations recognized as organizations of public interest under the Law on Associations and Foundations.

The amendments also eased the process of collecting funds through telecasting and fundraising events, where donations could be validated via phone bills or the transaction accounts of the donation recipient. Definitions related to the ownership of donations were modified, acknowledging the owner of the telephone line or bank account used for donations as the donation's owner. Procedures and necessary documentation for tax incentives for natural persons based on personal income tax were established. The scope of donations was expanded to include goods and services, and provisions for value-added tax (VAT) exemptions were detailed.<sup>6</sup>

-the amendments adopted on 09.04.2015 (Official Gazette of the Republic of Macedonia, no. 153/2015), made minor corrections related to punitive measures for responsible persons in legal entities.<sup>7</sup>

<sup>2</sup> An analysis of the implementation of the law on donations and sponsorships in public activities 2007-2011, Shoqata Konekt and the European Center for the Right to Justice (QEDJ), f.21, March 2012 Shkup.

<sup>3</sup> See articles 23, 24, 25 and 26 of the Law Amending and Supplementing the Law on Donations and Sponsorships in Public Activities (Official Gazette of R. Macedonia No. 86/2008).

<sup>4</sup> Article 22 of the Law Amending and Supplementing the Law on Donations and Sponsorships in Public Activities (Official Gazette of R. Macedonia No. 51/2011).

<sup>5</sup> Article 4 of the Law Amending and Supplementing the Law on Donations and Sponsorships in Public Activities (*Official Gazette of the Republic of Macedonia, no. 28/2014*)

<sup>6</sup> Articles 7 and 13 of the Law Amending and Supplementing the Law on Donations and Sponsorships in Public Activities (*Official Gazette of the Republic of Macedonia, no. 28/2014*)

<sup>7</sup> See articles 23, 24 and 25 of the Law Amending and Supplementing the Law on Donations and Sponsorships in Public Activities (Official Gazette of the Republic of Macedonia, no. 153 of 04.09.2015)

Despite these legislative efforts from 2008 to 2015, the amendments did not bring substantial changes that would significantly liberalize tax incentives. Consequently, the overall climate for private sector involvement in addressing social needs and dynamics saw limited improvement. The historical trajectory of legal norms and acts in North Macedonia illustrates an evolving approach toward regulating donations and sponsorships, progressively aiming to enhance the legal and operational environment for philanthropic activities. However, the limited scope of changes in tax incentives suggests a need for more comprehensive reforms to fully leverage the potential of private sector contributions to social development.

#### **4.2. Thorough Analysis of the Law on Donations and Sponsorships in Public Activities of the Republic of North Macedonia**

The Law on Donations and Sponsorships in Public Activities of the Republic of North Macedonia provides a comprehensive legal framework that addresses various aspects of donations and sponsorships, aiming to clarify ambiguities and facilitate the practical application of its provisions. Below is an analysis of the key components and interpretations of this law.

The law delineates its scope by defining the actors involved (donors and recipients), the objects of use, tax incentives, and the methods for recording and controlling donations and sponsorships for public interest. It aims to enhance social welfare by encouraging donations and sponsorships through a well-regulated framework.

According to the Law, **“donation”** is defined as a contribution in money, goods, services, grants, tele-givings, or event fundraisers that does not create a direct benefit or obligation to the provider. **“Sponsorship”** is defined as a voluntary financial payment or provision of goods and services that provides direct benefits to the provider through promotional activities.

**“Public activity”** encompasses areas such as human and citizen rights, education, science, culture, sports, healthcare, social protection, environmental protection, and other legally recognized public activities. Supporting these activities is considered to serve the public interest.<sup>8</sup>

The actors involved are the following:

- **Providers of Donations and Sponsorships:**
  - Can be domestic or foreign natural and legal entities operating under the laws and constitution of North Macedonia and international agreements ratified by the country.
- **Recipients of Donations:**
  - Include domestic and foreign non-profit legal entities engaged in public interest activities. The recipient becomes the owner of the donation exclusively for its intended purpose.
- **Recipients of Sponsorships:**
  - Are domestic legal entities that fulfill contractual obligations in accordance with national laws and international agreements.<sup>9</sup>

Related to the contractual requirements, a written contract is required for every donation and sponsorship, following the Law on Obligations. However, for associations and foundations recognized as public interest organizations, actual bank transactions can serve as proof for tax incentives without a written contract.

The objects of donations and sponsorships can be in the form of financial resources, goods, services (including tangible goods, whether self-produced or procured), bequests, and other transferable rights. They must align with the recipient’s activities and cannot include items prohibited by law.<sup>10</sup>

The legislator determines the tax incentives in the following manner:

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<sup>8</sup> Articles 1, 2 and 3 of the Law on Donations and Sponsorships in Public Activities (*Official Gazette of the Republic of Macedonia, No. 47/2006, 86/2008, 51/2011, 28/2014, 153/2015*)

<sup>9</sup> Articles 6, 7 and 8 of the Law on Donations and Sponsorships in Public Activities (*Official Gazette of the Republic of Macedonia, No. 47/2006, 86/2008, 51/2011, 28/2014, 153/2015*)

<sup>10</sup> Article 10 of the Law on Donations and Sponsorships in Public Activities (*Official Gazette of the Republic of Macedonia, No. 47/2006, 86/2008, 51/2011, 28/2014, 153/2015*)

- **For Natural Persons:**
  - Eligible for a reduction or refund of personal income tax up to 20% of the donation amount based on their annual tax return. This provision aims to foster a culture of individual philanthropy but has limitations that may reduce motivation for higher-income donors.
- **For Profit Taxpayers:**
  - Donations are recognized as expenses up to 5% of total income, while sponsorships are recognized up to 3% of total income.
- **Property Tax Exemptions:**
  - Donations of objects and material goods are exempt from property tax for five years following the year of donation.<sup>11</sup>

The legislator in a very successful manner makes a distinction within the framework of the financing of political parties and party campaigns, which are separately regulated by the Law on financing political parties,<sup>12</sup> and removes all possible transactions in the field of financing political parties and party campaigns to be characterized such as donations and sponsorships of public interest. The donations and sponsorships from companies to other companies cannot be characterized as donations and sponsorships of public interest.

The Law on Donations and Sponsorships in Public Activities states that the competent authority, i.e. the institution for control when giving, receiving, and using donations and sponsorships in case of application of tax incentives, is the Administration for Public Revenues and other competent authorities and determines the entire procedure for submitting a request and obtaining a decision by the Ministry of Justice which determines the public interest of the given donation and sponsorship.<sup>13</sup>

The law's detailed provisions and clear definitions help demarcate the boundaries between donations and sponsorships, ensuring transparency and encouraging private sector involvement in public interest activities. However, the current limitations on tax incentives for natural persons may require revision to maximize donor engagement. The exclusion of political contributions and inter-company transactions maintains the focus on genuine public interest activities, reinforcing the law's integrity and purpose. Overall, the Law on Donations and Sponsorships in Public Activities establishes a structured environment for philanthropy in North Macedonia, promoting social welfare through regulated and incentivized donations and sponsorships.

### **4.3. Features of the Law on Associations and Foundations of the Republic of North Macedonia**

The Law on Associations and Foundations, adopted on April 15, 2010 (Official Gazette of the Republic of Macedonia, No. 52 of April 15, 2010), provides a comprehensive legal framework for the establishment, organization, operation, and termination of associations, foundations, alliances and organizational forms of foreign organizations in North Macedonia. This law is crucial for promoting civic engagement, non-profit activities, and social welfare. It does not apply to political parties, religious communities and groups, trade unions, chambers, and other associations regulated by specific laws. Here are the key features and provisions of the law:

Citizens have the right to form associations, foundations, and other types of organizations. These entities can also form alliances or join international organizations. Organizations must register with the Central Registry of the Republic of North Macedonia to acquire legal entity status. Unless otherwise specified, organizations are considered established for an indefinite period.<sup>14</sup>

The basic principles according to which the associations and organizations operate are the following: **Independence:** Organizations are autonomous in managing their affairs and achieving their goals; **Publicity and Transparency:** The operations of organizations must be public and transparent; **Non-profit Nature:** Organizations cannot distribute profits to founders, members, or bodies. Any profit must be used solely to achieve statutory objectives. **Non-partisan Action:** Organizations cannot engage in political party activities or financing. **Public Engagement:** Organizations can promote their views and participate in public opinion formation and policy-making.<sup>15</sup>

<sup>11</sup> Articles 13, 14 and 16 of the Law on Donations and Sponsorships in Public Activities (*Official Gazette of the Republic of Macedonia, No. 47/2006, 86/2008, 51/2011, 28/2014, 153/2015*)

<sup>12</sup> See more in the Law for Financing Political Parties ("Official Gazette of the Republic of Macedonia" no. 76/04, 86/08, 161/08, 96/09, 148/11, 142/12 and 23/13)

<sup>13</sup> Articles 18, 20 and 21 of the Law on Donations and Sponsorships in Public Activities (*Official Gazette of the Republic of Macedonia, No. 47/2006, 86/2008, 51/2011, 28/2014, 153/2015*)

<sup>14</sup> Articles 1, 2, 4, 5, 6, 7 and 8 of the Law on Associations and Foundations (*Official Gazette of the Republic of Macedonia, No. 52 of 15.04.2010*).

<sup>15</sup> The term policy refers to the organizational activities determined by the statute and other legal acts of the organizations.

The **associations** are established at a founding Assembly where the Act of establishment, program, Statute, and bodies of the association are elected. The membership is voluntary for individuals aged 14 and above, with legal representatives required for minors and individuals with limited capacity. The associations are managed by members with the Assembly as the highest body. Representatives are appointed as per the Statute.

To establish a **foundation** a minimum founding asset of 10,000 euros is required and can be established by one or more legal or natural persons. The Statute of the foundation governs the name, headquarters, goals, activities, internal organization, financial management, and other essential matters. The board is the highest authority, responsible for adopting statutes, programs, financial reports, and decisions, and managing foundation affairs. The director manages daily operations according to the Law and the foundation's Statute.<sup>16</sup>

Related to foreign participation, **foreign founders and members** are allowed to establish and join organizations in North Macedonia. Foreign organizations may operate under the same legal framework unless international agreements state otherwise.

The Law pays special attention to the funding and financial management of associations and foundations. Sources of funds are membership fees, founding contributions, voluntary contributions, donations, gifts, bequests, profit-generating activities, rents, income from dividends, loans, and interest. Organizations can receive funds from the national and municipal budgets (Government funding). The use of funds must align with statutory goals and cannot be distributed to members, founders, or related persons except as users of specific services.<sup>17</sup>

The Law on Associations and Foundations also regulates the procedures for joining, merging, and dividing organizations (mergers and acquisitions).<sup>18</sup>

Prompted by the current developments in the Republic of North Macedonia, and with the aim of more precisely regulating the way and objectives of the functioning of citizens' associations and foundations, in the Official Gazette of the Republic of North Macedonia no. 239/2022, amendments to the Law on Associations and Foundations have been published. The adopted amendments prohibit civil associations and foundations from using names, nicknames, and pseudonyms that are related to fascism, Nazism, genocide, the Third Reich, etc. What is particularly important is that the Law has a retroactive effect and applies to associations and foundations that are already registered, and are obliged within three months from the date of entry into force of the amendments to the Law to harmonize their name and/or title, abbreviated name, program, goals and activities before the Central Registry of the Republic of North Macedonia.<sup>19</sup>

The Law also determines the criteria for the organizations to acquire public interest status: be registered according to the Law; have public interest activities as their primary income source; operate for the general public's benefit; possess necessary organizational and personnel capacities, maintain adequate financial resources; ensure transparency and conflict of interest rules; not be in bankruptcy or liquidation, nor have a blocked account.<sup>20</sup>

The Law on Associations and Foundations provides a robust framework to support the establishment and functioning of non-profit organizations, promoting transparency, accountability, and public engagement. These provisions ensure that such organizations can effectively contribute to societal development and civic participation in North Macedonia.

#### **4.4. Analysis and Recommendations for the Possibilities of Cooperation between Civil Society Organizations and the Business Community in the Republic of North Macedonia Encouraged by the Law on Donations and Sponsorships in Public Activities and the Law on Associations and Foundations**

According to the previously made thorough analyses of the Law on Donations and Sponsorships in Public Activities and the Law on Associations and Foundations, we can conclude that in the Republic of North Macedonia, a good legal framework has been established which in a certain way opens up possibilities for potential cooperation of the civil sector with the business community. Namely, the Republic of North Macedonia is comparatively one of the few countries in the region that has certain tax incentives,

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<sup>16</sup> Articles 17, 18, 23 and 24 of the Law on Associations and Foundations (*Official Gazette of the Republic of Macedonia, No. 52 of 15.04.2010*)

<sup>17</sup> Articles 48, 49 and 50 of the Law on Associations and Foundations (*Official Gazette of the Republic of Macedonia, No. 52 of 15.04.2010*)

<sup>18</sup> Articles 59, 60, 61 and 62 of the Law on Associations and Foundations (*Official Gazette of the Republic of Macedonia, No. 52 of 15.04.2010*)

<sup>19</sup> Law Amending and Supplementing the Law on Associations and Foundations (*Official Gazette of the Republic of North Macedonia, no. 239 of 08.11.2022*)

<sup>20</sup> Article 75 of the Law on Associations and Foundations (*Official Gazette of the Republic of Macedonia, No. 52 of 15.04.2010*)

as facilitating and motivating instruments for the business community that help the civil sector in the implementation of its programs and activities through direct support from the business sector.

The tax incentives within the Law on Donations and Sponsorships in Public Activities, although they are not large, provide a certain basis for new and future tax incentives for donations and sponsorships in public activity.

If we refer to the practical application of the above-analyzed legal provisions according to previously published analyses<sup>21</sup> we can conclude that:

- ✓ **Civil society organizations are not sufficiently familiar with tax incentives;**
- ✓ **The business sector is not sufficiently familiar with legal tax incentives;**
- ✓ **Civic organizations do not use tax incentives as a tool to obtain donations and sponsorships from the business community;**
- ✓ **The business community does not have a high incentive to use tax incentives;**
- ✓ **Individuals rarely or never use tax incentives, and a large percentage have no information about them at all;**
- ✓ **Civic organizations are not familiar with the possibilities for realizing economic activity.**

According to the above conclusions made from the legal analyses, the published literature and the interviews, we can conclude that civil society organizations to the greatest extent do not have enough professional staff who would directly analyze the legal provisions and give recommendations for obtaining donations and sponsorships through business partnerships with the business sector.

Civil organizations mostly have bad experiences regarding the (non) received responses from private companies, and all of this has a very negative impact on the motivating aspect of the civil sector towards obtaining donations and sponsorships from the business sector.

The business sector, as an important factor in social trends, also does not have enough information about the legal tax incentives that have been public and legally possible since 2008. In this part, the biggest factor is the non-systematic awareness by the accountants of the companies themselves and the non-professional staff who do not actively follow the legal positive flows. We can conclude that small and medium-sized companies do not have enough time motive to refer to legal opportunities due to their daily and dynamic obligations and the existence of the gray economy which largely limits the flow of financial resources as transparent banking transactions.

Natural persons, as drivers of social needs and changes, least of all factors use the benefits according to the Law on Donations and Sponsorships in Public Activities, due to a lack of information and lack of motivation.

Regarding civil society organizations, the Law on Associations and Foundations in the section on sources of financing (Article 48) states that civil society organizations have the right to carry out activities that generate a certain profit, and the same would be used for the realization of their goals and programs, but this tool is rarely used by civil society organizations because the economic activity performed by them is very different from the conventional commercial activity by for-profit legal entities, which gives the possibility of misinterpretation or a certain degree of fear of possible legal violations.

Civil organizations should be much more active with new projects and activities that would increase the awareness of the business sector in terms of legal incentives according to the Social Security Act and the entire public, including civil organizations and individuals.

Various tools can be used as possible tools for raising public awareness of tax incentives: training, seminars, panel discussions, advertisements, and other propaganda material which would be financed by:

- ✓ The Government of the Republic of North Macedonia as a direct implementer of the legal provisions;
- ✓ The European Union as a regional driver in the positive social trends of the member states and candidate countries;
- ✓ Other international institutions, embassies, organizations, and foundations that have direct projects regarding the cooperation between civil society organizations and the business community.

<sup>21</sup> See Dr. Risto Karajkov "Investigation of the attitudes, beliefs and practices of resource gathering and cooperation of civil society organizations and the private sector", Connect Association, 2014, p.23-24

We believe that the tax incentives related to the profit tax, which make a great contribution to the increase of donations and sponsorships from the business sector to the civil sector, should be increased in percentage, while the administrative procedures should be simplified to help in terms of increased cooperation between the civil sector and the real (business) sector. These solutions require new legal changes that require awareness of the relevant political actors through direct cooperation and dialogue with civil organizations and the business sector. In this context, it is worth mentioning the activity of the civil sector done on several occasions to achieve a certain dialogue that would result in positive changes. Also, we believe that future legislative changes should not limit the percentage tax relief to certain amounts because it reduces the motive for realizing donations.

The Law on Associations and Foundations and the Law on Donations and Sponsorships in Public Activities should take into account real social changes and needs and positive world trends and not limit themselves to regional practices, to motivate the direct beneficiaries of the legal opportunities - civil society organizations and the business community.

Enhancing the cooperation between civil society organizations and the business community in North Macedonia, through the effective utilization of legal tax incentives, has the potential to significantly contribute to societal development. The legal framework provided by the **Law on Donations and Sponsorships in Public Activities** and the **Law on Associations and Foundations** is a strong foundation. However, the practical application of these laws requires increased awareness, professional capacity building, and simplification of administrative procedures. Through collaborative efforts and legislative enhancements, the civil sector and business community can work together more effectively, ultimately benefiting the broader society and driving positive social change.

## **5. Conclusion**

In this paper, a comprehensive analysis has been made of the legal framework and its practical application regarding donations, sponsorships, and tax incentives in the Republic of North Macedonia. Some of the key takeaways from the analysis are the following:

**Lack of Awareness:** Both civil society organizations and the business sector are not sufficiently aware of the tax incentives provided by the law. This lack of awareness hampers the utilization of these incentives for donations and sponsorships.

**Limited Engagement:** Civil society organizations aren't effectively utilizing tax incentives as a means to obtain donations from the business community. Similarly, the business sector lacks a strong incentive to utilize these tax incentives.

**Individual Engagement:** Individual engagement with tax incentives is also low, primarily due to a lack of information and motivation.

**Need for Professional Expertise:** There's a lack of professional staff within civil society organizations who can analyze legal provisions and recommend strategies for engaging with the business sector for donations and sponsorships.

**Negative Experiences:** Poor responses from private companies to civil society organizations' requests for support negatively impact the motivation of the civil sector to seek donations and sponsorships from the business sector.

**Education and Awareness Campaigns:** civil society organizations should be more proactive in initiating projects and activities aimed at increasing awareness among the business sector about legal incentives. Various tools such as training, seminars, panel discussions, and advertisements can be employed for this purpose.

**Funding Sources for Awareness Campaigns:** These awareness campaigns could be funded by the government, the European Union, and other international institutions, embassies, organizations, and foundations that support cooperation between civil society organizations and the business community.

**Utilization of Economic Activity:** While civil society organizations have the right to engage in economic activities to fund their programs, they rarely utilize this opportunity due to fear of legal violations or misinterpretations.

To address these issues, efforts should be directed towards improving awareness among both civil society organizations and the business community, enhancing the professionalism of staff within civil society organizations, and fostering better communication and collaboration between the two sectors. Additionally, clarifying and simplifying legal provisions regarding tax incentives could encourage greater utilization of these benefits.



## 6. Study Limitations and Future Research

The limitations in our study were mostly related to obtaining sufficient literature, especially for cross-sector comparison so we can compare collaboration practices and outcomes across different sectors (e.g., health, education, environment) to identify sector-specific challenges and best practices; and geographical variations so we can examine how collaborations vary across different regions or countries, considering cultural, economic, and regulatory differences. For future research, we suggest longitudinal studies to investigate the long-term impacts of collaborations on community outcomes, organizational growth, and sustainability and to study how partnerships evolve, including factors that influence their success or failure. It's crucial to develop and refine metrics and frameworks for evaluating the success and impact of collaborations and to conduct in-depth case studies of successful and unsuccessful collaborations to identify key factors that contribute to their outcomes. We also suggest exploring new and innovative models of collaboration, such as social enterprises, public-private partnerships, and impact investing, and investigating the role of technology in facilitating or hindering collaboration, including the use of digital platforms and social media. Future research related to this topic should also involve conducting qualitative research to understand the perspectives and experiences of different stakeholders involved in collaborations, including civil organizations, foundations, business partners, and beneficiaries, to analyze power dynamics within collaborations and how they affect decision-making, resource allocation, and outcomes and to study the impact of policy and regulatory frameworks on collaboration, including how policies can facilitate or hinder partnerships. These suggestions can help guide future research efforts to better understand and improve collaborations between civil organizations, foundations, and the business sector. By addressing these areas, researchers can contribute to more effective, equitable, and sustainable partnerships.

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