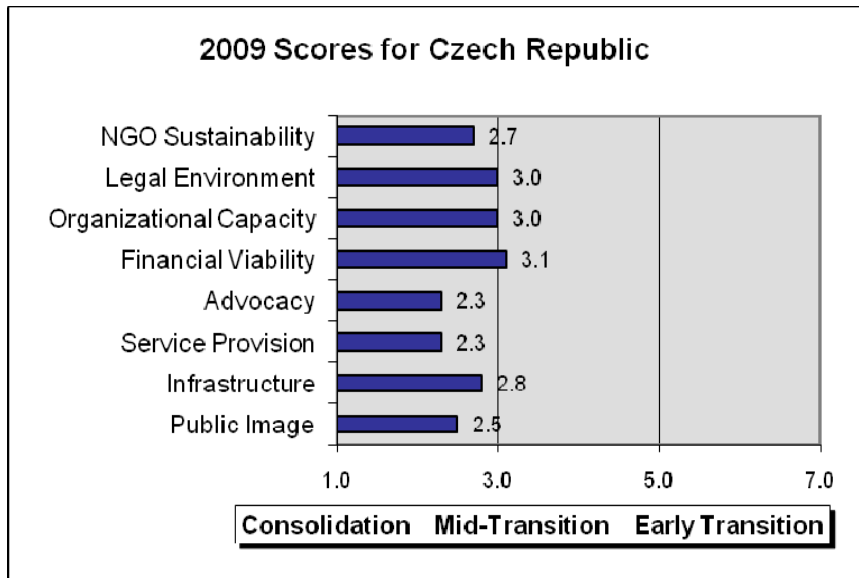


CZECH REPUBLIC



Capital: Prague

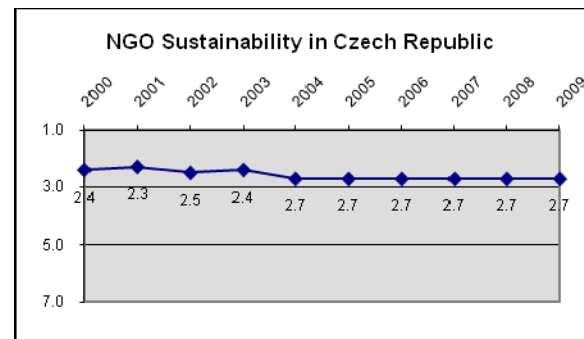
Polity: Parliamentary Democracy

Population: 10,201,707 (July 2010 est.)

GDP per capita (PPP): \$25,100 (2009 est.)

NGO SUSTAINABILITY: 2.7

The Czech Republic’s nonprofit sector consists of civic associations, foundations, endowment funds, public benefit organizations, church-related legal entities, and organizational units of civic associations, such as trade associations. At the end of September 2009, there were 105,758 nonprofit organizations operating in the Czech Republic. The most widespread types of nonprofit organizations are civic associations, which number 68,057.



During the year, the political situation in the country changed significantly. In March 2009, the Chamber of Deputies passed a vote of no confidence in the current government and a caretaker government was formed. Elections were planned for autumn 2009, but were later cancelled by the Constitutional Court. The caretaker government will continue to function until elections are held, probably in the spring of 2010.

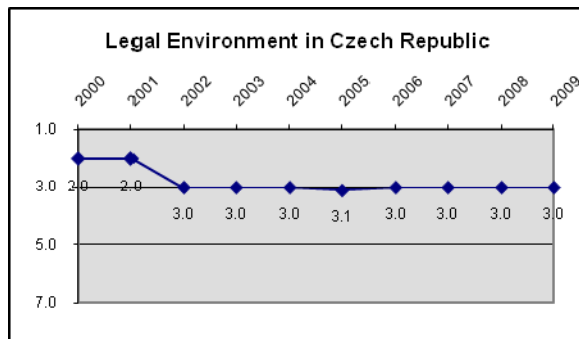
This cabinet has proven to be more helpful to the NGO sector than those of previous governments. In its few months of existence, two legislative amendments concerning the NGO sector were adopted, and at the end of the year, NGO umbrella organizations had the opportunity to meet with the prime minister. The result of the meeting was an increase in the amount of funding designated for social services in the government’s 2010 budget, to a similar level as in 2009.

LEGAL ENVIRONMENT: 3.0

Czech legislation has not yet clearly defined the term “nonprofit organization,” which creates interpretation problems. In 2009, the

government approved an amendment to the Law on Foundations and Endowment Funds that allows foundations to engage in fundraising

activities, and an amendment to the Law on Public Benefit Organizations that makes some important technical changes to the law. The NGO sector supported the amendments, but both still need to be approved by the parliament.



A central public register of nonprofit organizations still does not exist. Registration files for nonprofit organizations are kept in the location of registration. Many civic associations cease operation without going through a legal procedure and without deregistration; as a result, statistics on Czech NGOs are not completely accurate.

The Czech Republic has only a small group of NGO law specialists. Legal consultancy services

are available in Prague and some regional cities, but in rural or more isolated regions access to these services is limited. The legal aspects of the management of NGOs are taught at colleges and several universities. This facilitates the training of qualified NGO managers, but it does not provide the necessary training for lawyers who might specialize in the nonprofit sector. The Czech Republic also still lacks experts who can comment on new legislation and as a result there is no professional platform for doing so.

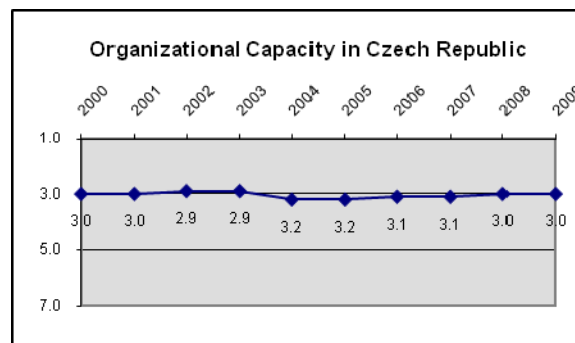
According to taxation laws, subsidies, grants, and donations for NGOs are tax-deductible, and individuals and companies may deduct donations from their tax base. The current maximum allowed deduction, however, is inadequate to motivate potential donors. In 2009, the situation worsened when the tax rate was lowered; with a smaller tax bill, individuals and companies were less motivated to offset their tax liabilities through charitable donations. The tax environment in the Czech Republic is further complicated by inconsistent interpretations of the tax law. For example, a lawyer, an economist, an accountant and a financial office may all interpret it differently.

ORGANIZATIONAL CAPACITY: 3.0

Reduced financial support from EU funds has forced NGOs to develop new skills in the search for new funding; some research and locate new donors, while others strengthen their individual and business fundraising capabilities. The most professional NGOs are planning strategically. Most other NGOs are aware of the need for strategic planning, but the majority still lacks written strategic plans.

Presenting a defined mission is a condition for the registration of all legal nonprofit entities. However, not every organization defines its mission clearly. By law, nonprofit organizations are obliged to define their management structures, including the responsibilities and duties of management bodies, in their founding documents, but these principles are not followed in practice. The majority of donors also require a

clear operating structure as part of the grant procedure.



Certain forms of NGOs such as public benefit organizations, foundations, and endowment funds are obliged by law to act transparently and publish their annual reports, including economic reports and statements from independent

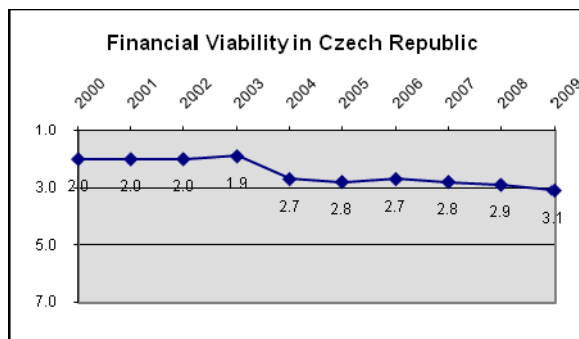
auditors, but not all of them fulfill this requirement. On the other hand, a number of civic associations regularly publicize their reports, although they are not obliged to do so.

The majority of nonprofit organizations have their own employees, but these employees do not always have clearly defined job descriptions and are often only hired for particular projects. Compared to previous years, the employment rate in the nonprofit sector decreased in 2009 due to the economic crisis, and the sector still lacks qualified managers.

Volunteerism is gradually developing. Thanks to the Law on Voluntary Service, accredited volunteer centers prepare and educate volunteers, but NGOs are still not fully qualified to manage volunteers and work with them.

Thanks to financial support and in-kind donations, the NGO sector has sufficient office equipment, but it is often not of an acceptable quality. Most NGO employees are able to use computers and can communicate over the Internet. Still, the sector lacks specialized software, and NGO employees do not always have a high level of knowledge and skills.

FINANCIAL VIABILITY: 3.1



NGOs receive the majority of their finances from domestic sources of support, including EU Structural Funds (which are considered domestic funds, as the Czech Republic is an EU country). The number of NGOs supported by public sources decreased significantly in 2009, for a number of reasons.

More public resources are going to regional offices and town halls to distribute, often to the organizations they have established. According to statistics, the number of organizations created by the government that are receiving government funds has increased over previous years. Projects established by regional offices and town halls and evaluated in 2009 were found to be more successful than those established by NGOs.

Grant programs are tailored more and more to academia and businesses rather than NGOs. Additionally, the impact of the economic crisis

extended to the nonprofit sector in 2009. Proceeds from foundation assets were significantly lower than in previous years. Large corporations, especially international ones, follow the concept of corporate social responsibility, but support from businesses decreased in 2009 due to the economic crisis. Instead of funds, corporations and individual entrepreneurs increasingly provided voluntary support in the form of human capital. Individual donors still constitute the smallest group of donors to NGOs. Despite the crisis, financial support from individual donors did not decrease.

As a result of the crisis, the financial security of NGOs shortened significantly to several months or at most one year. The vast majority of organizations do not maintain financial reserves. Pressure to strengthen NGOs' earned income increased in 2009. NGOs usually sell their services or products, although some (mostly in the social and health care areas) charge only minimal fees.

A lack of financial and marketing management skills has negatively affected NGOs. NGOs are very interested in social entrepreneurship, but most are not particularly skilled at marketing strategies and do not identify with the notion that their primary focus should be on generating their own income.

Donors commonly require annual reports, bookkeeping and audits; however, NGOs' financial management is usually not systematic,

and the sector lacks economists and financial managers.

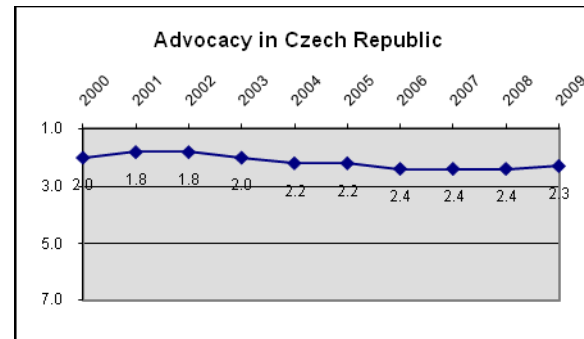
ADVOCACY: 2.3

Communication between the public administration and NGOs is effective at the central level. In 2009, the Government Board for Nonprofit Organizations (RNNO), composed of NGO and government representatives, was active and continued to provide the government with information and policy ideas concerning the nonprofit sector. RNNO also assisted with the passage of the two amendments to laws covering the NGO sector.

At the regional level, NGOs have even more influence and are often asked to submit information for community planning activities or the creation of regional development strategies. In 2009, the NGO Association and the Association of Regions of the Czech Republic agreed to promote cooperation between local governments and local NGOs, though the agreement has yet to bear results.

In 2009, NGOs organized campaigns to encourage solutions to sociopolitical issues in various areas such as the disabled, development aid, human rights, socially excluded groups, violence against children, abused women, and homeless people. In 2009, in connection with the twentieth anniversary of the Velvet Revolution, a student initiative published an appeal to the

citizens of the Czech Republic inviting them to become more involved in community life.



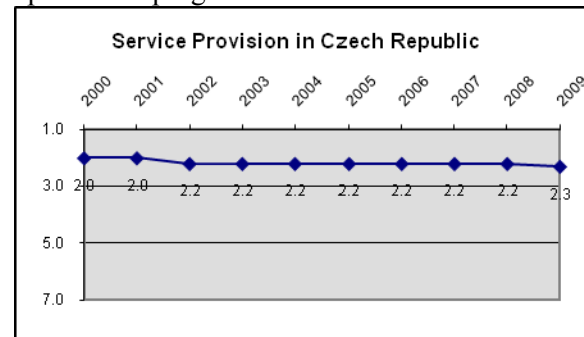
NGOs still do not perceive lobbying as a priority and most do not have a clear lobbying strategy. Nevertheless, they realize that lobbying is necessary in some situations, and some strong interest groups manage to lobby effectively. Public authorities may acknowledge NGOs as official partners, but often only verbally. At the end of 2009, NGO umbrella organizations managed to arrange discussions with the prime minister about possible ways of financing NGOs in the economic crisis. The result was a proposal to adjust the distribution of subsidies, which should speed up the process of transferring government funds to NGOs.

SERVICE PROVISION: 2.3

Most NGO services are of a high professional standard, though the balance between quantity and quality differs in various regions of the Czech Republic. In 2009, as a result of the economic crisis, some services were abolished.

NGOs try to survey the needs of the public; however, for the most part, they do not have the capacity to conduct marketing surveys investigating the actual needs of the public or target groups, so they often estimate the needs. These needs are often connected with priorities

declared by the public administration and operational programs of EU Structural Funds. In



2009, programs financed by EU Structural Funds required NGOs to indicate an existing need that the program would fill, forcing organizations to identify and target a market niche.

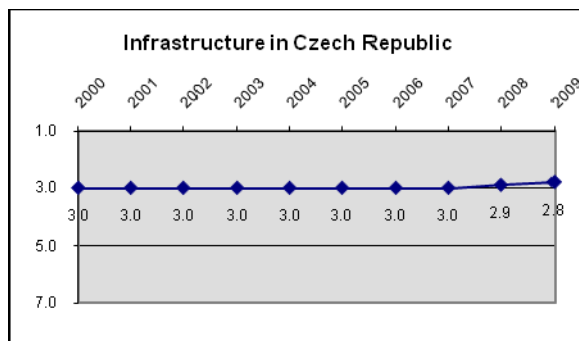
As in the past, NGOs offered public benefit services, mainly in the areas of health care, social care and leisure. Promotion of services via the Internet grew again in 2009.

NGOs generally use appropriate methods to ensure cost recovery. They usually do not calculate the prices of their products using actual expenses; instead, they estimate the price of their products according to the amount that clients and users are willing to pay.

In 2009, the difference between service organizations and GONGOs deepened. The service market is artificially regulated in favor of GONGOs at the expense of NGOs, which get much less funding.

INFRASTRUCTURE: 2.8

The Czech Republic has a growing number of resource centers across the country. Regional administrative offices perform some functions of service organizations such as training and database creation.



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

public administration have been calling for integrated representation of the whole NGO sector. Coalitions with a specific focus such as facilitating donations are developing to solve particular problems.

In 2009, training courses and counseling available to NGOs significantly increased, though their quality is uneven. Some NGOs have established a large number of education programs within the framework of EU funds. Training courses are usually held in Prague and other large cities, but given the size of the country, they are accessible to all applicants.

At the local level, intersectoral partnerships have formed to address the specific needs of stakeholders, and they work efficiently in some regions. Partnerships between NGOs, business, academia, the public sector, and the media continued developing in 2009.

PUBLIC IMAGE: 2.5

The media provided strong coverage of NGO activities in 2009, with reports that were usually neutral or positive. NGOs often appear in regional media, where most coverage focuses on local events. The media provide time to NGO staff members who are considered to be experts on specific issues.

Increasingly, the public realizes that NGOs generally represent their needs, and appreciates

NGOs' work. Philanthropy is rooted in society and is slowly growing.

The government generally perceives NGOs positively. The state and public administration describe NGOs as partners and colleagues, although their relationship is not equal in practice. Corporations include NGOs in their corporate social responsibility concepts, and cooperate with them by providing support for certain issues or regions.

NGOs are beginning to appreciate the relationship between their sustainability and public relations, and are approaching the public to promote their activities. Due to the lack of financial and human resources, NGOs' ability to systematically and effectively develop public relations activities is limited. Recently, however, there have been several competitions to identify the best NGO public benefit campaigns, and organizations responded positively. The winners advertised that status in an effort to improve their image.

The majority of the most important and powerful NGOs have ethical codes and standards for services. They publish them in their

informational and promotional materials and in annual reports. Inaccurate data and a lack of financial information in annual reports, however, negatively influence NGOs' perceived transparency and trustworthiness.

