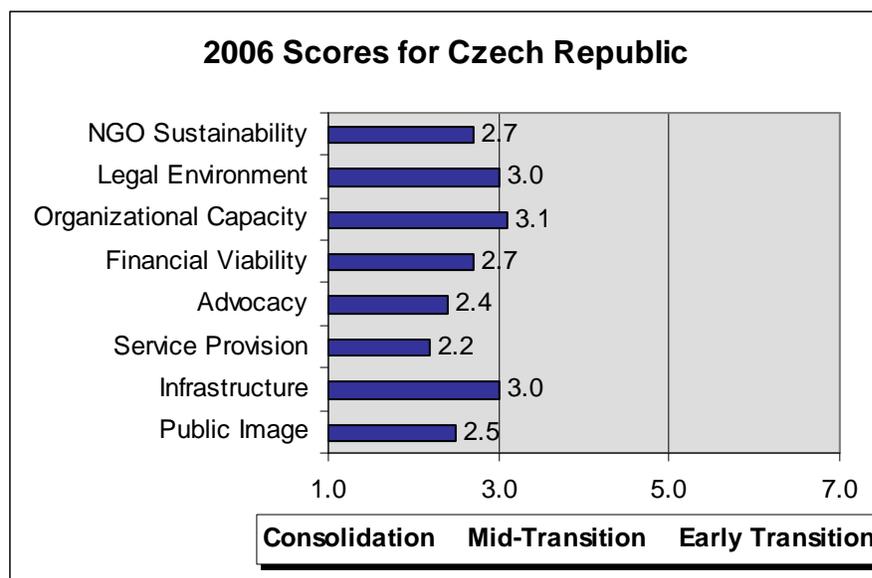


Czech Republic



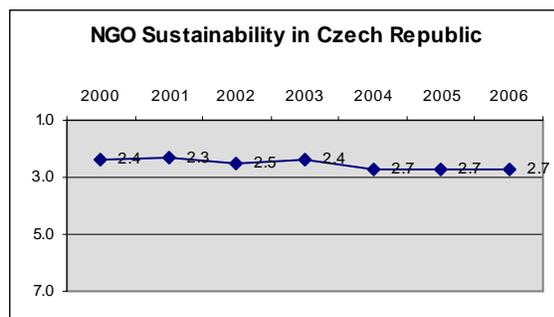
Capital: Prague

Polity: Parliamentary democracy

Population: 10,235,455

GDP per capita (PPP): \$21,600

NGO SUSTAINABILITY: 2.7



This survey of the Czech non-profit sector considers the following types of organizations: civic associations, foundations, foundation funds, public benefit organizations, church-related legal

entities, and associations of legal entities. Some organizations established by public administration entities are also included as part of the non-profit sector. There are 94,368 NGOs operating in the country. The most common form of NGO in the Czech Republic is the civic association (58,347). During the year 2006, NGOs, supported by EU funds experienced a serious increase of demands in administration. Managers such NGOs are now obliged to spend more time on administration instead of on managing people and programs.

LEGAL ENVIRONMENT: 3.0

Czech legislation has not yet clearly defined the term non-profit organization. This leads to problems in interpreting general legislation, which regulates the activities of non-profit organizations, and in attempts to interpret specific legislation (such as the VAT law). In spite of this, it is possible to say that the legislative framework for non-profit organizations in the Czech Republic is more or

less in place. The establishment, operation and liquidation of all legal non-profit organizations (NGOs) operating within the area of the Czech Republic are regulated by 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. All of these legal forms of organizations take

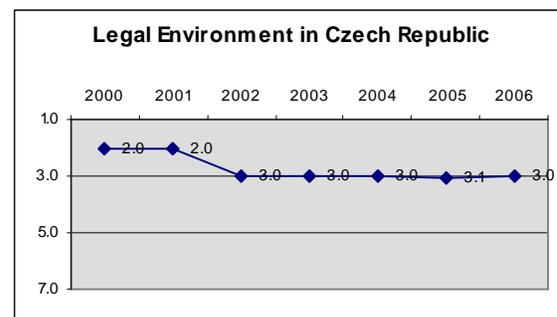
advantage of the Law on Volunteerism. All of these laws regulate the rights and duties of the individual forms of legal organization in various details and specifics.

Specific legislation regulating the activities of civic associations, which form the significant majority of groups in the non-profit sector, facilitates the activities of civic associations. There are, for example, simple and straightforward requirements for registration and administration. Civic associations can generally be registered in ten days. On the other hand, the legislation makes exercising public control over such associations more difficult. The Ministry of Interior, based on its interpretation of the Law on Association of Citizens, continued with its 2005 approach of either refusing to register or suspending the activities of those civic associations that according to association Statutes provide public benefit services for a charge to those outside of their membership base. Problems also stem from incomplete regulation dealing with the closure of civic associations. A number of groups cease operations without going through the legal procedure and without requesting removal from the register of non-profit entities. As a result, statistics on Czech NGOs are not completely accurate.

Registration of other legal types of NGO is more difficult (this concerns in particular foundations, foundation funds and public benefit organizations). That said, the disproportionately long registration period for these NGO types in the courts (sometimes lasting up to two years), has recently been getting shorter. This year the Association of the Regions of the Czech Republic proposed a draft law on NGOs to the Parliament but the draft was not adopted due to poor drafting. The proposal was created quickly and paid little attention to existing NGO legislation.

A Register of NGOs was created by the public authorities to provide information on all legal NGO types. An amendment to the Law on Public Collections is also being prepared.

NGOs can operate freely within the boundaries of the relevant legislation. Whatever difficulties do exist in NGO operations are the result of the legislatively unclear term “non-profit organization.” In 2006, the amendment to the Law on Civic Associations came into force. This requires that the name of each civic association must within three years include the words občanské sdružení (civic association) or the abbreviation “o.s.” This change, in combination with the Ministry of the Interior’s restrictive interpretation of the law, could present complications in the future. In addition, foundations, foundation funds, and public benefit organizations are now obliged to publish their annual reports in business information bulletins if their annual closing balance is verified by an auditor.



There are only a few specialists in NGO legislation in the Czech Republic. Legal consultancy services are available in the capital and in some regional towns. At the local level, such services can be hard to find. Some colleges and universities teach courses on the legal aspects of NGO management. Nevertheless, there is no specialized training for lawyers in this field. There are a small number of think tanks in the Czech republic that can draft and comment on proposed legislation.

According to income tax laws, subsidies, grants and donations to NGOs are tax deductible. Individuals and companies may deduct donations from their taxable income. The ceiling for deductible contributions is not high enough to contribute to the development of charitable giving. The tax situation in the Czech Republic is complicated by the new VAT law

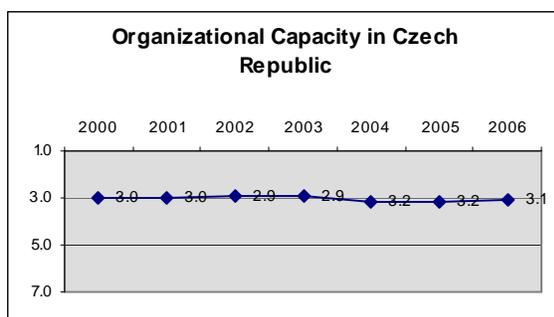
which is unclear in terms of terminology as well as interpretation and therefore limits and complicates the operations and financial management of those NGOs that pay VAT. The fact that donations from individuals via mobile phones have been freed from VAT is helpful. The attempt to introduce new tax assignation legislation to allow individuals to designate up to 1% of their taxes for an NGO has not been adopted by the Parliament.

Legislation does not prohibit NGOs from earning income through the provision of goods and services. Such activities are not explicitly supported, however, and in some cases are indirectly limited (see above on the change in the interpretation of the law concerning registration of civic associations).

ORGANIZATIONAL CAPACITY: 3.1

The public still regards the role of the state as a paternalistic one and expects its needs to be served by the government and various public administration entities. In spite of this, people in general feel that NGOs do represent their needs. NGOs are trying to understand the needs of society, but mostly they do not have the capacity to perform survey or market research into specific needs or into their own target groups; they often define these needs based on limited qualitative assessments.

By law, NGOs must define their management structure and the responsibilities and duties of management bodies in their foundation documents. In practice these principles are not always followed. Boards of Directors delegate their duties and responsibilities to the management of their organizations. Members of statutory organs do not have prestige in society. Most of the NGOs lack managers with good management skills. Certain forms of legally registered NGOs are obliged by law to act transparently and present annual reports including annual financial statements to the public, but not all organizations fulfill this requirement. On the other hand, a number of civic associations regularly publicize their reports although they are not obliged to do so. In this way the public (contributors, donors, supporters) gauge how effectively NGOs utilize donations and contributions.



NGOs are gradually being obliged to plan more strategically, mostly due to the requirements set by the Czech government and the EU for obtaining funding, but also due to the shortage of funding. Therefore, in general NGOs are aware of the necessity of strategic planning but a large majority of them have no formal written strategic plans. Defining an NGO's mission is a condition for the registration of all legal non-profit entities. Nevertheless, not every organization defines its mission clearly and in intelligible language.

The major NGOs have permanent staff. These employees do not always have clearly defined job descriptions, hampering effective management. Many NGOs can only hire staff for the life of a particular project. Human resources development among NGOs is beginning to be taken seriously due to the outside pressure of public administration and the EU (structural funds). In general, the non-profit sector is lacking qualified NGO managers. NGOs work with volunteers and occasionally possess systematically organized databases of volunteers. Accredited volunteer centers provide training and education to volunteers based on the Law on Volunteerism. Nevertheless, according to the law, association

members cannot serve as volunteers; this limits the ability of NGOs to develop a committed cadre of volunteers.

Financial resources for office equipment exist in the Czech Republic (in the form of grants and gifts from for-profit entities), although the equipment in place is for the most part not the

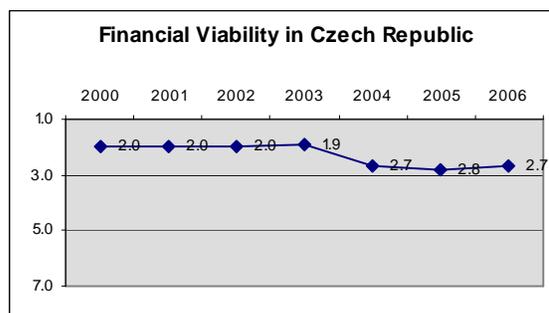
FINANCIAL VIABILITY: 2.7

NGOs obtain the bulk of their financing from domestic sources of support. Most funding comes from public budgets, after that from companies, foundations and from individual donors. Support from donors is not only financial; in particular, corporate donors provide products and services to NGOs at a discount or free of charge. Structural funds have become a significant source of financing for many NGOs. For smaller social NGOs, a “Global Grant” was set aside and is administered by NROS (Civil Society Development Foundation). Foundations represent a stable financial source for other NGOs. Nevertheless, foundation assets are generally small. The largest amounts of distributed finances come from resources obtained by foundations from the government’s Foundation Investment Fund (NIF). The foundations obtain their resources from the same donors as the rest of the NGOs. Corporate social responsibility is developing, especially in the large companies. Companies prefer to support NGOs through sponsorship (i.e., through advertising contracts on which NGOs are taxed). Direct financial donations to NGOs (and which are tax-free for NGOs) are provided on a much smaller scale. Volunteerism is gradually developing as well. The biggest problem in this area remains the prevailing lack of skills among NGOs in working with and managing volunteers.

Individual donors represent the least significant source of income for NGOs in the Czech Republic. NGOs do not expect much in the way of individual contributions but instead rely almost exclusively on public budgets and firms. Fundraising that targets individuals is expensive

most modern. This year, several grant programs directly supporting NGOs’ technical equipment needs (PCs, internet, etc.) were announced. Nearly 90% of NGOs are able to use computers and can communicate over the internet. NGOs that do not own their own equipment can make use of the library network which provides internet access.

and beyond the abilities of most NGOs. The one exception to this would be in times in natural disaster, when individuals will contribute to public collections. A new tool is the mobile phone SMS (DMS) through which donors can contribute to an NGO by sending a text message.



Diversification of financial resources in NGO budgets exists in terms of the number of sources. NGOs normally have three to four separate sources of funding. The problem lies in the disproportionate amounts provided by these separate sources. In general, one or at most two sources provide over 80% of all income for an NGO. NGOs are usually financially secure for several months, or at most, up to one year into the future. The majority of NGOs do not maintain financial reserves. NGOs financed largely from subsidies and grants are financially secure for a limited time only. NGOs that do good strategic planning are showing more financial stability.

Sound financial management is usually not systematically practiced by NGOs. This is connected to the lack of professionally educated economists and financial managers.

Growing requirements for financial management on the part of public administration grants, EU structural funds and the VAT law therefore present a problem for NGOs. The Czech legislature requires financial audits of some NGOs (foundations, foundation funds, and public benefit organizations). Those NGOs not required to undertake audits by law tend to consider them as unnecessary. Some NGOs are obliged to publish their annual reports but they do not adequately publicize them, and there are often no penalties for a lack of distribution. Low availability of annual reports hurts transparency and damages trust in NGOs.

Increasingly, fundraising is considered to be a necessity. NGOs mainly target certain categories of donors. Fundraising that targets individuals is not sufficiently developed. Rather, NGOs tend to rely more on membership fees and proceeds from public collections. Most organizations consider their fundraising to be unsatisfactory. The reason for this is usually the low quality of management, which result in unclear fundraising strategies and processes. Many NGOs do not have a special position for fundraiser, so fundraising activities are divided among several employees. One of the key reasons for the unsatisfactory state of fundraising is the lack of responsibility assumed by boards of directors. Boards are not fulfilling their basic duty – to seek out and secure financial support for their organizations.

ADVOCACY: 2.4

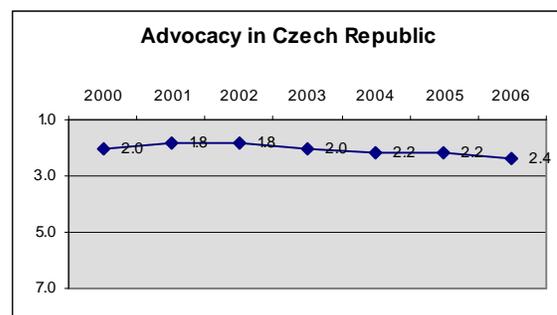
Communication at the central government level between authorities and NGOs is adequate. NGOs are represented on the advisory bodies of various central authorities (ministries) and also on the Czech government advisory body (the Government Council for Non-governmental Non-profit Organizations). Cooperation between NGOs and public authorities was influenced negatively during the pre- and post-election period, when the Government was not established for a half a year. Government officers could not make fundamental decisions and preferred to postpone solving problems. This makes the

Instead, Directors pass these duties off to the executive staff of the NGO.

Most NGOs are trying to complement their financial resources by earning their own income. Usually this takes the form of providing various services and products, although some organizations (mostly in the social and health care areas) charge only minimal fees. A lack of financial and marketing management skills hurt those organizations trying to earn an income. For civic associations, the new interpretation of the Law on Association of Citizens is limiting because the Ministry of the Interior does not allow newly established civic associations to provide public benefit services for a fee. A new trend observable now in the Czech Republic is the concept of social economy. Many NGOs are aware of the importance of a diversified financial portfolio and look for possibilities of earned income.

Public administration entities purchase services from NGOs in the form of subsidies and grants, but they tend to favor government owned non-profit organizations in making such awards. These organizations are managed by public administration bodies and thus have some certainty of obtaining necessary financial resources directly from public budgets year after year.

present position of the Government Council for NGOs unclear and weak because it did not have full powers.



At the regional level, NGOs are relied upon for community planning and for creating regional development strategies. This does not apply in all regions. Nevertheless, it is possible to say that the regional authorities have produced grant strategies and rules for NGO support while local level authorities provide only random and improvised support to NGOs.

Public administration bodies implement projects together with NGOs only in certain areas (primarily projects concerning Roma, drug-abuse prevention, community and minority issues and human rights). In other areas (mainly social and health care), public administrators act as clients for NGO services. NGOs had a negative experience while advocating their interests within the Structural Funds programming period 2007-2013, which was prepared during 2006. The administrating organs (most often ministries) recognize comments included in Operational Programs or NGO proposals in only a minority of cases. They do not perceive NGOs as partners.

In the past, NGOs led campaigns to encourage solutions to socio-political issues in various areas such as childrens' rights, domestic violence, cancer prevention and transportation

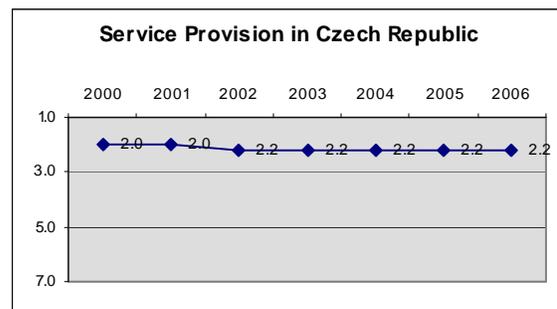
SERVICE PROVISION: 2.2

The diversification of services provided is sufficient. NGOs provide services in various areas – health care, social care, education, assistance after natural disasters, environment, culture, historical site restoration, working with youths in their free time, human rights etc. Most of these services are of a high professional standard. The quantity and quality of such services differs in the various Czech regions.

bypasses in cities. Campaign results have varied but there is always at least the certainty that steps have been taken towards achieving a solution to the problem.

Lobbying is generally viewed negatively by the public. NGOs do not perceive lobbying as a priority and they have not produced clear lobbying strategies. Nevertheless they realize that in certain situations lobbying is necessary. There are strong interest groups in the Czech Republic which do undertake effective lobbying. Traditionally, these are environmental organizations and now also include social and health organizations. So far, individual NGO lobbying has been more effective than joint or coalition lobbying.

NGOs are not successful in advocating interests that concern the non-profit sector as such. The reason is the weak capacity of organizations (associations, umbrella organizations, and think tanks) that approach these issues, caused by a lack of financial sources and experts in this field. NGOs are able to cooperate quite effectively in promoting a piece of legislation within a field or region. They did not, however, comment on the new tax law which concerns most of them fundamentally.



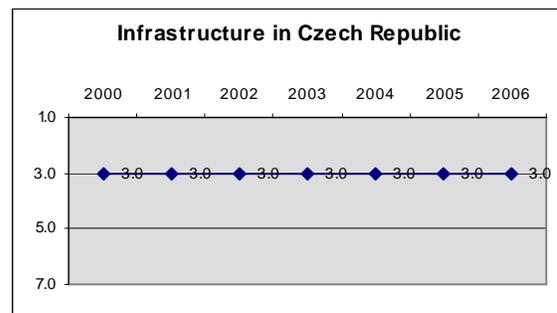
NGOs for the most part respond to the obvious needs and wants of society. But their reactions are often connected to the stated priorities of the public authorities and the EU structural funds. NGOs themselves investigate the situation in the market on the basis of their experiences and then watch intensively and

evaluate the feedback. Services that are clearly beneficial are marketed to the general public (primarily social and health care, leisure time activities). In general NGOs lack marketing skills. Its importance has been growing only in recent years and NGOs realize its importance. The quality of marketing skills (market research, pricing, budgeting and cost recovery calculations) is very uneven.

Authorities are not much concerned with the development of the non-profit sector. Rather, they care only about the purchase of its services through the allocation of subsidies and grants which impose unnecessarily high administration costs (paperwork requirements, presenting financial data etc.). Appreciation of NGOs differs from region to region.

INFRASTRUCTURE: 3.0

NGO information and support organizations exist in the Czech Republic but there is no network covering the entire country. Regional administration offices of late often play the partial role of a service organization (in providing training, creating databases etc). Service organizations usually provide paid services.



Czech foundations provide grants for implementation of local projects in accordance with their own self-defined priorities. The definition of these priorities with reference to the needs of civil society is often a topic of discussion. Domestic foundations are young and have not yet managed to create significant funds grant-making. Foundations that obtained resources from the government Foundation Investment Fund regularly distribute the proceeds into already designated areas. There are a limited number of philanthropic and corporate foundations in the Czech Republic.

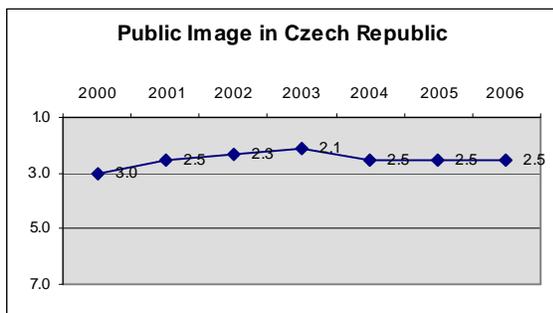
The selection of training courses and consulting services available to NGOs are adequate to serve the needs that exist. Unfortunately their quality is not always high and they are too expensive for many NGOs. Training is most often held in Prague and in large cities, but since the Czech Republic is a relatively small country, NGO staff from every region can participate. NGOs do realize the necessity of training but often they lack the funds to buy it for staff. This situation is improving recently thanks to European grant programs aimed at capacity building.

There are NGO coalitions operating in virtually all sectors but these tend to include small numbers of members and thus do not represent all groups operating in that sector. NGO do not feel the need to join such coalitions because they do not see any benefit to membership. Coalitions in some sectors and most regional coalitions operate well (environmental, humanitarian). The government advisory body – the Government Council for Non-Governmental Non-Profit Organizations – through which NGOs may promote their interests does not have a sufficient influence on fundamental and needed changes in legislation for the benefit of NGOs.

Intersectoral partnerships are being established and are developing especially due to European funds and programs (partnership is an important priority). Although the trend supporting such partnerships is now significant, partnerships are often understood as a formal duty and do not automatically arise from a specific need or situation. Individual representatives from different sectors have not yet completely realized their advantages in collaborating. The PPP principle (Public Private Partnership) has not developed much in the Czech environment.

PUBLIC IMAGE: 2.5

The media provides good coverage of NGO activities. Their reports are often neutral; if there is any evaluation, it tends to be positive. Only rarely do the media focus on negative cases. Reports usually appear in regional media outlets and focus on local events. Czech Radio, a public broadcaster, gives an extraordinary amount of time to NGO coverage. Czech Television reports on the non-profit sector more and more. Media time is provided to NGO staff who have expertise on specific issues. The media does not widely cover corporate donors' support since they consider that to be an advertisement that should be paid.



The public not only recognizes the legitimacy of NGOs but also values their contribution to society. People positively perceive especially those organizations promoted by the media and those with whom they are familiar in their local

regions. The most well known NGOs are those that organize public collections.

Public administrators officially claim that NGOs are their partners but in practice the relationship is not usually equal. Foreign and large companies in particular expect NGOs to be part of their corporate social responsibility programs and cooperate with them in providing support for certain issues or regions. Working with NGOs improves a company's image but has not become a standard part of corporate culture yet.

NGOs more and more strongly perceive public relations to be necessary to their sustainability. They are approaching the public and promoting their activities. However, NGOs are not capable of intensive and systematic public relations campaigns because they lack human and financial resources. Also, they are not always able to communicate their organizations' intentions effectively enough for the public to understand the message and support them.

Key NGOs have created their own ethical principles and standards for service provision and publicize them in their informational and promotional materials and annual reports.