

# Mapping the Czech Nonprofit Sector: Year One

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## INTRODUCTION

This communication is a simple progress report of the beginnings of a systematic research in a country where no serious research of civil society/nonprofit sector and its organisations had previously been undertaken. The Czech Republic took part in the 1995 Johns Hopkins Comparative Nonprofit Sector Project (CNP). With patchy data, a report was written for the project but it remained a one-off effort. There was no follow-up, no further research to verify the first findings, and so the question of the reliability of the report has remained unanswered.

In spite of its explosive growth and the important role in society that it has re-claimed for itself since the fall of communism in 1989, Czech civil society sector remains a *terra incognita* in 2005. There were fewer than one thousand 'social organisations' left at the end of the communist era, today we have perhaps 90,000 or 110,000 civil society organisations, depending on the definition used. And yet there are no reliable empirical data about them, there has been no systematic research, and debates about civil society, be they academic or public policy, lack both substance and quality as a result. There have been one or two other one-off research projects<sup>1</sup> since the 1995 CNP, but nothing substantial, long-term and systematic.

## THE PROJECT OF MAPPING THE NONPROFIT SECTOR IN THE CZECH REPUBLIC

In order to change this situation, the first-ever Czech nonprofit research institution was established in Brno in 2003: The Centre for Nonprofit Sector Research (*Centrum pro výzkum neziskového sektoru*, or CVNS). Its first large undertaking is, logically, a long-term project of mapping the nonprofit sector in the Czech Republic, launched in October 2003. Planned for several years, the project endeavours to repair the basic empirical deficit in nonprofit research and to build a solid foundation for any further research.

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<sup>1</sup> An analysis of current problems of the Czech nonprofit sector and strategic paths for its development (Frič et al., 2000), a survey of giving and volunteering (Frič et al., 2001), and two overviews of the economic environment for nonprofit sector (Müller, 2000) and of the financial contribution by the Czech state into the endowments of Czech foundations (Müller, 2002).

With no previous work to rely upon, the project has by necessity consisted of a lot of probing, experimenting and exploring. It was hardly possible to launch a large-scale empirical research straight away; instead, we decided to carry out a series of research probes in order to examine the economy of the sector's various sub-systems, one by one, until the basic map of the sector was completed. It was hoped that the question of methodology would be slowly resolved on the job through experiments with various procedures and tools. And instead of using various sources of data, it was first necessary to find out whether there were any (there were very few) and then to explore them.

In Year One of the project (October 2003 – September 2004) the following research probes were completed and methodologies used:

- **The Economy of Foundation-like Organisations in the Czech Republic.** Methodology: Questionnaires collected from charitable foundations and funds; data from public registers; data from annual reports.
- **The Economy of Religious Organisations in the Czech Republic.** Methodology: Data from public registers only.
- **Financing Nonprofit Organisations from Public Budgets.** Methodology: Questionnaires collected from funding agencies at three levels: national government, regional government, district government.

Research reports have been published in Czech<sup>2</sup>; abbreviated English reports are being prepared. This paper will deal with the practical and methodological issues rather than the economic data from the research probes, even though some mention of them will also be made.

## FOUNDATIONS AND FUNDS

The research of the economy of foundation-like organisations (charitable foundations and funds as defined in Czech law) was the first of the series of the research probes. Foundations and funds make up a small group of nonprofit organisations (about 350 foundations and 900 funds); they are subject to a legislation that regulates their behaviour and requires them to publish annual reports about activities and finances; there are public registers of foundations and funds administered by regional courts where the annual reports and other relevant data have to be filed; and, last but not least, they have a national umbrella organisation, the Donors Forum, which collects basic data on its members and publishes directories of foundations and funds. Foundations and funds seemed therefore to be the right sub-sector where to start our exploratory research: their addresses and other contact information would be available, there would be not one but several sources of data to draw information from, and their umbrella organisation could help. Nothing turned out to be further from truth.

We used the Donors Forum's directories,<sup>3</sup> updated for the project, to send questionnaires to all the 1,225 foundations and funds that were registered in 2002. When a very disappointing number of questionnaires had

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<sup>2</sup> Rosenmayer et al. (2004), Svoboda and Rosenamyer (2004), RNNO (2004).

been returned, we used the fax, the e-mail and the telephone to check the addresses. We discovered that a full 60 percent of the contact information we had was not valid, the organisations had either moved house or were no longer active or in existence. Of the 40 percent, with whom we were able to make contact, only a quarter were willing to fill in the questionnaires. In the end, we ended up with a return rate of 10% of the total number of organisations that we had originally sent the questionnaires to.

Foundations and funds are required by law to keep the data that they file with the registration authorities (regional courts) updated and to file their annual reports with the courts by the end of July each year. We therefore explored the public registers of foundations and funds at each of the seven regional courts in the country and discovered that only one third of foundations and funds actually do so. Thus, the public data about foundations and funds, which also get published on the web and which include contact information, the definition of mission and aims, the information about their board and legal representatives, and their assets, tend to be unreliable; of the annual reports only one third gets filed and is thus available to the public.

Those foundations and funds that do publish their annual reports usually make them available in a printed form, a small number of large foundations and funds also on their websites, besides filing them with the courts. Gathered from those three sources, we were able to examine 422 annual reports (34.4%) altogether. The foundation law clearly defines the compulsory contents of an annual report (it must include a comprehensive financial report), and so it had been presumed that annual reports would present the researchers with the second-best source of data, after the questionnaires. The result of our examination, however, proved a great disappointment. Only 15% of foundations and funds provided all the legally required information in their annual reports, fifty percent provided at least some hard data, the rest could hardly be called annual reports: they were narrative accounts of developments and events or little more than PR brochures.

The net result of the three methods of data collection was in the end as follows:

- Detailed, structured economic and other data on 10% of foundation-like organisations (FLOs) from returned questionnaires.
- Basic economic and other data on 15% of FLOs from good-quality annual reports.
- Patchy economic and other data on 49% of FLOs from the rest of the annual reports.
- Data on registered endowments of 100% of foundations from the public registers of foundations. (Funds do not have registered endowments.)

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<sup>3</sup> Czech Donors Forum (2001), Czech Donors Forum (2003).

## RELIGIOUS ORGANISATIONS

The sector of religious and church-based organisations is much larger (around 5,000 entities, of which 25 are registered churches) than the small foundation sector. That is why the probe was designed as preliminary to a full-scale project to be implemented later. While the aim of the research of FLOs was both exploration of data sources and data collection, in religious organisations we primarily focused on the former. The FLOs represented the sub-system of the Czech nonprofit sector that had received the most attention, but the knowledge of the economy of religious organisations was practically non-existent.<sup>4</sup> That is why it was first of all necessary to identify existing sources of data and assess their accessibility and quality. The sample we were interested in covered both churches and congregations and the organisations established by them. Besides identifying and assessing the data sources, we had hoped, however, to gather some first systematic data on religious organisations too.

Because of the size of the group and because of the limits of a preliminary probe, we only explored public sources of data, leaving the study of annual reports and other documentation<sup>5</sup> till later. The registration and supervisory authority for churches is the state, represented by the Ministry of Culture. The Ministry of Culture therefore administers the only comprehensive register of churches and religious organisations. In addition, information about religious schools is filed with the Ministry of Education, and information about state funding for churches and religious organisations is available from the Central Register of Subsidies from the State Budget (*Centrální evidence dotací z rozpočtu*, or CEDR).

The Register of Churches and Religious Organisations at the Ministry of Culture consists of confidential files and public files. We discovered that the public files only offered the basic administrative information about each religious organisation and in a limited number of cases partial annual reports on the exercise of special rights. Those reports did not provide financial data or other hard data, however, such as facts and figures about the workforce or volunteers.

Czech churches and religious organisations are heavily subsidised by the state, the level of the subsidy depends on the number of clergy in a church. Besides this basic subsidy, the churches and religious organisations can also obtain other state funding in the form of contributions and grants for the services that they provide (especially in education, arts and culture, health, social work, or heritage preservation), for the maintenance of their buildings, and other non-denominational purposes. The amounts of public funding for each religious organisation were the only economic information that was to be gained from the public sources of data. No other data were found: on

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<sup>4</sup> There have only been two relevant publications about the issue since 1989: Rektorič (2000) and Tretera (2002). Both are theoretical in their approach and do not provide data or data-based analyses.

<sup>5</sup> Churches and religious organisations are only required to report to the state on the exercise of special rights. They are not required to publish annual reports.

the income side, there are no data on other important sources, such as collections, gifts, and earned income; on the expenditure side, there is no information that would be publicly available whatsoever.

## **PUBLIC FUNDING FOR NONPROFIT ORGANISATIONS**

The survey of funding provided to nonprofit organisations from public budgets was originally commissioned by the Czech Government, but it fitted well with our aims and plans. It enabled us to explore a very important source of income for nonprofit organisations (NPOs), namely public funding, and a very important data source, namely the providers of the funding themselves. The shortcomings were that the Government only asked for data about certain types of funding, not all funding, from selected public budgets, not all public budgets, and to selected nonprofit organisations (associations, public benefit corporations and church-based service providers), not all nonprofits.

The method was questionnaires that were sent to all the twelve Government Ministries, all the fourteen regional governments and all the 205 district governments that provided grants to the selected types of nonprofit organisations in 2003. Thanks to the discipline of public administration officials, 100% of questionnaires were returned from the central government ministries and from the regions, and 171 questionnaires or 83.4% from the districts (34 districts failed to return the questionnaires, and 9 claimed that they had not awarded any grants to NPOs from their budgets in 2003).

With such a return rate, the data should have been first-rate and reliable, but they weren't one hundred percent so. It transpired that the grant providers had great difficulties filling in the questionnaires. We discovered that the data were decentralised in the various government offices; and that there was no unified, or at least compatible, system of keeping records or shared understanding of the issues. In each office of all the three governmental levels the responsibility for gathering and processing the data on grants made to nonprofit organisations was entrusted to a different department, and in most cases the data were in fact scattered across several departments. Some ministries and most regional and district governments thus proved incapable of putting together and providing all the required information in a complete and reliable manner. The offices also differed in the ways in which they recorded and processed the data. Some had data on grants made to NPOs available, some had them mixed up with all other grants made to all types of organisations; some were able to separate grants from subsidies and contracts, others were not; and some offices were able to categorize their grants according to the areas of benefit, while others were not. Finally, many officials, especially at the regional and district levels, did not understand the questions: they were not able to tell the difference between 'non-state nonprofit organisations', state-run and state-subsidised organisations, to say nothing of identifying the required types of NPO among other NPOs; they did not distinguish between grants, subsidies and contracts; or they did not appreciate the difference between project-based grants and mandatory funding.

The research produced an impressive amount of data, but the individual sets of data from the individual respondents were not fully comparable, which makes any analysis of the data rather unreliable.

## DATA AND FINDINGS

In spite of the practical and methodological difficulties, downfalls and shortfalls sketched above, some anticipated and others surprising, at the end of Year One of our work on the mapping of the Czech nonprofit sector, we were delighted to have some first systematic data and findings. More importantly, we knew quite a good deal about the methodological and practical difficulties, which would help us develop and improve the project in the subsequent years.

In terms of data and findings, we have gained a good preliminary portrait of Czech **foundation-like organisations** (foundations and funds), and their first research has provided us with a number of questions, hypotheses and leads that will guide the future research of FLOs. The following findings are illustrative of the most interesting results of the research:

- Most Czech foundations and funds are not asset-based organisations. They resemble corporations rather than the ‘universitas bonorum’ type of organisation that traditional Czech foundations were for many centuries until they were annihilated by the Nazi and Communist regimes. Most Czech foundations and funds do not have endowments or other assets large enough to generate substantial annual incomes. They depend on annual fund raising, like other types of nonprofit organisation, which they also resemble in their mission statements, goals and activities.
- Czech foundations and funds are typically not grant-makers, even though the legislation (1997 Foundation Law) defines them as such. They were not established as grant makers and/or their assets and incomes are too small to enable them to make grants in a systematic manner.
- Two thirds of Czech FLOs are not independent institutions. They are established by, and/or affiliated to, other institutions. Their main function is to fulfil the role of fund-raising and supporting agencies to their ‘parent’ institutions.
- Most Czech FLOs rely on voluntary labour. Their annual incomes are so low that they cannot hire paid staff.
- A small number of foundations (20-30) have gradually built endowments of their own that have enabled them to become independent (with assets of CZK30-100 million, or 1-3.3 million Euro). A small fraction of them (fewer than ten foundations) have become medium-sized, with assets between CZK100-500/Euro3.3-16 million. The total value of foundations’ assets has grown from zero in 1989 to an estimated CZK8,000 million (266 million Euro) in 2002.

The preliminary research into the economy of **religious organisations** has produced reliable data on the subsidies and other funding from public budgets and on the clergy and other paid workforce. Relying solely on public registers for data as it did, the probe has not provided us with any data on other sources of income, on expenditure, or on voluntary labour. These partial findings do not make it possible at the moment to analyse the economic dimensions and results of the sector of religious organisations, almost all of the basic empirical research remains to be done in the future.

The **survey of public funding** from the central, regional and district levels of government to selected types of non-state nonprofit organisations was limited in scope and purpose, due to the definition of the assignment. But the resulting data have provided a very useful insight into an important source of NPOs' income and has for the first time presented synthetic data on (certain types of) public funding to (selected types of) NPOs. The survey unearthed information that had until then been hidden in various government departments and invisible in various accounts and reports. At the moment, the value of the survey lies in the total figures; the incompatible character of the data sets reported from different respondents makes it very difficult to make further analyses of the global data.

## **METHODOLOGICAL AND PRACTICAL ISSUES**

As has been often suggested above, the most valuable experience gained from Year One of the mapping project concerns methodological and practical issues. What we discovered and learned in the process of implementing the first research probes is fundamentally important for further nonprofit research in the Czech Republic and it has helped us revise the plan for the subsequent phases of the project. In the process of implementing the first research probes, we were able to explore (1) the existing public registers of foundations, funds, and churches and religious organisations; (2) the public register of funding from public budgets (The Central Register of Subsidies from the State Budget); (3) the annual reports published by foundations and funds; (4) the willingness of NPOs to complete research questionnaires; (5) the ability of NPOs' representatives to fill in research questionnaires; and (6) the ability of public administration officials to fill in research questionnaires. Not mentioned above, we also explored the data provided by the Czech national statistics agency, the Czech Statistical Office (*Český statistický úřad*, or ČSÚ).

A summary of the methodological and practical experience is as follows:

- There are very few data available from public registers of NPOs, and the data are not very reliable. Very few NPOs file the required information with the registers or keep the information updated. The registers do not penalise the offenders. There is a general low level of respect for law in the society, and NPOs are obviously no exception to the rule. Equally poor is the law enforcement.
- There are very few data to be gained from annual reports. Annual reports are only published by a small minority of organisations, the quality of most annual reports is poor.
- The published contact information about NPOs is very unreliable, both in the public registers and in the directories published by the nonprofit sector itself. NPOs do not bother to keep their contact information updated or to inform the authorities or directory editors of changes, not even if the organisation ceases to exist. It is therefore difficult to get questionnaires delivered to NPOs or to make contact with them.
- As far as research questionnaires are concerned, the return rate from NPOs is very low, 16-18% in a pre-selected sample, around 10% in a full sample. Most NPOs are bad at monitoring and evaluating their work and at strategic planning: that is why they do not value research and why they are not willing to complete

questionnaires. Most are also understaffed and are therefore not willing to put aside the time necessary to fill in a questionnaire.

- NPO respondents are very often ill equipped to fill in research questionnaires even though they generally understand the questions and the underlying issues. The fact that many NPOs are weak at monitoring and evaluating their work and at strategic planning and the fact that most do not publish annual reports mean that they do not have the required information available. To provide it would represent a lot of hard work in old untidy files, finding and putting together the data would almost amount to a new 'project' for the organisation.
- Respondents in public administration are typically poorly qualified to fill in questionnaires about NPOs. The officials hardly understand what NPOs are, they pay very little attention to them, as a rule NPOs are not considered important and deserving of separate treatment in the records and files. Even 15 years after the collapse of the communist regime, the officialdom has not integrated the nonprofit sector in their thinking, planning and work.
- The statistical data provided by the Czech Statistical Office on NPOs are incomplete, badly structured and based on too small samples to be representative enough.

## **THE WAY FORWARD**

It is not surprising at all that the beginning of a first systematic attempt to map the Czech nonprofit sector was accompanied by all the methodological and practical difficulties mentioned above. Most of them had in fact been anticipated and were also well known from the experience of other countries. It was, however, very important to have the anticipated problems confirmed and those that had not been expected discovered. Based on the experience, the process of mapping the nonprofit sector in the Czech Republic has been revised to reflect the new knowledge. We realised that in order to succeed in the project in the long term, we would have to involve more institutions and to follow more lines of action than we had originally intended. It was hardly enough to keep improving the methodology of the research; it was equally important to develop the sources of data, to train the people that administer them, to improve the legislation that governs them, and to give much more support to survey respondents. All this could only be achieved through the cooperation with other institutions. In the autumn of 2004 the decision was made to expand the project and to follow three broadly defined lines of action:

- (1) The CVNS will continue to explore the remaining sub-sectors of the nonprofit sector. With the acquired data and findings we will gradually be able to draw the basic contours of the map of the Czech nonprofit landscape.
- (2) In collaborative partnerships with the relevant institutions, the CVNS will work on developing the sources of data on NPOs.
- (3) In collaboration with other interested parties, we will work on developing nonprofit legislation and improving law enforcement.

Following these decisions, we have since launched the following activities:

- (1) Two new research probes are being carried out in the academic year 2004-2005 to explore the economy of public benefit corporations and political organisations. The methodology and the questionnaires for them have been revised and much more support is being given to respondents. Further research probes are being prepared for 2005-2007.
- (2) We have started work with the Czech Statistical Office on the implementation of a Satellite Account on Nonprofit Institutions in the system of national accounts as the basic tool for the statistical coverage of the nonprofit sphere in the Czech Republic. The work is based on the methodology recommended in the 'Handbook on Non-Profit Institutions in the System of National Accounts', published by the Statistics Division of the United Nations in 2003. When fully implemented, the NPI Satellite Account will generate data in an agreed-upon structure that will fill the map of the Czech nonprofit sector with colour and topographical detail.

In another partnership, with the Ministry of Finance and the Council of the Czech Government for Non-State Non-Profit Organisations, we have started work on improving the system of recording public funding to NPOs. The revised system should record and publish data on all types of public funding from all public budgets to all NPOs in the country.

Other similar projects will follow, among them a new information system on NPOs that should be jointly established in 2005-2006 by the Czech Government and the nonprofit sector. It is important that all the new and/or improved sources of data should be designed in such a way as to generate structured data that were mutually compatible and comparable.

- (3) We have opened a conversation with the chambers of auditors and accountants about revising the required contents of annual reports and the reporting requirements towards registration authorities. With the regional courts, we have opened a discussion about improving the public registers of NPOs. Most of our attention, however, has recently been focused on the discussion surrounding the preparation of a new Civil Code, which is currently in progress. This is not an amendment of the existing legislation but a completely new Civil Code that will at long last replace the old communist legislation, which, albeit with numerous post-1989 amendments, is still in force. In the context of the new Civil Code, all the legislation affecting NPOs will be thoroughly changed too. The result will therefore influence the legal and fiscal environment for NPOs for many years to come, and so we have systematically commented on the Draft Bill and have proposed changes and amendments.

## **CONCLUSION**

This report has attempted to describe the activities of the first year of a long-term project of mapping the nonprofit sector in the Czech Republic and discuss the methodological and practical issues that emerged in the process.

The Czech lands had a long and rich tradition of associational life, philanthropy and citizen initiative before the Second World War. This tradition was, however, brutally annihilated by the two successive totalitarian regimes of Nazism and Communism so that there was no free civil society in Czechia for fifty years. Sporadic attempts at free citizen initiative were repeatedly driven underground. The democratic revolution of 1989 restored the right of free assembly, releasing thus an energy that led to an ‘associational revolution’ in the 1990’s: there were only 537 communist-controlled ‘social organisations’ in existence at the end of the communist years; by the end of 1990 there were 21,000, in 1995 there were 38,000, in 2000 around 80,000. The re-birth of Czech civil society has been quite impressive. In spite of the explosive growth within civil society sector itself, however, the other sectors and society at large have found it more difficult to recognise and internalise the newly-born phenomenon, to accept it and to integrate it into their structures. It has transpired from the experience of the first year of the project of mapping the nonprofit sector in the Czech Republic that the nonprofit sector is of only very marginal importance to legislation, public administration, public policy, and the general public. This has the result that the sector is neglected and badly treated in the judiciary, in the executive, in public registers, in national statistics, in politics and in public debate. Even where legislation is in force and tools and mechanisms in place, they are not well established in the minds and activities of their administrators or in the structures where they belong.

Such a situation is not a very good starting point for a first-ever systematic survey of the Czech nonprofit sector. As its first year has shown, the data sources that are available are of inadequate structure and poor quality. Where direct research methods were used, they did not generate satisfactory and representative results either. It has transpired that respondents in both public administration and in the NPOs themselves remain inexperienced in, or unaccustomed to, keeping structured records and providing accounts. If systematic research of the nonprofit sector is to succeed in the Czech Republic, it has to be expanded to include the development of sources of data, the improvement of legislative and administrative tools and mechanisms, and the education and training of administrators and respondents.

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## SUMMARY

It is striking how little reliable information is available on the civil society sector in the former communist countries of Central and Eastern Europe. With a few notable exceptions, particularly that of Hungary, very little research, empirical or theoretical, has been done there. The first-ever nation-wide project of mapping the nonprofit sector in the Czech Republic, launched by the Centre for Nonprofit Sector Research (CVNS), endeavours to repair the empirical deficit and to build a solid foundation for any further research in the Czech Republic. The project is planned for several years and should examine the economy of the sector's various sub-systems, one by one, until the basic map of the Czech nonprofit sector is completed. Its first year was by necessity exploratory. It has shed some first light on the reasons why nonprofit research in Czechia has been so difficult and it has produced first data and findings about foundation-like organisations, religious organisations, and the funding for nonprofit organisations from public budgets. The paper discusses the methodological and practical hardships of nonprofit research in Czechia and then proceeds to introduce the most important of the research findings. Finally, it describes the revision that was made of the original plan of the Mapping the Czech Nonprofit Sector project on the basis of the experience of the first year. The revision is based on the recognition of the fact that if systematic research of the nonprofit sector is to be successful in the long term, it has to be expanded to include the development of data sources on NPOs, the improvement of legislative and administrative tools and mechanisms, and the education and training of administrators and respondents.