

CZECH REPUBLIC



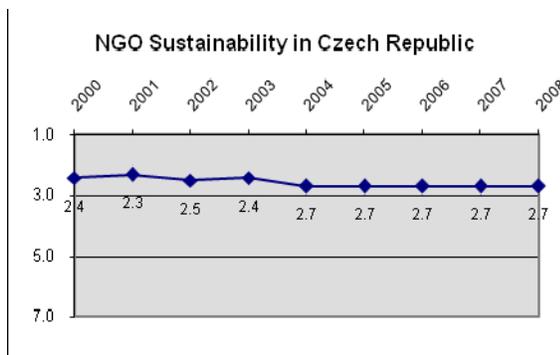
Capital: Prague

Polity:
Parliamentary Democracy

Population:
10,211,904 (July 2009 est.)

GDP per capita (PPP):
\$26,100 (2008 est.)

NGO SUSTAINABILITY: 2.7



The nonprofit sector in the Czech Republic consists of civic associations, foundations,

endowment funds, public benefit organizations, church-related legal entities, and organizational units of civic associations, such as those representing a network of businesses. At the end of September 2008, there were 101,659 nonprofit organizations operating in the Czech Republic. The most widespread type of nonprofit organizations is civic associations, which number 64,538. Many civic associations cease operation without going through the legal procedure of de-registration. As a result, statistics on Czech NGOs are not completely accurate.

LEGAL ENVIRONMENT: 3.0

The Law on Foundations and Endowment Funds, the Law on Public Benefit Organizations, the Law on Association of Citizens, the Law on Churches and Religious Organizations, and the Law on Volunteerism are the primary laws that regulate Czech NGOs. Only the Law on Volunteerism affects all legal forms of nonprofits. Czech legislation has not yet clearly defined the term “nonprofit organization,” which creates problems when interpreting the legislation. In 2008, the official draft of the new Civil Code was released for comment. This law

might change the structure of the NGO sector in the future.

Legislation defining the operation of civic associations is general in nature. On one hand, it facilitates the activities of NGOs. On the other hand, it makes exercising public control over them more difficult. Registration of civic associations is fairly quick and easy. The Ministry of the Interior interprets the Law on Association of Citizens and either suspends or denies registration to those civic associations that provide beneficial services outside of their

membership base for a fee. Registration of other legal forms of NGOs is more difficult, especially for foundations, endowment funds and public benefit organizations. A public register of nonprofit organizations still does not exist. Nonprofit organizations are registered in files and registries in particular places of registration.

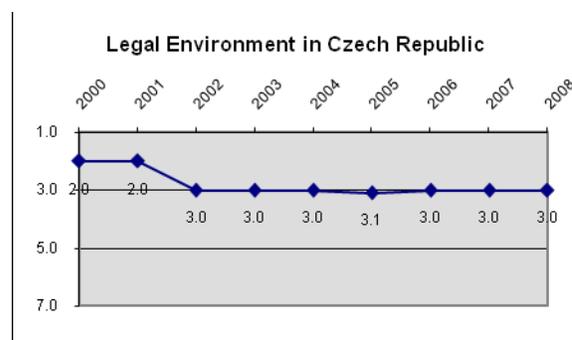
By law, NGOs can operate freely. Government entities do not create legal impediments to the operation of NGOs. However, in 2008, the Ministry of Labor and Social Affairs halted their financial support of some civic association programs on the grounds that, in general, civic associations have low levels of operational transparency.

In 2008, amendments to the Law on Public Benefit Organizations and the Law on Foundations and Endowment Funds were passed. The amendments affect the organizational operations of NGOs and will improve both the operations and the transparency of organizations. For example, one amendment grants authorization to the director of a public benefit organization to make decisions regarding the daily operations of the organization. Originally, the chair of the board of directors was the only person authorized to make decisions.

The slightly controversial Law on Social Service came into effect in 2008. This law sets quality standards for social service providers. The positive ramification of this law is that it forces NGOs to improve their quality of services. Some NGOs have a hard time meeting the quality standards. The law introduces some questionable aspects concerning NGO operations. For example, it restricts the extent of social service fees.

ORGANIZATIONAL CAPACITY: 3.0

The public still expects its needs to be served by the government and administrative system. In spite of this, the public realizes that NGOs generally represent its needs. NGOs try to survey public needs; however, for the most part



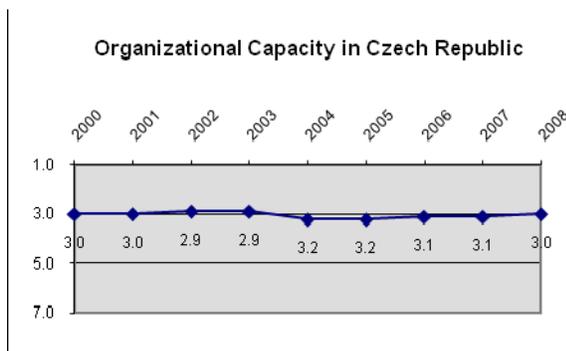
The Czech Republic has only a small group of NGO legislative specialists. Legal consultancy services are available in Prague and some regional cities. Access to these services is limited in rural or more isolated regions. At the same time, the country does not produce a sufficient number of lawyers specialized in the NGO sector. The Czech Republic also still lacks experts to comment on new legislation. NGO experts comment on new laws in their free time and free of charge, which means that the comments are not necessarily the most thorough.

According to taxation laws, subsidies, grants and donations for NGOs are tax-deductible for individuals and companies. The current maximum allowed deduction, however, is inadequate to motivate potential donors. The tax environment is further complicated by inconsistent interpretations of tax laws. For example, a lawyer, an economist, an accountant and a financial office may all interpret the law differently.

The tax law does not give an advantage to NGOs who conduct self-financing activities. NGOs can generate income through the provision of goods or services, but such activities are not explicitly supported and, in some cases, are indirectly limited. Many problems arise from differing interpretations of economic activities of NGOs that are not well defined by the law.

they do not have the capacity for marketing surveys of actual needs of the public or target groups, so they often make estimates. NGOs made a noticeable improvement in organizational capacity in 2008. The

complicated and constantly changing regulations for using EU Structural Funds pushed NGOs to improve their management skills. Also, the slow process associated with the EU funds led to significant lag time between funding sources, which forced NGOs to develop their fundraising capabilities.



NGOs are gradually forced to plan strategically, mostly due to requirements from donors, especially the EU and national and local governments. The motivation for strategic planning in 2008 was the gap in EU Structural Funds financing and the impact of the world financial crisis. The NGO sector is gradually becoming more aware of the need for strategic planning, but the majority of NGOs still lack written strategic plans.

Defining an NGO's mission is a condition for registration; however, not every organization defines its mission clearly and comprehensibly. By law, NGOs are obliged to define their management structures and the responsibilities of management bodies in their founding documents. These principles are not followed in practice. The statutory organ is often formal and has been created only to fulfill requirements. In reality, the same people often participate in both the statutory and the executive organs, and statutory organs delegate their duties and responsibilities to the executive organ. Management bodies often perform the executive function too, and they do not have enough time for directing daily operations. The diversity of the NGO sector means that the conditions in each organization differ widely.

Certain forms of nonprofit organizations (public benefit organizations, foundations, endowment funds) are obliged by law to act transparently and publish their annual reports, including economic reports and statements from independent auditors. Not all of them fulfill this requirement. On the other hand, a number of civic associations regularly publicize their reports, although they are not obliged to do so. The public are able to check how effectively NGOs use their donations, contributions and grants. The majority of donors require a clear operating structure as part of the grant procedure.

The majority of NGOs have their own employees, but these employees do not always have well-defined job descriptions and are often hired for particular projects. As a result of EU Structural Funds, the management of NGOs has been improving. For example, NGOs have started to work with their employees to help them avoid burnout. In some cases, they have hired specific human resources employees. The employment rate in the NGO sector is increasing, although the sector still lacks qualified managers. The legal aspects of NGO management are taught at colleges and several universities. This facilitates the training of qualified managers.

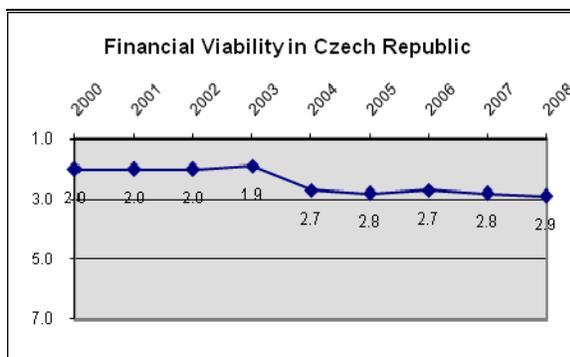
Volunteerism is gradually developing. On account of the Law on Voluntary Service, accredited volunteer centers prepare and educate volunteers. However, NGOs are still not fully qualified to manage volunteers and rarely have systematically organized volunteer databases. Volunteers must not be association members, complicating their use.

Thanks to financial support and in-kind donations, the sector has sufficient office equipment, but the equipment is not of an acceptable quality. Most NGOs are able to use computers and can communicate over the Internet. Still, the sector lacks specialized software programs, and NGO employees do not have necessary knowledge and skills. NGOs without their own equipment can use the library network, which provides Internet access.

FINANCIAL VIABILITY: 2.9

NGOs get most of their finances from domestic sources of support, including EU Structural Funds.¹ Most finances for the NGO sector come from public budgets, companies, foundations and individual donors. Support from donors is not only financial; companies often provide their products and services at a discount or free of charge. They also provide voluntary support in the form of human capital, a trend that increased in 2008. EU Structural Funds have become a significant source of financing for many NGOs. Smaller NGOs operating in the social sphere have mostly drawn funds from global grants, which were set aside within the Structural Funds. The Norwegian/European Economic Area (EEA) Financial Mechanisms have also financed NGO projects.

The dependence of some NGOs on EU funds affected them negatively in 2008. The EU funds come in waves: the first wave from 2004–2007 and the second wave from 2008–2013. For ten months of 2008, NGOs experienced a gap in EU funding because the government was slow in distributing the funds. Further, some organizations that received funding from the first wave of EU funds did not receive funding from the second wave of funds, as the government chose to support newer organizations in the second round. Consequently, some organizations have cut down their services, dismissed employees, or gone bankrupt.



¹ EU Structural Funds are considered domestic funds because the Czech Republic is an EU country.

Foundations represent a stable financial source for NGOs, but foundation capital is generally low. The largest amounts of finances come from resources obtained by foundations from the government Foundation Investment Fund. Foundations obtain their finances from the same donors as other NGOs.

Large corporations, especially international ones, follow the concept of corporate social responsibility. Corporations support NGOs through taxed sponsorships such as advertising contracts. Corporations can also provide financial donations, which are tax-free for NGOs. In 2008, however, the volume of financial support from corporations and businesspeople started to stagnate due to the global financial crisis.

Individual donors constitute the smallest and least reliable group of NGO donors. Working with individual donors is a demanding fundraising activity for NGOs, except for public fundraising campaigns in response to natural disasters. Another stable source of financing is donor SMS (DMS), which enables donors to contribute to NGOs via text messages. The least effort is put into addressing non-anonymous donors. Increasingly, fundraising is considered to be a necessity, but the majority of NGOs consider their fundraising to be unsatisfactory, particularly due to the low level of management and unclear development processes. The separate position of fundraiser usually does not exist; development is usually a shared task among staff. Boards of directors do not fulfill their obligation to seek out and secure financial support for their organizations. Instead, directors shift their duties to the NGO's executive management.

NGOs usually have several financial sources; however, they tend to receive the bulk of their funding from one primary source, which affects

NGOs' stability. NGOs are financially secure for up to several months or, at most, one year. The vast majority of organizations do not maintain financial reserves. NGOs that are financed mainly from subsidies and grants are financially secure for a limited time only.

Annual reports, bookkeeping and audits are commonly required by donors; however, the financial management of NGOs is not usually systematic, and the sector lacks economists and financial managers. The requirements attached to public administration grants and EU Structural Funds are particularly demanding. Most of the demands associated with such funding require NGOs to handle the finances themselves rather than hiring an outside accountant, as many organizations do. In 2008, the Foundation of Civil Society published a book called *The Standards of Financial Management for Non-profit Organizations*, which may prove to be useful for many organizations that need to learn how to manage their finances.

Czech law requires financial audits of some NGOs, such as endowment funds and public benefit organizations. A financial audit is considered to be unnecessary for other organizations. Some NGOs are also obliged by law to release their annual reports, but they do not publicize them widely because the government does not generally sanction

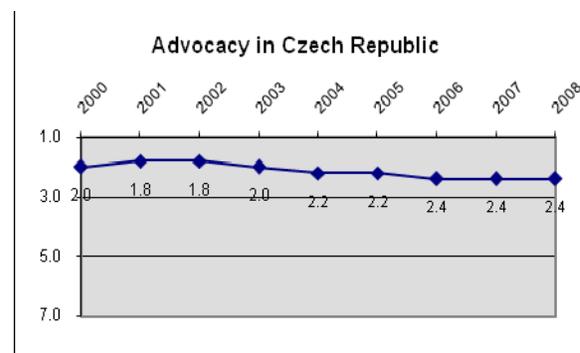
noncompliant organizations. The low availability of annual reports negatively influences NGOs' transparency and credibility.

Some NGOs try to complete their financial portfolios by earning their own income. They usually sell services or products. Some organizations, mostly in the social and health care areas, charge minimal fees. A lack of financial and marketing management skills negatively affects NGOs. Under the new interpretation of the Law on Association of Citizens, the Ministry of the Interior does not allow newly established civic associations to provide public benefit services for a fee. Under the Law on Social Services, clients now receive funding from the government to purchase their own services, whereas in the past, the government paid social service organizations directly.

Local government agencies purchase services from NGOs in the form of subsidies or grants. State or regional offices also issue public calls for proposals to which any business or organization can respond. Previously, only NGOs were able to respond. While the market for services is expanding, NGOs are no longer the only organizations that can provide services. Further, unlike businesses, NGOs are still regulated by the government, which may negatively affect their ability to compete in an open market.

ADVOCACY: 2.4

Communication between the public administration and NGOs is effective at the central level. NGOs have representatives in ministerial advisory bodies and in the Government Board for Non-profit Organizations (RNNO), which is now much stronger thanks to the government's increased support. The legislative and financial committee started to work intensively in 2008; it focused on new law drafts concerning the organizational forms of NGOs and participated in the preparation of the Civil Code and the Law on Public Benefit Organizations.



At the regional level, the government relies on NGOs for community planning and creating regional development strategies, but

this does not apply in all regions. Generally, regions have grant strategies and rules for NGO support, while smaller towns and villages do not work as systematically, and their support is random and improvised. The staff of NGOs is usually involved in local and regional governments in order to promote public interests.

State and regional governments cooperate with NGOs on mutual projects only in certain areas, such as Roma, anti-drug, community, minority or human rights issues. In other areas, such as health care, public administrators act as clients for NGO services. However, this support has declined, as governments have begun to support their own organizations (GONGOs) rather than NGOs.

In 2008, NGOs organized campaigns to encourage solutions to issues in various areas such as the disabled, development aid, discrimination, and socially excluded groups. The quality of campaigns varied considerably.

NGOs do not perceive lobbying as their priority and do not have any clear strategy in this area.

SERVICE PROVISION: 2.2

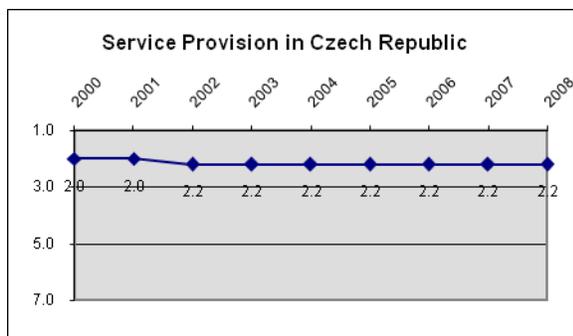
NGOs provide services in various areas such as health care, social care, education, aid after natural disasters, environment, culture, historical site restoration, youth, and human rights. NGOs are especially active in addressing social exclusion; the majority of their services are of a high professional standard. In general, service quantity and quality differs in various regions of the Czech Republic.

NGOs usually respond to the identified needs of society, communities and the market. These needs are often connected with priorities declared by the public administration and the programs of EU Structural Funds. NGOs learn from their own experience, using client feedback to investigate the market situation. Within the framework of the Structural Funds, organizations were required to monitor and analyze clients' needs and respond to them flexibly, which improved NGOs' organizational

Still, they realize that lobbying is necessary in some situations. Some strong interest groups in the Czech Republic manage to lobby effectively. Traditionally, these are environmental organizations and organizations operating in social and health care areas. Individual lobbying has thus far been more effective than collective lobbying. When NGOs get involved in legislative activities, they experience problems concerning non-transparency and complications in the legislative process. Many NGOs do not fully understand new laws, which is a problem when they attempt to lobby. Further, political representatives and public administration officials do not consider NGOs and their experts as equal partners. While NGOs manage to advocate on smaller issues, they fail to advocate for interests concerning the whole NGO sector, and the sector lacks an NGO association, umbrella organization, or think tanks that approach these issues. NGOs are quite capable of effective cooperation on the implementation of laws for a particular sector or region. Still, despite the lack of sector-wide representation, in 2008, NGOs, with the RNNNO, managed to participate in the preparation of the Law on Public Benefit Organizations.

capacity. The Law on Social Service also requires organizations to survey client and public needs. Services that are clearly defined as commonly beneficial are available for the general public, especially in the social sphere, health care and leisure activities. One of the conditions for participation in EU projects is to inform the public about services and other outputs.

NGOs generally use appropriate methods to ensure and organize cost recovery. They usually do not calculate the prices of their product using real expenses. They estimate prices according to what clients would be willing to pay. However, in 2008, service organizations suffered in that the NGO market is artificially regulated and favors GONGOs. The calls for proposals for providing public services were announced in 2008, and the reduced support for NGOs was obvious. State and regional administrations



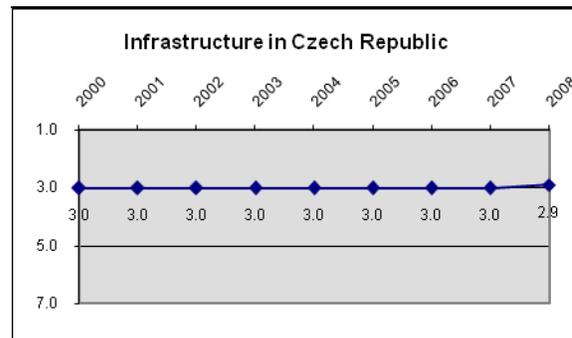
prefer to support their own projects, organizations, and businesses, and NGOs are receiving less funding from the government. Combined with having to adapt to the new Law on Social Services, the situation has been quite

difficult, and some organizations are on the verge of closing.

The development of the NGO sector does not get systematic support from central organs. The purchasing of services is realized through subsidies and grants, which impose unnecessary administrative demands. Governments have begun issuing public calls for proposals, as opposed to working directly with NGOs. This new method of finding service providers has the potential to affect the sector negatively. Further, the proposals are less specific, which means that NGOs have a difficult time interpreting exactly what governments need.

INFRASTRUCTURE: 2.9

The Czech Republic has NGO resource and support centers, but the NGO sector lacks a network that covers the entire country. Regional administrative offices play an important role, as they perform some functions of service organizations such as training and database creation. Service organizations usually provide their services for a fee, whereas organizations established by regional authorities usually provide their services for free.



Czech foundations provide grants to domestic projects in accordance with their priorities, decisions and society's and communities' needs. Domestic foundations only rarely manage to create significant funds (foundation capital) for grantmaking. Foundations obtaining financial resources from the Foundation Investment Fund regularly distribute their profits into specific areas. The Czech Republic has a limited number of philanthropic or corporate foundations. The global financial crisis has had a negative impact on the volume of foundation capital. Some NGOs were authorized to administer European or other programs, such as the Norwegian/EEA and Swiss funds.

however, the government and the public administration have been calling for integrated representation of the whole sector. The RNNO, which helps to promote NGO interests, has increased communication with existing umbrella organizations and NGO coalitions in order to keep them more informed of what is happening. The distribution of information by the RNNO to regions is gradually improving.

NGO membership in coalitions is limited, and those coalitions that exist do not generally represent the entire sector. Some specialized and regional coalitions work quite efficiently;

Training courses and counseling for NGOs are sufficient, although the quality is not consistent. Some NGOs have established a large number of educational programs within the framework of European funds. Training courses are usually held in Prague and other large cities, but given the size of the country, the courses are accessible for all applicants. NGOs realize the importance of educating their workers and were able to finance this education using EU funds in 2008.

The advent of EU funds and programs has led to an increase in the development of intersectoral partnerships; however, these partnerships have been formed primarily to fulfill EU obligations

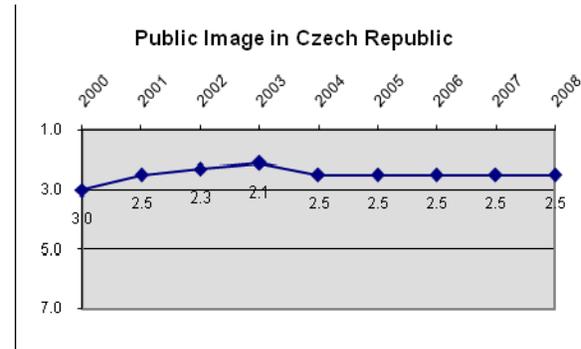
rather than to address specific needs or situations. At the local level in some regions, intersectoral partnerships work efficiently.

PUBLIC IMAGE: 2.5

The media provided good coverage of NGO activities in 2008. Media reports are usually neutral or positive. NGOs often appear in regional media, as most coverage focuses on local events. Media time is provided to NGO staff members who are perceived as experts on specific issues. The media often provide time for NGO informational campaigns. The media do not widely cover corporate donor support in order to avoid providing what could be considered free publicity for businesses.

The public understands the legitimacy of NGOs and appreciates their importance. Philanthropy is rooted in society and is slowly growing. Organizations promoted by the media are perceived positively, as are those with which the public is already familiar. Still, people prefer anonymous sponsorship to membership or sponsorship based on a deed of gift.

The public has a rather positive view of NGOs. State and public administration describe them as partners and co-workers, although their relationship is not equal in practice. Corporations include NGOs in their corporate social responsibility concepts, and they provide support for certain issues or regions. Cooperation with NGOs improves corporations' images and is gradually becoming a part of their corporate culture. Local support from regional small and medium enterprises located outside the capital is growing.



NGOs are beginning to appreciate the relationship between public relations and sustainability. They are approaching the public and promoting their activities. Due to the lack of financial and human resources, NGOs cannot often intensively and systematically develop their public relations. Also, they are not always able to communicate their organizations' intentions effectively enough for the public to understand their message and support them. Recently, however, several competitions have been held in order to identify the best NGO public benefit campaigns.

The majority of the most powerful NGOs have ethical codes and standards for service. They publish them in their informational and promotional materials and in annual reports. Further, in 2008, the Quality Standards for Social Services mandated by the Law on Social Services began to be applied.