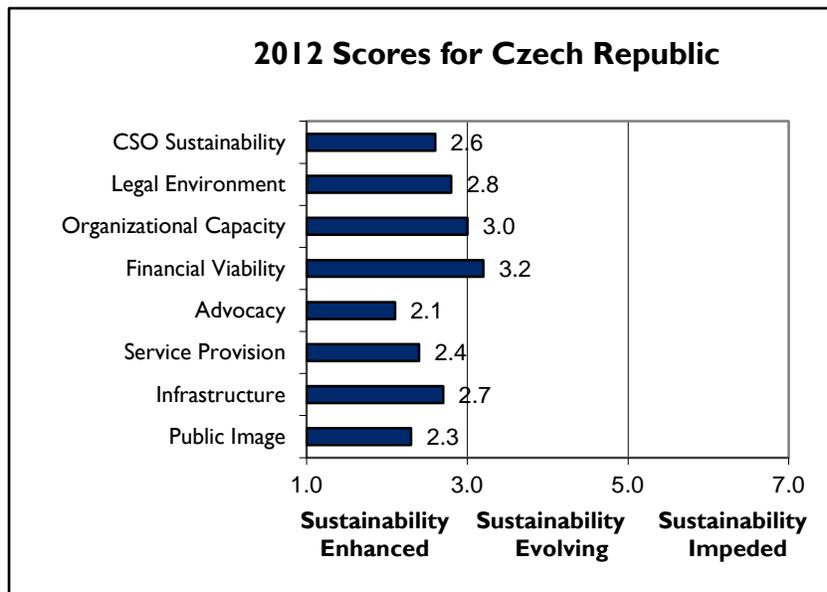


## CZECH REPUBLIC



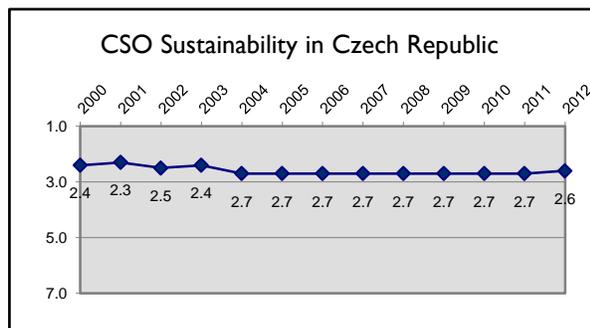
**Capital:** Prague

**Population:** 10,162,921

**GDP per capita (PPP):**  
\$27,200

**Human Development Index:** 28

### CSO SUSTAINABILITY: 2.6



In the Czech Republic, the CSO sector is commonly defined to include NGOs, as well as political parties, political movements, associations of legal entities, church organizations, professional organization/chambers, other chambers, public universities, school corporations, and hunting communities. Czech legislation divides NGOs into five categories: civic associations, public benefit corporations, foundations, endowment funds, and church organizations. According to the latest data from the Czech Statistics Office, there were 103,735

CSOs in the country in January 2011, 92.7 percent of which were civic associations and their organizational units. Church organizations accounted for 4.1 percent, public benefit corporations 1.7 percent, foundations 1.1 percent, and endowment funds 0.4 percent.

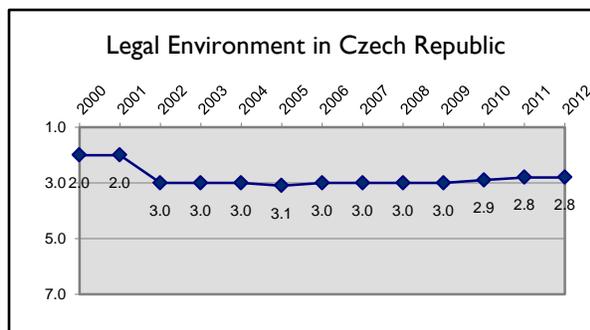
Several corruption cases involving the abuse of EU funds, bribery, and fraudulent public procurements came to light during the year. As a result, one member of parliament was taken into custody, some others were deprived of parliamentary immunity, the First Deputy Minister of Labor and Social Affairs was arrested, and the Minister of Justice was removed. CSOs including Transparency International and the Anticorruption Endowment are heavily involved in combating corruption in the country. Throughout the year, CSOs became acquainted



with the new classifications and legislation established by the Civil Code that will govern the sector when it comes into effect on January 1, 2014.

Cooperation between key players in the CSO sector, who often have diametrically different views and who had not cooperated in the past, deepened during the year. The two groups worked together to create accompanying legislation to the new Civil Code, including the new Law on Public Benefit Status, the Law on Income Tax, and a bill that would allow a civic association to change its legal form to a public benefit corporation.

## LEGAL ENVIRONMENT: 2.8



The legal environment for civil society in the Czech Republic remained largely unchanged in 2012, although CSOs were actively involved in various legislative initiatives including drafting a bill on public benefit status and proposing accompanying legislation to the new Civil Code.

The new Civil Code that comes into effect in 2014 will harmonize the legal forms of NGOs and their activities, and remove the currently non-transparent rules governing civic associations. In addition, an

updated and transparent public register of civic associations will be created.

CSO registration remains free from government obstacles. The registration process ranges from a few days to several months depending on the legal form an organization chooses. CSOs register in various courts and ministries; online registration is not yet available. CSOs provided extensive input to a new registry bill through the Government Council for Non-Governmental Nonprofit Organizations (RVNNO) that will establish the conditions for registration after the new Civil Code comes into effect. However, the bill splits registration duties for civic associations between the Ministry of Interior and registration courts.

CSOs are generally able to operate without harassment from the state. However, several CSOs have expressed apprehension about the new Civil Code, which they fear could limit their ability to operate by substantially changing the current legal forms.

With significant support from the Trust for Civil Society in Central and Eastern Europe, a working group comprised of CSO representatives, legal specialists, and the Ministry of Justice drafted the new Law on Public Benefit Status. The law defines the conditions for obtaining public benefit status and links public benefit status to financial benefits. Also, the Ministry of Finance invited representatives of umbrella and large nonprofit organizations to submit proposals for these state-sponsored fiscal benefits, which will be specified in the Law on Income Tax. These two laws will be discussed further in 2013.

In December 2012, parliament approved a law that would allow civic associations to change their legal form to public benefit corporation until the new Civil Code comes into effect in January 2014. This will allow civic associations that do not fulfill the law's requirements to continue their activities. In particular, it will allow CSOs to continue providing services to non-members.

The Ministry of Education, Youth, and Sports is currently working with the Ministry of Interior to propose long-awaited amendments to the Law on Volunteerism, which have been prepared since 2010.

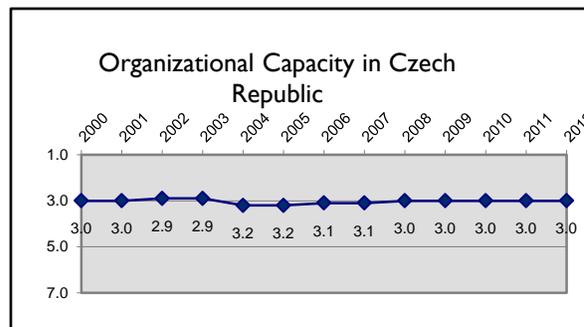
Subsidies, grants, and endowments to nonprofit organizations continue to be tax-deductible. NGOs are allowed to earn income from the provision of goods and services, although only the first CZK 300,000 (approximately \$15,400) of profit is tax-free.

In 2012, CSOs increasingly sought out legal consultations and services to understand the impact of the revisions to the Civil Code. The Czech Republic still lacks specialists in CSO legislation, particularly outside of Prague.

## ORGANIZATIONAL CAPACITY: 3.0

CSO organizational capacity changed little this year. Citizens continue to express their needs through CSOs. For example, in 2012, citizens protested against persistent decreases in state contributions to social and cultural activities. CSOs largely use the Internet and social networks to reach constituents.

The importance of strategic planning increased in 2012. Larger CSOs regularly engage in strategic planning. More and more organizations incorporate strategic planning to meet the requirements of corporate donors. Strategic plans are also important when applying for funding from the EU or the Czech government.



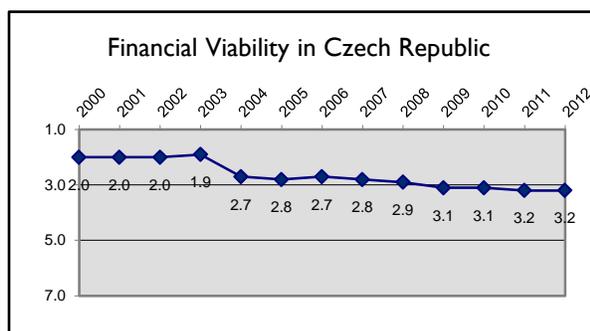
Nonprofit organizations are legally required to define their organizational structures, including their major bodies' powers and obligations, in their charters. CSOs have already begun to prepare for changes to the internal management structures of newly created legal forms of CSOs introduced by the new Civil Code.

While established CSOs often have permanent staff members with designated duties, smaller CSOs still commonly employ staff members on a project-by-project basis. According to the most up-to-date data from the Czech Statistics Office, a total of 101,313 people (converted to full-time employment) worked for CSOs in 2010, down slightly from 106,516 people in 2009.

CSOs registered a growing number of volunteers in 2012, which is attributed to the positive effects of the European Year of Volunteering in 2011. When converted to full-time employment, the equivalent of 25,040 volunteers worked 44 million hours for CSO in 2010, a decrease from the 27,155 volunteers who worked 47 million hours for CSOs in 2009. Accredited volunteer centers train volunteers as stipulated by the Law on Volunteerism. Due to capacity and funding issues, CSOs are unable to utilize large numbers of volunteers at a given time. CSOs generally do not maintain systematic volunteer databases.

The majority of CSOs use modern office equipment and the Internet. Companies often donate used office equipment that is still in good condition to CSOs. CSOs can also access the Internet via libraries and local municipal offices.

## FINANCIAL VIABILITY: 3.2



Overall CSO financial sustainability did not change this year, although increases were noted in the areas of corporate philanthropy and volunteering.

According to the most recent information from the Czech Statistics Office, in 2010, all forms of CSOs received approximately 16.255 billion CZK (approximately \$850.6 million) from the government (up from 16.134 billion CZK in 2009); 11.498 billion CZK (approximately \$601.7 million) from individual donors (down from 12.115 billion CZK in 2009); 2.972

billion CZK (approximately \$155.5 million) from corporate donors (down from 3.017 billion CZK in 2009); and 261 million CZK (approximately \$13.7 million) from foreign sources (the same level as in 2009). The latest data from the Donors Forum indicates that in 2011 the ten largest foundations and endowment funds awarded a total of 466.2 million CZK (approximately \$26.3 million).

According to the most recent data from RVNNO, the government provided 10.862 billion CZK (\$613 million) to NGOs in 2011. Of this amount, 52.9 percent came from the state budget, 14.8 percent was from regional budgets and the budget of Prague, 25.1 percent came from municipal budgets (excluding Prague), and 7.2 percent was from Czech state extra-budgetary funds.

Business representatives engaged more actively in volunteer initiatives in 2012. This positive shift is largely attributed to continuing relationships formed during the European Year of Volunteering.

Several legislative changes impacted the financial viability of the CSO sector this year. For example, tax payments from lotteries and gambling started to go directly to national and local budgets, instead of to CSOs. As a result, CSOs, particularly those that work in the areas of sports, culture, and social services, lost more than 1 billion CZK (approximately \$52 million).

As a result of the deteriorating financial situation in the country over the last few years, resource diversification has become increasingly necessary for survival and CSOs continue to seek non-governmental funding sources. Foundations attempted to diversify their endowments in 2012, primarily by investing in real estate. A growing number of CSOs applied for funding from corporate donors. CSOs also attempt to increase their earned income through the sale of goods and services, although their success at doing this depends on the marketing skills of individual CSO employees. CSO interest in social entrepreneurship also continues to grow. According to the Ministry of Labor and Social Work, the number of grant applications for social entrepreneurship purposes grew from 272 between 2009 and 2011 to 445 in 2012.

The number of CSOs that utilized donor text messages (DMS) to cover organizational costs increased by nearly 30 percent in 2012. However, donors only sent 986,294 DMS in 2012 (down from 1,429,025 DMS in 2011 and 2,256,690 in 2010), bringing 26,629,938 CZK (approximately \$1,360,000) in funding to the sector.

CSOs can compete for public tenders, but they face stiff competition. The government also procures services from CSOs through subsidies and grants. It also issued various calls for grants aimed at building the capacity of social service organizations during the year.

Amendments to the Law on Public Donation Drives that came into effect in July 2012 have simplified individual fundraising initiatives by expediting the establishment of public drives in the wake of emergencies, creating the ability to organize a “traveling” drive, and allowing drives to continue for longer periods of time. It is too early to assess whether these changes will have any impact.

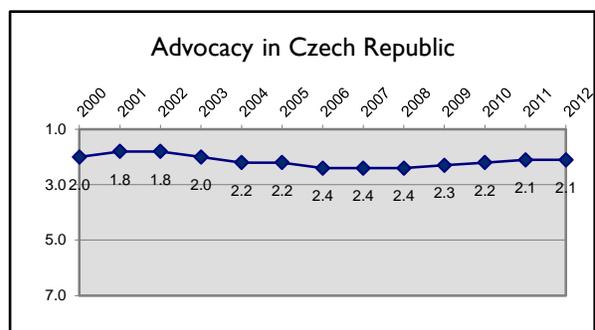
Due to a lack of finance professionals in the sector, financial management in CSOs is not systemic. A lack of financial resources to create specialized positions means that financial managers are often responsible for areas outside of finance, including fundraising, human resources, and client relations.

## **ADVOCACY: 2.1**

In 2012, CSOs continued to cooperate actively with government authorities, organize civic initiatives, and engage in lobbying.

CSOs were represented on a variety of advisory boards and committees at both the national and regional levels during the year. The extent of CSO participation in these committees varies widely; while some authorities actively seek CSO input, others simply view CSO participation as a rule they must follow. The working group on the bill on public benefit status is an example of constructive cooperation between

government and civil society. Some CSOs were members of the advisory board for the Government Anti-Corruption Committee, which allowed them to influence the anti-corruption agenda. CSOs collaborated with other institutions within the Integrated Rescue System (IZS) to ensure coordinated responses for disaster relief operations.



CSOs engaged in a number of advocacy initiatives this year directed at shaping policy. A CSO advocacy campaign, led by the Czech chapter of Transparency International and the Oživení civic association and with substantial influence by the American Chamber of Commerce and the media, culminated in the adoption of amendments to the Law on Public Contracts that would impose stricter conditions on tenders in order to increase the transparency of public spending and limit corruption.

CSOs initiated a campaign against electronic social cards through which social benefits such as unemployment benefits would be paid to beneficiaries. According to the Czech National Disability Council (NRZP), a large number of people will face difficulties accessing their state benefits as of 2013 if they can only withdraw the money from cash dispensers. Both the opposition and government coalition supported proposed CSO changes to the law.

In addition, several social service organizations mobilized support to protest proposed budget cuts and successfully negotiated to reinstitute a portion of the subsidies.

The Auto\*Mat civic initiative promotes public, pedestrian, and bicycle transport as well as more limited use of cars. Its work culminated this year in the rebuilding by the city government of a dangerous passage which has long been criticized by civil society.

In 2012, the Association of Public Benefit Organizations lobbied in the Czech Parliament for a law that would allow organizations to change their legal status from civic association to public benefit corporation. Parliament approved the law in December 2012.

Other CSO advocacy initiatives during the year led to the suspension of a tender on waste disposal due to its lack of transparency and the renaming of Prague Airport to Vaclav Havel Airport. Anti-corruption CSOs continue to work together to influence the governmental anti-corruption strategy for 2013-2014.

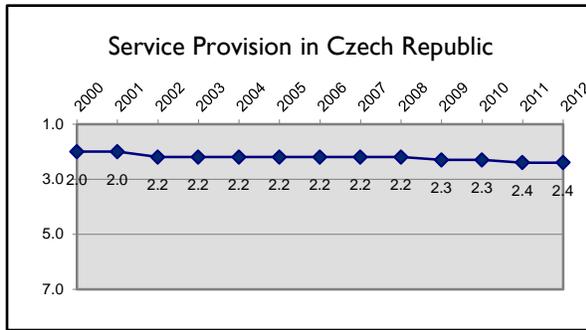
In October 2012, the Senate announced the date for the first direct election of the president of the Czech Republic. CSOs engaged actively in the election, supporting their candidates openly, which was not previously common in the country.

Despite these advocacy successes during the year, CSOs do encounter obstacles when collaborating with state authorities. In particular, state authorities often refuse to fulfill their legal obligations to disclose information under the Freedom of Information Act.

## SERVICE PROVISION: 2.4

CSO service provision changed little in 2012. CSOs in the Czech Republic continue to provide a wide range of services in the social, health, education, environment, leisure, and other areas.

Professional CSOs continue to assess the market situation and evaluate feedback from their constituents. Public benefit services, mainly in the social, health, and leisure fields, continue to be marketed to the broad public.



The government and local authorities continue to purchase CSO services via subsidies and grants although it places certain administrative burdens on CSOs. The government also issues tenders for public contracts. However, due to budget cuts, the government is increasingly directing funding to individuals, not through CSOs. As a result, CSO services are being cut to some extent, but CSOs are trying to find different sources of funding to continue these services.

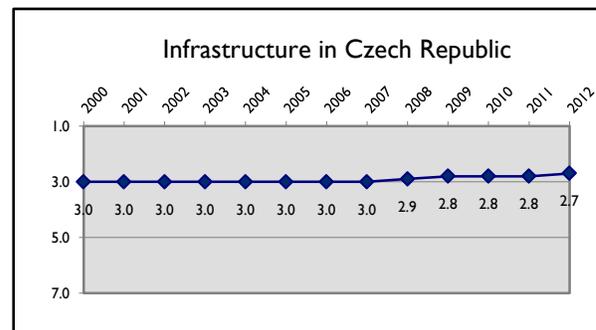
With the exception of registered social service providers, CSOs are legally allowed to charge for their services in order to cover their costs. However, most organizations price their products at a level at which their clients and users are willing to pay, which results in services being sold for significantly less than their actual cost.

The number of CSOs selling goods on the streets decreased due to media criticism of street collections being conducted by fake CSOs and for private purposes, as well as collections that were not implemented in accordance with the law.

## INFRASTRUCTURE: 2.7

CSO support and resource centers continue to operate throughout the country. However, many are dependent on EU funds and their sustainability after EU support ends in 2013 is questionable.

In 2012, more intersectoral partnerships were established to achieve common goals. For example, companies, chambers of commerce, political parties, and CSOs came together to create the Platform for Transparent Public Procurement. Working with the Coalition for Transparent Business, the Platform successfully advocated for amendments to the Law on Public Contracts that increased the transparency of public tenders. On a smaller scale, a bank collaborated with a CSO to transcribe texts for clients with hearing impediments.



Communication and cooperation among CSOs also improved during the year. CSOs with widely divergent interests formed a new working group at the 8th General Conference of Non-Governmental Nonprofit Organizations to work on broad issues such as the participation of CSOs in planning for the 2014-2020 EU programming period.

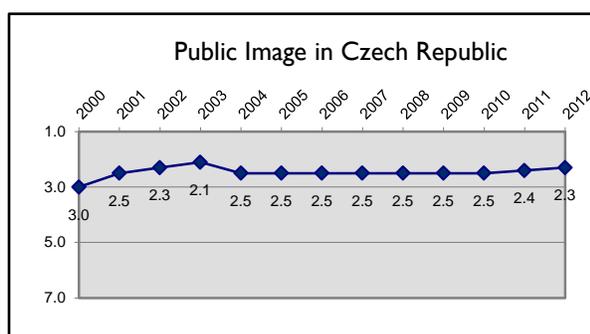
Other coalitions of CSOs are comprised of a limited number of members, and generally focus on specialized thematic issues, such as the environment or humanitarian concerns. In 2012, patient organizations successfully founded the Czech Association for Rare Diseases (ČAVO), a new umbrella organization. During the year, ČAVO participated in the interdepartmental working group on rare diseases at the Ministry of Health, where they contributed to the National Action Plan for Rare Diseases for 2012 to 2014. Additional coalitions are created on a project-by-project basis.

RVNNO had its first session in October. At the end of 2012, the Council organized a seminar for CSOs to raise awareness of the risks of acting in a non-transparent manner, including vulnerability to money laundering and terrorism financing.

In 2012, a few CSO resource centers, such as Nonprofits.cz, the Association of Public Benefit Organizations, and Spiralis, responded to the increased demand for training and information on the new Civil Code. Topics included the new nonprofit legal forms, as well as the implications of choosing a specific form and the potential to change legal forms. Businesses offered free training to nonprofits in areas including financial literacy and fundraising as part of their corporate volunteering programs. The applicability of these trainings is limited, however, due to the lecturers' lack of experience with CSOs. Training materials are provided in the Czech language and trainings generally take place in Prague and other large cities.

While no new grantmaking organizations were established in 2012, the Czech Republic continues to have a vibrant grantmaking community. However, grantmaking organizations have seen their financial resources dwindle over the past few years.

## PUBLIC IMAGE: 2.3



CSO cooperation with the media improved this year. CSOs increasingly recognize the need to maintain contacts with journalists and the media at large. The media continues to seek the expertise of CSO representatives on particular issues and CSO experts appear on the TV news on a daily basis. For example, Transparency International Czech Republic and the Anticorruption Endowment frequently appear in the media to comment on issues connected to corruption. Regional media outlets provide greater coverage, but give preference to organizations with which they have

personal connections. National media are generally more interested in issues like transparency, development of the CSO sector, or the impact of budget cuts on the third sector. Media now has more possibility to present CSOs' donors and sponsors, as it is no longer considered advertising.

Although public recognition and appreciation of nonprofit organizations fluctuates depending on the region, the general public continues to appreciate the importance of CSOs to local communities. Well-known organizations are generally perceived as being the most trustworthy. The increasing level of funds raised by the largest public collection in the Czech Republic, organized by Czech Caritas, shows the growing public trust in CSOs. In 2012, this collection raised 75,256,532 CZK (approximately \$3.8 million), up from 72,711,009 in 2011 and 68,715,338 CZK in 2010.

The government and business sectors generally perceive CSOs favorably due to their expertise on various issues. Collaboration with government, however, is often less equal in practice. Some companies simply collaborate with CSOs in order to claim credit for incorporating them into their corporate social responsibility (CSR) initiatives. The concept of CSR has spread to small and medium-sized enterprises and also to various regions outside of Prague. Cooperation between CSOs and businesses is recognized by the annual CSR competitions TOP Filantrop (organized by the Donors Forum) and Via Bona (organized by the Via Foundation).

In 2012, corporate donors worked with CSOs to develop their professional public relations capacity. For example, several companies offered CSOs assistance in writing press releases to increase their media presence. Grada Publishing published the book *Public Relations, Fundraising and Lobbying for Nonprofits*. Nonprofits.cz organized the sixth annual competition for the best public benefit campaign this year. Despite CSO recognition of public relations as an important tool, efforts to increase public relations capabilities are impeded by insufficient staff capacity and limited financial resources.

The most professionally run CSOs have developed ethical standards and codes, but do not adequately publicize them. Research conducted in 2012 by Pavel Bachmann on CSO transparency showed that 69 percent of church organizations, approximately 31 percent of public benefit corporations, foundations, and endowment funds, and only 8.5 percent of civic associations publish annual reports on their websites. Some CSOs issue high-quality annual reports that can be used as promotional and fundraising materials, while others do not publish annual reports at all, or only issue poor quality ones.