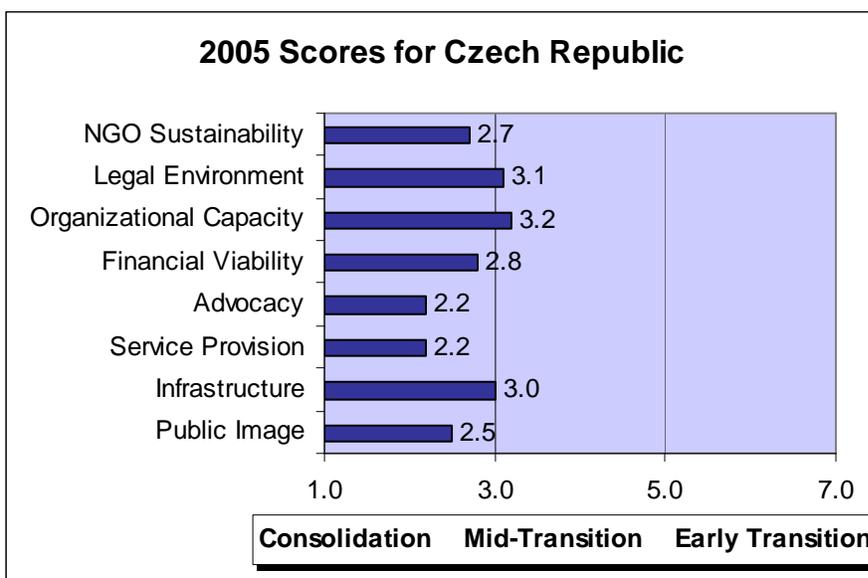


## Czech Republic



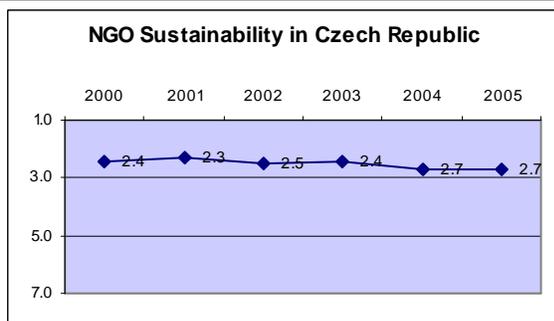
**Capital:** Prague

**Polity:** Parliamentary democracy

**Population:** 10,235,000

**GDP per capita (PPP):** \$18,100

### NGO SUSTAINABILITY: 2.7



The non-profit sector is comprised of the following types of organizations: civic associations, foundations, foundation funds, public benefit organizations, church

organizations, foreign organizations, and associations of legal entities, as well as those organizations created by public administration entities. Approximately 95,000 organizations exist in Czech Republic; the majority is civic associations, of which there are almost 56,000. The exact number of organizations is unknown, as many organizations cease operations without removing their names from the registry. NGOs engage in a variety of activities including culture, preservation of monuments and arts, research and education, health care, social services, environmental protection, human rights, youth services, sports and many others.

### LEGAL ENVIRONMENT: 3.1

The legal framework governing NGOs has yet to clearly define the term, non-profit organization, which leads to problems in interpreting and applying laws such as the VAT. Otherwise, the legislative framework is generally in place. The Law on Foundations and Foundation Funds, the Law on Public Benefit Organizations, the Law on Association of Citizens and the Law on Churches and Religious Organizations regulate the registration,

operation, and dissolution of the various kinds of NGOs. All organizations take advantage of the Law on Volunteerism.

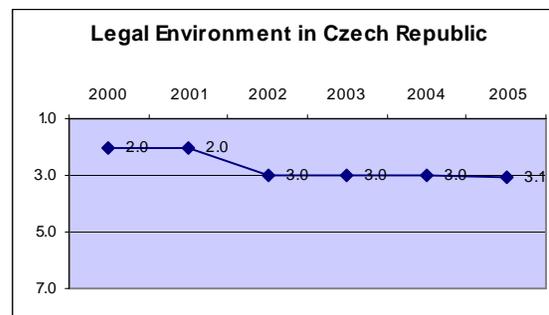
The different laws regulate the rights and duties of the different types of organizations in their various details and specifics. Legislation governing civic associations is very general, which allows associations great freedom in their activities, but makes it difficult for government

officials to regulate their activities. The registration process is fair, quick, and easy and an association can generally register with the Ministry of the Interior within 10 days. This year, the Ministry of the Interior has begun denying registration to or suspending associations that provide services for a fee to non-members. This policy has a profound impact on those associations that are unable to cover their costs with public grants, donations, or dues. Associations that provide social care and are involved in cultural fields are the most affected, which has a detrimental impact on the NGO sector as a whole. The issue stems from an incomplete regulation that regulates the dissolution of civic associations, many of which cease operations without following procedures or removing their organizations from the official register. While registration of civic associations is fairly easy and fast, registering foundations, foundation funds, and public benefit organizations can take as long as two years, though that time has shortened recently.

Government institutions do not create legal obstacles for NGOs, and as long as an organization remains within the parameters set forth in the legal framework, it is able to operate freely. NGO activities are, however, stymied by numerous other factors. One is the lack of a clear definition for “non-profit organization,” as discussed above. In addition, the costs for financial audits and other services are rising. The social services law, which affects 90% of the NGO sector, has been approved by the government, but has not been passed by Parliament and is therefore not yet in effect. Another issue is that the process of decentralizing the public administration remains unfinished, and the government’s responsibilities and the powers of the regional authorities concerning civil society are unclear.

### **ORGANIZATIONAL CAPACITY: 3.2**

While the public continues to expect the State and its various administrative offices to meet its needs, people generally feel that NGOs represent their interests. Organizations make an effort to understand the needs of their constituents. Most, however, lack the capacity

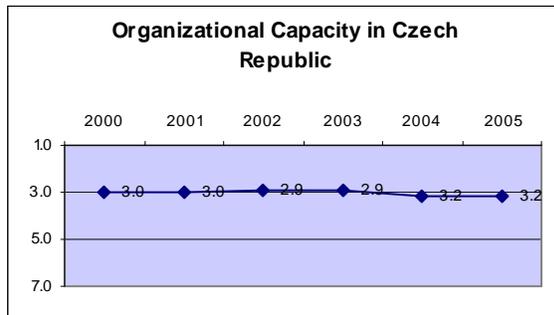


Only a few lawyers in the Czech Republic specialize in NGO law. Legal services are therefore limited and available primarily in the capital and in some cities in the regions, but rarely in the smaller towns or communities. Some colleges and universities offer courses on the legal aspects of NGO management, contributing to a better-informed public.

According to the income tax law, subsidies, grants and donations for NGOs are tax deductible. The maximum level for deductions, however, is low and does not promote philanthropy. As mentioned, the vague terms within the new VAT law complicates the overall tax scheme. Civil society organizations involved with social services, healthcare, and education are exempt from paying the VAT. Those that are subject to the VAT are forced to pay on all incomes, including grants and donations, though donations made by individuals via cell phone are exempt. Attempts to enact a provision to allow a tax payer to direct 1% of his or her tax liability to an NGO have been unsuccessful. NGOs are permitted to earn income by engaging in economic activities, though the government does not actively support such activities and in some instances indirectly limits them.

to conduct formal market research and needs assessments on target groups, and define needs based on qualified assessments. NGOs conduct strategic planning on a more regular basis, often to meet requirements set forth by the public administration and the E.U. structural fund

regulations. Similarly, NGOs are required to have a clear mission statement in order to register. While not all have a clear mission statement, there has been improvement, especially in the area of social services.



NGOs are required by law to define their management structures and delineate the responsibilities and duties of the different governing and administrative organs. Not all organizations adhere to this requirement and oftentimes, Boards of Directors delegate

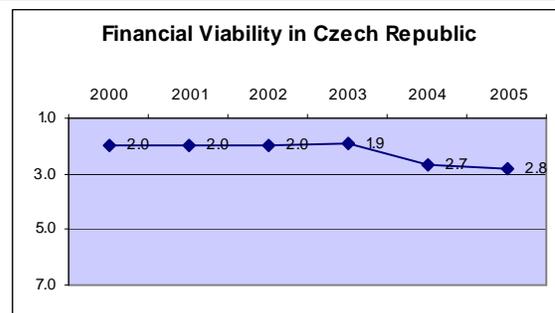
their duties to the management. One problem is that it is still not considered prestigious to be a member of a Board of Directors. Most organizations lack skilled and qualified management. The most important organizations

### FINANCIAL VIABILITY: 2.8

NGOs obtain the majority of their financing from domestic sources such as public budgets, corporations, foundations, and individual donors. Support often includes products, services, and other in-kind donations. Corporate philanthropy, however, is stagnant primarily due to the lack of media attention surrounding donations. Media outlets consider such publicity to be advertising and require fees. Another reason for the lack of corporate philanthropy is the growing economic divide between those businesses that are growing and those that are not. Large corporations are beginning to adopt corporate responsibility programs. Corporations often prefer to support NGOs by providing advertising contracts, for which NGOs have to pay taxes. Financial support, while exempt from taxes, is less common.

are able to employ a permanent staff, though employees do not always have well-defined job descriptions, and this affects the gradual introduction of strategic planning. Generally, staff is hired only for the duration of a project. The public administration and the E.U. structural fund regulations have begun to create pressure for greater human resource development within the NGO sector. NGOs utilize volunteers and, at times, have organized volunteer databases. Accredited volunteers provide training and education to volunteers according to the Law on Volunteerism.

Specific forms of organizations are required to submit annual reports and financial statements, but not all do so. Though they are not required to do so, some civic associations publicize their reports, allowing the public and supporters to monitor how effectively they use their funds. Non-profit entities provide the financial resources necessary for NGOs to have appropriate office equipment, though it is rarely state of the art. Almost 90% of organizations are able to use computers and use the internet to communicate. NGOs that do not have their own equipment have access to the internet at local libraries.



Foundations are not a significant, stable source of funding for NGOs since their assets generally are too small to have a large impact. Foundations often obtain their resources from the same donors that fund the rest of the NGO community. As mentioned, volunteerism is on the rise, though the main issue is the lack of management skills within the NGOs to properly manage and organize their volunteer labor. Individual donors are the least significant source

of funding. In fact, recent studies indicate that NGOs do not count on individual donations, and instead look primarily to public budgets and firms. Organizations generally have three or four sources of funding, though one or two of those sources often account for over 75% of an NGO's budget.

NGOs are financially secure for up to several months or even a year into the future, but not much more. The majority of NGOs are unable to maintain a financial reserve. Membership organizations are more stable than NGOs that depend on subsidies and grants. NGOs generally do not have financial management systems, due to the lack of professionally trained accountants and financial managers. This is a problem considering the increasingly stringent financial management requirements for public administration grants, E.U. structural funds, and the VAT.

The legal framework requires financial audits for certain organizations; those who are not required to conduct audits consider them unnecessary. Similarly, some organizations are required to publicize their annual reports, though they are often incomplete. The lack of financial reporting limits transparency and damages the trustworthiness of NGOs.

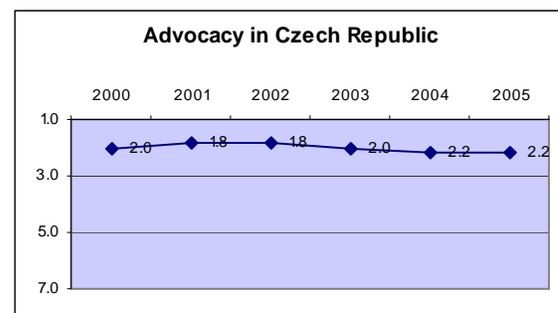
## ADVOCACY: 2.2

Communication between the central government and NGOs is satisfactory. NGOs are represented on the advisory boards for a number of Ministries, as well as the Government Council on Non-governmental Non-profit Organizations and are regularly invited to comment on draft laws and other policy matters. At the regional level, NGOs play a significant role in community planning and creating regional development strategies. This involvement is not true in all regions. While regional governments have produced grant strategies and rules for supporting NGOs, smaller communities do not yet have a systematic approach for supporting NGOs. Public administration bodies partner with NGOs in only a few specific areas such as Roma projects, drug-prevention, community and

minority issues, and human rights. Public administration bodies act as clients in other areas such as health care and social services. The regions and small communities are still developing the local Agenda 21 (Healthy Cities Program), which relies on NGOs as professional partners.

NGOs increasingly consider fundraising to be necessary, though they can only count on certain groups of donors. Individual philanthropy remains underdeveloped and organizations depend on membership fees and the proceeds from public collections. NGOs point to the low level of management and unclear fundraising plans as the cause of their insufficient funding. Boards of Directors also fail to fulfill their basic duties in securing financial support for their organizations, instead shifting this responsibility to the management. Most NGOs do attempt to generate income by providing goods and services for fees. Some organizations, especially those in health care and social services, only charge minimal fees. Their lack of marketing and management skills limits their success. The Ministry of the Interior has recently interpreted the Law on Association of Citizens to mean that a new civic association is not permitted to provide public benefit services for a fee. Public administration entities purchase services from NGOs in the forms of subsidies and grants. Government-owned NGOs are favored in the procurement process. Because these organizations are owned by public administration officials, they are guaranteed to receive their grants every year.

In the past, NGOs have led campaigns to solve socio-political issues in areas such as children's



rights, domestic violence, oncological disease prevention, and transportation. Though the results are varied, they are generally able to take steps in solving these large-scale issues.

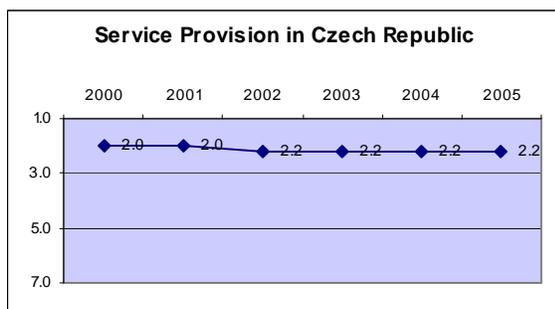
The public generally has a negative view of the lobbying. NGOs do not give lobbying activities high priority, though they do realize that such activities are necessary at times. The Czech Republic does have strong special interest groups that are able to lobby effectively. They are often environmental organizations, and more recently, social service and health care

groups. The introduction and negotiations for the Law on Social Services in the Government is an example of a successful lobbying effort.

The NGO community feels strongly that a more supportive legal framework is necessary to regulate its activities. Organizations within specific areas are able to organize and cooperate on promoting legislative initiatives. The successes with respect to the Law on Social Services and encouraging NGO comments on the new Civil Code are two examples of such collaboration.

### SERVICE PROVISION: 2.2

NGOs offer a diverse range of services including health care, social care, education, disaster relief, environmental protection, culture, historical site renovation, youth, human rights, and others. Most organizations offer professional services, though quantity and quality varies from region to region.

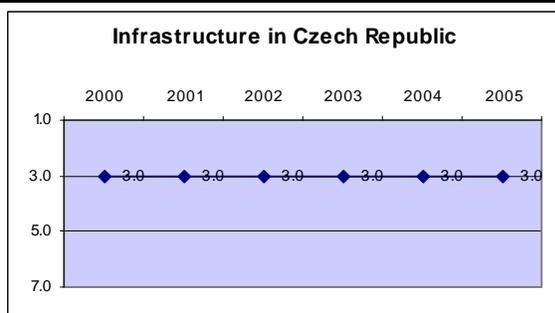


NGOs generally develop services according to the obvious needs of society and the market.

Organizations, however, often respond to the priorities of the public administration or E.U structural funds. NGOs generally lack the funding to conduct needs assessments and market research, and depend instead on their intuition and knowledge. They learn to respond to the public's reaction and the demand for specific services. NGOs are realizing that they lack marketing skills; the capacity to conduct market research and calculate budgets and cost recovery are uneven throughout the sector.

Government officials claim to appreciate NGO services, but fail to understand their real potential. Authorities do not have an interest in the development of the non-profit sector, and generally only care about purchasing services through subsidies and grants. Appreciation of NGOs in the regions varies from government to government.

### INFRASTRUCTURE: 3.0



NGO information and support organizations operate in the Czech Republic, but there is not a nation - wide network, and access to services

is more difficult for organizations in the remote regions. Service organizations generally provide services for a fee. Czech foundations provide grants for local projects according to their own priorities. The definition of these priorities and the needs of civil society are often a topic of discussion. Domestic foundations are young and rarely have sufficient assets. There are a limited number of philanthropic and corporate foundations.

The NGO sector has a coalition open to all organizations, though the number of members

is limiting its ability to represent the sector as a whole. In addition, numerous topic-specific and regional coalitions have formed. One example is the Government Council for Non-governmental Non-Profit Organizations that promotes the sector's interests. Intersectoral partnerships are being established in response to European funds and programs which stress the importance of partnership. NGO representatives, however, continue to see partnerships as a requirement, and not necessarily a benefit.

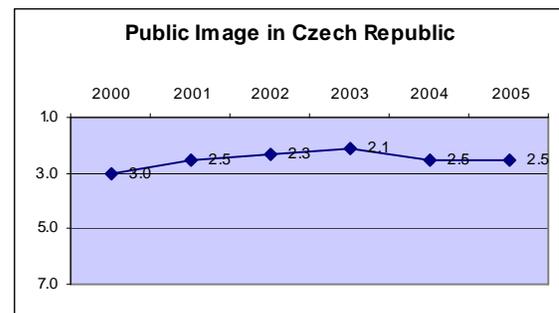
## **PUBLIC IMAGE: 2.5**

The media provides good coverage of NGO activities, and their reports are fair and at times positive. The media focuses on negative issues only on rare occasions. Media coverage is generally regional and focuses on local events. Czech Radio, a public station, provides NGOs with a significant amount of coverage. Czech Television, another public network, also reports on NGO issues, but on its less popular channel. NGO representatives that are experts in specific areas receive the most attention. The media does not provide significant coverage to corporate donations because they consider it to be advertisement.

The public understands the important role that NGOs play in society. Their views on NGOs changed following the NGO sector's quick response to recent catastrophes around the world. Individuals have a positive view of organizations that receive coverage from the media as well as those that conduct activities locally. The public, however, does not have a clear understanding of the term "non-profit." Public administrators claim NGOs as their partners, but in reality the relationship is unequal. Foreign and large corporations integrate NGOs in their social responsibility

NGOs have access to sufficient training and consulting services, though the quality is not always high and they are at times expensive. Training is most often held in Prague and in other large cities, and because it is a small country, most organizations have access to trainings. NGOs understand the importance of continuing education, but few can afford it; European grant programs are providing some relief.

programs and partner on certain issues and in specific regions. Though corporations' images benefit from partnering with NGOs, such partnerships are not yet a part of the corporate culture.



NGOs increasingly understand that strong public relations are necessary to their sustainability and are more actively promoting their activities. They are incapable, however, of systematic public relations campaigns due to the lack of human and financial resources. In addition, NGOs are not always capable of communicating their organization's intentions in a manner understandable to the public. Key organizations have created their own ethics principles and standards, and publish them in their promotional materials and annual reports.