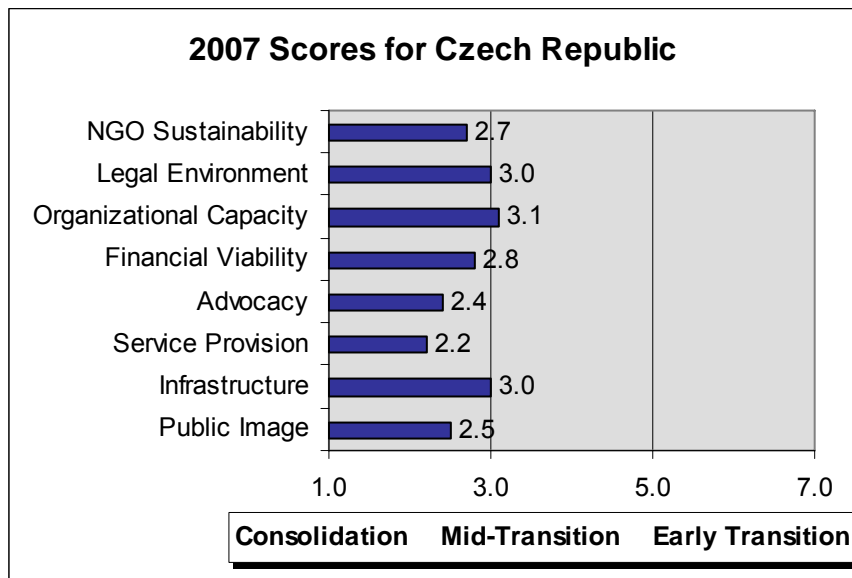


CZECH REPUBLIC



Capital: Prague

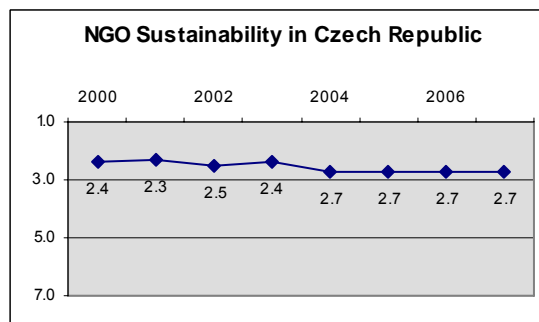
Polity:
Parliamentary Democracy

Population:
10,220,911 (July 2008 est.)

GDP per capita (PPP):
\$24,400 (2007 est.)

NGO SUSTAINABILITY: 2.7

For the purposes of this survey, the Czech nonprofit sector considers the following types of nonprofit organizations: civic associations, foundations, foundation funds, public benefit organizations, church-related legal entities, and organizational units of civic associations. At the end of 2007, there were 97,423 nonprofit organizations in the Czech Republic. Of those, 60,850 were civic associations. Although EU Structural Funds have become a significant source of financing for many NGOs, the overall condition of the Czech NGO sector did not change in 2007.



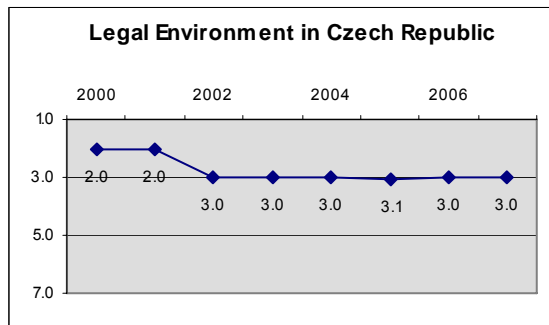
LEGAL ENVIRONMENT: 3.0

The legislative framework for nonprofit organizations in the Czech Republic 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 establishment, operation, and liquidation of all legal nonprofit, non-governmental organizations (NGOs) operating within the Czech Republic.

The Law on Volunteerism applies to all of these legal forms of organizations.

Despite all of these laws, however, Czech legislation has not yet defined what legally constitutes a nonprofit organization. This leads to problems in interpreting both specific legislation, such as the Value Added Tax (VAT) law and its applicability to nonprofits, and general legislation, which regulates the activities of nonprofit organizations.

Furthermore, the registration process for NGOs varies depending on the type of NGO. Civic associations register with the Ministry of the Interior, whereas other types of NGOs, such as public benefit organizations, foundations and foundation funds, register with the register courts. NGOs still lack a single unified registry.



Legislation regulating the activities of civic associations is general in nature. While it facilitates the activities of civic associations, it also makes exercising public control over them difficult. Registering civic associations has tended to be fairly quick and easy, and completing the necessary documents does not require much time. However, starting last year, the Ministry of the Interior began to either reject registration or suspend the activities of civic associations, based on its interpretation of the Law on Association of Citizens. This law does not clearly state whether or not civic associations are allowed to collect fees for public benefit services. The think tank Nett has produced a methodical procedure that allows newly-established civic associations and associations applying for a change in status to counter unauthorized procedures or inactivity by registration authorities.

Registration of other forms of NGOs is more difficult, as register courts are slow to complete the registration process, sometimes taking up to two years. However, the registration period for these NGO types has recently been shortened. The Law on Organizations with Foreign Element, governing, for example, foreign student associations, was changed, making these organizations civic associations that can register through the Ministry of the Interior, thereby lightening the strain on the register courts.

The now defunct Ministry of Informatics launched a public register on the Internet in 2006, a pilot program which was to have established a central database for all types of NGOs. At present, fewer than a thousand organizations are listed. The public register is still available, but as the Ministry of Informatics no longer exists, the government no longer supports it.

Statistics on Czech NGOs are not completely accurate, since the divided registry makes tracking NGOs very difficult. Furthermore, a number of civic associations cease operations without going through the proper legal procedure to do so and without requesting removal from the register of nonprofit entities. One unified public registry system and central government database would be beneficial for all NGOs.

NGOs can operate freely within the boundaries of the relevant legislation. Nevertheless, the loose definition of “nonprofit” creates difficulties. The Czech Parliament discussed an amendment to the Law on Civic Associations which would have eliminated the requirement that civic associations include the words *občanské sdružení* (civic association) or the abbreviation “o.s.” in their name. The amendment was not ratified, but there is a clear desire to solve this problem.

The new Law on Social Services establishes a framework for those groups providing social services, but also imposes substantial levels of paperwork. For example, the Law does not cover *all* activities provided by NGOs and requires every NGO to have its own clearly-stated mission. As a result, some NGOs have had to modify their activities.

There are only a few specialists in NGO legislation in the Czech Republic. Legal consultancy services are available only in the capital and in some towns. Some colleges and universities teach courses on the legal aspects of NGO management. While this has helped increase the number of competent NGO managers, the lack of specialized training for lawyers in this field means that the Czech

Republic does not have enough experts capable of commenting on new laws.

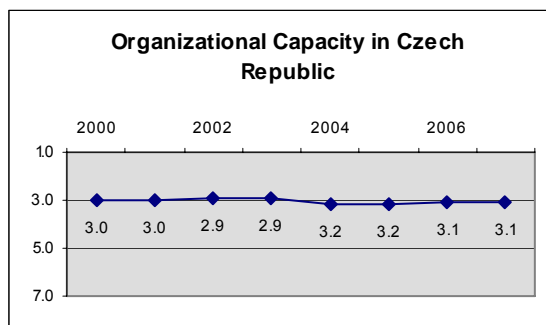
According to income tax laws, subsidies, grants, and donations from both individuals and companies to NGOs are tax-deductible. However, the limit defined for deductible contributions is low and hampers the development of charitable giving. The tax situation is further complicated by varying interpretations of the law.

For the most part, legislation does not prohibit NGOs from earning income through the provision of goods and services. However, as stated previously, the Law on Association of

Citizens is unclear. Foundations that support other NGOs are unable to earn income via service provision. The regulations regarding civic associations are particularly complicated. Civic associations that existed before the Law on Association of Citizens are allowed to profit through service provision, while civic associations founded after the Law was introduced are not. While the Law does not clearly state that earning income is illegal, some ministries interpret it that way, thereby making certain NGOs ineligible for grants aimed at supporting social entrepreneurship.

ORGANIZATIONAL CAPACITY: 3.1

NGOs attempt to understand society's needs; however, this remains a difficult task, as NGOs do not have the capacity to perform serious, quantitative research into specific problems suffered by their target groups. Consequently, they often define needs on the basis of qualified assessments, which are not wholly accurate. Nevertheless, people generally feel that NGOs are responsive to their needs.



Defining an NGO's mission is a condition for registration. Nevertheless, not every organization defines its mission clearly and in intelligible language. NGOs are gradually being forced to plan more strategically, mostly to meet the requirements of donors, especially the Czech government and EU Structural Funds. National NGOs understand and use strategic planning more than smaller NGOs, but even smaller NGOs are beginning to perceive the importance of strategic planning. In general, even where NGOs have become aware of the necessity of

strategic planning, most still lack written strategic plans.

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. Those structures required by statute are often not taken seriously and do not impact or govern the day-to-day functioning of NGOs. The same individuals staffing an NGO may also sit on the board, leaving the NGO without proper oversight. Boards of directors may also delegate their duties and responsibilities to the management.

Certain forms of legally-registered NGOs are obliged to act transparently and present annual reports, including financial statements, to the public. This allows contributors, donors, and supporters to gauge how effectively NGOs use donations and contributions. Not all organizations obliged to fulfill this requirement do so, however. Conversely, a number of civic associations regularly publish annual reports even though they are not legally required to.

The most significant NGOs have permanent staff, but employees do not always have clearly-defined job descriptions. Staff is often hired only for the life of a particular project. Due to pressure from the Czech government and the EU, NGOs are beginning to focus more on

human resource development. Employment in the sector is growing, but there is still a lack of competent managers, as even those who study NGO management at the university lack practical experience.

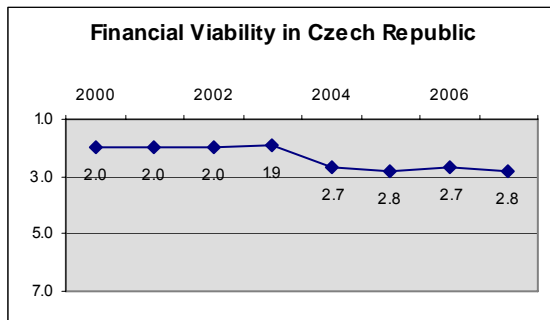
NGOs work with volunteers and occasionally possess systematically-organized volunteer databases. However, NGOs still lack skills in managing volunteers. Accredited volunteer centers provide training and education to volunteers based on the Law on Volunteerism.

For-profit entities often make in-kind contributions of office equipment to NGOs, though the donated equipment is often a little

out-of-date. Nearly 90 percent of NGOs have access to computers and can communicate over the Internet. However, NGOs sometimes lack specialized software, as well as the knowledge and skills needed to run more complex management programs. NGOs that do not own their own equipment are able to use libraries, which offer them special services, including free Internet access.

FINANCIAL VIABILITY: 2.8

NGOs obtain the bulk of their financing from domestic and European sources. Most funding comes from the government, followed by companies, foundations and individual donors. Corporate donors sometimes provide products and services to NGOs free-of-charge or at a discount.



Many NGOs have benefited greatly from access to EU Structural Funds and funds from Norway as a result of the European Economic Area (EEA), a free-trade agreement which requires adoption of EU legislation in many policy areas, including offering financial support to EU members. EU Structural Funds amount to approximately €26.7 billion for 2007-2013, with four to five percent allocated to the NGO sector. The Norwegian/EEA funds have allocated approximately €111 million to Czech Republic for 2004-2009; however, NGOs are unsure how much of this money will be assigned to the sector and what its impact will be.

Smaller, social service NGOs in particular draw funding from global grants established through

the Structural Funds. Some NGOs also attracted funding for projects from the Norwegian/EEA financial mechanisms this year.

Both of these funding mechanisms require co-financing from the Czech government. This requirement is somewhat problematic, as the transfer of regular subsidies from Czech ministries into the co-financing of European projects is difficult. Frequently, the bulk of Czech government money goes towards the EU Structural Funds grants, leaving little for the co-financing of Norwegian/EEA grants. As a result, NGOs are sometimes unable to receive these grants.

Foundations represent a stable financial source for some NGOs. Nevertheless, foundation assets are generally small. The majority of resources distributed by foundations were obtained from the government's Foundation Investment Fund (NIF). Foundations also obtain resources from the same donors as other NGOs.

Large companies in particular are embracing the concept of corporate social responsibility. Although companies still prefer to support NGOs through sponsorship (i.e., through advertising contracts on which NGOs are taxed, as they provide advertising and promotion for the company, which is not considered to be "nonprofit"). Tax-free, financial donations are provided on a much smaller scale.

Individual donors represent the least significant source of income for NGOs in the Czech

Republic. NGOs do not think there is much opportunity to raise significant funds from individual donors and rely almost exclusively on public budgets and firms. Targeting the large mass of potential individual donors is also too expensive. Exceptions to this are contributions by individual donors from public collections in response to natural disasters. The donor SMS (DMS), through which donations can be made by sending a text message via mobile phone, has become a customary source of fundraising, especially during disasters. Volunteerism is gradually developing as well.

NGOs generally receive funding from three to four sources. However, most NGOs are reliant on one or, at most, two donors for over 80 percent of their funding, making them vulnerable to changes in donor priorities. Organizations which rely on one source risk losing funding and being able to provide services if that source disappears. For example, if an organization depends entirely on EU Structural Funds, it will have difficulty providing services once the Structural Funds end after 2013.

NGOs are financially secure for anywhere from three months to a 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 make and follow strategic plans have proven to be more financially stable.

Donors generally require annual reports, accounting and audits. Both the Czech government, in its grantmaking, and EU Structural Funds are increasingly requiring stronger financial management controls, which presents a problem for many NGOs. NGO financial management is weak due to the lack of professionally-educated accountants and financial managers.

The Czech legislature requires financial audits of foundations, foundation funds, and public benefit organizations. Those types of NGOs not legally obligated to conduct audits consider them unnecessary. Register courts require foundations

and public benefit corporations to publish their annual reports, but reporting is generally inadequate and there are few if any sanctions applied for non-compliance. The limited availability of annual reports limits transparency and damages the sector's reputation.

Increasingly, fundraising is considered to be a necessity. NGO fundraising efforts focus on the business community, the government, and foreign donors. However, most organizations consider their fundraising to be unsatisfactory. Poor management skills lead to unclear fundraising procedures. Most organizations do not have a dedicated fundraiser; this work is usually done by several people, leading to inefficient and inconsistent systems. Additionally, boards of directors do not fulfill one of their basic duties – to seek out and secure financial support for their organizations. Instead, directors pass these duties off to the executive staff.

Most NGOs are trying to increase their revenue by generating their own income. These efforts generally take the form of providing various services and products. Some organizations, primarily in the social and health care areas, charge only minimal fees and thus cannot make much money from their services. A lack of financial management and marketing skills limits NGOs' ability to earn additional income. The new interpretation of the Law on Association of Citizens is also restrictive. The Ministry of the Interior allows older associations to charge a fee for public benefit services, but does not allow newly-established associations to do so. Social economy – economic activities that promote social inclusion, create new jobs, and develop the skills, knowledge, and working habits of marginalized groups of people – is also a growing trend in the Czech Republic.

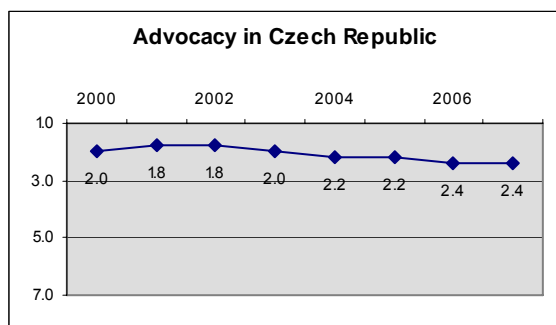
Government entities purchase services from NGOs via subsidies and grants. As a result of a new Law on Social Services, when clients themselves use their financial means, an open market slowly arises, creating competition between NGOs and driving NGOs to develop marketing strategies.

ADVOCACY: 2.4

Communication between NGOs and the central government is sufficient. NGOs have representatives on the advisory bodies of various central authorities, or ministries, and also on the Czech government advisory body, the Government Council for Non-governmental Non-profit Organizations (RNNO). The RNNO has been struggling to survive as it is not a priority for the government and therefore has an unclear and weak role. Cooperation between NGOs and public authorities was further negatively influenced during the pre-election period, when ministries and the RNNO nominated new people to sit on various committees who were largely unfamiliar with nonprofit issues.

Regional offices rely on NGOs for community planning and creating regional development strategies. In many regions, authorities have produced grant strategies and rules for NGO support. Smaller towns, on the other hand, do not work systematically, and their support is random and improvised. To promote wider public interests, NGO staffs must be politically active in local administrations and regional governments.

Government bodies implement projects together with NGOs only in certain areas, primarily Roma, drug-abuse prevention, community and minority issues, and human rights.



NGOs had a negative experience while advocating their interests in discussions about which programs would receive money during the 2007-2013 Structural Funds programming period. Some NGOs participated in these conversations and had valid comments.

However, the administrating bodies, usually ministries, recognized NGO comments in only a minority of cases, as the sector lacks a strong coalition and voice. One positive development, however, is that in August 2007 the government approved a document introducing a methodology for public involvement in the preparation of government documents.

This year, NGOs led campaigns to encourage solutions to socio-political issues, including those related to the handicapped, development aid, groups of citizens facing discrimination, and other socially-excluded groups. Campaign results have varied, and in some cases are immeasurable. Nonetheless, NGOs have continued these long-term campaigns.

NGOs do not consider lobbying to be a priority and have not produced clear strategies in this area. Lobbying is challenging because of the complicated and opaque nature of the Czech legislative process. Those NGOs that regularly monitor government actions are the most successful in their lobbying efforts because they have the best understanding of how the government operates.

Nevertheless, NGOs do realize that lobbying is necessary in certain situations. Some interest groups, such as environmental organizations and, more recently, social and health organizations, have lobbied together effectively. For example, this year, NGOs carried out projects focused on the adoption of an anti-discrimination law. Thus, far, however, groups lobbying on their own have been more effective than those lobbying together. In general, joint lobbying across sectors or on a large-scale does not happen because of a lack of capacity and support.

Political representatives and government officials do not tend to view NGOs and their experts as equal partners. Consequently, NGOs are not successful in advocating interests that concern the nonprofit sector as a whole. NGOs need a national support system – for example, a network, umbrella organization, or more think tanks – to advocate for NGO issues, such as the

need for a unified, public registry. The RNNOCouncil created a new Committee for Legislature and Financing, whose mission is to comment on

newly-prepared and existing laws related to NGOs.

SERVICE PROVISION: 2.2

NGOs provide a diverse range of services – health care, social care, education, assistance after natural disasters, environment, culture, historical site restoration, working with youth, human rights, etc. NGOs are particularly active in the area of social exclusion, an area where there are great needs. Most of these services are of a high professional standard, although the quantity and quality of services differ across the various Czech regions.

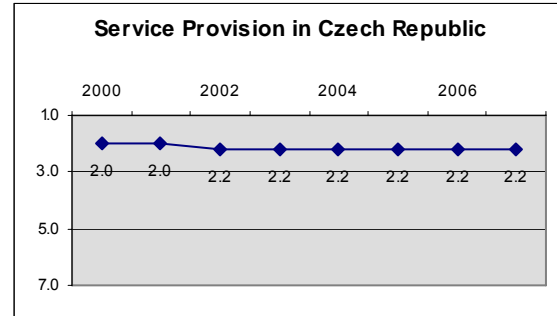
For the most part, NGOs respond to the obvious needs of society and the market. Their interventions are often connected to the stated priorities of public authorities and the purposes of EU Structural Funds. NGOs also conduct assessments to investigate the market. Within the framework of the EU Structural Funds, the government instituted programs to strengthen the NGOs' ability to analyze their clients' needs, monitor how services fit those needs, and adjust their services accordingly. The Law on Social Services also requires research into public and client needs.

Public benefit services, primarily social, health care, and leisure time activities, are marketed to the general public. EU grants require that methodologies be shared with the larger public and all client groups.

INFRASTRUCTURE: 3.0

NGO information and support organizations exist in the Czech Republic, but there is no network covering the entire country. Recently, regional administration offices, rather than NGOs, have begun to play the role of a service organization by providing training, creating databases, etc. Service organizations usually provide paid services.

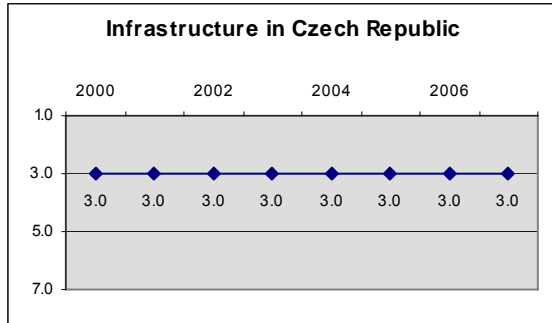
There are a limited number of philanthropic and corporate foundations in the Czech Republic that provide grants for the implementation of local projects in accordance with their self-defined



In general, NGOs lack marketing skills, although they have begun to recognize the importance of such skills in recent years. However, rather than selling services to private clients, NGOs sell services to the government, which awards contracts and grants and, therefore, does not require a traditional marketing plan.

Authorities are not very concerned with the development of the nonprofit sector. Rather, they care only about the purchase of services from the sector through subsidies and grants, both of which impose unnecessarily high administrative costs due to bureaucratic requirements. Nevertheless, government authorities do generally respect the work of NGOs. Government appreciation of NGOs differs from region to region. NGO activities in the area of community planning are perceived positively by local offices.

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, during their short existence, have rarely managed to create significant funds for the purpose of granting. Foundations that obtained resources from the government Foundation Investment Fund regularly distribute the proceeds into already-designated areas. Some NGOs have been authorized to administer European or other programs' grants, for example EU global grants and block grants from Norway/EHP.



There is one all-sector NGO coalition in the Czech Republic, although it has a limited number of members and therefore does not represent the sector as a whole. NGOs do not join such coalitions because they do not see them as beneficial. However, the attitude of the government and the public administration is the opposite: they need a unified NGO voice. Some issue or region based coalitions, such as those representing environmental or humanitarian NGOs, operate well. RNNNO, the government advisory body through which NGOs can promote their interests, does not have enough influence to create fundamental and needed

changes, such as adjusting the legislation regulating NGOs.

NGOs do not lack for training opportunities or consultants, but the quality of available programs varies greatly. A great number of training programs were created within the framework of European funds. Training is most often held in Prague and other large cities, but since the Czech Republic is a relatively small country, people from all regions are able to participate. NGOs do realize the necessity of education, but often lack financial resources and, therefore, seldom participate.

European funds and programs have made inter-sectoral partnerships a priority. Consequently, NGOs are beginning to establish and develop more partnerships. The quality of these partnerships, however, is questionable. Rather than using partnerships to respond to a specific need or situation, NGOs tend to form them to fulfill formal duties. Individual NGO representatives from different sectors have not yet completely realized the potential advantages of partnerships.

PUBLIC IMAGE: 2.5

NGO activities receive good coverage in the media. Their reports are often neutral; if there is any evaluation, it tends to be positive. Reports usually appear in regional media outlets and focus on local events. Both of the public broadcasters, Czech Radio and Czech Television, give an exceptional amount of time to NGO coverage. The media frequently call on NGO staff members who are perceived as experts on specific issues. The media also often provide time for NGO education campaigns.

The public not only understands the legitimacy of NGOs, but also values their importance for society. Philanthropy is well-rooted in society and shows moderate growth. People have a positive perception of NGOs, in particular those promoted by the media or located in their own regions. The best-known NGOs are those that organize public collections. UNICEF conducted a poll in December 2006 which showed that two-thirds of those surveyed have contributed to

humanitarian NGOs, and more than half of those surveyed contribute on a regular basis. The biggest motivation for people to donate is the particularly adverse conditions of socially-excluded people. Public administrators officially claim NGOs as partners, but in practice, the relationship is usually not equal.

Foreign and large companies, in particular, expect NGOs to be part of their corporate social responsibility programs and cooperate with them by providing support for certain issues or regions. Working with NGOs improves a company's image and is gradually becoming a standard part of corporate culture.

NGOs increasingly perceive public relations as necessary to their sustainability, so 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 intentions effectively enough for the public to understand their messages and support them.

Some 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. Under the Law on Social Services, the Quality Standards for Social Services specify processes and quality in social services.

