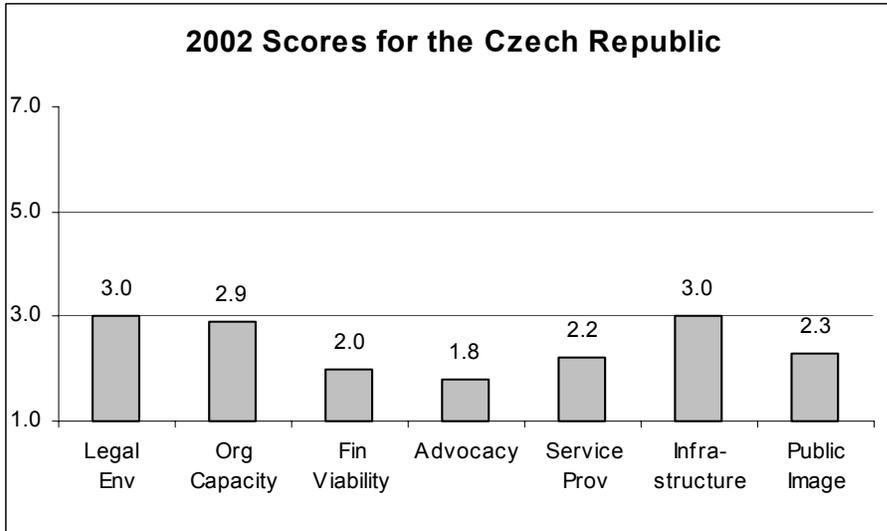


CZECH REPUBLIC



Capital: Prague

Polity:
Parliamentary
democracy

Population:
10,256,760

**GDP per capita
(PPP):** \$14,400

NGO SUSTAINABILITY: 2.5

There are over 54,000 NGOs registered in the Czech Republic. 84% of these are civic associations, although one-third of these are estimated to be inactive. NGOs operate throughout the country, with the

NGO SUSTAINABILITY	
2002	2.5
2001	2.3
2000	2.4

greatest concentrations in Prague and other large cities, as well as in the central Bohemian, Brno and Moravian-Silesian areas. NGOs offer a

wide array of services at the local, regional and national levels. Approximately 3% of overall employment in the Czech Republic is within the non-profit sector.

Czech NGOs still suffer from poor legislation and negative government attitudes. Laws governing NGOs are outdated and unclear. While the Law on Foundations and the Law on Churches were amended in 23002, the quality of the amendments is

debatable. The government provides approximately CZK 3 billion (over \$100 million) in annual support to the non-profit sector, but as yet does not view NGOs as equal partners. Indeed, many government officials fear NGO encroachment on their power and dislike "unelected" NGOs having influence over public concerns. Several high-level political figures have publicly expressed doubts about the position, legitimacy and democratic structure of NGOs.

While Czech NGOs operate in a wide sphere of activities, financial constraints prevent them from offering their services on an appropriate level, generating funds, having permanent paid staff, promoting their interests and making long-term plans for their development. Corporate and individual giving is not developed and domestic grant-making organizations are not financially secure. As a result, many NGOs depend on state grants. One piece of posi-

tive news from the past year was the contribution of funds from the privatization of various state enterprises to the endowments of a group of selected foundations. A network of information centers has been established around the country, but is in-

sufficient to deal with the overwhelming number of requests received. The public does not have a clear attitude toward NGOs; however, they are slowly beginning to understand the need for NGOs and to trust them more.

LEGAL ENVIRONMENT: 3.0

The activities of the non-profit sector fall under the jurisdiction of several laws, including the recently amended Law on Foundations and Foundation Funds, the 1995 Law on Public Benefit Organizations and the 1990 Law on Association of Citizens. The Law on Associations of Citizens, which regulates over 80% of the

<p>LEGAL ENVIRONMENT</p> <p>2002 3.0 2001 2.0 2000 2.0</p>

NGO sector, suffers from ambiguity and omissions, including the liquidation of civic associations. The 1991 Law on Freedom of

Religion and the Status of Churches was replaced by a new law in March 2002 that requires all current religious organizations to re-register as public benefit organizations or civic associations. This law poses a considerable threat to religious organizations, which are already pushing for new changes. In 2003, a long needed law on volunteerism comes into effect.

Amendments to the Law on Foundations resulted in some positive changes that expanded the ways in which foundations can use their endowments. At the same time, however, the amendments imposed new burdens on foundations. For example, all grants must now be offered publicly, which is unreasonable for foundations that implement their own projects or which were founded in order to provide support on a single subject. The new amendments also failed to resolve accounting issues that falsely inflate the appearance of administrative costs, thereby undermining the credibility of foundations.

Even though the laws governing registration of NGOs are basically sufficient, in practice implementation is too complicated and time-consuming, requiring from six to twelve months in some cases. Reasons for these delays range from overly complex procedures to incompetence within the judiciary.

A draft civil code is under consideration that may have significant implications for the NGO sector. While one of the goals of this draft is to simplify current legislation governing NGOs, the amendment is being prepared without the participation of NGOs.

Legislation provides different income-generating opportunities to different types of NGOs. As a result, NGOs often choose a legal form based on the privileges they will receive, instead of the best form for their activities. In general, civic associations are provided with the most opportunities to earn revenue.

Tax laws exempt NGOs from paying taxes on certain kinds of income, for example membership fees, gifts and bank interest. Foundation may also exempt gains on their endowments. While NGOs also receive some deductions on other income generated, the taxation levels are still considered to be too high. NGO efforts to raise money themselves are further complicated by the requirement to maintain separate accounting and tax records for profit making activities, which can result in an organization with an overall loss still having to pay

taxes. Firms contributing to NGOs may deduct their contributions from their tax base up to 5% of their total taxable income, while individuals can deduct contributions up to 10% of their incomes.

NGOs may comment on public matters and express criticism, but state officials often try to prevent them doing so. The number of legal experts focusing on the problems of the non-profit sector is slowly increasing, but their services are practically unavailable outside the largest cities.

ORGANIZATIONAL CAPACITY: 2.9

The majority of NGOs in the Czech Republic have clearly defined missions that they attempt to fulfill. However, they often fail to inform the public about their activities sufficiently. In general, NGOs are overloaded with project work and understaffed due to a lack of financial resources. Volunteerism is not common in Czech society and as a result many NGOs do not even attempt to recruit volunteers. As a rule, NGOs lack the time and resources to

ORGANIZATIONAL CAPACITY	
2002	2.9
2001	3.0
2000	3.0

pay attention to their organizational development or capacity building. Because NGOs regard state funding and foundation grants

as their most secure resources, they devote little effort to building a wide network of supporters and volunteers who would help them achieve long-term

financial self-sustainability.

The majority of NGOs have neither sufficient time nor resources to engage in strategic planning and few even understand the importance of such an endeavor. About a third of NGOs have no Board of Directors. In those organizations with a board, the division of responsibilities between board and staff is not always clear. In many organizations board members consider their roles to be merely a formality necessary for their NGO's registration and thus do not become involved in the organization's activities.

Small organizations are usually insufficiently equipped, while larger NGOs tend to score better in this regard. However, all NGOs use older equipment and lack the means to upgrade or replace what they have.

FINANCIAL VIABILITY: 2.0

Czech NGOs are highly dependent on state support, which is increasing slowly each year, but is still insufficient to cover the sector's needs. Coupled with the underdeveloped state of corporate and individual giving and the general weakness of Czech foundations, the NGO sector faces a serious shortage of funds. On average NGOs receive about 39% of their funding from the government. A quarter of organi-

zations, primarily those working in the areas of healthcare, social work, education and research, receive a full half of their funding from state resources, making them overly dependent on the state for their survival. This overreliance on state support is viewed as problematic for several reasons. First, the state offers support only on an annual basis, therefore, making it difficult to implement longer-

FINANCIAL VIABILITY

2002 2.0
2001 2.0
2000 2.0

term programs. In addition, when NGOs do not behave as the government would like them to, there is a

tendency to end support. The system of public funding also remains untransparent and does not take into consideration the effectiveness of individual NGOs. The state purchases services from non-profit organizations only rarely. NGOs' range of financial resources is not well diversified and most NGOs depend too often on the support of one or two primary donors.

Distribution of proceeds from the state privatization fund was completed in 2002, under which 73 Czech foundations received CZK 1.3 billion. While this somewhat improves the financial situation of these organizations, it is insufficient to fulfill the needs of the sector as a whole. Foundations may re-grant only the gains earned on their endowments, which are limited by investment restrictions and low interest rates. As a result, domestic foundations are unable to participate noticeably in financing the non-profit sector. Another result of the disbursement of privatization funds is that foundations have begun to observe greater financial discipline

in order to make the best use of their endowments.

Corporate giving is not well developed in the Czech Republic and is often provided in the form of sponsorships, which are deductible. This method is not advantageous for NGOs, however, as they are then required to pay taxes on the proceeds. Companies provide support most often to sport, culture and health activities. Individual donations are also still uncommon, as there is little tradition of it and there is no simple mechanism to make such contributions. In addition, there is a widespread feeling that making charitable donations is unnecessary if one already pays taxes. In spite of this, public collection efforts with wide publicity have been increasingly successful.

Due to tax and accounting disadvantages, NGOs limit their income-generating activities. Thus, although it is growing, proceeds from services form only a small part of NGOs' budgets.

The flow of foreign financial support into the Czech non-profit sector has fallen by about 25% since 1997. This has led to serious difficulties for organizations in the areas of human rights and ecology that were highly dependent on this support.

ADVOCACY: 1.8

There is no single organization with a mandate to represent the Czech non-profit sector as a whole or to act as a partner in

ADVOCACY	
2002	1.8
2001	1.8
2000	2.0

negotiating with the government and Parliament, due to a general mistrust of this sort of integrated effort among NGOs. There are, however, several groups that bring together organizations by sector or region.

While NGOs are legally allowed to take part in decision-making processes in certain cases, laws and amendments have been repeatedly introduced with varying degrees of success to limit or prevent the participation of NGOs in these processes. In addition to these potential legal barriers, NGOs need to improve the ways in which they engage in public affairs. In particular, NGOs often lobby parliament individually rather than as a group.

In 1992, the government created the Council for NGOs, renamed the Government Council for the Non-Profit Sec-

tor (RNNO) in 1998. Members of the council include governmental and state representatives as well as representatives of non-profit organizations. The Council's original objective was to assist in the distribution of proceeds from the privatization of state enterprises. Following completion of the distribution this year, a new statute was approved that gives the RNNO responsibility for informing the government about the non-profit sector, cooperating in the preparation of new legislation for the non-profit sector, disseminating information on donations from public sources, and cooperating in the creation and operation of an information system about NGOs.

Over the past year, NGOs have engaged in advocacy campaigns on several topics, including road safety, domestic violence, and reducing pollution. NGOs also occasionally attempt to influence public policies and/or advocate for public interest by means of petitions, demonstrations, and blockades, although this remains rare and is only occasionally successful.

SERVICE PROVISION: 2.2

Non-profit organizations offer a wide range of services in almost all areas, but the quality depends largely on the availability of finances. Healthcare and education are still within the domain of the state, but non-

SERVICE PROVISION	
2002	2.2
2001	2.0
2000	2.0

state providers are slowly emerging. Czech NGOs also play a significant role in humanitarian efforts both at home and abroad.

nately, circumstances often force NGOs to spend their time seeking funding rather than using their capacity for the benefit of their clients.

Even though state officials often disparage the non-profit sector, they rely on NGOs to provide services that can not be funded by the state budget. In this way the government saves money because state subsidies are limited to 70% of a project's total cost. NGOs must cover the remaining 30% of a project's budget with support from foreign or domestic foundations or corporate donors.

Publications concerning the non-profit sector are few and up-to-date information about NGOs and their areas of interest

and financial status is not available on a regular basis. Information about individual NGOs is available either in their offices or in information centers.

INFRASTRUCTURE: 3.0

Information centers for the non-profit sector have been established in Prague and other larger cities. These centers gather and disseminate information, organize specialized training and offer legal and financial consultation. However, the range and quality of information and services offered is inadequate to meet

INFRASTRUCTURE	
2002	3.0
2001	3.0
2000	3.0

demands. Training for NGOs is also not available in all areas needed. Specifically, NGOs would benefit from additional training in the areas of NGO management, the role of boards, fundraising, strategic plan-

ning, income-generating activities and advocacy methodologies.

Several larger NGOs encourage cooperation between NGOs, local governments and businesspeople in the regions. Unfortunately, businesses are seldom interested in these efforts. Domestic grant-making organizations provide some support for projects on the local level, but their resources are limited.

As mentioned previously, there are several NGO coalitions that have formed by subject area or region to facilitate communication and advance common interests.

PUBLIC IMAGE: 2.3

Media coverage of the NGO sector is gradually improving, although there is still a tendency to focus on negative stories rather than seek out the positive. To address this, the Prague Information Center and regional NGOs have organized an annual campaign since 1998 called "30 Days for the Non-Profit Sector". Despite this relatively large effort, many people still do not understand

PUBLIC IMAGE	
2002	2.3
2001	2.5
2000	3.0

the role of the NGO sector in society or recognize the names of individual organizations and their activities. Only those NGOs that benefit from wide media coverage are better known. NGOs tend to undervalue the importance of publicity.

The public's attitude toward the sector remains ambivalent. On the one hand, more than half of those asked (51%) believes that NGOs represent people's interests. On the other hand, approximately the same percentage (57%) agrees with the suggestion that public collections are organized fraudulently. This attitude is influenced by several cases of embezzlement of funds by non-profits. Despite this, research shows that 75% of people trust non-profit organizations more than political parties.

According to research conducted in 2002, 26% of people volunteer for NGOs and other interest-based groups occasionally and 5% do so on a regular basis. 41% of people think that volunteer organizations should have greater influence than they do today on the direction of society. In the

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previous year 56% of people contributed money or other gifts to charitable causes.

The transparency of the non-profit sector increased even though barriers remain in terms of the legal framework for civic associations. Foundations formed a code of

ethics and all recognized NGOs publish annual reports. This is encouraged by the fact that state organizations and foundations require presentation of an annual report and financial statement from groups receiving contributions or grants.