

**State Policy with Respect to Non-Governmental  
Organizations for the Years 2015 – 2020**



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## LIST OF TERMS AND ABBREVIATIONS

<b>CSR</b>	Corporate Social Responsibility
<b>CR</b>	Czech Republic
<b>CZSO</b>	Czech Statistical Office
<b>VAT</b>	Value Added Tax
<b>EEA</b>	European Economic Area
<b>ESIF</b>	European Structural and Investment Funds
<b>EU</b>	European Union
<b>NPI</b>	Non-Profit Institutions
<b>FIF</b>	Foundation Investment Fund
<b>NPISH</b>	Non-Profit Institutions Serving Households
<b>NGO</b>	Non-Governmental Organization
<b>Civil Code</b>	New Civil Code
<b>Analysis</b>	Analysis of the funding of non-governmental organizations from the public budgets
<b>GCNGNPO</b>	Government Council for Non-Governmental Non-Profit Organizations
<b>Principles</b>	Principles of the Government for the provision of grants from the state budget of the Czech Republic to non-governmental organizations through the central bodies of the state administration



# 1. NGOs in the Czech Republic

## 1.1. NGOs in the Czech Republic and their typology

NGOs are private legal persons and are among the formalized structures of the civil society – in addition to churches, trade unions, professional associations, political parties and numerous non-formalized structures. In democratic circumstances, most of these groupings serve to strengthen the participation of citizens in the public life and to address public issues. A few of them serve to secure and develop the interests of their own members.

The development of the involvement of Czech citizens in addressing public issues is demonstrated in Table 1, which was taken from a study by P. Frič:<sup>1</sup>

**Table 1: Involvement of Czech citizens in addressing public issues in %**

	2002	2007	2008	2009	2010	2012	2014
Often	3	2	2	2	1	2	2
Sometimes	18	13	13	8	12	13	12
Rarely	32	33	33	28	30	34	30
Never	47	52	51	61	56	50	55
Total	100	100	100	100	100	100	100

Source: Public Opinion Research Center 2014b, N = 1,000.

In the Czech Republic, 108,528 private entities with legal forms typical of NGOs (see Table 2) were registered in 2013. The individual legal forms are specified in the second part. As is evident, the sector of registered NGOs is very large; however, it can be assumed that a number of them exist only *de iure* and do not pursue any activities. It will be possible to estimate the number of such NGOs only after the lapse of the three-year period, given by the Civil Code to non-governmental organizations to complete their transformation.

**Table 2: Development of the number of NGOs in the years 2005 – 2013**

Year	Foundation	Endowment funds	Public benefit corporations	Associations	Religious legal persons	Organizational units of associations
2005	293	998	1,208	55,473	4,647	33,355
2006	302	1,042	1,369	58,915	4,503	30,749
2007	302	1,100	1,543	62,370	4,487	31,230
2008	379	1,157	1,721	66,079	4,439	31,629
2009	413	1,229	1,870	69,154	4,358	32,272

<sup>1</sup> Frič, P.: “Občanská společnost a definice NNO, vývoj, stav a trendy”.

2010	477	1,280	2,031	72,620	4,362	32,696
2011	487	1,358	2,208	76,126	4,376	33,599
2012	493	1,400	2,409	79,462	4,373	34,656
2013	532	1,430	2,685	84,430	4,172	34,536

*Source: Prouzová, Z.: “Data a fakta o neziskovém sektoru v ČR”.*

*Note: Including churches whose purpose-built facilities form approximately 5 % of religious organizations; purpose-built facilities of churches are not monitored separately<sup>2</sup>. The table also includes trade unions that were close to civic associations in terms of legislation. – The GCNGNPO does not consider these to be NGOs.*

Typical NGOs have the characteristics specified in the internationally shared definition of NGO<sup>3</sup>, the authors of which are L. M. Salamon, an American sociologist, and H. K. Anheier, a German sociologist. This definition was prepared in the 1990s as a response to the need to define specific and actual characteristics of private non-governmental organizations that will also apply internationally regardless of various national or local specifics and enable international comparison. The characteristics are as follows<sup>4</sup>:

- **Organization** (a permanent, formalized structure)
- **Private nature and independence of the state** (private legal status)
- **No distribution of profit** (among members and persons authorized to make decisions)
- **Self-administration** (internal structure)
- **Volunteering** (as in “with the participation of volunteers”)

It is impossible to accurately categorize this large set of legal persons and appreciate its heterogeneity. Nevertheless, there is a simplified classification of the types of NGOs in terms of one of the major characteristics, i.e. their function. In terms of function, NGOs are classified as follows:

- **Service NGOs**
- **Advocacy NGOs**
- **Special-interest NGOs**

<sup>2</sup> Purpose-built facilities are recorded separately in the Register of Legal Persons kept by the Ministry of Culture.

<sup>3</sup> Professor Lester M. Salamon (1943) is a professor at Johns Hopkins University in Baltimore. He is one of the first sociologists dealing with the non-profit sector and the civil society on a global scale. Professor Helmut K. Anheier (1954) is a professor at the University in Heidelberg and Dean of the Hertie School of Governance. His book entitled *Nonprofit Organizations* is considered the first textbook in this area.

<sup>4</sup> Skovajsa, M. et al.: “*Občanský sektor, organizovaná občanská společnost v České republice*”, Portál 2010.

- **Philanthropic NGOs**
- **Service NGOs** provide direct services to their clients, i.e. they directly address public issues. Typically, this group includes NGOs providing social services, NGOs in the area of health care and social inclusion or in the area of development cooperation and humanitarian aid. These are generally non-member NGOs which aim at their professionalization or have already achieved it. The service and legal functions of the NGO often blend, and the NGO thus performs both functions at the same time in a certain proportion.
- **Advocacy NGOs** fight for the rights of defined groups or selected public interests. Their activities consist in the enforcement or prevention of changes with respect to public or private institutions. They play a major role in the enforcement of the principle of equality and non-discrimination, and in the protection of minority interests and the public interest, such as the protection of health, the environment and consumer rights. In terms of structure, these NGOs can be either membership organizations (civic associations, now associations) or non-membership organizations (public benefit corporations, foundations and endowment funds).
- **Philanthropic NGOs** financially and materially support community and welfare activities. Typically, these include foundations and endowment funds.

**Table 3: Evaluation of the advocacy capacity of Czech non-profit organizations<sup>5</sup>**

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
2.0	1.8	1.8	2.0	2.2	2.2	2.4	2.4	2.4	2.3	2.2	2.1	2.1	2.0

*Source: USAID 2013.*

<sup>5</sup> The evaluation is performed in a number of countries all over the world on the basis of the assignment and methodology of the USAID every year; in the Czech Republic, the evaluation is regularly performed by Neziskovky.cz, o.p.s. as part of an expert group. The Civil Society Organization Sustainability Index (CSOSI) is a key analytical tool which measures the development of the civil sector in Central and Eastern Europe and Eurasia (E&E). The index monitors the development of the civil sector in twenty-nine countries over the past fifteen years. It examines the overall favorableness of the environment for the civil society with a focus on the legal environment, the organizational base, financial security, the enforcement of interests, the provision of services, infrastructure and public image. Each dimension is evaluated on a scale from 1 to 7, where 1 indicates a very advanced level of development and 7 indicates a low level of development. The index was developed in the American Agency for International Development in collaboration with organizations in the individual countries where the index is monitored.

For comparison, we state the values of the index of sustainable development in 2013 for some other countries: Poland 1.6, Estonia 1.8, Latvia 1.9, Lithuania 2.0, Ukraine 2.3, Slovakia 2.5, Bulgaria 2.7<sup>6</sup>.

- **Special-interest NGOs** form the most numerous group of NGOs in the Czech non-profit sector. They focus on organizing special-interest activities either only for their members or for the general public as well, where their activities resemble services provided to certain groups. This group typically includes NGOs in the field of sports and culture and traditional village special-interest associations (for example Sokol, beekeeping associations, volunteer fire departments etc.). Special-interest NGOs are based solely on the principle of membership.

**Table 4: Typology of NGOs in the Czech Republic according to their functions**

<b>Function</b>	<b>Main activity</b>	<b>Internal structure</b>
<b>Service</b>	Social and health care Education and research Humanitarian aid and charity Culture Development cooperation and humanitarian aid	Mostly non-membership
<b>Advocacy</b>	Protection of the environment Protection of human rights Enforcement of equality and non-discrimination Protection of the rights of minorities Protection of animals Protection of consumer rights Fight against corruption etc. Cultural activities	Membership as well as non-membership
<b>Special-interest</b>	Sports Leisure Beekeepers, huntsmen, gardeners Community associations Other	Membership
<b>Philanthropic</b>	Providing grants and donations	Mostly non-membership

*Source: Frič, P.: “Občanská společnost a definice NNO, vývoj, stav a trendy”.*

*Note: The table presents the dominant functions and activities of NGOs (there are overlaps in the division of the functions)*

<sup>6</sup> Source: <http://www.usaid.gov/europe-urasia-civil-society>

## 1.2. Macroeconomic indicators concerning NGOs

Standard macroeconomic indicators developed for the needs of data collection from the market sector and extracted from the CZSO NPI satellite account provide a very incomplete picture of the non-profit sector. Nevertheless, these indicators in context may serve as one of the sources of information about NGOs, and that is why they are stated here.

The following economic data on the productivity of this segment of economic life can be obtained from the aforementioned NPI satellite account, which currently contains the latest data for 2012. However, it is again necessary to note that these are private entities classified under the definition of NPI, therefore broader than NGOs according to the GCNGNPO, whereby the data on NGOs are rather misrepresented, but not significantly.

**Table 5: Development of the production of the Czech non-profit sector in the years 2005 – 2012<sup>78</sup>**

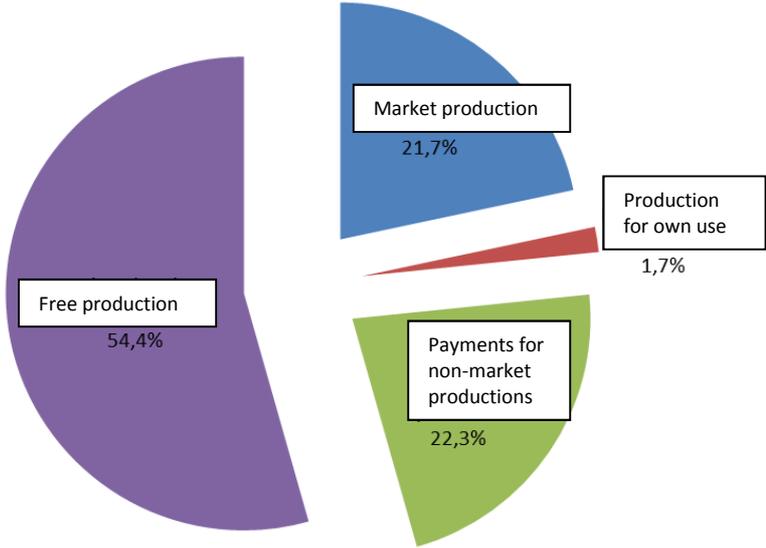
Year	Production in millions CZK for NPIs in S.11 and S.12	Production in millions CZK for NPIs in S.15	Production in millions CZK total (NPIs in S.11, S.12, S.15)
2005	4,509	42,938	47,447
2006	5,661	45,842	51,503
2007	4,486	51,422	55,908
2008	4,833	48,682	53,515
2009	5,732	48,559	54,291
2010	6,152	48,930	55,082
2011	6,814	49,326	56,140
2012	6,281	49,929	56,210

Source: Prouzová, Z.: “Data a fakta o neziskovém sektoru v ČR”.

<sup>7</sup> The production consists of the products and services created during the fiscal period.

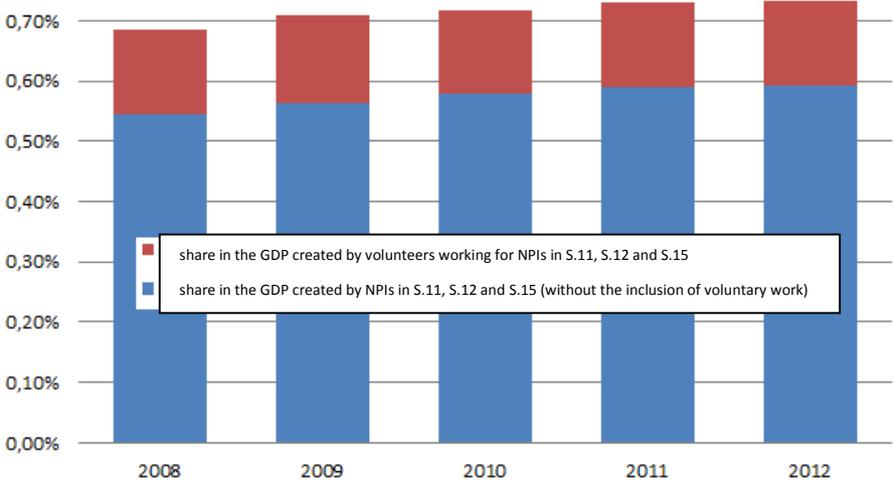
<sup>8</sup> Data for NPIs in institutional sectors S.11, S.12 and S.15, i.e. foundations, endowment funds, public benefit corporations, educational legal persons, associations, their organizational units, political parties and movements, religious organizations, chambers and professional associations, special-interest associations of legal persons and hunting associations.

**Chart 1: Structure of the production of the Czech non-profit sector in 2012<sup>9</sup>**



The share of the Czech non-profit sector in the gross domestic product of the Czech Republic is around 0.7 % in the recent years. Work performed by volunteers accounts for 0.15 %, as is shown in Chart 2.

**Chart 2: Development of the share of the Czech non-profit sector in the GDP of the Czech Republic<sup>10</sup>**



<sup>9</sup> Note: Data for NPIs in institutional sectors S.11, S.12 and S.15, i.e. foundations, endowment funds, public benefit corporations, educational legal persons, associations, their organizational units, political parties and movements, religious organizations, chambers and professional associations, special-interest associations of legal persons and hunting associations.

<sup>10</sup> Note: Data for NPIs in institutional sectors S.11, S.12 and S.15, i.e. foundations, endowment funds, public benefit corporations, educational legal persons, associations, their organizational units, political parties and movements, religious organizations, chambers and professional associations, special-interest associations of legal persons and hunting associations.

### **1.3. Human resources in NGOs**

As regards the NGO development trends, it is necessary to pay attention to three most important parameters of these organizations which are characteristic of their existence and development, rather than to the economic performance of this segment of the national economy. These parameters include the human potential that forms NGOs. Three groups of people – NGO members, volunteers and employees – create the NGO environment in terms of the individual forms of involvement. The NGO transformations over the last few years can be monitored on the basis of the development of member involvement, volunteering (i.e. the number of volunteers and the volume of their work) and the degree of professionalization of some NGOs in connection with the development of the number of employees.<sup>11</sup>

In this context, it is necessary to mention two phenomena which are distinguishable in the area of participation of people, i.e. the civil society, in public life. These are the participation of individuals and the so-called transactional activism.<sup>12</sup>

#### **1.3.1. Membership in NGOs**

The number and influence of NGOs apparently keep increasing; however, upon a closer examination of this trend, we find that on the one hand, there are more and more non-membership NGOs and, on the other, there is the opinion that the number of members of some traditional NGOs based on the membership principle is decreasing<sup>13</sup>.

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<sup>11</sup> Frič, P.: “*Občanská společnost a definice NNO, vývoj, stav a trendy*”.

<sup>12</sup> Transactional activism is the activism of civic organizations without the involvement (mobilization) of the public. The organizations do apply themselves to activities focused on influencing the decision-making processes (public policies) but without the mobilization of the membership base and without the participation of citizens in the communication with politicians and officials. The organizations try to influence the public policy in the form of moderate strategies, such as negotiations (behind closed doors), lobbying, lawsuits, expert's reports etc. The counterpart of transactional activism is participatory activism of civic organizations (Frič, P.).

<sup>13</sup> Frič, P.: “*Občanská společnost a definice NNO, vývoj, stav a trendy*”.

The fact that NGOs are established and operated as non-membership organizations or organizations with a very small and rather formal number of members or that they keep losing their members indicates that these organizations are becoming distant from citizens and that their existence is no longer indicative of citizen involvement<sup>14</sup> – citizens rather become the clients of NGOs who use NGOs’ products. Therefore, NGOs are nowadays less and less used as tools of the active participation of citizens in public life in the form of membership in these organizations. This rule applies in particular to service and advocacy NGOs, to a lesser extent to special-interest NGOs, although a number of those is apparently losing members as well (with the exception of volunteer fire departments, the attractiveness of which, especially for the youth, is a remarkable and little reflected phenomenon). Nevertheless, some NGOs can rely on public support even if they are not membership organizations – they receive financial and material aid as well as respect and liking for their activities.

For illustration, the following table is included, resulting from the research by P. Frič and T. Pospíšilová dated 2009, which also captures the issue of the so-called virtual activism. Virtual activism is the activism of citizens focused on influencing public affairs through electronic media. The virtual citizen activism includes all Internet activities of citizens towards influencing the public space in the given society. This includes not only an easy signing of petitions and the distribution of information via mailing lists but also the participation in discussion groups and communities discussing public affairs or topics of the public policy, i.e. it is actual “opinion-creating work” (Bělohradský). It further includes mobilization virtual activities e.g. of organizational and coordinating nature leading to actual (protest) activities (e.g. ethical consumerism events), boycotts, demonstrations, blockades etc.

**Table 6: Membership in the individual areas of operation of non-profit organizations**

Area of operation	Virtual activists <sup>15</sup>	Total population aged over 14 years
Work with children and youth	33	4
Ecology	31	5
Culture	23	11
Defense of rights and interests	22	2
Religious	15	7

<sup>14</sup> Frič, P.: “*Občanská společnost a definice NNO, vývoj, stav a trendy*”.

<sup>15</sup> The new model of civil activism of the 21st century has many titles – virtual activism, cyberactivism, online activism, digital activism, net-activism, hactivism etc.

<b>Medical services</b>	14	5
<b>Sports</b>	13	13
<b>Social services</b>	4	6
<b>Traditional special-interest organizations (huntsmen, breeders, gardeners...)</b>	3	13
<b>Volunteer fire departments</b>	2	13

Source: Frič, P., Pospíšilová, T.: VHD, 2009, N = 3,811. Data in %.

### 1.3.2. Volunteering

Volunteering has two forms in the NGO structures. It means either voluntary service governed by Act No. 198/2002 Coll., which is institutionally and financially supported by the state and is minority, or broad volunteering (performed especially under NGOs), which does not fall under the aforementioned Act.

The number of volunteers under voluntary service is around 20,000 people in accredited programmes in over 100 NGOs supported by the Ministry of the Interior<sup>16</sup> every year.

Volunteering in the broad sense of the word is a general concept and includes volunteers as natural persons as well as their unpaid work motivated by the determination to help. Volunteering is one of the primary characteristics of NGOs and it is the prerequisite for the existence of individual NGOs and the entire non-profit sector. Volunteers form the predominant part of the total workforce in NGOs, approximately 78 % of all human resources which work in NGOs.<sup>17</sup> Voluntary work / activity creates values, increasing the value of the work performed by NGOs for the public, and the “price” of such work / activity is thus decreased in the quasi-market of various services and activities. Volunteering cannot be entirely separated from free work of members in membership NGOs. Membership volunteering forms a large part of voluntary activity / work.<sup>18</sup>

<sup>16</sup> Ministry of the Interior, 2014

<sup>17</sup> Tošner, J.: “*Studie o dobrovolnictví*”.

<sup>18</sup> Activities carried out as part of membership duties are not considered voluntary activities pursuant to Act No. 198/2002 Coll., on Volunteer Service, as amended, and pursuant to the draft substance of the Act on Volunteer Service that has undergone the interdepartmental comment procedure.

As regards volunteers outside voluntary service, two types of data can be used, either data from surveys sometimes conducted by some sociological departments or data of the CZSO, which however only monitors volunteering only in NPIs with more than 10 employees, which definitely are not typical volunteer NGOs. Moreover, the CZSO does not consider voluntary activity / work of members of membership NGOs as voluntary work. Therefore, the CZSO data are misrepresented to a considerable extent and do not cover volunteering in its entirety.

**Table 7: Development of the number of volunteers in the Czech Republic (calculated in FTEs) and the valuation of voluntary work in CZK**

Year	Calculated number of volunteers	Number of hours worked by volunteers	Valued voluntary work in millions CZK	Median of salaries in the CR in CZK
2005	36,138	62,988,539	6,236	99.00
2006	28,045	48,884,067	5,177	105.91
2007	47,776	83,225,489	9,429	113.29
2008	27,255	47,205,654	5,666	120.02
2009	27,144	47,177,188	5,769	122.29
2010	25,039	44,320,933	5,516	124.46
2011	25,983	45,185,506	5,671	125.51
2012	25,964	44,866,218	5,671	126.39

Source: CZSO 2015 in Prouzová, Z.: “Data a fakta o neziskovém sektoru v ČR”.

However, recent surveys show that the number of volunteers in various areas and organizations (i.e. including NGOs), such as social and health services, sports, museums, libraries, leisure centers etc., reaches almost two million people.<sup>19</sup> This concerns 29 % of population over 14 years of age. It also follows from researches conducted in the area of voluntary work, especially researches by P. Frič and T. Pospíšilová, that the development in the area of voluntary work stagnates from the 1990s to 2009. This phenomenon can also be documented using the CZSO data, although these data differ in many aspects.

<sup>19</sup> Tošner, J.: “Studie o dobrovolnictví”.

Despite the stagnation in the development of voluntary work, the situation in this area is relatively good in the Czech Republic. With a 29% share of voluntary work in population over 14 years of age, the Czech Republic ranks eighth among the EU Member States.<sup>20</sup>

Voluntary work is an extremely positive phenomenon. It is indicative of the mood of the society and the willingness of its members to be active, show solidarity with the weak and participate in addressing public issues. The activity of citizens is actually the manifestation of a certain kind of faith in formal structures in the sense that citizens think it worthwhile not to be passive in a certain system. Therefore, voluntary activities deserve universal support and a manifestation of respect of state institutions. If the state visibly demonstrated this support and respect, it is likely that the stagnation of the development of voluntary activities would cease and voluntary activities might see further development.

The EU and the United Nations attach a great importance to the development of voluntary activities as one of the forms of involved citizenship. This is demonstrated by the repeated announcement of Years of Volunteering – the last one was announced by the EU in 2011. These events, so far always joined by the Czech Republic, meant a shift in the development and perception of volunteering and volunteers.

### **1.3.3. Professionalization of NGOs and development in the area of employment in NGOs**

The basic criterion in the assessment whether a NGO is professionalized or has embarked on the journey towards professionalization is the fact that the NGO has paid employees. The NGO professionalization is manifested not only in the professional performance of activities for which the NGO was established, but also in the implementation of managerial and programme direction of the organization, personnel policy etc. The professionalization trend can be observed not only in the presence of employees in the target activities but also in the hiring of employees who ensure the running of the organization as such (directors, finance directors, economists, fundraisers, PR managers, lawyers etc.).

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<sup>20</sup> Frič, P.: *“Občanská společnost a definice NNO, vývoj, stav a trendy”*.

One of the trends in the non-profit sector that pertains especially to professionalizing NGOs but not only to them is an increasing realization of the need for transparency and trustworthiness of non-profit organizations in relation to the public and donors. Although it is still a limited group in terms of numbers, these NGOs want to be transparent and trustworthy entities, beyond the framework of the applicable legislation. Self-regulating mechanisms in the non-profit sector, such as the evaluation of the trustworthiness of non-profit organizations, thus arise.

In particular service and partially also advocacy NGOs have embarked on the journey towards professionalization. The NGO professionalization is a relatively new phenomenon that strengthened after 2005, i.e. after the Czech Republic joined the EU. In the first step, professionalization was enforced by state funds provided by the public administration. To an increased extent, this applies to aid from the EU funds.

The NGO professionalization undoubtedly has its positives but also negatives. The NGOs which have embarked on the journey towards professionalization have become transparent and well-managed companies that provide high-quality and demanded services free of charge or for considerably lower prices than business entities and often state institutions. These NGOs frequently closely cooperate with the public administration in the long term in mutually created links and with the expectations of mutual responsibility.

On the other hand, the principles of their internal democracy, necessary for the citizen participation, are pushed back by the need for professional management<sup>21</sup>, and the membership base, consisting of amateurs, becomes redundant for such NGOs or even becomes a disincentive. Therefore, professionalized NGOs apparently cease to be the platform for citizen participation of the membership type in public life because on the one hand they cease to be attractive to the public and on the other they no longer need any membership base to be legitimate, as expert knowledge has replaced this base. Nevertheless,

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<sup>21</sup> Frič, P.: *“Občanská společnost a definice NNO, vývoj, stav a trendy”*.

these NGOs can, through working for their target groups, activate these groups of people in other ways.

The connection of these NGOs with the public administration and political elites and their professionalism give them the ability to achieve their goals without the participation of the public (transactional activism) and, at the same time, evokes a certain feeling of exclusivity.

However, professional or professionalizing NGOs are not very numerous yet. If we use the premise that these are NGOs which are successful in the repeated obtaining of state financial aid, as their activities are on such a level that state authorities “buy” them, we can talk about approximately 2 – 3 % of all registered NGOs.<sup>22</sup> If we include all the state budget aid in this criterion, we will reach about 5 % of the total number of NGOs.

As has already been mentioned, an important indicator of professionalizing NGOs is the number of employees and its year-over-year development. As is shown in Table 8, the number of employees (calculated in FTEs) in NPIs (according to the CZSO) slightly increases every year but still remains very low.

**Table 8: Development of the number of employees in NPIs<sup>23</sup> in the years 2005 – 2012 according to the calculated FTEs**

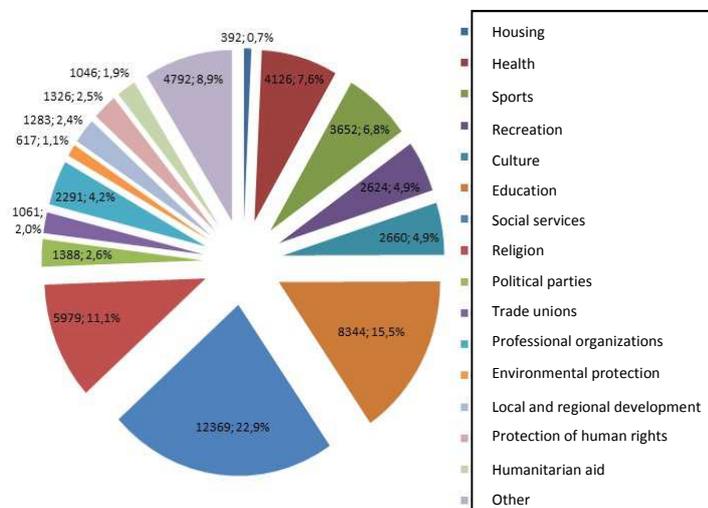
Year	Number of employees for NPI in S.11 and S.12	Number of employees in S.15	Total number of employees
2005	4,269	37,358	41,627
2006	4,570	39,655	44,225
2007	4,015	44,682	48,697
2008	4,512	45,841	50,353
2009	5,456	45,862	51,318
2010	5,499	47,498	52,997
2011	5,635	47,960	53,595
2012	5,705	48,521	54,226

<sup>22</sup> Analysis of NGO funding from public budgets in 2013.

<sup>23</sup> Data for NPIs include foundations, endowment funds, public benefit corporations, educational legal persons, associations, their organizational units, political parties and movements, religious organizations, chambers and professional associations, special-interest associations of legal persons and hunting associations.

Source: Prouzová, Z.: “Data a fakta o neziskovém sektoru v ČR”.

**Chart 3: Employees in NPIs according to sectors in 2012**



Source: Prouzová, Z.: “Data a fakta o neziskovém sektoru v ČR”.

The situation as regards employees can be specified by the survey dated 2009 in 100 NGOs (according to the GCNGNPO) which were asked the following question:

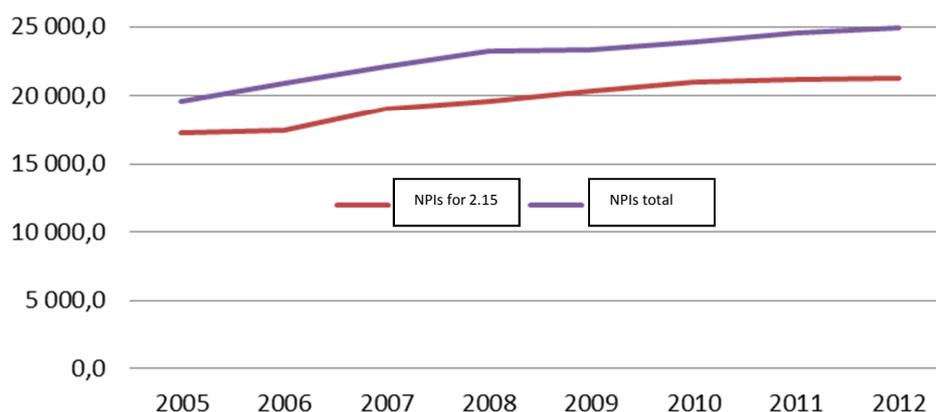
**Table 9: Does your NGO have paid employees?**

	Yes	No	Total
Special-interest organizations	26	74	100
Service organizations	71	29	100
Advocacy organizations	51	49	100

Source: Frič, P., Pospíšilová, T.: VHD 2009, N = 3,811. Data in %.

It is typical of the employees of these organizations that they receive lower salaries on average compared to other segments of the national economy. This can also be seen in Chart 4 despite the fact that salaries were monitored for all types of NPIs, which rather distorts the data. If it had been possible to monitor only the salaries in NGOs, they would have been even lower on average.

**Chart 4: Development of the average gross monthly salary according to the national accounts in the years 2005 – 2012**



#### ***1.4. Networks and umbrellas of NGOs, resource centers – the networking process***

The so-called networking is the process of NGO connecting in order to fulfill the shared interest of members of these groupings. The characteristic feature of this process is the fact that the networks and umbrellas are established and formed by autonomous NGOs, i.e. they are not associations created by the “parent” and the branches established by it.<sup>24</sup>

Although the non-profit sector in the Czech Republic is atomized and highly individualist, more or less successful attempts of NGOs at connecting into formalized networks and umbrellas or informal groupings have been under way since the 1990s. The process of “networking” of Czech NGOs has always contained a conflict that is difficult to solve. On the one hand, there is the fear of individual NGOs of the loss of their sovereignty and the establishment of a sort of “National Front” (these fears are related to the communist past of the Czech Republic), and on the other hand, there is the objective need to connect in order to achieve certain objectives that individual NGOs cannot achieve on their own. A certain fragility of such groupings or their operations and their frequent weakening by their own membership bases illustrate the conflict. Nevertheless, the process of NGO networking and its understanding is also important in terms of the state administration, which more and more often seeks a permanent and comprehensible partner from among NGOs with which the

<sup>24</sup> Pospíšilová, T.: “Zastřešující organizace v neziskovém sektoru v České republice: situace, témata a návrhy opatření”.

state administration could rely on such a partner's representativeness, legitimacy and the resulting responsibility.

Currently, there are 70 – 80 private entities in the Czech Republic which are NGO networks or umbrellas in their nature, and several informal groupings of NGOs that can also be considered the outcome of networking. The division of these entities into networks and umbrellas is only a work tool. As regards networks, these are based on the horizontal principle and are generally less formal compared to umbrellas. They are rather freely organized NGOs oriented at the exchange and sharing of experience, are organized on democratic principles without a vertical management, mostly have no employees and their activities are organized on the volunteering principle of the individual members. However, membership fees are often paid even in networks, and such fees contribute to the funding of such networks.

Unlike networks, umbrellas are always formal. They are organized vertically and managed by a management structure and their actions towards their members are more formalized. Most of them have employees, who organize and manage the activities of the umbrellas. Membership NGOs pay membership fees that are used to co-finance the umbrellas; however, this financial source is mostly not enough to ensure an effective functioning of the umbrellas. The predominant purpose of umbrellas is the representation of their members in defending their interests.

Network NGOs also include the so-called resource centers. These are NGOs which are not primarily organized on the principle of membership, unlike the first two (although they may have members). In particular, they provide technical, expert and information support to a broader group of organizations in the non-profit sector.<sup>25</sup> The target group to which they primarily provide their activities consists in NGOs themselves. Such resource centers can be found in many fields of operations of NGOs in the Czech Republic and deal with issues such as volunteering, environmental issues, social and legal protection of children, the affairs of foundations and endowment funds etc.

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<sup>25</sup> Pospíšilová, T.: *“Zastřešující organizace v neziskovém sektoru v České republice: situace, témata a návrhy opatření”*.

The mandatory characteristics of networks and umbrellas, which ensure their legitimacy and representativeness, consist in the existence of a membership base, formed primarily of legal persons dominated by legal types of NGOs, and in a democratic manner of selecting their representatives. They have various legal forms (mostly associations or legal person associations) and different functions.

In the Czech Republic, there are field-specific as well as universal networks and umbrellas – mostly based on the nation-wide principle and only exceptionally with regional groupings. Field-specific groupings have been formed in order to share experience, seek system solutions and cooperate with the public administration in certain field in which NGOs operate – for instance the social field, the environmental protection, the issue of social exclusion, sports etc. In terms of establishment, these networks and umbrellas are relatively old and many of them have already gained influence in cooperating with the public administration and the political representation. In general, it may be said that Czech NGOs prefer field-specific networks because with regard to their orientation it is not that necessary to give up the NGOs' sovereignty in negotiating their interests.

Universal networks and umbrellas include only NGOs regardless of their fields of operation, and their primary purpose is to represent the non-profit sector as such in relation to the public administration and the public, with the maximum achievable degree of legitimacy and representativeness. Such networks and umbrellas are younger than the field-specific networks and have been underfunded by the public administration for a long time – they do not belong under any ministry, and none of the existing grant programmes are thus open to them. Nevertheless, universal networks have been gaining influence in negotiating the conditions for the functioning of the non-profit sector as such.

In the area of networking, a special significance is attributed to the fact that more than 50 % of the field-specific networks in the Czech Republic are members of the relevant field-

specific umbrellas abroad, generally at the EU level, often more than one.<sup>26</sup> This networking process is perceived positively by Czech NGOs, and the NGOs see a source of prestige and legitimacy within the domestic situation in such a membership. The membership helps them to form an expert opinion in their field, i.e. a “capital” that can be used to establish their issues and interests in the domestic scene.<sup>27</sup>

**Table 10: Examples of involvement of field-specific networks and umbrellas in international NGO networks**

Field-specific network/umbrella	Foreign network/umbrella
Citizen Advice Bureaus	Founder member of Citizen Advice International
Association of Public Benefit Organizations of the Czech Republic	Member of The European Network of National Civil Society Associations (ENNA Europe) and member of International Committee on Fundraising Organizations (ICFO).
Czech Association for Mental Health	Member of Mental Health Europe and the World Federation for Mental Health
Czech Forum for Development Cooperation	Founder member of the European Confederation of NGOs for Humanitarian Aid and Development
Czech National Disability Council	Member of the International Federation of the Disabled, the European Disability Forum and other umbrellas
Association of Firefighters of Bohemia, Moravia and Silesia	Comité Technique International de Prevention et d'extinction du Feu
Czech Athletic Federation	International Association of Athletics Federations
Chess Association of the Czech Republic, o.s.	Fédération Internationale des Échecs
Network of Maternity Centers	Founder member of MC MINE and member of the worldwide association of cooperative women's groups GROODS
Green Circle	Member of European Environmental Bureau

*Source: Pospíšilová, T.: “Zastřešující organizace v neziskovém sektoru v České republice: situace, témata a návrhy opatření”, edited.*

## 1.5. Conclusion

In the Czech Republic, there is a large number of NGOs that may be freely established and that may freely fulfill the purpose for which they were established.

<sup>26</sup> Pospíšilová, T.: “Zastřešující organizace v neziskovém sektoru v České republice: situace, témata a návrhy opatření”.

<sup>27</sup> Pospíšilová, T.: “Zastřešující organizace v neziskovém sektoru v České republice: situace, témata a návrhy opatření”.

According to their functions, this group of NGOs can be divided into service NGOs (providing services), advocacy NGOs (fighting for the rights of the target groups), special-interest NGOs (fulfilling especially the interests of their members) and philanthropic NGOs. The functions of the individual NGOs often blend together; in particular, service organizations often pursue advocacy activities for the benefit of the target group of their clients etc.

The development of NGOs, their current situation and problems may be illustrated in the human resources which form the NGOs. These are members and employees, especially of professionalizing NGOs, and volunteers.

The contemporary trends in the NGO development indicate a stagnation of the number of members or the gradual loss of members in a number of traditional membership organizations, the formation of membership NGOs with a very small and formal number of members, and a massive establishment of non-membership NGOs that gradually become professional and their activities are performed by their employees. Such NGOs use their expert knowledge in a certain field in which they operate, and present themselves as such. This is the so-called transactional activism, which is gradually gaining importance in the relation of NGOs and the public administration. The trend of implementation of activities of such NGOs is aimed at professional performance despite the fact that the numbers of employees in NGOs remain low and do not change much. NGOs operating on the basis of volunteering, i.e. with no employees and with a high proportion of voluntary activities / work, are still dominant.

The contemporary form of the non-profit sector in the Czech Republic can be characterized by a gradual even if difficult creation of NGO networks and umbrellas, which seek to enforce the interests of their membership organizations, either in specific fields or in general. They are thus advocacy NGOs with specific membership bases, formed by other NGOs, which unite in order to enforce system changes. With their establishment and operation, the question of their legitimacy and representativeness comes to the fore. In general, it can be said that Czech NGOs prefer field-specific networks over universal ones.



## **2. Current state policy with respect to NGOs**

### ***2.1. Monitoring data on NGOs and defining NGOs in terms of the state policy***

At present, state and its administration work with two definitions of these private entities – the definition of the CZSO and the definition formed by the GCNGNPO for the purposes of the state policy regarding these newly originating entities in the 1990s. The second definition is used by the state administration to a considerable extent and also by the local governments, for example for the needs of their grant policies. Both definitions are the same in that the defined entities are private entities and that they have the characteristics contained in the international definition by L. M. Salamon and H. K. Anheier.

In the system of national CZSO accounts, NGOs can be found in the NPI group. In terms of statistics, these are units created for the purpose of manufacturing products and providing services whose status does not allow their production to be a source of income. In practice, their activities may be associated with the generation of surplus or loss but no surplus may be claimed by other institutional units.<sup>28</sup> Entities which fall within this definition are further divided by the CZSO into market and non-market manufacturers. The manufacturers who constitute a narrower NGO group in the understanding of the political definition of the GCNGNPO form a sector in the CZSO accounts especially from the group of non-market manufacturers, defined as NPISH.

In 2007, the CZSO established the so-called satellite account according to the methodological NPI Guidebook in the system of national accounts from the European System of Accounts ESA 95. The NPI satellite account supplements and expands the national accounts maintained by the CZSO in the area of statistics. The CZSO selects all the NPI data from other accounts, collects them and unites them in this satellite account, and expands their

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<sup>28</sup> Working document for the MONEYVAL Group “Satellite Account of Non-Profit Institutions”, CZSO, April 2012.

statistical monitoring by indicators characteristic of NPIs. This is for example the value of voluntary work, the issue of membership and the performance indicators.<sup>29</sup>

Characteristic features of NPISH according to a more detailed classification of the CZSO:

- Non-market manufacturers, especially those providing services,
- Their production is generally not implemented in the market, i.e. it is provided for an insignificant price or free of charge,
- Their production is valued on the basis of the cost principle, i.e. their price is determined by the acquisition costs,
- Their management structure is different from companies as well as government institutions (state authorities and local governments),
- The income structure is also different, with a high proportion of donations, in terms of money as well as working time (voluntary work),
- These entities show a high proportion of voluntary work (up to 90 % had no employees in 2011).

However, the CZSO also includes churches, educational legal persons, political parties, professional associations and others in the NPI group. This makes it more difficult to use the collected data for the purposes of the state policy with respect to NGOs according to the definition by the GCNGNPO.

The NGO definition formed by the GCNGNPO in the 1990s and used for the purposes of the state policy is a political definition and its objective was to distinguish and support newly originating forms of NGOs, established by the citizens' free will after 1990 as a manifestation of an activating civil society. This definition does not argue with the international definition but narrows down the legal forms which fulfill it. According to this definition, the following private legal forms are considered to be NGOs:<sup>30</sup>

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<sup>29</sup> Working document for the MONEYVAL Group "Satellite Account of Non-Profit Institutions", CZSO, April 2012.

<sup>30</sup> All acts are stated as amended.

- **Civic associations and their organizational units** (formerly pursuant to Act No. 83/1990 Coll., on the Association of Citizens), now **associations and their branches** (pursuant to the Civil Code).
- **Foundations and endowment funds** (formerly pursuant to Act No. 227/1997 Coll., on Foundations and Endowment Funds, now pursuant to the Civil Code).
- **Religious legal persons or purpose-built facilities of churches**, established by churches and religious societies pursuant to Act No. 3/2002 Coll., on the Freedom of Religious Expression and the Position of Churches and Religious Societies, as amended).
- **Public benefit corporations** pursuant to Act No. 248/1995 Coll., on Public Benefit Corporations (the Act is no longer in force; however, the existing public benefit corporations are still operational under the Act).
- These forms newly include **institutes** (pursuant to the Civil Code) and **educational legal persons**, registered by the Ministry of Education, Youth and Sports and including church schools in a considerable majority.

The areas in which NGOs operate and which are supported under public budgets are also defined in two ways – by the CZSO satellite account and by the Main Areas of the State Grant Policy with Respect to NGOs, which are annually determined by the Czech Government upon the proposal of the GCNGNPO and which pertain only to the aid provided by one of the public budgets, namely the state budget.

NPIs (including NGOs) are classified by the areas of activities according to the CZSO based on the NPISH Service Classification by purpose (CZ-COPNI)<sup>31</sup> as follows:

- Housing
- Health care
- Recreation, sports and culture
- Education

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<sup>31</sup> Working document for MONEYVAL of the Council of Europe “Satellite Account of Non-Profit Organizations”, CZSO, April 2012.

- Social care
- Religion
- Political parties, trade unions and professional organizations
- Environmental protection
- Services not specified elsewhere

According to the Main Areas of the State Grant Policy with Respect to NGOs, prepared by the GCNGNPO for 2016,<sup>32</sup> the areas are as follows:

- Physical education and sports
- Culture
- Environment and sustainable development
- Social services
- Foreign activities
- Ethnic minorities and ethnic groups
- Roma minority
- Health care and prevention
- Risk behavior
- Fight against corruption
- Antidrug policy
- Protection of consumers and lease relationships
- Education and human resources
- Children and youth
- Family policy
- Equal opportunities for men and women
- Other (unclassified)

As can be seen, both definitions blend together, except for the category of political parties, trade unions and professional organizations and religion, which are stated by the

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<sup>32</sup> Government Resolution No. 470 dated 15 June 2015.

CZSO and which are not included in the set of NGOs for the purposes of the state policy because they would considerably and unsuitably distort the policy.

Regardless of the differences between the definitions, the CZSO satellite account is the major and actually the only set of data available in the area of NGOs (except for selected data collected by the GCNGNPO from the data of ministries and the central state administration information systems concerning NGO funding), and should be developed and supplemented with other data that are important to monitor about this segment for the purpose of information not only regarding the state of the national economy but also regarding important social transformations.

Monitoring the data about non-profit organizations does not present a problem only in terms of the above definitions but also in terms of the information which non-profit organizations provide about themselves. Researches show that only a third of non-profit organizations operate websites. Less than one-fourth of NGOs publish their annual reports online. Organizations are also often unable to present their mission, i.e. the global purpose of their existence. Instead, they enumerate the activities pursued at the time.

What is interesting is that the difference in the transparency of small organizations generally operating with no employees and the so-called professionalized organizations with employees is relatively insignificant. The major difference is that professionalized organizations have their own functional websites (more than 90 %) and publish annual reports. As is shown in Table 11, other deficiencies, which are rather managerial failures, are similar.

**Table 11: Transparency and managerial professionalism of “larger” and “normal” non-profit organizations**

Aspect of transparency and professionalism	“Larger” non-profit organization (with employees) <sup>1</sup>	“Normal” non-profit organization <sup>2</sup>
Functional website	94.1 %	29.0 %
Annual report available online	94.1 %	23.0 %

Existence of the mission and/or vision on the website	35.3 %	48.6 %
Financial reports in the annual report	41.2 %	56.3 %
Stating the origin of resources (names of donators)	58.8 %	44.6 %
Transparent bank account	11.8 %	1.5 %

*Note: The surveys methodically drawn on the analysis of websites, organizational documents such as annual reports, statutes, financial reports etc. In general, information provided by the organizations themselves.*

<sup>1</sup> *Survey conducted on a sample of 17 organizations with a turnover exceeding CZK 1 billion. The survey also examined whether the findings of the previous study apply to larger organizations as well. The sample was obtained from among organizations drawing on public resources (Bachmann, 2015).*

<sup>2</sup> *Survey conducted on a sample of 2,400 NGOs, of which 2,000 were civic associations. The sample was obtained by random selection from complete databases of non-profit organizations registered by state authorities (Bachmann, 2012).*

## ***2.2. Development of the legislation relating to NGOs according to the individual legal types***

The status legislation with respect to NGOs underwent many major changes after 1990, and it is thus necessary to describe not only the current legal situation concerning the individual legal forms that are seen as NGOs on the basis of the narrower interpretation of the GCNGNPO. As has already been mentioned, these include civic associations / associations, public benefit corporations, foundations and endowment funds, purpose-built facilities of churches and institutes (a new legal form established by the Civil Code). A special emphasis is placed on the present, as the legislative environment is changing significantly after the effective date of the Civil Code, and NGOs are gradually adapting to it.

The Civil Code, which came into effect on 1 January 2014, generally governs the position of private legal persons (which include non-profit organizations); the positions of associations (formerly civic associations), foundations and endowment funds and institutes are governed specially. Simultaneously with the effective date of the Civil Code, the original acts governing the positions of individual non-profit organizations were abolished: Act No. 83/1990 Coll., on the Association of Citizens, Act No. 248/1995 Coll., on Public Benefit Corporations, and Act No. 227/1997 Coll., on Foundations and Endowment Funds. The NGO transformation is governed by the transitional provisions of the Civil Code, and NGOs have a period of three years to adapt to the new legal situation.

Act No. 304/2013 Coll., on Public Registers of Legal Entities and Individuals, regulates the duties of individual non-profit organizations. Since 1 January 2014, all NGOs (except for registered – religious – legal persons<sup>33</sup>) have been entered in public registers kept by register courts. Among other things, this change meant the change of the place of registration for civic associations / associations, which had been registered at the Ministry of the Interior before then. As regards foundations, endowment funds and public benefit corporations, this Act brought a change in the registered data and the scope of documents recorded in the Collection of Documents.<sup>34</sup> In terms of NGOs, the public register has become the basic tool for the increase of transparency especially of associations, which are newly registered with data that were not published before.

In connection with the adoption of the Civil Code, the registration of NGOs in the public register started to be paid as of 1 January 2014. During December 2014, Act No. 549/1991 Coll., on Court Fees, was amended in order to exempt non-profit organizations from fees. Due to a non-uniform interpretation of the Act by the register courts upon the first registration of an association, another amendment to Act No. 549/1991 Coll., on Court Fees, was initiated (as part of the government bill amending certain acts in connection with the effect of the recodification of private law), aiming to exempt non-profit organizations in the matters of the public register, including the first registration. This amendment was published in the Collection of Laws of the Czech Republic in April 2015 with effect from 1 May 2015.

### **2.2.1. Civic associations / associations (until 31 December 2013)**

The exercise of the right to association was the primary task of Act No. 83/1990 Coll., on the Association of Citizens, which enabled an easy establishment of membership organizations – civic associations without any administrative obstacles in 1990.

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<sup>33</sup> Registered religious legal persons are entered in the Register kept by the Ministry of Culture of the Czech Republic pursuant to Act No. 3/2002 Coll., on the Freedom of Religious Expression and the Position of Churches and Religious Societies.

<sup>34</sup> Deverová, L.: “*Studie pro Koncepti politiky vlády vůči nestátním neziskovým organizacím do roku 2020, týkající vývoje legislativy*”.

This legal form immediately became very popular<sup>35</sup> and was (and is still) established in numerous variants. In addition to their primary purpose, civic associations / associations have many other roles and functions. They carry out various publicly or mutually beneficial activities,<sup>36</sup> provide services to the public and even do business (without profit). It is a legal form which receives the most grants from the public budgets,<sup>37</sup> and associations are also exempt from some taxes or have considerable tax reliefs.

The easy establishment, simple dissolution and minimal duties imposed on their management and accounting by the law – these were attractive characteristics for a mass use of this legal form. However, the simplicity also had significant disadvantages: low transparency, easy misuse and a low level of protection of the persons entering into legal relationships with civic associations.

Act No. 83/1990 Coll., on the Association of Citizens, was not amended in any material aspect when it was in force, although it was criticized e.g. for the non-existence of any public register. What became problematic was the interpretation of the provisions of Section 1(3) of the Act by the registering authority (Ministry of the Interior), which contained the statement that civic associations could not provide services. This interpretation affected in particular civic associations providing social services. The Ministry of the Interior required the cessation of activity (the conversion into a public benefit corporation) upon the change of the statutes of civic associations. This requirement, which proved to be unjustified, and the related problems led to the preparation of Act No. 68/2013 Coll., on Changing the Legal Form of Civic Associations into Public Benefit Corporations, and on Amending Act No. 248/1995 Coll., on Public Benefit Corporations and Amending and Supplementing Certain Acts, as amended, which came into effect on 1 April 2013 and enabled the transformation of civic associations until the end of 2013.<sup>38</sup>

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<sup>35</sup> Deverová, L.: “*Studie pro Koncepti politiky vlády vůči nestátním neziskovým organizacím do roku 2020, týkající vývoje legislativy*”. – 3,879 registered civic associations in 1990, 26,814 registered civic associations in 1996

<sup>36</sup> Mutually beneficial civic associations may be simply described as working for their members.

<sup>37</sup> Source: Analyses of NGO funding from the public budgets.

<sup>38</sup> Deverová, L.: “*Studie pro Koncepti politiky vlády vůči nestátním neziskovým organizacím do roku 2020, týkající vývoje legislativy*”.

### **2.2.2. Civic associations / associations (after 1 January 2014)**

According to the Civil Code, associations are characterized as autonomous entities in whose activities the state may intervene only within the framework of the law and to the extent necessary to protect the public interests.

With the effect of the Civil Code, the registered civic associations are considered associations. Associations established as civic associations before 2014 may change their legal form to social cooperatives or institutes, which is enabled by the relevant transitional provisions of the Civil Code.<sup>39</sup>

Associations are entered in the public registers by courts, like other private legal persons. Statutes of associations must be adapted to the new legislation by 31 December 2016. The fact that associations must be registered in the public register kept by regional courts considerably changes the situation in favor of their greater transparency in relation to the public.

The Civil Code describes associations as membership corporations and states that the main activity of associations is the satisfaction and protection of interests for the purpose of which each association was founded by its members.<sup>40</sup> The association as a membership corporation operates by the will of its members – however, this does not mean that it cannot provide services to the public if the association has been so designated.

The Civil Code deals with the membership matters of associations in much detail.<sup>41</sup> This is basically the greatest difference compared to the original legislation, where the membership principle of civic associations was not covered in detail; in fact, no great importance was attached to it even in the reality of operation of civic associations. The

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<sup>39</sup> Section 3045(1) of the Civil Code.

<sup>40</sup> Section 217 of the Civil Code.

<sup>41</sup> Sections 232 – 242 of the Civil Code.

statutes of each association must govern the rights and obligations of members of the association; this is the basic prerequisite for the association establishment.

A new association may be formed by agreement of the founders on the content of the statutes or by resolution of the constitutive meeting. The association is established by its incorporation in the association register. A special importance is attached to the meeting of members<sup>42</sup>, which is the assembly of all members of the association.

Associations may establish their branches which must be incorporated in the public register of associations. This legal form replaces the former organizational units of civic associations – even this is much more transparent in the new legislation. The law expressly states that the legal personality of a branch is derived from the primary association. The transitional provisions of the Civil Code oblige the statutory bodies of the primary associations to enter the branches in the public register within three years of the effective date of this rule, otherwise each branch shall cease to exist upon the lapse of this period.<sup>43</sup>

A frequently mentioned issue is the issue of primary and secondary activity. The Civil Code explicitly states that associations may not be established to do business or pursue other profitable activities.<sup>44</sup> However, they may pursue secondary economic activities if such activities serve to support the primary activity or to effectively use the assets of the association. The law distinguishes between business which associations may do as secondary activities and other profitable activities. Any profit resulting from secondary activities should be used only for the activity which the association pursues in its main activity for which it was established and also for its administration.<sup>45</sup> As part of the primary activity, the association may perform a profitable activity only if two requirements are met at the same time:

- a) The profitable activity is a means to fulfill the purpose for which the association was established,

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<sup>42</sup> Sections 248 – 257 of the Civil Code.

<sup>43</sup> Section 3045 of the Civil Code.

<sup>44</sup> Section 217 of the Civil Code.

<sup>45</sup> Section 217 of the Civil Code.

- b) The profitable activity does not reach such a level that it could be seen as an activity “comparable to business”, i.e. a continuous activity pursued in order to gain profit.<sup>46</sup>

### 2.2.3. Foundations and endowment funds (until 31 December 2013)

The concentration of property for a certain publicly beneficial purpose through the establishment of a foundation<sup>47</sup> has a very long history in the Czech Republic. However, the key year for modern foundations is 1948, when all the existing foundations were gradually abolished and their assets were nationalized.<sup>48</sup> The second key year is 1990, when the first law enabling their re-establishment was adopted.

The possibility of a re-establishment of foundations was brought about by the amendment to the Commercial Code dated 1990.<sup>49</sup> The law was very brief in the case of foundations and allowed legal and natural persons to establish foundations (purpose-established funds) that were not supposed to serve the purposes of earning. Legal persons of this type were established by registration at district national committees. After the disestablishment of district authorities in 2002, regional authorities took over the remaining agenda of foundations and endowment funds – to this day, regional authorities keep lists of foundations which did not manage transformation under the new legislation of 1997 and were not disestablished *de iure*.

In more detail, foundations were covered by the amendment to the Civil Code dated 1991,<sup>50</sup> which stipulated that foundations could be formed to fulfill a generally beneficial purpose, and demonstrated areas which were seen as generally beneficial.

In the years 1990 – 1997, more than 5,000 foundations were established under this vague legislation; these foundations mostly had no property base but fulfilled their purpose by pursuing their own activities, projects and programmes, like other legal forms of NGOs.

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<sup>46</sup> Deverová, L.: “*Studie pro Konceptci politiky vlády vůči nestátním neziskovým organizacím do roku 2020, týkající vývoje legislativy*”.

<sup>47</sup> The Civil Code uses the concept of foundation to describe a legal person which has a property base. On the other hand, corporations are legal persons with membership bases.

<sup>48</sup> This happened with only one exception – the “Nadání Josefa, Marie a Zdenky Hlávkových” Foundation.

<sup>49</sup> Act No. 103/1990 Coll., amending the Commercial Code.

<sup>50</sup> Act No. 509/1991, amending Act No. 40/1964 Coll., the Civil Code.

A change, for most of the existing foundations a drastic one, was brought about by Act No. 227/1997 Coll., on Foundations and Endowment Funds. This legislation enabled the establishment of two types of foundation entities – foundations and endowment funds, determined their property base and method of the management of such property (in the case of foundations, the obligation to have assets in the minimum amount of CZK 500,000). The primary activity was set out to be the provision of foundation contributions, and the Act also governed in detail the requirements for the legal actions of the founder, necessary for the establishment of foundations and endowment funds.

Out of the original more than 5,000 foundations, only about 250 managed to perform the transformation, mainly due to great difficulties in the establishment of the mandatory foundation assets. Endowment funds also started to be formed. The setting of clear rules of the activities of foundations from which legal entities with property bases originated allowed the state to commence, through the GCNGNPO and its Secretariat, the allocation of the FIF to the foundation assets of selected foundations.

Act No. 227/1997 Coll., on Foundations and Endowment Funds, was once more and more substantively amended at the initiative of the GCNGNPO in 2010.<sup>51</sup> The amendment simplified the option of the implementation of own projects and programmes without having to include the costs of such activities in the general expenses of the foundation or endowment fund. The journey towards freeing the possibilities and thus skills of today already established and experienced foundations and endowment funds, used to working in a very strict legal regime, leads to the current legislation.

#### **2.2.4. Foundations and endowment funds (after 1 January 2014)**

The Civil Code brings many conceptual (as well as terminological) changes to foundations and endowment funds, to which these entities have to be adapted within three years of the effective date of the Civil Code. The Civil Code divides the regulations

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<sup>51</sup> Act No. 158/2010 Coll., amending Act No. 227/1997 Coll., on Foundations and Endowment Funds.

concerning foundations and endowment funds into two parts, where the regulations concerning endowment funds is characterized by a great degree of liberalization, as only the main status issues and sub-specifics of this legal form are governed.<sup>52</sup>

Foundations and endowment funds are included among legal persons formed by assets allocated for a specific purpose.<sup>53</sup> These legal persons have no owners and the assets are administered by the foundation or endowment fund separately only under the law, their foundation deeds or statutes.

This legislation lies at the other end of the imaginary line between restriction and liberalization – while the original Act No. 227/1997 Coll., on Foundations and Endowment Funds, made the situation more restrictive for foundations and endowment funds beyond the framework of similar European laws, the Civil Code is very liberal in this respect.

One of the main differences between foundations and endowment funds is the temporariness of the purpose of endowment funds and conversely the permanence of the purpose of foundations. Another major difference is the degree of possible disposal of the assets owned by a foundation or endowment fund. In the case of a foundation, the foundation principal must be handled with the same care that is imposed by the aforementioned Act on the administration of a third party's property. On the contrary, an endowment fund creates no foundation principal or capital. Other differences between these two legal forms then conform to these distinctions.

The purpose, which is the key value of every foundation and endowment fund, may be not only a publicly beneficial purpose but newly also a charitable purpose.<sup>54</sup> The difference between these types lies primarily in the group of people whom the foundation or endowment fund intends to support (typically family foundations).

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<sup>52</sup> Deverová, L.: “*Studie pro Koncepti politiky vlády vůči nestátním neziskovým organizacím do roku 2020, týkající vývoje legislativy*”.

<sup>53</sup> Section 303 of the Civil Code.

<sup>54</sup> Section 306 of the Civil Code.

One of the major changes is the strengthening of the position of the founder, who may intervene in the activity of the foundation to the extent defined in the memorandum of association. This change broke through the principle of invariance of the memorandum of association as stipulated in Act No. 227/1997 Coll., on Foundations and Endowment Funds. In this context, we should also mention the transitional provision of the Civil Code which gives the founder the opportunity to adapt the founding legal actions to the modification of the foundation deed within two years of the effective date of the Civil Code.<sup>55</sup> Nevertheless, this option is not identical with the obligation of each legal person to adapt the memorandum of association or statutes to the Civil Code.<sup>56</sup>

Another not insignificant change is the omission of the so-called economy rule, which foundations and endowment funds had to establish and observe in accordance with the former Act No. 227/1997 Coll., on Foundations and Endowment Funds. The Civil Code is based in this respect on the legal opinion that it is sufficient for foundations and endowment funds to account for the cost of their management separately. The information on these costs must be published in the public annual report and is subject to audit by an auditor. This in itself ensures a sufficient transparency of the foundation management.

The Civil Code enables foundations to pursue their own activities to fulfill their purpose. It also newly allows foundations to do business as a secondary activity provided that the revenue (income) from such business may only be used to support the fulfillment of the foundation's purpose.

#### **2.2.5. Public benefit corporations (until 31 December 2013)**

As of 1996, Act No. 248/1995 Coll., on Public Benefit Corporations, enabled the establishment of a new type of legal persons. Public benefit corporations are private legal persons which are included among NGOs.

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<sup>55</sup> Section 3049(2) of the Civil Code.

<sup>56</sup> Section 3041(2) of the Civil Code.

The original intention was to draw up an act that was supposed to become an “umbrella” act installing a NGO type which has no membership base, unlike civic associations, or a purely property base, as is the case with foundations and endowment funds. The law aimed to create a private legal person that is a transparent and generally beneficial entity, providing various public services in publicly beneficial areas and having law-imposed duties (including the incorporation in the public register). There was also the idea that under this law, semi-budgetary organizations, established by the public administration<sup>57</sup> and providing services primarily in the social, medical, educational and cultural fields, would be transformed under this law.

During the consideration at the Chamber of Deputies of the Parliament of the Czech Republic, the bill was considerably changed. Its scope was narrowed and in the end it brought only a new type of private legal person that was included in the collection of the other NGO forms. Although the expectations associated with this law were not met, a certain gap between the NGO types was filled – it was the formation of the basis for the establishment of non-profit companies which, using their property base and human potential, would provide qualified and professionally well-treated services in the public interest. There were also the first debates to embed public benefit as the characteristics of certain forms of legal persons.

In addition to the fact that before Act No. 248/1995 Coll., on Public Benefit Corporations, came into effect, civic associations were considered the most beneficial legal type of NGO for the implementation of numerous services and activities (including doing business as a secondary activity), the response of the state grant policy and of the grant procedures of the local governments was slow beyond expectation. The state and its administration responded with the possibility of providing grants also to public benefit corporations only around 2002, when public benefit corporations were, after seven years of the effective date of the relevant law, included among the entities that may ask for grants!<sup>58</sup>

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<sup>57</sup> Semi-budgetary organizations are established by the public administration pursuant to Act No. 250/2000 Coll., on Budgetary Rules for Territorial Budgets.

<sup>58</sup> The discrepancy between Act No. 248/1995 Coll. and the budgetary rules of the Czech Republic was removed only upon the adoption of Act No. 219/2000 Coll., on the Property of the Czech Republic and the representation of the Czech Republic in legal relations.

Only from that year, state grants were provided for projects of public benefit corporations, but always only from one state resource (it was the only NGO form with this limitation) – therefore, the funding of a service from more resources was not possible. In the end, this meant that this non-profit organization type had no advantages compared to civic associations, and that was why the development of this NGO form was also very slow.

The relevant law was significantly amended only once, through Act No. 231/2010 Coll. at the initiative of the GCNGNPO. The GCNGNPO had two reasons for preparing this amendment – problems with some provisions of the Act in the application practice and the anticipated Civil Code. The Civil Code abolished Act No. 248/1995 Coll., on Public Benefit Corporations; however, the Civil Code allowed those public benefit corporations which did not use the possibility of transforming into the legal form of an institute to continue to operate under the abolished law. Therefore, it was necessary to adapt the law to the needs of the existing public benefit corporations, as Act No. 248/1995 Coll., on Public Benefit Corporations, cannot be amended after the effective date of the Civil Code.

Amendment No. 231/2010 Coll. strengthened the fighting power and thus competitiveness of public benefit corporations in the market of publicly beneficial services, and also increased the protection of third-party rights. Nevertheless, the basic distinctions of public benefit corporations were retained or even strengthened – the obligation of public benefit, a complete reinvestment of profit in the purpose of the public benefit corporation, submission to public control and a special role of the administrative board as a “guardian” of the publicly beneficial purpose of the company.

#### **2.2.6. Public benefit corporations (after 1 January 2014)**

Act No. 248/1995 Coll., on Public Benefit Corporations, was abolished by the Civil Code. After the Civil Code has come into effect, public benefit corporations may remain in the legal form of public benefit organizations, and in such a case they continue to be governed by Act No. 248/1995 Coll., on Public Benefit Corporations, applicable as of 31 December

2013, or these legal persons may (under the transitional provisions of the Civil Code<sup>59</sup>) decide for a transformation into an institute, foundation or endowment fund. The legal relations not governed by this Act are governed by the general regulations concerning legal persons in the Civil Code.

### **2.2.7. Institutes**

An institute is a new type of legal person which may be established under the Civil Code for the purpose of pursuing socially or economically beneficial activities. It is a combination of material base (property) and a human component (human resources); in this, institutes are closest to the current public benefit corporations.

The activities performed by institutes must be provided on a non-discriminatory basis under previously determined conditions; however, it is allowed to establish the characteristics of the group of people to whom such services will be provided. An institute may pursue a secondary activity in addition to its primary activity, which can be the operation of a plant or other profitable activity. In a subsidiary way, the provisions applicable to foundations apply to institutes as well, with the exception of the provisions concerning the foundation deed and foundation capital.<sup>60</sup>

Institutes have only just started to form, so only the future will show in what direction this NGO form will travel.

### **2.2.8. Purpose-built facilities of churches**

The history of Catholic charities and Evangelical diaconias, which are typical purpose-built facilities of churches, established for charity purposes, dates back to the First Republic. These organizations have a centuries-old tradition and experience in the care of those in need. By the adoption of Act No. 308/1991 Coll., on the Freedom of the Religious Faith and on the

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<sup>59</sup> Section 3050 of the Civil Code.

<sup>60</sup> Deverová, L.: “*Studie pro Koncepti politiky vlády vůči nestátním neziskovým organizacím do roku 2020, týkající vývoje legislativy*”.

Position of Churches and Religious Societies, churches were granted the possibility of founding purpose-built facilities<sup>61</sup> that are included in the collection of NGOs, monitored by the GCNGNPO. This happened in the form of charities and diaconias. Charities have been established and operated by the Roman Catholic Church, while diaconias have been established and operated by various registered Evangelical churches.

The aforementioned Act has been replaced by Act No. 3/2002 Coll., on the Freedom of Religious Expression and the Position of Churches and Religious Societies, which specified purpose-built facilities of churches and set out certain obligations for them which were not included in the first act.

This Act characterizes purpose-built facilities of churches as one of the types of the registered religious legal person<sup>62</sup> established to provide generally beneficial services, i.e. not only for the members of the founding church, under previously determined conditions which are the same for all users.<sup>63</sup>

A purpose-built facility of a church is established by decision of the competent church body and by the deed of foundation issued by the founder.<sup>64</sup> The competent church body files a motion to register the facility in the register of legal persons to the competent state authority, which is the Ministry of Culture.<sup>65</sup> This authority keeps three separate registers, which have the nature of public lists pursuant to the law<sup>66</sup> - Register of Churches and Religious Societies, Register of Church Associations and Religious Societies, and Register of Legal Persons. The Register of Legal Persons is publicly available on the website of the Ministry of Culture and includes a collection of documents and statutes of purpose-built facilities.

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<sup>61</sup> Section 6(1h) of Act No. 308/1991 Coll., on the Freedom of the Religious Faith and on the Position of Churches and Religious Societies

<sup>62</sup> Sections 15a, 16a et seq. of Act No. 3/2002 Coll., on the Freedom of Religious Expression and the Position of Churches and Religious Societies.

<sup>63</sup> The same definition of generally beneficial services applies to public benefit corporations.

<sup>64</sup> Sections 16(1), 16a et seq. of Act No. 3/2002 Coll., on the Freedom of Religious Expression and the Position of Churches and Religious Societies.

<sup>65</sup> Act No. 2/1969 Coll., the Competence Act.

<sup>66</sup> Section 17(2) of Act No. 3/2002 Coll., on the Freedom of Religious Expression and the Position of Churches and Religious Societies.

As a result of Act No. 561/2004 Coll., on Pre-School, Basic, Secondary, Tertiary Professional and Other Education (the Education Act), which brought a new uniform legal form – the educational legal person, purpose-built facilities of churches (specifically church schools) have been transformed into educational legal persons, registered by the Ministry of Education, Youth and Sports. Act No. 3/2002 Coll., on the Freedom of Religious Expression and the Position of Churches and Religious Societies, does not impose any obligation to have certain specific bodies of purpose-built facilities of churches. It only stipulates that such facilities must be established and named by the deed of foundation or statutes, and a clear procedure of their establishment and the manner in which they act internally and externally must be described. The usual statutory bodies of purpose-built facilities of churches are their presidents and directors.

### **2.2.9. Public benefit status**

Although the Civil Code, in Section 146 et seq., defined the status of public benefit, the issue of the definition and grasping of the concept of “public benefit” has been discussed for many years. The non-existence of any definition of this category in the legislation used to cause and still causes certain problems in the Czech environment, e.g. too much emphasis on the NGO form over the purpose and content of its activity. NGOs worthy of state aid included (and still include) only legal persons such as civic association / association, foundation, endowment fund, public benefit corporation, institute and purpose-built facility of a church or churches and religious societies, regardless of whether the purpose and activities of the NGO can be considered publicly beneficial.

At the initiative of the GCNGNPO, the substance of an act on the public benefit status was prepared; in addition to a terminological unification and shifting the emphasis to the pursued activity (instead of the legal form), its objective was to achieve an effective and transparent drawing on and using of the state budget funds, and the unification of the conditions of the participation in the direct and indirect advantages of legal persons, where the main characteristics of a legal person with the public benefit status consisted in a different handling of profits and a distinctively transparent behavior, among other things. However, this

attempt at embedding the public benefit status and regulating the conditions for gaining the status in the Czech legislation ended at the level of intent in 2011.

An articulated bill on the public benefit status was presented only in 2013 following the embedding of the general definition of public benefit in the Civil Code. This bill brought a change in the perception of the existing non-profit organizations, as the publicly beneficial activity of each legal person was assessed according to the nature of the activity, not the legal form. One of the main objectives of the bill was the attempt at a greater transparency of the legal persons which gain the public benefit status, with regard to the achievement of potential tax benefits for such entities. This included for example the mandatory keeping of separate accounts, the publication of certain accounting documents, and the rules pertaining to the administration of the legal persons in order to prevent the channeling of property away from the legal person. The bill on the public benefit status also included a demonstrative enumeration of activities that may be seen as publicly beneficial activities. The enumeration was supposed to serve as a guide for the complex decision-making of courts in considering whether an activity meets the requirements of public benefit and whether it can be considered an activity aimed at achieving the general benefit. Unfortunately, this bill on the public benefit status was rejected by the Senate of the Parliament of the Czech Republic on 12 September 2013, and given the dissolution of the Chamber of Deputies of the Parliament of the Czech Republic, there was no opportunity to consider the bill again.

Although no legal regulation was adopted with the effect of the Civil Code with which Section 147 reckons, with effect from 1 January 2014 the definition of a publicly beneficial payer was embedded in Act No. 586/1992 Coll., on Income Tax, where the publicly beneficial payer is defined on the basis of the content of the activity which it pursues. However, this definition can only be used for the purposes of the Income Tax Act.

Aiming to regulate the conditions under which a legal person can gain the public benefit status, the Ministry of Justice submitted another bill in the autumn of 2014, on the requirements for the registration of the public benefit status in the public register under the Civil Code (the Public Benefit Status Act). The bill was based on the bill rejected in 2013;

after the comment procedure, however, material system changes were made to the bill. Among other things, the current version of the Act does not contain any relation to potential benefits; the explanatory report only states the assumption that the connection of tax benefits and the public benefit status may occur with effect from 2016 at the earliest. The demonstrative enumeration of publicly beneficial activities has been replaced by a general definition of the publicly beneficial activity pursued “...gratuitously for the benefit of a previously unspecified number of people... with the objective of achieving general benefit, where the main function is not the generation of profit”.<sup>67</sup> And even if this bill also makes certain higher requirements for legal persons with the public benefit status, there is not the same degree of demands for transparency as was required by the bill on the public benefit status the legislative process of which was terminated in 2013. The bill submitted by the Ministry of Justice has already been included in the agenda of the meeting of the Legislative Council of the Czech Government for several times, it is being finished and will probably be presented to the Government in the summer of 2015.

The legislative environment is generally very changeable and in some cases even not so well-arranged. Naturally, the aforementioned acts are not the only regulations relating to the non-profit sector. Other laws include Act No. 117/2001 Coll., on Public Collections, Act No. 198/2002 Coll., on Volunteer Service, the bill on the electronic records of sales, and many other. The NGO situation is also directly affected by tax legislation, in particular Act No. 586/1992 Coll., on Income Tax, which includes NGOs among publicly beneficial payers, except for foundations, which serve to support people close to the founder or whose activities are aimed at the support of people close to the founder, and Act No. 235/2004 Coll., on Value Added Tax, with a very complicated regime for this type of taxpayers.

### ***2.3. Funding NGOs from public budgets and private resources***

NGOs are a special type of legal persons, also in terms of obtaining funds, which they do not generate to a great extent but which they obtain for their projects. These funds are mostly of project nature, i.e. they are linked to the implementation of a specific project which

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<sup>67</sup> See the bill - the Public Benefit Status Act and on amending Act No. 561/2004 Coll., on Pre-School, Basic, Secondary, Tertiary Professional and Other Education (the Education Act), as amended.

the donator decided to support. NGOs obtain these funds and other resources from various sources, therefore we speak of multi-source NGO funding.

Currently, NGOs obtain the following funds in various combinations:

### **Public resources**

- **Direct resources**
  - Public budgets
    - State budget (grants, public contracts)
    - Regional budgets (grants, donations, public contracts)
    - Municipal budgets (grants, donations, public contracts)
    - State funds (grants, public contracts)
  - Foreign resources
    - EU funds through the state budget (grants)
    - EU community programmes
    - Resources outside the EU (e.g. Financial Mechanisms of the EEA and Norway, the Programme of Swiss-Czech Cooperation)
- **Indirect resources (tax reductions, exemptions etc.)**

### **Private resources**

- **NGOs' own resources**
  - Income from own activities
    - Sales of product and services, including the lease of real estate
    - Sponsoring
  - Income from property
    - Sale of real estate
    - Bank interest
    - Ownership interests in other entities
  - Membership fees
- **Resources from private persons**

- Donations from natural persons
- Corporate philanthropy
  - Donations
  - Services provided *pro bono*
  - Voluntary activities of corporate employees
- Foundation contributions of foundations and endowment funds
- Voluntary activities
- Public collections
- Share in the revenue from lotteries and hazard (does not exist any longer)

### **2.3.1. Public resources**

#### **Direct resources**

NGOs obtain grants and public contracts from the public budgets. The public administration supports NGOs through grants for two reasons: In particular, the state policy is implemented through NGOs in areas in which the provision of such needs is more beneficial and effective if such activities are pursued by NGOs. By supporting NGOs, the state also expresses its support for the non-profit sector as a whole. These two tendencies cannot always be distinguished and the grant policies of the state administration usually include both. As regards public contracts, there is a clear effort of the state to secure the necessary services through NGOs. A certain degree of support of the non-profit sector can be spoken of in the case of the so-called socially responsible public procurement, where the bidders who for example employ disabled citizens, i.e. mostly non-profit organizations, are favored in a certain way.

Given the fact that the data on the volumes of public contracts, whose beneficiaries are NGOs, do not exist in a comprehensive form, the following text on the national resources only deals with grants.

## State budget

Grants are provided to NGOs from the state budget under Act No. 218/2000 Coll., on Budgetary Rules and Amendments to Some Related Acts (the Budgetary Rules), as amended, and under the law on the state budget for the given year.

An important regulation governing the provision of grants to NGOs at the level of state authorities are the Principles, the current version of which was approved by Government Resolution No. 92 dated 1 February 2010, amended by Government Resolution No. 479 dated 19 June 2013 and Government Resolution No. 657 dated 6 August 2014. The Principles are a document the author and sponsor of which is the GCNGNPO (its Secretariat). In different forms, the Principles have existed since 2001.<sup>68</sup> The Principles are a binding regulation for the central bodies of the state administration providing grants to NGOs, and they unify the basic principles of the grant provision to NGOs from the state budget (the definition of grant beneficiaries, the requirements for the grant provision decisions, possibilities of grant cofunding, dates of the grant procedure etc.).

While the Principles govern the grant provision in procedural terms, the contentual aspect is defined by another document, prepared by the GCNGNPO and approved by the Government: Main Areas of the State Grant Policy with Respect to NGOs always for the following budgetary year. Their purpose is to define the room of the state grant policy with respect to NGOs and its specific filling with grant programmes under the competence of the individual departments. The Main Areas of the State Grant Policy with Respect to NGOs for the following budgetary year are prepared by the GCNGNPO Secretariat on the basis of the documents from the grant-aiding departments and upon agreement with them.

The last document dealing with the state grant policy as a linked whole is the Analysis. This analytical document is annually submitted by the GCNGNPO to the Czech Government. The Analysis contains data on all grants provided to NGOs from the state budget and state funds, and data on all grants from the budgets of regional self-governing units. The Analysis

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<sup>68</sup> The first Principles were approved by Government Resolution No. 114 dated 7 February 2001.

includes grants provided to NGOs under the financial participation of the state budget and the regional budgets in projects financed under European funds. The Analysis is not involved in the determination of directions or the framework of the state grant policy; it is rather a method of control of the state grant policy for the previous year. The Analysis has been submitted to the Government since 1999. Thanks to that, the GCNGNPO has had data on the development of the state grant policy with respect to NGOs for 14 years. The Analysis is a unique document that provides comprehensive analytical information about the grant support of NGOs under the public budgets.

The following table shows the development of the volume of grants for NGOs from the state budget in the years 2006 – 2013.

**Table 12: Development in the years 2006 – 2013**

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Volume of grants<sup>69</sup></b>	5,570	6,600	6,311	5,603	5,767	5,741	6,680	7,011
<b>Number of grants</b>	4,506	5,505	8,794	8,038	7,620	8,403	8,825	7,196
<b>Number of beneficiaries</b>	2,999	3,527	3,703	3,006	3,215	3,036	3,075	2,413

*Source: Analyses for the years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

**Table 13: Year-over-year changes in the years 2006 – 2013**

	2007 2006	2008 2007	2009 2008	2010 2009	2011 2010	2012 2011	2013 2012
<b>Volume of grants</b>	+18.5 %	-4.4 %	-11.2 %	+2.9 %	-0.4 %	+16.0 %	+5.0 %
<b>Number of grants</b>	+22.2 %	+59.7 %	-8.6 %	-5.2 %	+10.3 %	+5.0 %	-18.5 %
<b>Number of beneficiaries</b>	+17.6 %	+5.0 %	-18.8 %	+7.0 %	-5.6 %	+1.3 %	-21.5 %

*Source: Analyses for the years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

As can be seen in Table 12, grants from the state budget are provided to about 3,000 NGOs annually. Given the fact that there are over 100,000 NGOs in the Czech Republic, this

<sup>69</sup> The grant volumes are stated in millions CZK.

means that only 3 % of all NGOs are regularly aided from the state budget, and the number of beneficiaries shows a declining trend in the long term. On the contrary, the volume of state grants is increasing, in the overall volume as well as with the individual grants. It therefore follows from the above that in the long term, state grants are provided to fewer beneficiaries, while the average amount of grant per beneficiary is increasing.

In 2013, the total of **CZK 7,011,107,000** was provided to NGOs from the state budget in the form of grants. The following areas are the most aided from the state budget: physical education (45 % of the grant volume) and social affairs and employment (35.4 % of the grant volume). The shares of other areas are around 2 – 4 %. This corresponds to the fact that almost one-half of the grant volume was provided from the budget of the Ministry of Education, Youth and Sports (48.2 %). The second largest grant provider was the Ministry of Labor and Social Affairs with 35.2 %, <sup>70</sup> especially in the area of social services.

### **Regional budgets<sup>71</sup>**

From the regional budgets, grants are provided to NGOs under Act No. 250/2000 Coll., on Budgetary Rules for Territorial Budgets, as amended, and under Act No. 129/2000 Coll., on Regions (Establishment of Regions), as amended.

The provision of grants to NGOs falls within the local competence of regions, i.e. there is no coordinating role of the state or the GCNGNPO (unlike the state grant policy). There are differences between the individual regions but overall the structure of the grants provided from the regional budgets corresponds to the state level, i.e. physical education again occupies the first place (33 % of the grant volume), followed by social affairs and employment (22 % of the grant volume) and culture and monument protection (15 % of the grant volume). Almost 40 % of the volume of the regional grants were paid from the budget of Prague. Overall, **CZK 1,684,538,000** was paid from the regional budgets and from the

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<sup>70</sup> Analysis for the year 2013.

<sup>71</sup> The City of Prague is a municipality and region at the same time. Given its size, we have included Prague among regions in this document.

budget of Prague in the form of grants in 2013. About 5 % of all NGOs are usually aided from the regional budgets annually.

**Table 14: Development in the years 2006 – 2013**

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Volume of grants<sup>72</sup></b>	1,931 <sup>73</sup>	1,135	1,483	1,578	1,419	1,612	1,523	1,685
<b>Number of grants</b>	6,913	8,795	9,690	9,557	9,614	10,275	10,915	11,681
<b>Number of beneficiaries</b>	4,123	5,305	6,114	5,951	6,239	6,488	6,702	6,258

*Source: Analyses for the years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

**Table 15: Year-over-year changes in the years 2006 – 2013**

	2007 2006	2008 2007	2009 2008	2010 2009	2011 2010	2012 2011	2013 2012
<b>Volume of grants</b>	-41.2 %	+30.7 %	+6.4 %	-10.1 %	+13.6 %	-5.5 %	+10.6 %
<b>Number of grants</b>	+27.2 %	+10.2 %	-1.4 %	+0.6 %	+6.7 %	+6.2 %	+7.0 %
<b>Number of beneficiaries</b>	+28.7 %	+15.2 %	-2.7 %	+4.8 %	+4.0 %	+3.3 %	-6.6 %

*Source: Analyses for the years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

### **Municipal budgets**

Grants are provided to NGOs from the municipal budgets under Act No. 128/2000 Coll., on Municipalities (Establishment of Municipalities), as amended, and under Act No. 250/2000 Coll., on Budgetary Rules for Territorial Budgets, as amended. As it was the case with regions, the state does not intervene in the orientation of the individual grant programmes in any way.

<sup>72</sup> The grant volumes are stated in millions CZK.

<sup>73</sup> The largest grant volume from the regional budgets in 2006 was directed to „Social affairs“ (CZK 1,311 million, 68 %), part of the funds constituted purpose-tied funds from the Ministry of Labor and Social Affairs in favor of NGOs. In the following years, these funds did not enter the regional budgets, the regions merely administered them.

Municipalities (excluding Prague) provided NGOs with **CZK 3,263,485,000** in 2013. The most aided areas were “physical education” (44.5 %), “culture and monument protection” (19.5 %) and “social affairs and employment” (18.3 %).<sup>74</sup>

**Table 16: Development in the years 2007 – 2013<sup>75</sup>**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Volume of grants<sup>76</sup></b>	3,165	3,731	2,672	2,579	2,727	2,889	3,263

*Source: Analyses for the years 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

**Table 17: Year-over-year changes in the years 2007 – 2013**

	<b>2008 2007</b>	<b>2009 2008</b>	<b>2010 2009</b>	<b>2011 2010</b>	<b>2012 2011</b>	<b>2013 2012</b>
<b>Volume of grants</b>	+17.9 %	-28.4 %	-3.5 %	+5.7 %	+5.9 %	+12.9 %

*Source: Analyses for the years 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

### State funds

NGOs also draw grants from the state funds. Specifically, there are the following entities: the State Environmental Fund, the State Fund of Culture, the State Fund of Cinematography,<sup>77</sup> the State Fund for Housing Development, the State Agricultural Intervention Fund and the State Fund for Transport Infrastructure. In general, it can be said that the grant volumes provided to NGOs from these funds have a growing tendency in the long term. In the years 2007 – 2013, there was an increase by 156 % - see Tables 18 and 19.

<sup>74</sup> Analysis for the year 2013.

<sup>75</sup> Grants from the municipal budgets have been regularly monitored in the Analyses only since 2007. The data sources for the municipal budgets do not make it possible to distinguish the individual grants and their beneficiaries, which is why Tables 16 and 17 only state the volumes.

<sup>76</sup> The grant volumes are stated in millions CZK.

<sup>77</sup> Formerly the State Fund for the Support and Development of Czech Cinematography.

**Table 18: Development of the volume of grants provided to NGOs from the state funds in the years 2007 – 2013 (in thousands CZK)<sup>78</sup>**

	2007	2008	2009	2010	2011	2012	2013
<b>State Environmental Fund</b>	177,352	101,809	40,728	72,903	90,707	47,118	29,895
<b>State Fund of Culture</b>	3,200	0	0	0	0	12,150	10,245
<b>State Fund of Cinematography</b>	14,350	6,000	11,930	18,120	13,177	15,204	4,537
<b>State Fund for Housing Development</b>	1,000	37,000	326	389	1,332	294	2,393
<b>State Agricultural Intervention Fund</b>	104,350	30,003	172,281	482,579	676,519	603,200	728,213
<b>State Fund for Transport Infrastructure</b>	0	4,560	0	0	0	0	0
<b>Total</b>	300,525	179,372	225,265	573,991	781,735	677,966	775,283

*Source: Analyses for the years 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

**Table 19: Development of the volume of grants provided to NGOs from the state funds in the years 2009 – 2013 by the field aided (in thousands CZK)**

Field	2009	2010	2011	2012	2013
<b>Agriculture, forestry and fishery</b>	15,536	46,762	82,867	64,337	108,511
<b>Industrial and other sectors of economy</b>	4,244	8,315	8,000	17,346	15,824
<b>Education and educational services</b>	12,443	19,752	9,930	4,283	
<b>Culture and monument protection</b>	46,362	156,697	134,668	142,816	292,264
<b>Housing, communal services and regional development</b>	109,477	270,917	460,361	404,213	334,362
<b>Environmental protection</b>	37,203	71,548	85,908	44,971	24,323
<b>Total</b>	225,265	573,991	781,735	677,966	775,283

*Source: Analysis for the year 2013.*

<sup>78</sup> Grants from the state funds have been regularly monitored in the Analyses only since 2007. The data sources for the state funds do not make it possible to distinguish the individual grants and their beneficiaries, which is why Tables 18 and 19 only state the volumes.

**Table 20: Year-over-year changes in the years 2007 – 2013**

	<b>2008 2007</b>	<b>2009 2008</b>	<b>2010 2009</b>	<b>2011 2010</b>	<b>2012 2011</b>	<b>2013 2012</b>
<b>State Environmental Fund</b>	-42.6 %	-60.0 %	+79.0 %	+24.4 %	-48.1 %	-36.6 %
<b>State Fund of Culture</b>	-100 %	0 %	0 %	0 %	+100 %	-15.7 %
<b>State Fund of Cinematography</b>	-58.2 %	+98.8 %	+51.9 %	-27.3 %	+15.4 %	-70.2 %
<b>State Fund for Housing Development</b>	+3,600 %	-99.1 %	+19.3 %	+242.4 %	-77.9 %	+713.9 %
<b>State Agricultural Intervention Fund</b>	-71.2 %	+474.2 %	+180.1 %	+40.2 %	-10.8 %	+20.7 %
<b>State Fund for Transport Infrastructure</b>	+100 %	-100 %	0 %	0 %	0 %	0 %
<b>Total</b>	-40.3 %	+25.6 %	+154.8 %	+36.2 %	-13.3 %	+14.4 %

*Source: Analyses for the years 2007, 2008, 2009, 2010, 2011, 2012, 2013.*

### **EU funds through the state budget**

These funds, which are released through national operational programmes, or the Rural Development Programme, are funds from the EU budget; they do pass through the state budget and are often pre-financed under the state budget but they cannot be considered state budget grants. Their administration is governed by the EU regulations. It is also for this reason that these funds are relatively unattainable by most NGOs and NGOs are generally not among very successful applicants. Nevertheless, these funds have several advantages for successful applicants: the grants are often provided for several years, which allows NGOs to plan in the long term, they are generally considerably higher than national grants, they force NGOs to be professional due to the strict administration requirements, and many a time they put desirable pressure on NGOs to establish partnerships with business entities, local government bodies etc.

The difficult acquisition and use of these funds, as well as risks associated with these funds, place great demands upon NGOs with insufficient personnel. That is why less than 2 % of NGOs obtained aid from the European Funds in the programming period of 2007 – 2013. It became apparent that a considerable help in this absorption capacity consisted in various tools such as global grants and individual projects, sometimes administered outside the public

administration (e.g. by the Civil Society Development Foundation). An interesting tool used in the rural areas of the Czech Republic is the LEADER method, which supports the partnership of the non-profit, public and private sectors, and at the same time divides grants into smaller projects at the local level. In the period of 2014 – 2020, an increase in the volume of grants for NGOs can be expected through the so-called CLLD, administered by local action groups that belong among NGOs.

### **Resources outside the EU**

In the Czech Republic, these include in particular the Financial Mechanisms of the EEA / Norway (2004 – 2009), or the EEA Funds and Norwegian Funds (2009 – 2014), and the Programme of Czech-Swiss Cooperation. Among other things, all these programmes include separate funds, the so-called block grants, intended solely for NGOs. These funds are allocated by three foundations, which have become part of the implementation structure on the basis of a selection procedure – the Civil Society Development Foundation, the Partnership Foundation and the Open Society Fund Prague.

Under the EEA and Norwegian Funds, NGO activities in the area of human rights, endangered children and youth, social inclusion and the environment are supported.

The thematic focuses (and focus areas) of the Programme of Czech-Swiss Cooperation are as follows: 1. Safety, stability and reform support (initiatives of regional development in marginal or disadvantaged regions, disaster prevention and management, judicature modernization, institution strengthening and the strengthening of capacities in the fight against corruption and organized crime), 2. Environment and infrastructure (the restoration and modernization of the basic infrastructure and the improvement of the environment, the improvement of the environment), 3. Private sector support (better access to the funding of small and medium enterprises, better regulation in the financial sector), 4. Development of human resources and social development (research and development, health), 5. Special allocation (block grant, project preparation fund, Swiss programme management, Czech technical assistance).

## **Indirect resources**

In addition to financial transfers, the state supports NGOs indirectly. Specifically, there are various tax reductions and exemptions intended for the entities which have the legal form of NGO. However, this approach is rather unfortunate because it does not reflect the activities of the entities, only their legal form. A new act was supposed to change this unsatisfactory situation by defining the so-called public benefit status, the holders of which would have been entitled to various tax exemptions and advantages regardless of the legal form. Unfortunately, the act has not been adopted yet, although the work on this legislation commenced as early as 2008 (see Chapter 2.2.9.). The latest attempt ended with the rejection of the bill by the Senate of the Parliament of the Czech Republic in the autumn of 2013. Currently (the summer of 2015), the Government is in the process of considering another bill.

From among the tax regulations, Act No. 586/1992 Coll., on Income Tax, as amended, has the greatest impact on NGOs. One of the latest amendments to this Act was being prepared with regard to the bill on the public benefit status. After the rejection of the bill by the Senate (see above), the Ministry of Finance had to rework the amendment fast so that it could come into force even without the act on the public benefit status. Thanks to this, a unique concept of the so-called publicly beneficial payer was introduced in the Income Tax Act, which however has no links to any other legal regulations and includes private entities under the Civil Code as well as public entities under other legislation. The result was that the process, which was supposed to make the entire system more transparent, was further complicated.

The law defines the publicly beneficial payer as a payer whose main activity does not constitute business activity, in accordance with the payer's founding legal action, status, statutes, law or decision of a public authority. The law further defines entities which are not public payers, such as foundations, which serve to support people close to the founder or whose activities are aimed at supporting people close to the founder. Therefore, all standard NGOs except for such foundations are publicly beneficial payers.

In the case of publicly beneficial payers, tax does not apply to revenues from non-business activities provided that the expenses (costs) incurred under this Act in connection with these activities are higher, or to grants, contributions, aids and similar funds from the public budgets. On the contrary, income from advertising, membership fees, interest and rent is always subject to tax. Publicly beneficial payers must keep their accounts so that income subject to tax is reported separately from income that is not subject to tax or that is exempt from tax. The same applies to the reporting of revenue (costs). All the revenues of public benefit corporations and institutes are subject to tax.

In the past, NGOs were also exempt from the gift tax. However, the gift tax was abolished with effect from 1 January 2014 and the revenues from gifts (now gratuitous performance) are also governed by the Income Tax Act. Therefore, gratuitous income of publicly beneficial payers is exempt from tax if it is or will be used for the purposes of science and education, research and development, culture, education, the police, fire protection, the support and protection of the youth, the protection and health of animals, for social, medical and ecological purposes, for humanitarian and charity purposes, for the purposes of registered churches and religious societies, physical education and sports, political parties and movements for their activities, for the funding of the removal of the consequences of natural disasters, or to increase the capital. These exemptions do not apply unless the payer exercises its right to them. No decision on the application / non-application of exemption may be changed retroactively. No tax applies to gratuitous income going to a public collection, used for humanitarian or charity purpose, or obtained from a public collection.

The publicly beneficial payer may reduce the tax base by up to 30 % (by up to CZK 1,000,000) under the condition that the payer will use such saved funds to cover the costs (expenses) associated with activities the revenue from which is not subject to tax, in three consecutive taxable periods at the latest. Public benefit corporations and institutes must use these funds in the following taxable period to cover the costs (expenses) associated with the pursued non-business activities. If 30 % of the reduction amounts to less than CZK 300,000,

CZK 300,000 will be deducted from the tax base, but no more than the amount of the tax base.

As regards donators, legal persons may deduct the value of gratuitous performances from the tax base, provided for the purposes specified in Section 20(8), up to the amount of 10 % of the tax base. This provision does not apply to publicly beneficial payers. Natural persons may deduct up to 15 % of the tax base in aggregate.

Act No. 235/2004 Coll., the VAT Act, as amended, applies to NGOs – VAT payers. A VAT payer may only be a person obliged to pay tax. In the case of NGOs, these are legal persons independently pursuing economic activities, unless Section 5a of the VAT Act stipulates otherwise. A person obliged to pay tax is also a legal person which was not founded or established for business purposes if such a person pursues economic activities.

A VAT payer under the law is a person obliged to pay tax based in the Czech Republic whose sales for no more than 12 immediately preceding consecutive calendar months exceed CZK 1,000,000, with the exception of persons that only perform activities exempt from tax without any entitlement to tax deduction. The VAT Act mentions other cases where a person obliged to pay tax becomes a VAT payer under the law. Last but not least, a NGO may become a VAT payer voluntarily.

NGOs that are publicly beneficial payers with a narrow tax base<sup>79</sup> under the Income Tax Act and that use motor vehicles for activities which are not subject to the corporate income tax are exempt from the road tax pursuant to Act No. 16/1993 Coll., as amended.

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<sup>79</sup> Publicly beneficial payers whose revenues are not all subject to tax.

### 2.3.2. Private resources

#### NGOs' own resources

NGOs may have their own income from their primary or secondary activities. Income from the primary activity may be achieved by public benefit corporations and institutes because they provide services that may be subject to payment; this probably applies to foundations as well. Associations can also generate income from primary activities, however, under Section 217 of the Civil Code, business or other profitable activity cannot be the primary activity of any association. As regards any profit from business or other profitable activity, it may only be used to support the primary activity.

NGOs' own resources may be divided into several groups:<sup>80</sup>

- Revenue from the sale of services (e.g. social care services, leisure activities, education etc.)
- Revenue from the sale of products (e.g. protected workshops, products of social enterprises)
- Income from the public budgets under public contracts
- Innominate situations (e.g. individual projects where the grant beneficiary is a region and the NGO receives a portion of the funds under the Public Procurement Act)
- Revenue from advertising (private corporation sponsoring)
- Investment, participation in third-party business (except for public benefit corporations, which are expressly prohibited by the law to participate in third-party business; public benefit corporations may thus only use savings accounts, investments in funds in the financial market, bonds etc.)
- Income from the investment in real estate

A specific form of own resources consists in membership fees, which however only apply to associations if associations establish any membership fees in their statutes.

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<sup>80</sup> Kamenický, J.: *“Vlastní zdroje NNO a jejich výdělečná a podnikatelská činnost, vývoj, stav a trendy”*.

A peculiar and fast-developing form of generating own resources is social business, primarily promoted by NGOs. Numerous NGOs already operate social businesses, and their successful operation helps them to fund their primary activities. However, the main problem in this area is the non-existence of a definition of social business shared by all the actors (especially the public administration), which would enable a better embedding of social business in the area of taxes, public contracts etc. A certain problem is also the fact that NGOs may only do business as their secondary activity, and any income may not be used otherwise than to fulfill the purpose of the given NGO. This should be resolved by the social business act, which is being prepared.

### **Resources from private persons**

#### **Donations from natural persons**

Donations from natural persons (individual donations) are among the fund sources of Czech NGOs which have a great development potential, as less than 20 % of citizens contribute to charity annually, and when they do, the amounts are not large.<sup>81</sup> Donations are most often provided to help children, the poor and those affected by natural disasters, where the Czech public responds very sensitively. Funds may be provided as one-off sums or continually, and NGOs naturally try to build networks of permanent contributors so that individual donations provide them with stable income in the future. The trend of permanent contributors came to the Czech Republic along with multinational NGOs such as Greenpeace and UNICEF, but it is already established and developing in the Czech Republic.

Little information is available concerning the volume of individual donations. A certain picture is indicated by the data of the Ministry of Finance (data from the tax returns of natural persons). The data naturally only apply to natural persons (i.e. persons who have given repeated or large donations) who applied the deduction of the donation value from the tax base, which is the only state tool to support individual donations. Natural persons can deduct up to 15 % of the tax base in aggregate. However, the achievement of this percentage

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<sup>81</sup> Kalousová, P.: “*Dárčovství a filantropie firem a individuálních dárců*”.

by individual donators is exceptional and apparently applies only to large and isolated donations.

**Table 21: Provided donations from the tax returns of natural persons**

Year	Number of donators	Donation value in CZK
2010	116,960	1,510,645,000
2011	121,216	1,466,342,000
2012	124,096	1,562,470,000
2013 <sup>82</sup>	135,000	1,500,000,000

Source: Kalousová, P.: “Dárcovství a filantropie firem a individuálních dárců”.

As is apparent from the data of the Ministry of Finance, the numbers of donators or the donation volumes do not change much over the years; therefore, individual donations develop only slowly and need a stronger support.

### Corporate philanthropy

Corporate philanthropy / donations are part of the corporate social responsibility. It is an area which is undergoing a very dynamic development. It is not a mere provision of funds for publicly beneficial purposes. Large companies have already established the positions of CSR managers who devote themselves to corporate donations as well as detailed programmes in which they combine various approaches – monetary gifts, material gifts, reduced prices of their services or *pro bono* services,<sup>83</sup> lending their employees as experts to NGOs, employee collections etc. More and more companies realize the need for the so-called responsible business, i.e. they are aware of their social responsibility. However, this may mean a reduction of the direct support for NGOs because the trend of responsible business shifts the corporate priorities for example towards corporate environmental policies, a responsible relationship to suppliers and customers, a special treatment of employees etc., while the support of the non-profit sector is only a part of the responsible corporate strategy.

<sup>82</sup> Estimate based on the prognosis of September 2014.

<sup>83</sup> Highly qualified services, provided free of charge (especially legal, audit, tax counseling and marketing services etc.).

As regards donators, legal persons may deduct the value of gratuitous performances provided for the purposes specified in Section 20(8), up to 10 % of the tax base, from the tax base. Companies do not use this opportunity in full. The following table shows the data on the corporate donation values in the Czech Republic, based on the tax returns of legal persons:

**Table 22: Provided donations from the tax returns of legal persons**

Year	Number of donators	Donation value in CZK
2010	17,578	2,460,658,000
2011	17,766	2,644,567,000
2012	17,571	2,601,867,000
2013 <sup>84</sup>	19,000	2,500,000,000

*Source: Kalousová, P.: “Dárcovství a filantropie firem a individuálních dárců”.*

As can be seen in Table 22, there are no material changes in the case of legal persons either, in terms of the number of donators or the donation volumes. A suitable state policy could contribute to development in this area.

### Public collections

The income from public collections is a very important NGO resource, and many NGOs organize such public collections. It is a kind of donation provision by natural and legal persons, subject to Act No. 117/2001 Coll., on Public Collections and Amending Certain Acts (the Public Collection Act). According to the Act, a public collection is the collection of voluntary monetary contributions from a previously unspecified group of contributors for a previously determined publicly beneficial purpose, especially humanitarian services and charity, the development of education and sports, or the protection of cultural monuments, traditions and the environment. Public collections may only be organized by legal persons.

Public collections cannot be considered mere sources of funds – through donations, the public expresses its trust in the given organization and the will to participate in addressing

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<sup>84</sup> Estimate based on the prognosis of September 2014.

issues related to the collection. In this respect, public collections are the manifestation of the public involvement in public affairs.

Traditional public collections with the highest profitability include permanent collections such as the Three Kings' Money Collection, the Světluška collection of the Czech Radio Endowment Fund, the Help Children Collection under the Civil Society Development Foundation and others.<sup>85</sup>

The Czech Donors Forum came up with the idea of an innovative project of donation text messages as a form of public collection, which is a Czech specialty. The project is still in progress today, in cooperation with mobile phone operators. The user sends a special text message for CZK 30, of which CZK 28.50 goes to the account of the selected NGO and the rest covers the technical, organizational and coordinating aspects of the project, including services for the NGO and the public. In this way, over **CZK 430 billion** has been collected for the benefit of various NGOs which apply for the project and meet the requirements set by the Donors Forum.<sup>86</sup>

According to the data of the Central Register of Public Collections, kept by the Ministry of the Interior, 682 collections were organized in 2013 and 490 in 2014. From among NGOs (collections may also be organized by other legal persons), the most frequent organizers of public collections are associations and public benefit corporations (65 % in 2013, 75 % in 2014). As of 31 December 2014, 687 collections were organized for indefinite periods.

### **Foundation contributions by foundations and endowment funds**

NGOs may apply for contributions by foundations and endowment funds within the grant programmes of foundations and endowment funds. Foundations and endowment funds have a greater freedom in making contracts for contributions, compared to the public budget

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<sup>85</sup> Kalousová, P.: *“Dárcovství a filantropie firem a individuálních dárců”*.

<sup>86</sup> <http://www.darcovskasms.cz/o-nas/fd.html>

grants, and such contributions mostly cover the financial needs of NGOs which cannot be satisfied from other resources.

Given the fact that foundations and endowment funds are private entities, there is no comprehensive source of data on the volumes of the provided contributions. The only data source consists in the mandatory public annual reports of foundations and endowment funds, which however are indicative of individual entities only, and it is impossible to obtain general data without a detailed research.

Nevertheless, there is publicly available information about one specific foundation group – i.e. foundations – beneficiaries of contributions from the FIF. The FIF was established in 1991 by Act No. 171/1991 Coll., on the Competence of the Bodies of the Czech Republic in Matters of Transfer of State Property to Other Persons and on the National Property Fund of the Czech Republic, for the purposes of the support of foundations designated by the Chamber of Deputies of the Parliament of the Czech Republic at the proposal of the Government. For this Fund, the Government allocated 1 % of the shares of the second wave of the coupon privatization, which were gradually sold. At the proposal of the GCNGNPO, the obtained funds were distributed in two stages in the years 1999 – 2006, to 73 foundations in the total amount of **CZK 2,419,742,000**. Currently, 69 foundations use this contribution because three foundations have returned it and one foundation is in liquidation. According to contracts with the Ministry of Finance (earlier the National Property Fund of the Czech Republic), the main duty of these foundations was to annually distribute the revenue from the foundation assets, formed by the FIF contribution, in the form of foundation contributions, where the revenue corresponded to 0.5 of the average PRIBID. E.g. in 2012, over **CZK 33 million** was distributed among NGOs in the form of contributions from the revenues from the FIF, where the sum which had to be distributed according to the above rule was only CZK 19 million. In 2012, these foundations distributed the total of **CZK 252 million** from all the foundation assets (i.e. not only from the revenues from the FIF contribution). The GCNGNPO informed the Government of the profit and loss of foundations - beneficiaries of contributions from the FIF from 2001 to 2013. In 2013, the Ministry of Finance with the consent of the GCNGNPO commenced the process of terminating contracts

with foundations. The reasons were the new legislation after 1 January 2014 (the Civil Code) and the fact that the allocation of the FIF-category funds was completed.

### **Voluntary activity / work**

Voluntary activity / work is a specific case of a private NGO resource. A considerable proportion of voluntary, i.e. unpaid work of volunteers is one of the primary characteristics of NGOs and mostly a requirement for their operation. Voluntary activity / work is undoubtedly a resource for the NGO because it creates economic values, while the costs are low due to the non-existence of wages and similar expenses. Voluntary activity / work is often seen as a resource also because some grant or foundation contribution providers recognize it as part of the mandatory cofunding of the project for which the NGO wishes to obtain a grant. Chapter 1.3.2 deals with voluntary work in more detail.

According to the CZSO NPI satellite account, volunteers worked more than 44 million hours in 2012, which means over **CZK 5.5 billion**.<sup>87</sup> Given the specifics of monitoring data about volunteering by the CZSO, which have already been discussed, this number is probably even higher.

### **Share in the revenue from lotteries and hazard**

In the past years, NGOs had the opportunity to obtain funds from statutory levies with respect to lotteries and similar games, as the operators of such games were obliged to contribute certain portions to public purposes. However, this duty was abolished as of 1 January 2012 by Act No. 458/2011 Coll., on Amending Acts in Connection with the Establishment of One-Off Collection Point and other Changes to Tax and Insurance Legislation, and was replaced by a special levy with respect to the operation of lotteries and similar games, the revenue from which is divided among the state budget and the municipal budgets. In theory, NGOs may obtain these funds through applications for municipality or

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<sup>87</sup> Prouzová, Z.: “*Data a fakta o neziskovém sektoru v ČR*”. Converted using the salary median in the Czech Republic for 2012, the value of which was CZK 126.39.

state aid, but there is no direct connection between the lottery levies and the income of NGOs any longer.

#### ***2.4. Cooperation between the state authorities and NGOs and its institutional security***

The basic instrument for securing the formulation of the state policy with respect to NGOs is the GCNGNPO, which is one of the oldest advisory bodies of the Czech Government, established after 1989.

It was established by the Czech Government as its permanent advisory, initiating and coordinating body as early as 1992, and since then it has been an organizational part of the Czech Government. It is the only state authority dealing solely with the issue of the non-profit sector in general and interdepartmental context. Due to its management by a constitutional actor, its composition, the manner of its organization and the manner of its work, it is a participatory body capable of fulfilling its role – i.e. advise the Government in general issues of the non-profit sector. In its work, it uses the principles of the Code of Conduct, which is the European Recommendation of 2012 for the fulfillment of the principles of partnership in the implementation of the funds of the common strategic framework – elements of the European Code of Conduct for the organization of partner cooperation among different levels of public authority and civil society.

The GCNGNPO was originally formed as the Council for Foundations by Government Resolution No. 428 dated 10 June 1992, on the Establishment of the Council for Foundations. Its establishment in 1992 was motivated by the effort to distribute the FIF (see above).

In 1998, it was transformed into the GCNGNPO through the expansion of its competences to all NGOs (by Government Resolution No. 223 dated 30 March 1998, on the

Government Council for Non-Governmental Non-Profit Organizations). Only this advisory body succeeded in the complete allocation of the FIF in two stages, in the years 1998 – 2002.

At present, the GCNGNPO has the maximum of 32 members. These members form two groups. First there are NGO experts (at least one-half according to the valid statute of the GCNGNPO). These experts focus on a specific area of work of the GCNGNPO and at the same time represent the non-profit sector and its opinions and attitudes. Then there are public administration representatives. Specifically, there are Deputy Ministers of Finance, Culture, Labor and Social Affairs, Regional Development, Industry and Trade, Education, Youth and Sports, the Interior, Justice, Foreign Affairs, Health, Agriculture and Environment, Government representatives for human rights (if appointed), representatives of the Association of Regions of the Czech Republic and representatives of the Union of Towns and Municipalities of the Czech Republic. The GCNGNPO is always headed by a Government official. The Secretariat is based at the Office of the Czech Government and is currently an organizational part of its Human Rights Section.

On the basis of its statute, approved by Government Resolution No. 630 dated 29 August 2012, as amended by Government Resolution No. 332 dated 5 May 2014, the GCNGNPO collects, considers and presents to the Government, through its Chairman, documents relating to NGOs and pertaining to the creation of a suitable environment for their existence and activity. The GCNGNPO also has the following roles:

- Initiates and evaluates the conceptual and implementation documents for Government decisions, relating to the NGO support, and the legislative and political actions relating to the conditions of their activity,
- Monitors, initiates and comments on the legislation governing the position and activity of NGOs, comments on bills relating to NGOs,
- Initiates the cooperation among ministries, other administrative bodies and local governments in the area of NGO support, including the grant policy under the public budgets,

- Monitors, analyzes and publishes information about the position of NGOs in the EU, the involvement of the Czech Republic in the EU in terms of NGOs, and related financial resources, cooperates with ministries and other administrative bodies responsible for the management of the EU funds in the Czech Republic if EU funds apply to the NGOs,
- In cooperation with ministries, other administrative bodies, NGOs and other bodies and institutions, it ensures the availability and publication of information about NGOs and the state policy actions relating to NGOs; in particular, it makes available and analyzes information about grants from the public budgets for NGOs and about the process of their release and use,
- Participates in the actions of ministries and other administrative bodies related to NGOs, especially in the process of standardization of activities, assigning accreditations, and categorization of NGO types,
- Until 2013, it monitored and informed the Government of the use of FIF-category funds that were allocated to the assets of selected foundations by Resolutions of the Chamber of Deputies of the Parliament of the Czech Republic No. 413/1999 and No. 1946/2001, and of the distribution of their revenues on the basis of the proposal of this advisory body.

The GCNGNPO has two permanent committees which prepare topics for the GCNGNPO according to their focus. These are:

- The Committee for the EU, which monitors and analyzes information about the position of NGOs within the EU, the involvement of the Czech Republic in the EU in terms of NGOs, and related financial resources; it cooperates with ministries and other administrative bodies responsible for the management of the EU funds in the Czech Republic if EU funds apply to the NGOs. Members of the Committee for the EU are mainly representatives of those NGOs which deal with the issue of the EU, some members of the Monitoring Committees of Operational Programmes from among NGOs and other NGO experts focusing on the issue of the EU,
- The Committee for Legislation and Funding, which proposes the preparation and modification of legal regulations governing the position and activity of NGOs, monitors and comments on the legal regulations governing the position and activity of NGOs, and initiates and assesses political actions relating to the conditions of the NGO operation.

Given the nature of the activity of the Committee for Legislation and Funding, its members are experts in the area of law, taxes, financial procedures and accounting who specialize in NGOs in their respective fields – whether they are experts from among NGOs, representatives of central state administration bodies or members of private corporations.

In addition to the GCNGNPO, other work and advisory bodies of the Government, organized based on a similar principle, cooperate with selected NGOs. NGO representatives who are members of these advisory bodies are specialists in the fields with which these advisory bodies are concerned.

At the level of the individual ministries, there are numerous ways in which the departments communicate with NGOs that operate in the fields within the competence of the departments. Out of the many various forms of cooperation, we would like to mention NGO representation in structures which deal with the programming, implementation and monitoring of the use of the European Structural and Investment Funds. In this case, the principle of partnership is applied through a mandatory representation of NGOs in the Monitoring Committees of Operational Programmes as well as other programme structures.

We should note that at all levels of cooperation of the Government and the central bodies, NGO networks and umbrellas, established by NGOs to enforce and defend their interests, are more and more prominent.

## **2.5. Conclusion**

The manifestation of the state policy with respect to NGOs as private entities consists mainly in four areas in the organizational and administrative activities of the state authorities. The areas are as follows:

- Obtaining and making available “large” data on NGOs,

- Legislative regulation of these entities,
- System of cofunding of their activities (direct support, such as grants, as well as indirect support, such as tax reductions and benefits for NGOs or their donators) and
- Institutional securing of the initiation, implementation and monitoring of this policy.

Two definitions of NGOs are used for the purpose of the state policy – a narrower definition by the GCNGNPO from the 1990s and a broader definition used by the CZSO in the collection of data in the NPI satellite account. These two definitions largely overlap.

The legislative situation of NGOs (their status laws) has undergone major changes from 1991, when the first post-revolution act on association was adopted, to the effective date of the Civil Code in 2014. It is also thanks to these laws that there is a large and independent non-profit sector in the Czech Republic. The Civil Code and the related legislation are the next generation of legislative modifications of NGOs. On the one hand, they increase their freedom (e.g. easier opportunities to do business), but on the other they also increase the transparency of NGOs in relation to the public (i.e. the public registers and the duties of NGOs in this respect).

As regards the NGO funding, the state budget aid is still one of the major components of multi-source funding of the projects and activities of a certain small segment of NGOs. There is especially one state budget tool, i.e. grants. The grant volume for NGO projects has been slightly increasing for many years now (except for the fluctuation in 2008), but the main problems of this method of funding have not been eliminated – the main issue is the fact that grants are provided for only one budgetary year. Moreover, grants are provided in the year in which they are supposed to be used.

NGOs usually fund their projects from multiple sources. Private donations (from natural as well as legal persons) definitely have potential for further development. Likewise, the operations of NGOs are developing, through which NGOs are able to generate their own income, sometimes even profits to co-finance their primary activities.

The GCNGNPO, one of the advisory bodies of the Government, is the main institutional tool of the Czech Government with respect to the non-profit sector. It has a long history and experience. It was established as one of the first advisory bodies of the Czech Government as early as 1992 (as the Council for Foundations). The GCNGNPO has also undergone numerous transformations that are primarily related to the development of the non-profit sector, but also to its Chairman, who is always a constitutional actor, and, last but not least, to the will of the Government, which evaluates and approves the GCNGNPO's proposals.



### **3. State policy with respect to NGOs for the years 2015 – 2020**

#### ***3.1. Principles, bases and actions of the state policy with respect to NGOs***

The main objective of this document is to define the state policy with respect to NGOs in a key document approved by the Government, which will serve as the basis for the development and monitoring of the conceptual actions that may be applied by the state and its authorities in favor of the sustainability (or development) of NGOs and their roles in the society. The draft also has its partial objectives that are subordinated to the main objective. The aim is to describe the situation regarding the relationship of the state and the non-profit sector at present time, where there are many changes (the Civil Code, the EU programming period of 2014 – 2020), and in the context of these changes propose actual actions of the state ensuring a permanent sustainability of NGOs, at the level of the GCNGNPO as well as at the level of other central bodies of the state administration.

The document is planned for a period of six years, over which the actions contained in the draft should be fulfilled. The implementation of the first actions is planned already for 2015, the other actions are planned for the period of 2016 – 2020. The chosen medium-term time horizon provides enough time to implement even relatively complex plans that require a close and longer-term cooperation with the responsible departments. At the same time, the period is sufficiently short so that it is possible to achieve certain practical goals within a limited time period and in mutual context.

The document is based on the premise that the state and its authorities recognize the positive benefits of the activities of NGOs for the society and are ready to support these activities, through which citizens influence public affairs of their own initiative and contribute to the public benefit. The state and its authorities are aware of the fact that many publicly beneficial activities can be effectively performed mainly or exclusively through the non-profit sector, with costs lower than they would be if such activities were performed by the state authorities or local governments.

The draft is conceived as follows: the most general categories, i.e. **four basic principles of the state policy**, are elaborated into the **bases** of the policy, and these bases are then elaborated into **actions** through which the bases (and thus principles) will be fulfilled. Some of the actions overlap because they will be used to fulfill multiple principles or bases of the state policy. An explanatory commentary accompanies each basis and all the actions that seek to fulfill it.

A table is attached to the draft state policy, providing a well-arranged and complete overview of the principles, bases and actions. The table also indicates the bodies which will fulfill the tasks and the documents through the revisions of which it is possible to implement the actions. The structure of this third chapter observes the logical links between the state policy principles, bases and actions that are commented on.

**PRINCIPLE 1: THE CZECH GOVERNMENT SUPPORTS A PERMANENT SUSTAINABILITY OF STRONG, VARIED AND INDEPENDENT NGOS.**

**BASIS 1:**

**The Government sees the operation of NGOs in many areas as irreplaceable and perceives their activities not only as an equal part of the system of services and activities for citizens and communities but also as a legitimate way in which citizens participate in the public life of the society.**

**ACTIONS:**

- *Develop the dialogue between the Government and NGOs through the GCNGNPO. Involve members of all forms of NGOs and all types of NGOs by their functions in the work of the GCNGNPO and its committees.*
- *At the level of the GCNGNPO, continue creating various platforms to discuss the non-profit sector issues. With regard to quality outcomes of the discussion, strive for a broader cooperation with academics who deal with the non-profit sector in terms of science.*
- *Establish substitutable membership in the GCNGNPO also for members from among NGOs and develop the procedures of seeking consensus and deliberation.*
- *Support of the establishment and existence of democratic NGO networks and umbrellas, based on field-specific as well as multi-field principles. At the level of the GCNGNPO Chairman, prepare a grant title to support the nation-wide multi-field networks as a manifestation of the state support of the establishment and activities of autonomous NGO entities.*
- *Ensure the representation of NGOs in the structures established by the Government and its bodies to support the principle of a good government.*

## **Commentary:**

In general, the state policy basis and the follow-up actions declare the respect of the Government towards the civil society, which is composed of active citizens and of which NGOs are an important part. In the proposed actions, there is the intention to involve these public actors in the dialogue, mainly through NGO networks and umbrellas, which are established “from below” and which have been strengthening in the last few years. Many of them are already important actors in certain fields, some of them in multiple fields. The cooperation of the state with networks and selected umbrellas should answer the long-term problem which hinders this cooperation – state bodies have difficulties in recognizing entities with which they should develop such cooperation, because such entities should be sufficiently representative, ensure the awareness of other NGOs and have their expertise.

Amending the GCNGNPO statute will achieve some improvements in the functioning of this governmental advisory body with respect to strengthening its legitimacy towards the non-profit sector. The new statute will include the possibility of substitutability of GCNGNPO members by NGOs, as is the case with representatives of the state administration. It will also supplement GCNGNPO members with NGO members so that the GCNGNPO members include the NGO legal types as well as the individual NGO functions. The GCNGNPO will also find a way to closely cooperate with academic experts and use their knowledge about the non-profit sector. The GCNGNPO will continue the practice of creating various platforms and fora that will enable the searching for paths towards a consensus in disputable issues.

At the level of the GCNGNPO, i.e. within the structure of the Government Council for Human Rights of the Czech Republic, it has been proposed to prepare a new grant title of about CZK 3 million per year in order to aid universal umbrellas (there are approximately 10 such groupings) and their capacities, so that they can play the role of cooperators of the Government at the central level.

The last action basically states that selected NGOs, through their members, are represented in all advisory bodies of the Government which are conceived as participative, and envisages that this principle will be preserved or strengthened.

## **BASIS 2:**

**The Government sees important work not only in service NGOs, which provide services to citizens, and philanthropic NGOs, which financially support other NGOs, but also in advocacy NGOs, which strive for system changes in different areas of the public life, and special-interest NGOs, which satisfy and protect the interests of their members.**

## **ACTIONS:**

- *In drafting governmental as well as departmental policies, distinguish between the individual NGO types, taking into account their characteristic attributes and functions.*
- *When choosing a NGO as a partner, verify its representativeness or expert experience.*

## **Commentary:**

It is apparent that NGOs cannot be approached as a homogeneous whole in terms of the state policy, given their quantity and variability. Basically, what is suggested is a solution which consists in the combination of selected legal forms typical of NGOs (as the situation has been so far) and in the distinction between NGOs according to their functions. Through consultations with the academic sphere and foreign examples, we have arrived at four types of NGOs in terms of their functions in the society. In the first part of the proposal, these types are described taking into account their usual legal forms. It is obvious, and the document in all its parts takes this into consideration, that in terms of the state policy, it is impossible to approach for example special-interest NGOs, working only for their members, and professional service NGOs, providing services, in the same way.

The second action also reflects these differences. If the state authorities are looking for a cooperator from among NGOs, they should ensure that the NGOs which apply for such

cooperation are either sufficiently presentable (e.g. in the case of networks and umbrellas or membership NGOs which rely on their members) or have knowledge and experience based on their long-term, professional and successful work.

### **BASIS 3:**

**The Government respects the independence of NGOs and will desist from the state regulation of NGOs in cases where it is not bound by its obligation to protect the legitimate interests and rights of citizens or where it does not aid NGOs from the state budget.**

#### **ACTION:**

- *Monitoring and commenting on bills and policies in terms of ensuring the independence of NGOs.*

#### **Commentary:**

It is necessary to carefully and continuously consider the degree of the state regulation of the existence and activities of NGOs which are part of the civil society. The basic reason is that a free development of association of citizens is one of the guarantees of a democratic society and is guaranteed in the Charter of Fundamental Rights and Freedoms.

Nevertheless, even if the freedom of NGOs is respected, their independence has different degrees. State regulation is undesirable in the case of NGOs (in particular associations) which are established and operate within the limits of the relevant legislation, do not aspire after aid from the public budgets, are volunteer groups or work only for their members. The situation is different for other legal forms, on which the law imposes certain obligations. And the situation is yet different in the case of those NGOs which receive aid from public resources, especially the state budget. Moreover, in the case of service NGOs it is necessary to protect the clients who use the services provided by these NGOs. With these NGOs, state regulation and control is necessary as much as their public control is required. Therefore, the degree of transparency of NGOs with respect to the state and the public must

be graded according to the way in which the particular NGO participates in the creation of the public welfare and according to the extent to which it uses public funds.

The action proposal assumes the monitoring of bills and state policies with regard to the aforementioned findings. This is already being performed by the GCNGNPO and both its committees.

#### **BASIS 4:**

**The Government recognizes the importance of a suitable legislative embedding of NGOs which constitute a special group of private entities, and will ensure that this group as well as its adequate comfort in the Czech law is taken into account in the preparation of the relevant legislation.**

#### **ACTIONS:**

- *Following the adoption of the act on the public benefit status, strive for adequate advantages for legal persons with the status to compensate for the administrative burden associated with the application for the status and the fulfillment of its conditions.*
- *If the act on the public benefit status is adopted, continuously monitor its impacts and on their basis, in perspective, consider the amendments to the act.*
- *Ensure a uniform interpretation of the Civil Code in the practice of the register courts.*

#### **Commentary:**

The basis takes into account the NGOs which have embarked on the journey towards their professionalization and which of their own will strive for a high standard of their management, public control etc. In terms of the state policy, these ambitions of NGOs are closely related to the act on the public benefit status, which is undergoing the legislative process, and aspires after becoming a “quality label” of the NGOs which will gain the status. A certain degree of effort is related to the gaining and sustainment of the status, which will

also find its reflection in the change of management of the relevant NGO etc. Since it is desirable to achieve this change with a certain group of NGOs, it is advisable to link the gaining of the public benefit status to specific benefits, such as tax reductions and the exemption from some types of fees beyond the framework which is currently enabled for all NGOs on the basis of their legal forms. This is also related to the continuous monitoring of the impacts of this act and, on this basis, its potential future amendment if the act proves to be insufficient with respect to the application practice.

With regard to an adequate comfort and legal security of NGOs, it is necessary to strive for a uniform interpretation of the Civil Code and related laws by the courts. The interpretations and approaches of courts appear to differ in various processes, such as the adaptation of NGOs to these laws, the incorporation in the public registers etc.

#### **BASIS 5:**

**The Government will strive for an easier availability of information and data which NGOs need for their successful work. At the same time, the Government will support the collection of information and data about NGOs which are available to the public.**

#### **ACTIONS:**

- *Support the development of an NPI satellite account, maintained by the CZSO, and the expansion of the data monitored in the account.*
- *At the level of the GCNGNPO or one of its committees, establish a permanent work group composed of representatives of institutions which administer the state information systems, where this work group will prepare a strategy to make available information and data about NGOs and for NGOs.*

## **Commentary:**

Although the situation is continuously improving, it is not easy for the state authorities, the professional public or those who use the services and activities of NGOs to orientate themselves in the NGO environment.

The NGO transparency will undoubtedly be increased by Act No. 304/2013 Coll., on Public Registers of Legal Entities and Individuals, as amended. The fact that all private legal persons (including associations) are incorporated in these registers and submit mandatory documents to public collections of documents will considerably improve the possibilities of learning the basic information about all NGOs in the next two years (when the three-year period in which NGOs may adapt their foundation documents to the Civil Code has expired). However, it is necessary to ensure that the courts continuously monitor the fulfillment of these obligations of NGOs with respect to the public registers. Our experience indicates that many NGOs of the legal types which had such obligations before simply did not fulfill them without any consequences. This applies especially to the failure to submit the mandatory annual reports and financial statements to the public collection of documents, and other violations of obligations with respect to the public registers.

As regards the “large” data about this segment of the society, it is desirable to support the maintenance of an NPI CZSO satellite account that collects data on NGOs (or NPIs) according to the Eurostat methodology, and to initiate negotiations with its representatives concerning the expansion of the structure of the monitored data. A permanent work group will serve this purpose; the group will be established by the GCNGNPO (the Committee for Funding and Legislation of the GCNGNPO) as the completion of the task arising from this proposal. Together with the CZSO representatives, other experts will seek ways to improve the predicative values of the monitored data.

## **BASIS 6:**

**The Government acknowledges that NGOs providing services to the public are part of the system of services, in addition to services provided by the state administration and**

**local governments, and as such will have an equal access to the state budget aid. The Government welcomes the professionalization of such NGOs and their efforts to achieve transparency for the benefit of the users of their services.**

**ACTIONS:**

- *In the system of providing public services, ensure the equality of NGOs and other legal types of providers.*
- *Distinguish between NGOs which are special-interest and work mainly for their members and service, philanthropic, humanitarian, advocacy and some special-interest NGOs which provide services to the general public or to generally defined target groups of which provide financial support for such activities.*
- *Distinguish between NGOs where it is necessary to require professionalization and NGOs where it is not.*
- *Monitor the compliance with the deadlines for the provision of grants from the state budget so that NGOs obtain the allocated grants by the end of the first quarter of the respective year.*
- *Provide the possibility of funding strategic partners from among NGOs over multiple years in cases where it is necessary to ensure their continuous financial support, through agreements on long-term cooperation.*
- *Ensure that adequate funds for the so-called operating expenses, especially for personnel costs of the needed operational employees (accountants, financial management etc.), form an integral part of national grants or grants from the European Social Fund.*
- *Ensure that the amounts of the imposed penalties according to the budgetary rules are adequate to the degree of offense against the budgetary discipline.*
- *As part of the activities of the Committee for Legislation and Funding of the GCNGNPO, monitor and seek ways to suitably make information about the issue and the addressing of the rules of state aid available to NGOs.*

## **Commentary:**

Service and humanitarian NGOs are the providers of many services in various areas of the life of the society (see Chapter 2). The state authorities “purchase” these services especially in the form of grants that have their specific characteristics according to the Act on Budgetary Rules. One of the characteristics which complicates a continuous funding of the NGO services is the provision and settlement of the grants in one budgetary year. All NGOs supported by the state budget know the situation where they have to implement the project which received the aid in the first quarter of the budgetary year (this being the better scenario, as grants are sometimes provided much later), without any financial coverage.

Therefore, the proposed actions emphasize the need for compliance with the dates determined in the Principles, i.e. the publication of selected projects by the end of the preceding budgetary year, making the first payment of the grant by the end of March and making the second payment of the grant by the end of September of the respective budgetary year.

The difficulties related to one budgetary year in which and for which the grant is provided may be dealt with in various ways. One of the ways is included in the Principles and consists in the conclusion of agreements on long-term cooperation with selected NGOs for multiple years, where such NGOs become strategic partners of the department which entered into the agreement. The Government has already approved the possibility of entering into these agreements; now it is important that the ministries try this method and modify it according to their experience.

At the same time, it is proposed that the recognizable expenses of state grants include reasonable indirect costs of the project implementer. The administration of the funds provided by the state requires a high-quality structure of the NGO management, a professional performance of the supported services and activities, qualified employees etc. In general, indirect costs do not have to be supported in the case of small grants, directed to purely

volunteer NGOs. That is why it is necessary to distinguish between the types of these entities in this area as well.

The last proposed action is to seek the solution to the issue of imposing penalties for the breach of the budgetary discipline pursuant to Act No. 218/2000 Coll. This legal regulation does allow the authority providing the grant to distinguish between entirely formal and minor errors and serious errors that require the imposition of penalties; however, the departments providing grants do not use this possibility in their decisions on grant provision very often. In the end, this practice burdens the state authorities and frequently jeopardizes the existence of useful NGOs.

#### **BASIS 7:**

**The Government acknowledges the society-wide benefit of social business and will support its development.**

#### **ACTIONS:**

- *Ensure the legislative definition of social business.*
- *Support the expansion of the work of social businesses to working with other target groups in addition to the disabled and the socially handicapped.*
- *Monitor and measure the number and size of social businesses and make this information public.*
- *Create a social environment supporting social innovations in the environment of social businesses.*

#### **Commentary:**

Social business has been developing in the Czech Republic for many years. These entities are not only cooperatives but also numerous NGOs of various legal types. In the

previous EU programming period, this specific type of business was supported by the Ministry of Labor and Social Affairs under its operational programme and by the City of Prague. In the current EU programming period of 2014 – 2020, this aid continues to be reckoned with and is deepening. In addition, the Ministry of Industry and Trade reckons with a certain support of social business as part of the support for small and medium businesses in its operational programme.

However, the definitions of social business used by both departments differ. If this type of responsible business is to be supported through the Public Procurement Act as well, a uniform definition of social business is necessary. The relation of social business to the tax legislation has not been possible so far, and generally it is hardly possible to speak of the social business support unless the law clearly defines what social business is. In the next two years, this situation is to be changed by the social business act, which is currently being prepared by the Office of the Government of the Czech Republic.

**PRINCIPLE 2: THE GOVERNMENT OF THE CZECH REPUBLIC WILL STRIVE FOR AN EFFICIENT AND TRANSPARENT PROPOSING OF STATE POLICIES WITH RESPECT TO NGOs INCLUDING LEGISLATIVE ACTIONS, FUNDING AND INSTITUTIONAL SECURITY**

**BASIS 1:**

**In the preparation of the proposals of policies, programmes and services that are related to NGOs and their activities, the Government through its bodies will cooperate with selected NGOs in the earliest stage possible.**

**ACTIONS:**

- *Develop a dialogue between the Government and NGOs through the GCNGNPO. Involve members of all forms of NGOs and all types of NGOs according to their functions in the work of the GCNGNPO and its committees.*
- *Create a work group of the GCNGNPO, composed of representatives of regional authorities.*
- *Ensure the representation of NGOs in the structures established by the Government and its bodies to support the principle of a good government.*

**Commentary:**

The principles of a good administration include partnerships and the cooperation with special-interest groups of citizens in the development of policies relating to citizens. This partnership already exists between the Government and selected NGOs through the advisory bodies of the Government which have been formed by the Government as participatory. Representatives of selected NGOs may very effectively influence the policies in areas for which the respective advisory bodies have been established in more than ten such bodies formed by the Government. Not only “citizen” members but also thematic committees and work groups established by councils are involved in the work of these governmental advisory bodies; through such thematic committees and work groups, other experts from the public

sphere are involved in the formulation of state policies. In terms of the principle of a good government, this practice needs to be preserved and further developed.

The GCNGNPO, which is an advisory body of the Government for the issues of the non-profit sector, has established two permanent committees that form various work groups. In this way, about 80 experts from the non-profit sector, the academic sphere and other areas are currently involved in the work of the GCNGNPO. Nevertheless, it has been proposed that the GCNGNPO prepare an amendment to its statute for the Government and include in the members other experts from NGOs, especially from traditional special-interest associations that have not been represented in the GCNGNPO, and thus fulfill the distinction between NGOs in terms of functions, which is proposed in this document. A permanent work group of representatives of regional authorities who create regional policies with respect to NGOs and a work group for statistics and NGO data publication will also be established. Both these permanent work groups will be managed by the GCNGNPO committees.

## **BASIS 2:**

**The Government will ensure that NGOs that will be aided from the state budget are supported in a reasonable and fair way in the areas in which they help the state to fulfill its tasks and objectives. The Government will also make sure that NGOs are indirectly supported with a system of suitable tax reductions.**

## **ACTIONS:**

- *In the system of the provision of public services, ensure the equality of NGOs and other legal types of providers.*
- *Following the adoption of the act on the public benefit status, strive for adequate advantages for legal persons with the status to compensate for the administrative burden associated with the application for the status and the fulfillment of its conditions.*

## **Commentary:**

This basis of the state policy complements Basis 6 of the first Principle and its actions. The basic idea of both bases is that services provided by NGOs cannot be perceived only as a supplement of state services; they should be seen as an integral and equal part of the variable service offer for target groups. NGOs repeatedly point to their disadvantageous positions compared to semi-budgetary organizations established by local governments. Semi-budgetary organizations do not have to strive after multi-source funding because they have the guarantee of year-on-year contributions provided by their authorities beyond the framework of state grants. NGOs which provide the same services do not have this guarantee, which prevents them from planning and developing their services.

The second action pertains to the situation following the effective date of the act on the public benefit status that is being prepared. The act does not contain any benefits giving preferential treatment to NGOs which decide for transparency, high-quality publicly beneficial services and activities and control by the public compared to those NGOs which do not make such a decision. As it is desirable from the perspective of the state that service, advocacy, philanthropic (and a part of special-interest) NGOs have the will to gain the status, it is necessary to support the gaining and sustainment thereof with certain benefits. These could be slight income tax reductions beyond the framework of the existing legislation and the exemption from some fees.

## **BASIS 3:**

**The Government will strive to achieve that the preparation and application of laws and policies do not increase (or that the preparation and application of laws and policies even reduce) the administrative burden in the case of NGOs, especially in the case of special-interest membership NGOs in the form of associations.**

## **ACTIONS:**

- *Distinguish between NGOs which are special-interest and work mainly for their members and service, philanthropic, advocacy and some special-interest NGOs which provide*

*services to the general public or to generally defined target groups of which provide financial support for such activities.*

- *Distinguish between NGOs where it is necessary to require professionalization and NGOs where it is not.*

**Commentary:**

As has already been said, it is not advisable to approach an extensive number of NGOs as a compact mass and classify NGOs only according to legal forms. This statement applies specially to associations in their numbers and great variability. In state policies, and not only grant policies, it is necessary to distinguish between associations working only for a small number of members and large associations with dozens of members and public services or associations doing business as a secondary activity. It is obvious that volunteer associations orientated at their members or some activities provided *ad hoc* do not need to have professional managements or accredited activities. Nevertheless, they are of great importance because they are often tools through which citizens demonstrate their interest and participate in the community development.

It is a long-term, continuous task of the entire state administration in the formulation of its strategies, legislation and grant programmes.

**BASIS 4:**

**The Government will ensure in the grant policies of central bodies that they include reasonable and relevant indirect costs of NGOs, including the costs associated with the involvement of volunteers, in the eligible project costs.**

**ACTION:**

- *Ensure that adequate funds for the so-called operating expenses, especially for personnel costs of the needed operational employees (accountants, financial management etc.), form an integral part of national grants or grants from the European Social Fund.*

### **Commentary:**

It is important that in the case of state budget aid as well as the ESIF aid, i.e. where the state requires a professional administration of the allocated funds, the grant includes the support of the beneficiary's indirect costs. These are not only costs associated with the implementation of the supported project (for example the salaries of the project employees, the rent of the building in which the project is implemented etc.); it is also necessary to aid the costs associated with the administration of the provided funds and the administration of the beneficiary's company. Typically, these are personnel costs for the director of the organization, the economist and the accountant, the costs of the NGO headquarters, energy etc. Aid may be granted on the basis of the project budget which will include such items or in a reasonable percentage from the awarded grant.

### **BASIS 5:**

**The Government will ensure that the topics, especially in the area of enforcing equality and non-discrimination, brought by the NGO activities, are identified and used by the central bodies in the formulation of changes of the relevant state policies.**

### **ACTIONS:**

- *Systemically support the NGO networking and cooperate with field-specific networks and umbrellas or with resource centers from among NGOs, having long-term experience and expert knowledge, at the level of the Government and the individual ministries.*
- *Ensure the representation of NGOs in the structures established by the Government and its bodies to support the principle of a good government.*

### **Commentary:**

This is a long-term task of the importance of which the state administration should always be aware. NGOs, in particular service and advocacy NGOs, are important actors in enforcing equality and non-discrimination. Numerous actions of this kind, developed and pilot-tested by NGOs, have already been adopted by the state administration as permanent

actions of the state policy (for example assistant teachers, pre-primary education, certain actions in foster care, ways of humanitarian aid etc.).

As NGOs have innovative topics and test them in their projects, it is efficient for this reason that departments pursue a systematic cooperation with the relevant field-specific NGO umbrellas and networks that are focused on the respective areas and can inspire the state administration with their stimuli.

#### **BASIS 6:**

**As part of ensuring multi-source funding, the Government will support a higher availability of financial resources for NGOs from the European funds.**

#### **ACTION:**

- *Support an increase in the absorption capacity for the ESIF support in the programming period of 2014 – 2020 from less than 2 % to at least 4 % of registered NGOs.*

#### **Commentary:**

In the EU programming period of 2007 – 2013, less than 1 % of registered NGOs drew aid from the ESIF (a share in the ESIF drawing of only 1.8 %), while up to 4 % of registered NGOs could draw this aid (i.e. NGOs which can obtain grants from the public budgets).

This is a long-term task which in terms of time copies the presented draft state policy. The EU programming period of 2014 – 2020 was being prepared with a more massive participation of the GCNGNPO, especially its Committee for the EU, and representatives from NGOs. In the programme structures of the individual operational programmes, there are currently about 30 NGO representatives who can influence the individual calls to a certain extent. An increase in the number of aid beneficiaries from among NGOs may also be brought about by a uniform methodological system, through which the ESIF aid will be administered.

There are certain possibilities in preliminary negotiations with the Ministry of Regional Development concerning the support of activities of some NGO umbrellas in the field of the ESIF implementation, and in the decisions of the Ministry of Labor and Social Affairs to create a call under the Operational Programme Employment to support the capacities of social service providers from among NGOs.

The GCNGNPO will monitor and analyze the progress of the implementation and the success rate of the applicants for the ESIF aid through its Committee for the EU.

**PRINCIPLE 3: THE GOVERNMENT OF THE CZECH REPUBLIC WILL SUPPORT VOLUNTEERING AND DONATIONS AS A MANIFESTATION OF PARTICIPATION OF CITIZENS IN PUBLIC AFFAIRS**

**BASIS 1:**

The Government recognizes the importance of volunteering in the Czech society as a manifestation of participation of citizens in public affairs and an integral part of the operation of NGOs. It will support the development of volunteering through sensible and targeted actions.

**ACTIONS:**

- *Finish the volunteering act that is being prepared and that covers the entire area of volunteering through social recognition, and thoroughly ensure the necessary and tolerable degree of state regulation in this area.*
- *Value voluntary activity as a non-financial performance according to a uniformly recognized methodology and establish the inclusion of this non-financial performance in the co-financing of the projects aided by the state budget.*
- *Include volunteering that is a visible part of the economic production in the standard economic indicators.*
- *Prepare the concept of the development of volunteering in the Czech Republic with an accent on ensuring regional and field-specific availability of volunteering in the form of volunteer centers and ensure at least a two-year financial support of such centers.*

**Commentary:**

The Ministry of the Interior is preparing a volunteering act with a deadline by the end of 2015. In a new way, the act will govern volunteering as a broad area of participation of citizens in public affairs and the community development. Although this area is very sensitive to state regulation, the act is being prepared in order to support its development. The act will

also bring a way to value voluntary work with respect to its inclusion in the co-financing of state grants.

It is also advisable to prepare a concept of the development of volunteering with an accent on ensuring regional and field-specific availability of volunteering in the form of volunteer centers and ensure their financial support. Volunteer centers play a major role of “resource centers” in the development of institutionalized volunteering because they are “non-profit agencies” promoting volunteering, expanding examples of good practice, mediating the knowledge and experience of voluntary activity to the public, and assisting in the search for and preparation of new volunteers from among citizens.

The only data on volunteering and its national economic benefits are collected by the CZSO. It seems to be desirable to expand the collection of such information to better illustrate the reality of the benefit of volunteering for the national economy.

## **BASIS 2:**

**The Government is aware of the importance of private donations and philanthropy in favor of NGOs as an important factor in the area of cohesion and solidarity in the society, and will continue supporting such donations through sensible actions. It will charge the GCNGNPO as its advisory body with the preparation of an action proposal for this support.**

## **ACTIONS:**

- *Support the development of financial as well as non-financial corporate donations, although in this direction the state's options are limited to a considerable extent, e.g. in changing the social climate so that volunteering and the general support of the civil society are common, socially valued and state-supported civic activities.*
- *Support the development of volunteering and individual donations through formal as well as non-formal education of children and the youth.*

- *Prepare an analysis of the possibility of deductions from the tax on the income of natural persons who make contracts to support specific NGOs repeatedly for at least 5 years.*

**Commentary:**

Corporate and individual donations form a major part of multi-source funding of services and activities of NGOs (see Chapter 2). Donations of this type are carried out in private relationships between the donators and the donees. The only legislation in this area regulates public collections that are a manifestation of both types of donations in a special regime. Donations as contractual relationships between both parties are regulated by the state through tax reductions, specifically the possibilities of deductions from the tax base in the amount of 15 % for natural persons and 10 % for legal persons. It appears that this state support, which should serve as a motivation for the development of both types of donations, is not used very much and has no influence on their development (see Chapter 2).

That is why the above actions have been proposed. The first action is supposed to lead to a non-financial valuation of donators – such valuations are organized for example by the Quality Council of the Czech Republic (the Ministry of Industry and Trade) and some NGOs (e.g. Business for Society – Forum of Responsible Companies); however, in both cases it is the valuation of legal persons. The state valuation of individual donations and volunteering has not been established yet. It would be suitable for the political representation of the Czech Republic to repeatedly and adequately give its opinion on the usefulness of the involvement of citizens in this area (e.g. Czech citizens form one of the most sensitive societies in Europe when it comes to flood victims in the Czech Republic). The GCNGNPO will try and prepare a method of such a valuation.

Donations and volunteering as citizens' virtues should be presented in various forms to children and the youth as part of school education. This is considered by the proposal of the second action.

The last action, which will require preparation and negotiations of the GCNGNPO with the Ministry of Finance, consists in an analysis of the possibility of deductions of parts

of donations from the tax on the income of natural persons who make contracts with selected NGOs and undertake to repeatedly contribute certain amounts for a period of five years. This action would mean a lot for the development of individual donations and would undoubtedly be less burdening for the state and more beneficial for NGOs than areal tax assignments.

**PRINCIPLE 4: THE GOVERNMENT OF THE CZECH REPUBLIC WILL SUPPORT THE DEVELOPMENT OF EFFECTIVE AND PURPOSEFUL PARTNERSHIPS AND COOPERATION WITH NGOS**

**BASIS 1:**

The Government will cooperate with NGOs especially through their field-specific and universal networks and umbrellas at the level of the Government as well as at the level of individual bodies of the state administration, provided that these networks and umbrellas show their representativeness with sufficient membership bases. The Government will charge GCNGNPO as its advisory body with the preparation of the rules and criteria of such cooperation.

**ACTIONS:**

- *Support NGO networks and umbrellas being established on a universal (all-field) principle. At the level of the Chairman of the GCNGNPO, ensure a grant title to support nation-wide universal networks and umbrellas of NGOs as a manifestation of the support of the state for the establishment and activities of self-governing NGO entities.*
- *Introduce the possibility of establishment of grant titles for selected field-specific NGO networks and umbrellas that would ensure their stable operation as partners of the relevant ministries.*
- *Introduce grant titles and the establishment of long-term agreements between ministries and selected field-specific NGO networks and umbrellas that would allow the stability of partnerships and cooperation in the horizon of 3 – 5 years.*
- *In the selection of NGO networks and umbrellas as partners, verify their representativeness and expert experience.*

## **Commentary:**

It has already been said that in many areas the state authorities need either continuous or *ad hoc* partners from among NGOs, and it is very difficult for them to know with whom to establish and maintain such cooperation. According to our findings, the level of NGO networks and umbrellas is increasing in the field-specific as well as universal associations of NGOs (see Chapter 1).

Therefore, the actions have been conceived so that the GCNGNPO first prepares the rules for the selection of NGO networks and umbrellas for cooperation (in order to ensure representativeness). It is also proposed that departments enter into agreements on long-term cooperation with their partners (see the Principles). At the same time, small and supplementary grant titles should be created under grant procedures, through which ministries would support the NGO umbrellas selected for cooperation, so that they can fulfill their role. These two actions may ensure quality cooperation between the state authorities and NGOs, based on mutual responsibility and written rights and obligations.

## **BASIS 2:**

**The Government will strive after giving timely notifications through the central bodies of the state administration to partner NGO networks and umbrellas concerning the possibility of getting involved with their comments in bills and policy proposals. So far as is reasonably practicable, the Government will ensure the handling these comments.**

## **ACTION:**

- *Include contractual partners from among the selected field-specific and universal NGO networks and umbrellas in the comment places of partner ministries in the preparation of bills and policies which relate to them.*

### **Commentary:**

This basis and its action are logically linked to the previous text and develop it. If such cooperation is to be useful, it should be organized continuously and in terms of partnership, and commenting on the bills and strategies should be the main way to use the cooperation.

### **BASIS 3:**

**The Government intends to cooperate in particular with NGOs which represent, support and provide services to underrepresented or disadvantaged persons or which protect, enforce and promote the legitimate interests and rights of such persons. It will take into account their opinions including the evaluation of impacts in the proposing and implementation of state policies, programmes and services.**

### **ACTION:**

- *The work and advisory bodies of the Government, given their participatory role, will systemically ensure the acquisition and expansion of examples of good practice established by service and advocacy NGOs which represent, support and provide services to underrepresented or disadvantaged persons or which protect, enforce and promote the legitimate interests and rights of such persons.*

### **Commentary:**

The basis and its action especially emphasize the cooperation of the state authorities and advocacy NGOs, operating in the area of human rights. This cooperation is now organized under some advisory bodies of the Government where these organizations are represented. However, the state authorities do not offer any grant titles for these advocacy organizations (with exceptions under the Office of the Government of the Czech Republic, and isolated grants of other departments – e.g. NGOs fighting against corruption). It seems to be suitable to formulate a state policy with respect to this NGO segment, including the funding of some projects implemented by advocacy NGOs.

### **3.2. Conclusion**

Chapter 3 contains the draft state policy with respect to NGOs for the years 2015 – 2020. This draft follows from the previous two parts, which capture the development and situation in the non-profit sector and the state policies in this area after 1990.

The draft is logically divided into the principles of the state policy with respect to NGOs, which are elaborated into bases and the related specific actions through which it is possible to achieve the fulfillment of the selected principles. Each of the proposed actions is commented on in order to emphasize its logical link to the selected principles. The actions are planned in a time horizon which corresponds to their requirement for further preparation and cooperation with other bodies of the state administration.

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## Principles, bases, actions and tools of the state policy with respect to NGOs for the years 2015 – 2020

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
<p><b>The Czech Government supports a permanent sustainability of strong, varied and independent NGOs</b></p>	<p>The Government sees the operation of NGOs in many areas as irreplaceable and perceives their activities not only as an equal part of the system of services and activities for citizens and communities but also as a legitimate way in which citizens participate in the public life of the society</p>	<p>Develop the dialogue between the Government and NGOs through the GCNGNPO. Involve members of all forms of NGOs and all types of NGOs by their functions in the work of the GCNGNPO and its committees</p>	<p><b>Tool:</b> Statute of the GCNGNPO (change in the number of members of the GCNGNPO). <b>Who:</b> GCNGNPO.</p>
		<p>At the level of the GCNGNPO, continue creating various platforms to discuss the non-profit sector issues. With regard to quality outcomes of the discussion, strive for a broader cooperation with academics who deal with the non-profit sector in terms of science</p>	<p><b>Tool:</b> Work of work groups and committees, organizing seminars and conferences concerning the current topics, selected by the committees. <b>Who:</b> GCNGNPO.</p>
		<p>Establish substitutable membership in the GCNGNPO also for members from among NGOs and develop the procedures of seeking consensus and deliberation</p>	<p><b>Tool:</b> Statute of the GCNGNPO. <b>Who:</b> GCNGNPO.</p>
		<p>Support of the establishment and existence of democratic NGO networks and umbrellas, based on field-specific as well as multi-field principles. At the level of the GCNGNPO Chairman, prepare a grant title to support the nation-wide multi-field networks as a manifestation of the state support of the establishment and activities of autonomous NGO entities</p>	<p><b>Tool:</b> Principles, Main Areas<sup>88</sup>, a new grant title of the Office of the Government of the Czech Republic. <b>Who:</b> GCNGNPO, Office of the Government of the Czech Republic.</p>
		<p>Ensure the representation of NGOs in the structures established by the Government and its bodies to support</p>	<p><b>Tool:</b> Statutes of work and advisory bodies of the Government. <b>Who:</b> Work and advisory bodies of the</p>

<sup>88</sup> Main Areas of the State Grant Policy with Respect to NGOs for the respective budgetary year.

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
		the principle of a good government	Government.
	The Government sees important work not only in service NGOs, which provide services to citizens, and philanthropic NGOs, which financially support other NGOs, but also in advocacy NGOs, which strive for system changes in different areas of the public life, and special-interest NGOs, which satisfy and protect the interests of their members	In drafting governmental as well as departmental policies, distinguish between the individual NGO types, taking into account their characteristic attributes and functions	<b>Tool:</b> Grant policies of ministries, strategic and conceptual documents of ministries. <b>Who:</b> Supporting ministries.
	The Government respects the independence of NGOs and will desist from the state regulation of NGOs in cases where it is not bound by its obligation to protect the legitimate interests and rights of citizens or where it does not aid NGOs from the state budget	When choosing a NGO as a partner, verify its representativeness or expert experience	<b>Tool:</b> Criteria for the selection of partner NGOs. <b>Who:</b> GCNGNPO.
	The Government recognizes the importance of a suitable legislative embedding of NGOs which constitute a special group of private entities, and will ensure that this group as well as its adequate comfort in the Czech law is taken into account in the preparation of the relevant legislation	Monitoring and commenting on bills and policies in terms of ensuring the independence of NGOs	<b>Tool:</b> Work of the GCNGNPO committees and comment procedures. <b>Who:</b> GCNGNPO and its committees.
		Following the adoption of the act on the public benefit status, strive for adequate advantages for legal persons with the status to compensate for the administrative burden associated with the application for the status and the fulfillment of its conditions	<b>Tool:</b> Monitoring the impacts of the act on the public benefit status in the application practice. <b>Who:</b> GCNGNPO, Ministry of Justice.
		If the act on the public benefit status is adopted, continuously monitor its impacts and on their basis, in perspective, consider the amendments to the act	<b>Tool:</b> Monitoring the application practice of the act on the public benefit status. <b>Who:</b> GCNGNPO and its Committee for Legislation and Funding.
		Ensure a uniform interpretation of the Civil Code in the practice of the register courts	<b>Tool:</b> Agreement with the Ministry of Justice. <b>Who:</b> GCNGNPO, Ministry of Justice, register courts.
	The Government will strive for an easier availability of information and data which NGOs need for their successful	Support the development of an NPI satellite account, maintained by the CZSO, and the expansion of the data	<b>Tool:</b> CZSO Methodology. <b>Who:</b> GCNGNPO, CZSO.

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
	work. At the same time, the Government will support the collection of information and data about NGOs which are available to the public	monitored in the account At the level of the GCNGNPO or one of its committees, establish a permanent work group composed of representatives of institutions which administer the state information systems, where this work group will prepare a strategy to make available information and data about NGOs and for NGOs	<b>Tool:</b> Appointment of members of the permanent work group by the Chairman of the GCNGNPO. <b>Who:</b> GCNGNPO.
	The Government acknowledges that NGOs providing services to the public are part of the system of services, in addition to services provided by the state administration and local governments, and as such will have an equal access to the state budget aid. The Government welcomes the professionalization of such NGOs and their efforts to achieve transparency for the benefit of the users of their services	In the system of providing public services, ensure the equality of NGOs and other legal types of providers	<b>Tool:</b> Principles, grant policies of ministries. <b>Who:</b> Supporting ministries.
	Distinguish between NGOs which are special-interest and work mainly for their members and service, philanthropic, humanitarian, advocacy and some special-interest NGOs which provide services to the general public or to generally defined target groups of which provide financial support for such activities	<b>Tool:</b> Principles, grant policies of ministries. <b>Who:</b> Supporting ministries, GCNGNPO.	
	Distinguish between NGOs where it is necessary to require professionalization and NGOs where it is not	<b>Tool:</b> Principles, grant policies of ministries. <b>Who:</b> Supporting ministries, GCNGNPO.	
	Monitor the compliance with the deadlines for the provision of grants from the state budget so that NGOs obtain the allocated grants by the end of the first quarter of the respective year	<b>Tool:</b> Principles, grant practice. <b>Who:</b> GCNGNPO, Supreme Audit Office, supporting ministries.	
	Provide the possibility of funding strategic partners from among NGOs over multiple years in cases where it is necessary to ensure their continuous financial support, through agreements on long-term cooperation	<b>Tool:</b> Principles, grant policies of ministries. <b>Who:</b> GCNGNPO, supporting ministries.	
	Ensure that adequate funds for the so-called operating expenses, especially for	<b>Tool:</b> Principles, act on budgetary rules. <b>Who:</b> GCNGNPO, Ministry of Finance,	

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
		personnel costs of the needed operational employees (accountants, financial management etc.), form an integral part of national grants or grants from the European Social Fund	supporting ministries.
		Ensure that the amounts of the imposed penalties according to the budgetary rules are adequate to the degree of offense against the budgetary discipline	<b>Tool:</b> Act on budgetary rules, Principles, decisions to provide grants. <b>Who:</b> GCNGNPO, Ministry of Finance, supporting ministries.
		As part of the activities of the Committee for Legislation and Funding of the GCNGNPO, monitor and seek ways to suitably make information about the issue and the addressing of the rules of state aid available to NGOs	<b>Tool:</b> Work plan for the second half of 2015 and the year 2016. <b>Who:</b> Committee for Legislation and Funding of the GCNGNPO.
	The Government acknowledges the society-wide benefit of social business and will support its development	Ensure the legislative definition of social business	<b>Tool:</b> Social Business Act. <b>Who:</b> Human Rights Section of the Office of the Government of the Czech Republic.
		Support the expansion of the work of social businesses to working with other target groups in addition to the disabled and the socially handicapped	<b>Tool:</b> Social Business Act. <b>Who:</b> Human Rights Section of the Office of the Government of the Czech Republic.
		Monitor and measure the number and size of social businesses and make this information public	<b>Tool:</b> Social Business Act. <b>Who:</b> Human Rights Section of the Office of the Government of the Czech Republic.
		Create a social environment supporting social innovations in the environment of social businesses	<b>Tool:</b> Promotion of the idea of social business. <b>Who:</b> GCNGNPO, Agency for Social Inclusion of the Office of the Government of the Czech Republic, Ministry of Industry and Trade, Ministry of Labor and Social Affairs.

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
<p><b>The Government of the Czech Republic will strive for an efficient and transparent proposing of state policies with respect to NGOs including legislative actions, funding and institutional security</b></p>	<p>In the preparation of the proposals of policies, programmes and services that are related to NGOs and their activities, the Government through its bodies will cooperate with selected NGOs in the earliest stage possible</p>	<p>Develop a dialogue between the Government and NGOs through the GCNGNPO. Involve members of all forms of NGOs and all types of NGOs according to their functions in the work of the GCNGNPO and its committees</p>	<p><b>Tool:</b> Statute of the GCNGNPO (change in the number of members of the GCNGNPO). <b>Who:</b> GCNGNPO.</p>
		<p>Create a work group of the GCNGNPO, composed of representatives of regional authorities</p>	<p><b>Tool:</b> Appointment of members of the permanent work group by the Chairman of the GCNGNPO. <b>Who:</b> GCNGNPO.</p>
		<p>Ensure the representation of NGOs in the structures established by the Government and its bodies to support the principle of a good government</p>	<p><b>Tool:</b> Statutes of work and advisory bodies of the Government. <b>Who:</b> Work and advisory bodies of the Government.</p>
	<p>The Government will ensure that NGOs that will be aided from the state budget are supported in a reasonable and fair way in the areas in which they help the state to fulfill its tasks and objectives. The Government will also make sure that NGOs are indirectly supported with a system of suitable tax reductions</p>	<p>In the system of the provision of public services, ensure the equality of NGOs and other legal types of providers</p>	<p><b>Tool:</b> Principles, grant policies of ministries. <b>Who:</b> Supporting ministries.</p>
		<p>Following the adoption of the act on the public benefit status, strive for adequate advantages for legal persons with the status to compensate for the administrative burden associated with the application for the status and the fulfillment of its conditions</p>	<p><b>Tool:</b> Monitoring the impacts of the act on the public benefit status. <b>Who:</b> GCNGNPO, Ministry of Justice.</p>
	<p>The Government will strive to achieve that the preparation and application of laws and policies do not increase (or that the preparation and application of laws and policies even reduce) the administrative burden in the case of NGOs, especially in the case of special-interest membership NGOs in the form of associations</p>	<p>Distinguish between NGOs which are special-interest and work mainly for their members and service, philanthropic, advocacy and some special-interest NGOs which provide services to the general public or to generally defined target groups of which provide financial support for such activities</p>	<p><b>Tool:</b> Principles, grant policies of ministries. <b>Who:</b> Supporting ministries, GCNGNPO.</p>
		<p>Distinguish between NGOs where it is necessary to require professionalization and NGOs where it is not</p>	<p><b>Tool:</b> Monitoring the preparation of bills and state policies, comment procedures. <b>Who:</b> GCNGNPO and its committees.</p>
	<p>The Government will ensure in the grant policies of central bodies that they</p>	<p>Ensure that adequate funds for the so-called operating expenses, especially for</p>	<p><b>Tool:</b> Principles, act on budgetary rules. <b>Who:</b> GCNGNPO, Ministry of Finance,</p>

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
	include reasonable and relevant indirect costs of NGOs, including the costs associated with the involvement of volunteers, in the eligible project costs	personnel costs of the needed operational employees (accountants, financial management etc.), form an integral part of national grants or grants from the European Social Fund	supporting ministries.
	The Government will ensure that the topics, especially in the area of enforcing equality and non-discrimination, brought by the NGO activities, are identified and used by the central bodies in the formulation of changes of the relevant state policies	Systemically support the NGO networking and cooperate with field-specific networks and umbrellas or with resource centers from among NGOs, having long-term experience and expert knowledge, at the level of the Government and the individual ministries	<b>Tool:</b> Criteria for the selection of partner NGOs, state policies in the individual sections of activities of the state administration. <b>Who:</b> GCNGNPO, ministries.
		Ensure the representation of NGOs in the structures established by the Government and its bodies to support the principle of a good government	<b>Tool:</b> Statutes of work and advisory bodies of the Government. <b>Who:</b> Work and advisory bodies of the Government.
	As part of ensuring multi-source funding, the Government will support a higher availability of financial resources for NGOs from the European funds	Support an increase in the absorption capacity for the ESIF support in the programming period of 2014 – 2020 from less than 2 % to at least 4 % of registered NGOs	<b>Tool:</b> Monitoring the ESIF implementation and participation in its evaluation in the programming period of 2014 – 2020. <b>Who:</b> GCNGNPO and its Committee for the EU, managing authorities of operational programmes.
<b>The Government of the Czech Republic will support volunteering and donations as a manifestation of participation of citizens in public affairs</b>	The Government recognizes the importance of volunteering in the Czech society as a manifestation of participation of citizens in public affairs and an integral part of the operation of NGOs. It will support the development of volunteering through sensible and targeted actions	Finish the volunteering act that is being prepared and that covers the entire area of volunteering through social recognition, and thoroughly ensure the necessary and tolerable degree of state regulation in this area	<b>Tool:</b> A new volunteering act. <b>Who:</b> Ministry of the Interior.

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
		Value voluntary activity as a non-financial performance according to a uniformly recognized methodology and establish the inclusion of this non-financial performance in the co-financing of the projects aided by the state budget	<b>Tool:</b> Volunteering act, Principles. <b>Who:</b> Ministry of the Interior, GCNGNPO, supporting ministries.
		Include volunteering that is a visible part of the economic production in the standard economic indicators	<b>Tool:</b> CZSO Methodology. <b>Who:</b> CZSO, GCNGNPO.
		Prepare the concept of the development of volunteering in the Czech Republic with an accent on ensuring regional and field-specific availability of volunteering in the form of volunteer centers and ensure at least a two-year financial support of such centers	<b>Tool:</b> Methodology and grant policy in the section of volunteering. <b>Who:</b> Ministry of the Interior, GCNGNPO.
	The Government is aware of the importance of private donations and philanthropy in favor of NGOs as an important factor in the area of cohesion and solidarity in the society, and will continue supporting such donations through sensible actions. It will charge the GCNGNPO as its advisory body with the preparation of an action proposal for this support	Support the development of financial as well as non-financial corporate donations, although in this direction the state's options are limited to a considerable extent, e.g. in changing the social climate so that volunteering and the general support of the civil society are common, socially valued and state-supported civic activities	<b>Tool:</b> Czech Government Resolution. <b>Who:</b> GCNGNPO.
		Support the development of volunteering and individual donations through formal as well as non-formal education of children and the youth	<b>Tool:</b> School educational programmes. <b>Who:</b> Ministry of Education, Youth and Sports.
		Prepare an analysis of the possibility of deductions from the tax on the income of natural persons who make contracts to support specific NGOs repeatedly for at least 5 years	<b>Tool:</b> Amendment to the Income Tax Act. <b>Who:</b> Ministry of Finance.
<b>The Government of the Czech Republic will support the development of effective and</b>	The Government will cooperate with NGOs especially through their field-specific and universal networks and	Support NGO networks and umbrellas being established on a universal (all-field) principle. At the level of the	<b>Tool:</b> Principles, grant guidelines of the Office of the Government of the Czech Republic.

Principles of the state policy	Bases of the state policy	Actions of the state policy	Tools of the state policy
<p><b>purposeful partnerships and cooperation with NGOs</b></p>	<p>umbrellas at the level of the Government as well as at the level of individual bodies of the state administration, provided that these networks and umbrellas show their representativeness with sufficient membership bases. The Government will charge GCNGNPO as its advisory body with the preparation of the rules and criteria of such cooperation</p>	<p>Chairman of the GCNGNPO, ensure a grant title to support nation-wide universal networks and umbrellas of NGOs as a manifestation of the support of the state for the establishment and activities of self-governing NGO entities</p>	<p><b>Who:</b> Human Rights Section of the Office of the Government of the Czech Republic.</p>
		<p>Introduce the possibility of establishment of grant titles for selected field-specific NGO networks and umbrellas that would ensure their stable operation as partners of the relevant ministries</p>	<p><b>Tool:</b> Principles. <b>Who:</b> GCNGNPO.</p>
		<p>Introduce grant titles and the establishment of long-term agreements between ministries and selected field-specific NGO networks and umbrellas that would allow the stability of partnerships and cooperation in the horizon of 3 – 5 years</p>	<p><b>Tool:</b> Principles, grant policies of ministries. <b>Who:</b> GCNGNPO, supporting ministries.</p>
		<p>In the selection of NGO networks and umbrellas as partners, verify their representativeness and expert experience</p>	<p><b>Tool:</b> Criteria for the selection of partner NGOs. <b>Who:</b> GCNGNPO.</p>
	<p>The Government will strive after giving timely notifications through the central bodies of the state administration to partner NGO networks and umbrellas concerning the possibility of getting involved with their comments in bills and policy proposals. So far as is reasonably practicable, the Government will ensure the handling these comments</p>	<p>Include contractual partners from among the selected field-specific and universal NGO networks and umbrellas in the comment places of partner ministries in the preparation of bills and policies which relate to them</p>	<p><b>Tool:</b> Comment procedures. <b>Who:</b> Ministries, GCNGNPO.</p>
	<p>The Government intends to cooperate in particular with NGOs which represent, support and provide services to underrepresented or disadvantaged persons or which protect, enforce and promote the legitimate interests and rights of such persons. It will take into</p>	<p>The work and advisory bodies of the Government, given their participatory role, will systemically ensure the acquisition and expansion of examples of good practice established by service and advocacy NGOs which represent, support and provide services to</p>	<p><b>Tool:</b> Statutes of work and advisory bodies of the Government. <b>Who:</b> Work and advisory bodies of the Government.</p>

<b>Principles of the state policy</b>	<b>Bases of the state policy</b>	<b>Actions of the state policy</b>	<b>Tools of the state policy</b>
	account their opinions including the evaluation of impacts in the proposing and implementation of state policies, programmes and services	underrepresented or disadvantaged persons or which protect, enforce and promote the legitimate interests and rights of such persons	