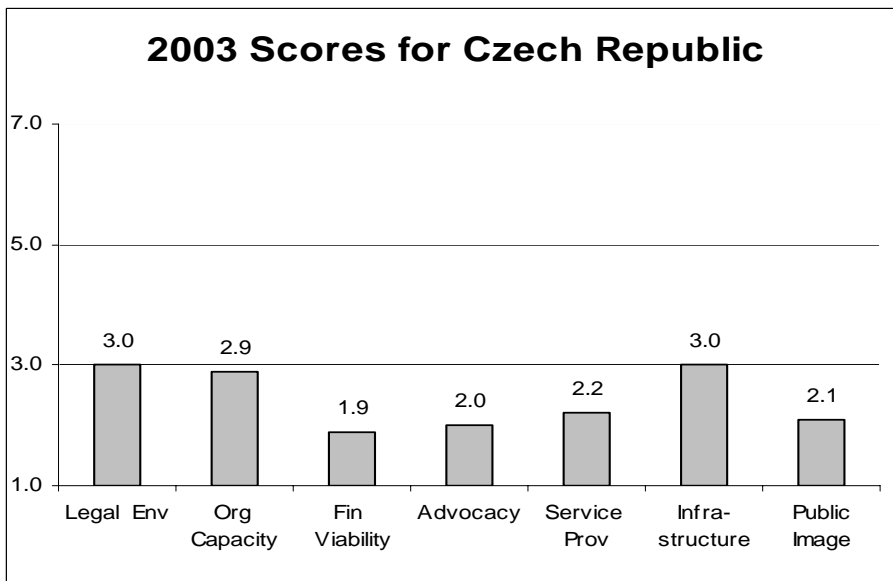


## CZECH REPUBLIC



**Capital:** Prague

**Polity:**  
Parliamentary  
democracy

**Population:**  
10,300,000

**GDP per capita  
(PPP):** \$13,991

### NGO SUSTAINABILITY: 2.4

NGO SUSTAINABILITY	
2003	2.4
2002	2.5
2001	2.3
2000	2.4

According to the Statistics Office, there are almost 58,000 registered NGOs in the Czech Republic.

Of which 88 percent are civic associations. Public benefit organizations, foundations, and church-related organizations account for the remainder. The 2003 trend saw NGO sustainability make steady gains as the Czech Republic's score improved to a 2.4.

### LEGAL ENVIRONMENT: 3.0

LEGAL ENVIRONMENT	
2003	3.0
2002	3.0
2001	2.0
2000	2.0

Czech NGOs are regulated by a myriad of different legislative acts, including separate laws for each of the different forms of NGOs in the country. Civic associa-

tions are covered by the 1990 Law on Association of Citizens; public benefit organizations fall under the 1995 Law on Public Benefit Organizations (amended in 2002); and foundations and foundation funds are governed by the 1997 Law on Foundations and Foundation Funds (also amended in 2002). Registration procedures, organizational structure, financial

management, and the dissolution of organizations are all addressed by these acts. The 2002 Law on Volunteerism, which introduces the notion of volunteerism into Czech law, comes into force in 2003. Furthermore, a new Civic Law is being prepared in 2004 which will fundamentally influence NGOs' activities.

The registration process varies depending on the type of NGO. Civic associations register relatively easily with the Interior Ministry. Foundations, foundation funds and public benefit organizations, on the other hand, register with the Trade Register authorities. For these organizations, the process is often tedious, requiring long legal procedures, and can be complicated by individual judges' different legal interpretations.

Requirements related to NGO operations and finances are also determined by the legal form chosen. Laws regulating civic associations do not oblige them to publicize their operations or finances; as a result, some organizations which are public benefit organizations by the character of their activity register themselves as civic associations to minimize the burdens placed upon them.

The dissolution of NGOs is covered by the Commercial Code and is extremely complicated and financially demanding. As there is no legal obligation for civic as-

sociations to be removed from the registry, there are still many groups registered which no longer operate, thereby distorting statistics on the sector.

There are very few qualified non-profit legal specialists in the Czech Republic, although legal services are readily available in Prague and Brno. Their availability in regional cities is more troublesome, and in some regions, such services are lacking entirely. A similar situation exists in the area of tax consultancy. Despite lower fees for these services in the non-profit sector in comparison to commercial rates, they are often unattainable as NGOs frequently lack the financial means to pay for them. Non-profit courses are now offered at the university, which may provide a source of new experts in the future.

Tax legislation affecting the sector is mixed. NGOs are not taxed on grants, appropriations and gifts, and endowment earnings of foundations are also tax-exempt. However, incentives for potential donors to NGOs are minimal. Because of the relatively low level of deductions (5 percent for firms and 10 percent for individuals), donors often make barter agreements concerning advertising, for example, which are not advantageous for NGOs as they are treated as taxable business transactions.

## **ORGANIZATIONAL CAPACITY: 2.9**

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NGOs' basic management structure is defined by law and also differs according to the form of registration. While management structures are clearly defined in the case of foundations, foundation funds and public benefit corporations, they are quite vague in the case of civic associations.

Several Czech foundations administering foreign funds are encouraging NGOs to think more strategically by offering grants to strengthen NGOs' sustainability through strategic planning, public relations, fundraising and marketing. As a result of these

## 2003 NGO Sustainability Index

grants, hundreds of NGOs have started to focus on these issues. There is doubt, however, as to whether NGOs will continue such activities after these grants expire. While progress is being made in this field, many organizations still have poorly

### ORGANIZATIONAL CAPACITY

2003	2.9
2002	2.9
2001	3.0
2000	3.0

defined missions and do not appreciate the importance of strategic planning.

NGO personnel are often employed on a contract basis limited to the duration of a project for which finance has been secured. Unfortunately, this also includes positions essential for the operation of the organization as a whole, such as management. The lack of professional staff development is due to the fact that most donors do not provide financial support for an organization's general opera-

tions. As a result of this situation, there is much turnover in the non-profit sector.

By law, all statutory members of NGOs are volunteers. There is a network of specialized volunteer centers in the Czech Republic that provide services to NGOs and the public. However, NGOs generally do not have sufficient time, energy or experience to effectively utilize volunteers.

The level of technical equipment available to an NGO is usually a direct reflection of their fundraising skills. While technology is not generally a priority for donors, in some cases, it is possible to obtain technical equipment within the scope of individual projects. It is also common to for such equipment to be presented as gifts.

## FINANCIAL VIABILITY: 1.9

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A significant majority of NGOs, approximately 85 percent, is financed only or mostly from domestic sources. This is primarily a result of external realities than a conscious decision by NGOs. Foreign

### FINANCIAL VIABILITY

2003	1.9
2002	2.0
2001	2.0
2000	2.0

funding is significantly limited: at present only projects that were begun with foreign funds are still receiving such support. It is possible that in the near future the loss of these funds will be replaced by European financial resources, especially from the European Social Fund and Fund of Consistency. The strategy for accessing European funds in 2004 is being prepared now at the relevant government minis-

tries. NGOs had input at the outset of the process.

Public budgets are the main source of NGO financing, accounting for over a third of the total income of Czech NGOs. Generally speaking, the larger the organization, the greater the level of dependency on public financing. Support from Czech foundations, on the other hand, only makes up approximately 10 percent of all NGOs' income. Private donors are unable or unwilling to respond to NGOs' needs, as the return on investments in NGOs is deemed to be too low and corporate philanthropy itself is a relatively new concept in the country. Corporate financing currently accounts for approximately 11 percent of NGO support, while individual contributions make up about 7

percent. Self-generated income accounts for another 20 percent.

It is not yet common for Czech NGOs to consider diversification of their financial resources as a factor in their long-term sustainability. There is progress in this

area, however, thanks to programs that provide grants for strategic and financial planning, which has benefited both large, influential organizations and smaller regional NGOs.

**ADVOCACY: 2.0**

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Recently there has been a growing willingness of public authorities to communicate and cooperate with NGOs. Many barriers to partnership still exist on both sides, however, including insufficient information, non-transparent behavior, weak communication skills, and public officials' distrust in the mandate of NGOs. Public authorities

<b>ADVOCACY</b>	
2003	2.0
2002	1.8
2001	1.8
2000	2.0

try repeatedly to limit the participation of the public, including NGOs, in government proceedings.

The environment for political lobbying exists but there is a lack of developed and proven skills to capitalize on it. At the same time, it is often diffi-

cult for NGOs to agree on common goals, as sometimes they are unwilling to suppress their own specific interests.

Czech NGOs usually have the opportunity to comment on new legislation as it is being drafted. However, there is not a standard channel for information to flow between the legislation's sponsors in parliament and the NGO sector. Therefore some pieces of legislations are commented on late or not at all, and others are commented on by inappropriate individuals or organizations. NGOs themselves also occasionally initiate legislation.

**SERVICE PROVISION: 2.2**

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NGOs offer products and services in virtually all areas, in effect supplementing and rounding out the limited offerings of the government and business sectors. While NGOs cover most service areas, they often have insufficient knowledge of the needs of the pub-

<b>SERVICE PROVISION</b>	
2003	2.2
2002	2.2
2001	2.0
2000	2.0

lic and/or target groups, and the products and services provided are sometimes of a low quality. NGOs and government officials also pay insufficient attention to the quality of services in relation to cost. Despite their range of offerings, NGOs find that they are unable to meet total demand for their products and services, for example, in areas of social service and health care. NGOs are generally regarded posi-

tively by government officials and politicians.

Czech NGOs have been seeking ways to increase their ability to generate revenue in order to compensate for the decline in foreign financial sources. Too many organizations still set the prices for their

services intuitively, as opposed to basing them on real costs, further complicating attempts to evaluate and demonstrate NGOs' effectiveness. To achieve change it will be necessary to increase the quality of financial management, pricing policy and public relations.

### **INFRASTRUCTURE: 3.0**

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There are a sufficient number of information and service organizations in the Czech Republic. Many of these are located in Prague and provide services throughout the country. In other areas, regional service organizations have emerged to fulfill the needs of local NGOs. Over the

#### **INFRASTRUCTURE**

2003	3.0
2002	3.0
2001	3.0
2000	3.0

past year, some of these organizations began networking. The biggest problem service organizations face is their lack of financial sustainability, exacerbated by the low purchasing power of other NGOs and the decreasing number of donors in this area.

The basic range of training courses offered in NGO management, fundraising and public relations is adequate, but there is a lack of specialized education for experienced employees. Furthermore, the quality of lecturers and consultants is not always sufficiently high. Training efforts are also hurt by the lack of domestic literature on relevant topics. Most materials are translations of foreign works which do not reflect the Czech cultural and social environments. In 2003, an electronic database of NGO consultants was launched.

There are several types of local grant-making organizations, including foundations and foundation funds, state bodies and local authorities. In general, grant announcements are not well balanced – while certain geographic areas or types of activities may be covered by several programs, others are not supported at all. Better communication between grant-makers would ameliorate this problem.

There are more than 80 associations in the Czech Republic, including both national and regional, and general and thematic associations. In general, associations covering a specific region or topic operate most effectively, while national and all-encompassing associations may suffer from communication problems and find it difficult to effectively represent NGOs when negotiating with a third partner due to their small membership base. The NGO association ANNO was created in 2003 with the goal of supporting the development of the Czech non-profit sector, primarily through representing NGOs in negotiations with the government and European Union institutions. This association, however, has not received the support of the sector.

Effective intersectoral partnerships are often hampered by a lack of skills and financial resources within the NGO sector, although NGOs are becoming more aware

of the necessity of such partnerships for their future development. One good example of intersectoral cooperation is the Government Council for NGOs, an advisory

body of the Czech government that brings together representatives of NGOs, employees of Czech ministries and regional authorities.

**PUBLIC IMAGE: 2.1**

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NGOs have managed to attract steady attention from both national and regional media. Especially for local media, broadcasting information about NGOs has become a permanent feature of their news coverage. The number of negative news pieces about NGOs is now negligible and in most cases the information is accurate. Media coverage of the sector tends to focus on specific events and activities, paying little attention to explaining the general role of NGOs in society to the public.

PUBLIC IMAGE	
2003	2.1
2002	2.3
2001	2.5
2000	3.0

Recent polls indicate that 63 percent of respondents believe NGOs fulfill an irreplaceable function in society and 76 percent believe that they deserve more attention. Approximately the same percentage of people, however, thinks that financial resources provided to the non-profit sector are not used effectively. Roughly half of respondents were not able to name a single NGO. Most respondents lack information regarding the activities of NGOs and 85 percent complain of low transparency of NGO activities. The public is aware of some specific achievements of NGOs but does not always understand that the work has been done by a non-profit organization. Even the terms “non-profit organization” and “non-profit activity” are often not understood by the public.

NGOs have been trying to change this situation for some time. For example, there have been several promotional and fundraising campaigns organized over the past several years, for example, 30 Days for the Non-profit Sector, The Three Kings’ Collection, and Help the Children. Other efforts to improve the public image of the sector are also being undertaken and are slowly having the desired impact.

Despite criticisms about NGOs’ lack of transparency, almost half of respondents (46 percent) claim that they contribute to NGOs’ activities - most of them through public collections. At present, 416 public collections are registered at the Ministry of the Interior with both national and regional coverage.

Foreign companies view NGOs positively and cooperate with them regularly. This is also true of domestic regional businesses that are more familiar with NGOs’ contributions to community development. This positive perception of NGOs’ work, however, does not always translate into financial support, although corporate social responsibility is being increasingly discussed and promoted. In the case of government entities, NGOs are generally perceived positively in their role as important providers of public services, partners for cooperation and also partners for future European projects.

NGOs with a longer-term horizon are aware of the need to present information to the public truthfully and clearly. For instance, a number of civic associations publish their annual reports even though

## 2003 NGO Sustainability Index

the law does not require them to do so. Nevertheless, there are still significant limits to self-regulation in the sector. For example, NGOs hesitate to publicly criti-

cize unethical behavior within the sector for fear that this would harm the reputation of the sector as a whole.