

The Nanny State Rules OK: the Government and the Nonprofit Sector in the Czech Republic

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Abstract

The paper makes use of the case of the Czech Republic to discuss the government-nonprofit relations as a crucial issue that nonprofit sector studies must deal with in the Central and Eastern European countries. A re-assessment of some of the assumptions made so far in the literature is made possible by new comprehensive data and findings that have recently become available for the first time and which, among other things, show the Czech nonprofit sector as smaller than suggested by the 1995 CNP estimates. The paper offers a brief overview of public policy and its implications for nonprofit sector from the economic perspective, and then proceeds to discuss the situation in the light of existing theoretical approaches.

INTRODUCTION

Seventeen years after the fall of the communist regimes in Central and Eastern European (CEE) countries, it appears that the post-1989 growth of the nonprofit sectors in Central and Eastern European countries has been more uneven and slower than might have been expected (Hall, Molleda, 2005). In the particular case of the Czech Republic, which in previous research had been seen as a country with the largest potential for rapid development (Frič et al., 1999), the current data from the Czech NPI Satellite Account are beginning to reveal a more modest picture. In the first part of this paper, we suggest that the size of the Czech nonprofit sector as reported in the 1995 CNP working paper was exaggerated, which could be attributed to the bad quality of the data that were available at that time as well as to their misinterpretation.

In the 1990's and the early years of this century, a number of authors pointed out some of the problems restraining the development of the nonprofit sectors in the CEE countries. Kuti wrote that “since the renaissance of the Eastern European nonprofit sectors is closely connected to the denationalization process, public policy has a significant impact on their development perspectives. Whether or not they have an explicit policy toward nonprofit organizations, governments do influence at least the general regulatory framework and economic conditions under which nonprofit organizations work” (Kuti, 1999, p. 52). Besides a political crisis, she introduced others that influence the state of the nonprofit sectors in the CEE countries – identity crisis, sustainability crisis, fiscal and economic crises, and crisis of effectiveness and legitimacy. Several papers and studies of the Czech sector confirmed her findings, and/or expanded on them. Barriers internal to the nonprofit sector were identified, such as its unresolved identity (Frič, 2004; Frič et al., 2004) and low transparency (Brhlíková, 2004); significant role was also attributed to external conditions under which nonprofit organizations operate, e.g. political climate (Green, 1999; Frič et al., 2004) or low level of citizen participation (Frič et al., 1998; Potůček, 2000). There are also articles focusing on government-nonprofit relations, especially unsuitable state policy towards the nonprofit sector (Potůček, 2000; Frič 2004 and Frič et al. 2004), out-dated system of state funding (Frič, 1998, 1999 and 2004b), over-restrictive legal regulation (Frič et al., 1998 and 1999) and restricted access to the public policy process (Green 1999, Frič et al., 2004). The second part of this paper looks at these assumptions and at the public policy towards the nonprofit sector in general in the new light of emerging economic data, broadening the picture at the same time

through conclusions from our own qualitative survey of almost 100 public funding programmes for NPOs and referring to the NPO share in the provision of public services in industrial statistics, specifically in the fields of culture and arts, social services and education.

Finally, in the third part, we discuss the empirical evidence about the government-nonprofit relationship in the light of existing theories and approaches. We also summarize barriers restraining the development of the Czech nonprofit sector, which in our opinion are: centralised and inefficient public administration, the *modus operandi* of Czech politics and the state of Czech civil society.

1. THE CZECH NONPROFIT SECTOR: SIZE AND DEVELOPMENT

There was no quantitative information about the nonprofit sector in the Czech Republic (and, with the exception of Hungary, in other CEE countries) for a very long time. Even though the Czech Statistical Office (CZSO) started collecting data on nonprofit organizations in 1994, it did so solely for the purposes of national accounts. Their databases were in a structure ill suited for analytical examination.

The situation changed in 2004, when CZSO decided to implement the NPI Satellite Account. After publishing the pilot versions of the NPI Satellite Account, based on 2002 and 2003 data, in the second half of 2005, the CZSO issued the first regular edition of its NPI Satellite Account, based on 2004 data, at the end of June 2006. The data in the 2004 NPI Satellite Account present us with a more detailed and accurate picture than the data that were available in 1995 for the Johns Hopkins Comparative Nonprofit Sector Project (CNP). So, for instance, while the share of NPI employment in economically active population was estimated at 1.3 % in 1995 without public universities,¹ the same share was 1.42 % in 2004 including 25 public universities. Without public universities, as Table 1 demonstrates, the share of NPI employment in economically active population was only around 0.77 % in 2004. Likewise, the number of FTE volunteers or the share of GDP appears lower in 2004 than in 1995.

¹ "Public university" is a legal form at the borderline between government and nonprofit sectors: on the one hand, public universities can only be established and dissolved by an act of parliament, on the other hand the 111/1998 Act on Higher Education gave them so much freedom and institutional autonomy as to make them completely independent of government.

Table 1 Economic Size of the Czech Nonprofit Sector: 1995 and 2004 comparison

Variable	1995 CNP	2004 – NPI Satellite Account	
		with public universities	without public universities
Paid Employment (FTE)	78,200	72,700	39,400
Share of Paid Employment	1.3 %	1.42 %	0.77 %
Volunteers (FTE)	45,400	14,100	14,100
Share of Total Employment	2.0 %	1.70 %	1.05 %
Share of GDP	2.1 %	1.17 %	0.57 %

Sources: Frič et al., 1999; Salamon et al., 2003; NPI Satellite Account, 2006.

The proposition that the size of the Czech nonprofit sector had diminished between 1995 and 2004 is not tenable since other data from the Czech Statistical Office (e.g. the share of the NPISH Sector in GDP, 0.35% in 1995 and 0.43% in 2004) indicate a slow growth and because the NPI Satellite Account uses the same definition of nonprofit organisations as the CNP. We suspect, therefore, that the 1995 CNP data have to be considered unreliable, the most likely causes of the inaccuracy being a lack of data leading to too much guesswork or differences between CNP methodology and the methodology actually used in Czechia, or both. The suspicion of the unreliability of the 1995 CNP data is further supported by the comparison between Czechia and Slovakia: it seems odd that the differences between the two sectors should be as enormous as reported (Salamon et al., 2003, p. 49) after only 2 years after the break-up of Czechoslovakia.

In the absence of reliable economic data, it was the number of nonprofit institutions alone that most authors used as an indicator of nonprofit sector growth in the mid-1990's (Green, 1999) and late 1990's (Brhlíková, 2004). Using this indicator, Frič even says that the nonprofit sector "has undeniably become the most dynamically expanding sector of Czech society" (Frič et al., 2004, p. 608). Such a conclusion might only have been justified if 1989 had been Year Zero for the Czech nonprofit sector and if no nonprofit organisations had pre-dated it. Frič himself knows that that is not the case. He distinguishes between 'old' NPOs, which had survived from the communist period and are to be found especially in the areas of sport, recreation and leisure, and 'new' ones, which had been established since 1989 and which dominate in such areas as human rights, environment, and social services. While making this distinction, he realises that it is the 'old' organisations that make up the bulk of the Czech nonprofit sector (Frič et al., 2004, p. 618).

The distinction between the ‘old’ and the ‘new’ is too coarse and often muddled so that its further refinement has often been offered,² but it is useful in that it can help us understand that the post-1989 development of the Czech nonprofit sector was more complicated and more uneven than the linear growth that the number of new NPO registrations in the 1990’s seems to suggest. It was Potůček who realised that the large difference in numbers between the several hundred organisations that were in existence at the end of the 1980’s and the tens of thousands of organisations that were registered after 1989 was in fact to the largest extent “due to the fact that a majority of sports clubs and hunting associations [for example] were active before 1989 but were not registered independently, because only national umbrella organisations were listed” (Potůček, 2000, p. 114). The new Act No. 83/1990 On the Association of Citizens meant that the many thousands of associations that had forcefully been amalgamated into several so-called ‘mass organisations’ by the Communist regime after 1948 were free to start an independent existence on their own again.

Another important piece of evidence that contradicts the notion of an explosive growth of the Czech nonprofit sector after 1989 is provided by the data on employment available from the Czech Statistical Office (Table 2). They show us a dramatic decline in the number of employees from 1990 to 1991, which can only be attributed to the disintegration of the communist ‘mass organisations’. We can see that it was not until the mid-1990’s that the sector started picking up again. Further research is needed to determine to what degree it was caused by the recovery of the ‘old’ NPOs or the strengthening of the ‘new’ organisations.

² Pospíšil (2006) e.g. distinguishes between (i) the revived traditional organisations; (ii) the organisations that have returned from exile; (iii) the transformed dissident initiatives; (iv) the ‘old structures’, i.e. the organisations of the communist National Front; (v) the new post-1989 organisations; and (vi) the ‘imported sector’, i.e. foreign and international organisations and their Czech branches and counterparts.

Table 2 Number of persons employed in the national economy: by type of ownership, as of 31 December (thousand employees)

Year	Private	Co-operative	Associations, political parties, churches	Mixed	State and municipal
1985	14.1	684.6	67.0	.	4,528.8
1986	33.9	688.1	73.3	.	4,560.1
1987	36.5	693.5	75.3	.	4,571.7
1988	44.2	698.0	77.7	.	4,580.0
1989	69.3	703.3	79.7	.	4,580.8
1990	376.1	661.9	60.2	.	4,288.9
1991	916.7	470.4	36.6	16.9	3,448.7
1992	1,482.9	357.4	41.4	14.9	2,869.5
1993	2,250.1	272.9	28.7	306.2	1,916.0
1994	2,547.7	229.8	24.5	282.9	1,721.7
1995	2,824.6	208.1	33.1	664.8	1,209.1
1996	2,946.0	184.1	32.1	717.0	1,121.6
1997	2,934.7	178.8	42.6	670.6	1,090.0
1998	3,010.6	161.7	35.3	584.9	1,040.3
1999	3,073.5	148.7	31.6	475.3	1,010.0
2000	3,113.7	161.9	40.9	451.6	1,054.6
2001	3,247.2	150.1	39.3	364.0	1,053.6
2002	3,341.6	135.8	39.9	304.1	1,034.6
2003	3,375.7	125.6	41.6	267.0	1,040.3

Source: Czech Statistical Office.

2. GOVERNMENT POLICIES TOWARDS THE NONPROFIT SECTOR IN THE CZECH REPUBLIC

The aim of this chapter is to answer the question whether, how, and to what extent, government and public administration at the national level cooperate with nonprofit organisations as producers of public services in the Czech Republic. We try to find out whether there are one or more public policies towards nonprofit organizations ensuing from distinct welfare state arrangements that are influencing the size and scope of the nonprofit sector in individual industries. Kuti has it that “in most Eastern European countries, there are several explicit and implicit government policies influencing NPOs and they often lack consistency” (Kuti, 1999, p. 52). Rymysza and Zimmer observe that “referring to the terminology of Young (2000), nonprofits were perceived as supplementary to government immediately after the transition” (Rymysza and Zimmer, 2004, p. 191). Can the emerging data and new research prove or disprove these claims?

A. Government Guidelines and Main Areas of Support

Under the communist regime, all the public services were provided by the state itself. The space for free citizen assembly and action was non-existent, only those nonprofits federated under the National Front umbrella were permitted to operate, either in order to support „the building of socialism“ or to pursue leisure, sports and recreation activities. After 1989 the National Front was dismantled, its ‘mass organisations’ either dissolved themselves or transformed themselves, new organisations started mushrooming. First chunks of the communist ‘state nonprofit sector’ (i.e. state-run service providers) were ‘denationalised’.

These developments and the early policy of inviting private and nonprofit agencies into the system of provision of public services made the state come up with so called „Guidelines for awarding grants to civic associations“ in 1992. These ‘guidelines’, however, stopped short of defining the role of nonprofit organisations in society in general, or in service delivery in particular, of delineating a government policy towards the nonprofit sector or of defining any goals for government-nonprofit cooperation. The Guidelines are thus nothing else but a set of technical rules for the grant-making process. They represented a breakthrough, though, in the early 1990’s because they were an expression of the government’s intention to replace the arbitrary allocation of funds of the communist days with a more transparent process of grant competitions.

The Guidelines were no doubt a first step in the right direction, unfortunately not followed by sufficient further steps. The most important of them should have been the creation and publication of policies by the individual grant-making agencies of the government. It was, however, not until 2000 and under a lot of pressure from the nonprofit community, that the government started the annual publication of “Information on grant programmes for non-state nonprofit organisations”. The brochure lists all the grant programmes offered by the central ministries for the upcoming fiscal year under the headings of the so-called “Main areas of government support for non-state nonprofit organisations”, an annual policy document issued by the Government. Seemingly, the “Information” document is there to guarantee the openness and transparency of the grant-making process, and the “Main areas” should define the government policy and funding priorities. A close scrutiny, however, reveals a different picture. We have recently examined the documents and the one hundred or so grant

programmes that are currently offered to nonprofit organisations by the ministries and we have discovered important deficiencies in several areas:

- (1) *Policy*. None of the ministries has a defined policy towards nonprofit organisations. The grant programmes that they offer are simply the sum of “what we have always done” and a few ad hoc decisions made since 1989. Consequently, the “Main areas” document is nothing else but a larger list of grant programmes that have evolved in this way.
- (2) *Applicability*. The universal principles embodied in the “Guidelines” document are too general to be applicable for all the heterogeneous areas and for all the possible relations between the government and nonprofit organisations. The result is that most ministries ignore the Guidelines: some use their own guidelines for grant seekers, others make grants not only to nonprofits but also to natural persons, governmental organisations and even municipalities, etc.
- (3) *Transparency*. Although much has been done in recent years, the process of grantee selection, grant-making and monitoring is still not transparent enough. Above all, the level of transparency differs greatly from ministry to ministry. As mentioned above, different ministries use different rules and procedures. They also take too great liberties with keeping proper records and making them available to the public. One typical feature is that identical programmes are known under different names in various records and databases so that it is practically impossible for the public to monitor the processes and the results.
- (4) *Effectiveness*. As mentioned above, the grant programmes are not based on policies, they do not have stated goals, time lines, or budget allocations. They are not monitored and evaluated. There are only formal checks to make sure that the grant was properly administered and that a financial report has been received from the grantee.
- (5) *Centralisation*. In spite of the devolution of power through the establishment of 14 new administrative regions of the country in 2001-2, the system of funding for nonprofit organisations has remained highly centralised (Report, 2003), with the sole exception of the area of social services (further discussed below), where both part of the responsibility and part of the budget allocation have been devolved to regional governments.

So much for the grant-making process governed by the “Guidelines” and the “Main areas”, but it is important to note that a significant portion of government funding for nonprofits

completely bypasses this mechanism. As Table 3 shows, a full one third of funding for NPOs is distributed by means of “other subsidies”, outside the “main areas” and the grant programmes.

At the moment, we can only deal with the central government, a discussion of the policies of regional governments towards NPOs is hardly possible. The system of administrative regions has only been in existence for five years so that very little data are available to date and no substantial research has yet been done. (Table 3, however, shows at least the total amounts of funding for NPOs from regional budgets.)

Table 3 Public funding for NPOs from national budget and regional budgets in 2004 (US\$ thousand)³

Field (COFOG)	National budget		Regional budgets
	Grants under Guidelines	Other subsidies	
01 - General public services	914	671	25
03 - Public order and safety	563	0	311
04 - Economic affairs	4,304	5,009	378
05 - Environmental protection	484	454	526
06 - Housing and community amenities	177	0	0
07 - Health	9,511	0	1,589
08 - Recreation, culture and religion	45,365	120	13,190
09 - Education	605	19,901	3,260
10 - Social protection	50,649	23,165	17,225
11 - Research and development	12	4,732	0
12 - Other	931	1,671	2,257
Total	113,515	55,724	38,761

Source: Analysis of Funding for Non-State Nonprofit Organizations from Selected Public Budgets in 2004.

What we find, therefore, is that at the level of political decisions there have been at least some, albeit inconsistent, attempts over the years at changing the system of government funding for NPOs, but that these attempts have largely been ignored or sabotaged at the level of implementation by the government bureaucracy. There is a political awareness of the significance of the nonprofit sector, but indecision as to what policy/policies to adopt. There is, however, evolution and progress at places. We don't think we can subscribe to Frič's harsh judgement expressed in the words that „the manner in which resources are allocated to the nonprofit sector still corresponds to Communist structure of social and voluntary organizations“ (Frič et al., 2004, p. 615). The actual situation is much more complex and complicated: there is a variety of practices, mixtures of old habits that die hard and new

³ Average rate of exchange US\$/CZK in 2004 was 1:25.701.

policies, both embryonic and more elaborated. The following case studies of three different industries should illustrate these complexities.

B. Culture and the Arts

By the year 2002 the Czech Republic had implemented a radical public administration reform, which divided the former centralised state into 14 self-governing administrative regions. The reform had brought about important changes in the provision of cultural services. The government therefore adopted a new 'Cultural Policy of the State' (Government, 2001) as its basic policy document in the field of culture and the arts, which left in the hands of the central government the administrative and financial responsibility for only a few most important national institutions, which remained state-run, while the regional and local governments were made responsible for adopting cultural policies of their own in the territories under their authority.

In accordance with the Cultural Policy document, the Ministry of Culture has limited its support to two areas: (i) it directly funds its own organisations; (ii) it offers around thirty grant programmes which are open to any entity active in the field of culture and the arts, including organisations established and run by the regions and municipalities, NPOs and natural persons. These programmes are administered under the Guidelines, and the total value of grants they award is approximately CZK 700 million (US\$ 27.2 million) every year.

Let us have a closer look at these grant programmes in one particular field, namely the theatre. The Section of the Arts and Libraries at the Ministry offered two programmes that included support for theatrical art in 2004: (1) Programme of government support for professional theatres, symphony orchestras and choirs. (A total of CZK 49.7 million, or US\$ 1.93 million, was granted to 48 applicants in 2004 under the programme.) (2) Grant programmes in the area of theatre, music, visual arts, literature and libraries (with 61 projects supported with the total sum of CZK 16.8 million, or US\$ 0.65 million, in 2004).

Out of all the recipients under these two programmes, only one was a nonprofit organisation, and it received a grant of CZK 0.4 million. As shown in table 4, however, the share of NPOs in the total number of theatres was more than one fifth in 2004. (Even though nonprofit theatres tend to be rather small, their share in the total number of seats making up only 3.5

percent and in the number of employees less than 2.5 percent). Moreover, our own research (Rosenmayer, 2005 and 2006a) showed the following pattern in the funding of cultural NPOs: 40% from sales, 30% from government and 20% from philanthropy. It follows from these data that most public support for nonprofit theatres must have come from regional and local governments in 2004.

Table 4 Theatres in 2004

Variable	Total	Share of NPOs (in %)
Number of reporting economic entities	174	22.41
Number of theatres with in-house companies	119	24.36
Number of theatre companies	138	18.84
Number of theatrical buildings	227	7.49
Number of seats	61,261	3.52
Number of productions	1,921	18.58
Number of new productions	565	15.22
Number of performances	23,532	11.26
Number of audience	5,000,000	3.79
Number of performances abroad	1,272	12.42
Number of employees	8,334	2.22
Number of artistic staff	3,405	3.72

Source: Prouzová, 2006.

In summary, the new ‘Cultural Policy of the State’ has created the following situation: The state has an explicit cultural policy at the national level. It funds a limited number of state-owned national institutions directly, and supports innovative and important projects through grant programmes that are open to all cultural service providers including NPOs. The most important role in the provision and funding of cultural services has been taken over by the regional and local governments, where no explicit public policies exist, or are at least publicly available. Even if NPOs have to compete with providers run by the state or regional/local governments, they are given the chance to apply for public funding from both the central and regional/local levels of government.

C. Social Services

Table 5 shows that the system of financing social services in 2004 from the national budget consisted of four types of transfer: (1) Subsidy per bed, earmarked for residential homes and institutions established and run by municipalities; (2) Direct transfers to regions and municipalities to run social service facilities established by the state and devolved to regions and municipalities within the public administration reform in 2001-2; (3) Grants for NPOs and natural persons awarded under the Guidelines by (i) the central government (largest part)

and (ii) regional governments; (4) Direct support for five social care institutions established by the Ministry of Labour and Social Affairs itself.

Table 5 System of financing social services from national budget in 2004 (US\$ thousand)

Type of transfer	Regions	Municipalities	Providers	Total
Subsidy per bed	0	49 611	0	49 611
Direct transfers to regions and municipalities	187 202	1 016	0	188 218
Grants for NPOs and natural persons	15 683	0	37 992	53 676
Support for Ministry's social care facilities	0	0	13 383	13 383
Total	202 886	50 627	51 375	304 888

Source: Explanatory Notes to Social Services Bill 2006.

If we included the nursing benefit (CZK 1,600 million, or US\$ 62.25 million) paid out to the handicapped and the money for pension increase because of helplessness (CZK 1,700 million, US\$ 66.15 million), the total amount spent on social services from the national budget would be CZK 11,100 million (US\$ 432 million) in 2004. The data above explain the relation between the state and NPOs in the area of social services clearly: while there were direct transfers for social care facilities run by the regions and municipalities, NPOs (and natural persons) were only offered two grant programmes based on the Guidelines principles.

Table 6 Social Services in 2004*

Variable	Number		Capacity	
	Total	Share* of NPOs (in %)	Total	Share* of NPOs (in %)
Homes for the elderly	373	14.48	37,366	6.05
Boarding houses for the elderly	149	9.40	11,865	3.62
Institutions for adults with physical handicap	7	28.57	514	6.23
Institutions for adults with combined physical and mental handicap	5	20.00	397	7.56
Institutions for adults with mental handicap	74	6.76	6,101	3.97
Institutions for chronic alcohol and drug abusers	8	25.00	368	3.26
Institutions for chronic psychotics and psychopaths	8	12.50	870	3.45
Institutions for youth with combined physical and mental handicap	20	45.00	982	33.50
Institutions for youth with multiple physical handicap	11	63.64	446	27.58
Institutions for youth with mental handicap	137	7.30	9,946	2.28
Foster care facilities	2	100.00	126	100.00
Homes for mothers with children	50	70.00	1,147	61.81
Shelters	69	49.28	2,327	53.93
Half-way houses	13	76.92	199	44.72
Night shelters	8	62.50	260	43.08
Day care centres for homeless persons	8	75.00	57	61.40
Homes for nuns	17	100.00	1,007	100.00
Other facilities	90	84.44	1,816	81.88

Source: Prouzová, 2006.

* The share was calculated for facilities established by churches, associations, natural persons or by other non-governmental entities, both nonprofit and for-profit.

Table 6 shows that the share of NPOs and natural persons in the delivery of social services was small in the services financed through subsidies per bed and direct transfers. The data from our own research (Rosenmayer 2005, 2006a and 2006b) highlight the high dependence of NPOs providing social services on income from public budgets: the share of public funding in total revenues made up 60 percent, with sales accounting for 20 percent and donations for 10 percent.

Summary of current situation: Social services is a contested field. A thorough reform of its system had been in preparation for many years, from 1993, until at long last Act 245/2006 On Social Services had been embodied into the Czech legal system in 2006, with effectiveness from January 1, 2007. The new law will change the system of financing social services from the national budget (Ministry, 2004) in the following way: (1) The bulk of social assistance by the state in the total amount of CZK 8,000 million (US\$ 311 million) will be directly paid out to individual persons needy of social care through the newly-introduced Social Care Benefit system. Individuals dependent on help will then be able to decide how to spend this money, i.e. whether to receive help from a member of their family or to purchase social services outside their household. (2) The transfer of state subsidy to the regional budgets in the total amount of CZK 4,000 million (US\$ 156 million) will be conditional upon the regional governments adopting social service policies of their own for the territory under their authority. The purpose of this subsidy is to guarantee a comprehensive network of social services in a given territory and to provide finances for matching institutional support to social service providers that will be to an extent dependent on fees received from the clients. (3) The Ministry of Labour and Social Affairs will offer three grant programmes to support projects with a nation-wide impact or of innovative character, the funds allocated for the programmes being CZK 350 million (US\$ 13.6 million). (4) The Ministry will continue to run and finance its five social service facilities.

The reform is not without blemishes, but on the whole it is going to change the situation of NPOs for the better in a field that has so far been haunted by clientelism and nepotism. NPOs will be of equal standing with other service providers, including those run by the regions and municipalities, both in the competition for public funding as well as in the real-market situation of offering their services to the fee-paying clients.

D. Education

The current system of financing education from the national budget was established in 1992 and is based on a ‘normative’ subsidy per student. The actual value of the subsidy per student differs for different levels and fields of education, and types of educational institution. The total subsidy for a school is calculated as a percentage of the total normative subsidy due, depending on the ownership: schools established by the state, regions and municipalities,⁴ and church schools receive 100 percent, so called private schools receive less⁵. If a private school gets included in the ‘network of state-approved schools’ and meets additional requirements (such as distinct quality of education as assessed by state school inspectors, minimum number of enrolled students, non-distribution constraint) it can obtain as much as 80-100 percent of the normative subsidy.

Table 7 System of financing education from national budget in 2004 (US\$ thousand)

Type of school	Amount
Schools established by state	56,955
Schools established by regions and municipalities	2,419,595
Church schools	26,099
Private schools	113,387
Total	2,616,036

Source: Final Financial Statements of the Government of the Czech Republic for 2004.

Whereas education provided by schools established by the state, regions and municipalities is free of charge, church and private schools can charge school fees. The data from our own research (Rosenmayer 2005 and 2006b) show that church schools are heavily dependent on the state subsidies: more than 90 percent of their income comes from subsidies and less than 5 percent from sales, while private nonprofit schools receive 40 percent from school fees and 50 percent from subsidies. As shown in Table 8, the share of NPOs in the provision of educational services is higher at those levels of education where adequate demand or willingness to pay school fees exist.

⁴ Again, the state devolved the state schools to the regions and municipalities under the above mentioned public administration reform in 2001-2.

⁵ The rates depend on the level and type of education provided: 80 percent for special-needs schools, 60 percent for primary, secondary and first part of tertiary education, 50 percent for other schools.

Table 8 Education in 2004

Level of education (ISCED)	Number of schools		Number of students	
	Total	Share* of NPOs (in %)	Total	Share* of NPOs (in %)
0 - Pre-primary education	5,200	2.19	288,446	1.45
1 - Primary education or first stage of basic education	4,654	2.56	505,289	1.16
2 - Lower secondary or second stage of basic education	5,159	4.03	497,546	1.91
3 - (Upper) secondary education	1,897	20.08	493,046	13.05
4 - Post-secondary non-tertiary education	526	25.48	73,630	24.01
5B - First stage of tertiary education	205	31.71	32,193	32.81

Source: Prouzová, 2006.

* The share was calculated for non-public schools, i.e. schools established by church or private (for-profit or nonprofit) organisations.

E. Summary

Frič identified government policy as a barrier to nonprofit sector development, simplifying the problem to a governmental-nongovernmental dilemma: “The state a little opened the door for private business in the areas such as schools, health care and social care, but by the preferential treatment of the organizations founded by the state and active in these areas, it actually preserves their almost monopoly position. It means this dilemma is solved more for the benefit of the idea of a strong state and a tendency to centralism. ... As a consequence, the nonprofit sector in the post communist countries in Central Europe is relatively small and NPOs have not yet managed to win the position they have in the West” (Frič, 2004, p. 14).

In actual fact, as we indicated above, there is no single distinct government policy towards the nonprofit sector. Rather, as Kuti observed, there are a number of explicit or implicit policies at different stages of development the Czech Republic. The implementation of a far-reaching public administration reform at the beginning of the new millennium has brought the hope that nonprofit organizations will have equal access to government grants with governmental (both state, and regional or municipal) institutions at last. However, much of what Frič referred to still survives in the government bureaucracy, in spite of the new policies declared by politicians and embodied in the legislation. The preferential treatment of governmental organisations and ‘old’ nonprofit organisations is in evidence everywhere, and the public policies are in fact a diktat by the state rather than results of an open democratic process. Nonprofits are increasingly allowed to enter the public services market, but the state remains in control of which fields it will open to such competition. It generally remains very tough for nonprofits to compete with the governmental institutions, and so it is only in those services that were not provided under the communist regime (shelters for the homeless) or those where

strong demand outweighs the supply by the state (secondary and first stage of tertiary education) that they are successful.

It also seems that Rymysza and Zimmer's observation is justified, and not only for the time "immediately after the transition" (Rymysza and Zimmer, 2004, p. 191): Czech service-providing nonprofit organisations remain in a supplementary role to government even today. The relationship, however, does not result from any public policy; it is a function of the dominant role of the state that survives from the communist days, the inefficiency of the state bureaucracy, the lack of reform of public administration and the weakness of the nonprofit sector. The new developments after 1989 in most of the industries have done little to change the situation because they were not guided by consistent public policies based on broad consensus but on one-sided ad hoc decisions of the ministerial bureaucracies. It remains to be seen whether and how the radical devolution of power from the centre to the regions and the reform of public administration (2001-2) or the comprehensive reform of the system of social service delivery (2007) will influence or even start changing the nonprofit-government relationship.

3. THE CZECH NONPROFIT SECTOR AND THE STATE IN THE LIGHT OF EXISTING THEORIES

Generally speaking, the space that is available to Czech nonprofit organizations in the provision of public services is limited and dependent on how much of that space the state decides to open up to them, through public policies or otherwise, in individual industries. There are theoretical approaches that explain the role of nonprofit organisations as producers of public services in welfare state arrangements in a given country. One of the most useful theories was developed by Salamon and Anheier within the Johns Hopkins Comparative Nonprofit Sector Project and is known as "social origins" approach. Can this approach help us shed light on the case of the Czech Republic and, by extension, Central/Eastern Europe?

Salamon and Anheier introduced in their approach the nonprofit sector as "not an isolated phenomenon floating freely in social space but as an integral part of the social system whose role and scale is a byproduct of a complex set of historical forces" (Salamon et al., 2000). They identified four models of nonprofit development using two key dimensions: a) the extent of government social welfare spending and b) the scale of the nonprofit sector. What Salamon and Anheier called the 'liberal' model characterises a regime where low government

social welfare spending is associated with a relatively large nonprofit sector and where plenty of room is left for nonprofit public service provision. In contrast, the ‘social democratic’ regime is the outcome of state-provided public services leaving relatively little room for nonprofit activities. A sizable nonprofit sector going along with extensive government welfare spending characterises the ‘corporatist’ model. In the ‘statist’ model, government maintains the tradition of having a decisive say in social welfare issues, albeit not heavily investing in this particular field, and therefore leaving very little room for the nonprofit sector.

Salamon and Anheier considered the Central/Eastern European (CEE) countries to be “an interesting mix of the statist and social-democratic tendencies. The implementation of the Soviet-style central planning regime after World War II resulted in a substantial increase in social welfare spending ... At the same time, the governments in the Eastern European countries supported only those voluntary organizations that were instrumental to their official policies, while suppressing those that might challenge the government’s hegemony.” (Salamon et al., 2000).

Wagner criticised the social origins approach using the argument that it was based on a static dichotomy between government and nonprofit service providers and saying that that was why such approach failed “to take into account the evolutionary character and the time dimension of the nonprofit phenomenon. By the same token, the analysis also neglects the growing interdependence of both public and private organizations and their “embeddedness” in a broader social and political context” (Wagner, 2000). He suggested that the social origins approach be reframed and he differentiated between four systems of welfare state that can be identified as four regimes for providing personal human services (defined as educational, health, and social services). Each of the four systems is characterized by a degree of territorial decentralisation and by its institutional structure (government-dominated or pluralistic). For empirical statements he used two variables to analyse the structural transformation of the public sphere: the elasticity of institutional change and the pattern of interdependence or type of (substitutive versus complementary) relationship among service providers.

We think that both the conceptual (Salamon and Anheier) and the institutional (Wagner) approaches fail to take the CEE countries into account. Rymzsa and Zimmer suggest that the CEE countries “are turning away from the model of the socialist welfare state, as described in the social democratic model of social policy. In this way, the ‘away from’ vector has been

defined; the direction of 'to where', however, has yet to be elaborated or, at any rate, defined in greater detail" (Rymzsa and Zimmer, 2004). We described above how public policies in individual public-service-providing industries have been changing since the communist days (with difficulty, slowly, and in fits and starts for most of the time) but that some of them are going through fundamental transformation right now. These observations lead us to agree with Wagner's criticism of the social origins approach because it does not allow for these variations over time and the interdependence of government and nonprofit organisations.

Another piece of evidence is provided by the recent political battle over changes in the Czech health care system: As a consequence of the reform of public administration in 2001-2, the responsibility for state-owned public hospitals was devolved to the regional governments. Some of the regions decided to transform the hospitals into corporations with a view to emancipating their managements from the straightjacket of direct state control. This caused an outcry on the political left, who accused the regional governments of trying to turn institutions of the national health system into private businesses or even of embezzlement of state property. Being the party in government and with a majority in Parliament, they forced the regions to return some of the hospitals into the hands of the central government and they pushed new legislation through Parliament (Act 245/2006 On Public Nonprofit Health Care Institutions, with effectiveness from January 1st, 2007), which established a new legal form of "nonprofit hospital" in the Czech legal system. The nonprofit hospitals are hybrids similar to public universities: established by an act of parliament, but so autonomous that they can be classified as independent of government. From the institutional point of view, such legal form would be at the borderline between government and nonprofit sectors. If consequently nonprofit hospitals were included in the nonprofit sector in the statistics, the size of the Czech third sector would more than double overnight and, according to the social origins approach, the Czech Republic should then be re-classified as belonging to the corporatist model.

A detailed examination of the development of government-nonprofit sector relations in Czechia shows that public policy towards the nonprofit sector is inconsistent, if in evidence at all. "Logically, the lack of consistency of the public policy to NPOs is not so much an outcome of changing ideological orientation of governments (representing various segments of society), but that of lack of professionalism and ad-hoc pragmatic solutions politicians accept under the pressure of different interest groups" (Frič, 2004, p. 15). And that is why Wagner's institutional approach also fails. Proposing his conceptual framework, Wagner

started from the premise that there was one homogeneous relationship between the state and the nonprofit sector. As described above, this is not so in the Czech Republic. “To a certain extent, government-nonprofit relations in the CEE countries currently are at a crossroads... Until now, political and public discourse has not yet achieved agreement on the final approach towards social policy or on the role and the function of the nonprofit sector within the growing market for social services. With respect to social policy, the countries in Central and Eastern Europe are still in a situation that Deacon characterized as the ‘interim’ model (Deacon, 1992)” (Rymysza, 2004).

CONCLUSION

The new data that have recently become available and the findings from our own research show the Czech nonprofit sector as small as other nonprofit sectors in Central and Eastern Europe. The societal transformation following the democratic revolution of 1989 strongly impacted the entities that are today classified as NPOs. The new democratic regime created space for free citizen initiative, which led to the establishment of many ‘new’ organisations, but also made it necessary for the ‘old’ state-supported organisations to transform themselves into viable nonprofits. The economic size of the nonprofit sector was deeply affected by the transformation: it declined sharply in the first half of the 1990’s before it started picking up again in the second half of the decade.

The new data and research confirm that the state has retained a dominant role in the provision of public services. Because of the strong dependence of service-providing NPOs on public funding, the policies of the state, explicit, implicit, or the lack of them, have a decisive influence on the size and scope of the service-providing part of the nonprofit sector. Recent research shows that state policies are either lacking or are underdeveloped and highly inconsistent. That is why the patterns of government-nonprofit relations differ from industry to industry, between central and regional and local governments, and region from region. This situation of flux makes cross-national comparison very difficult since it seems impossible to posit the country as a whole in either the ‘social origins’ model of Salamon and Anheier or in the institutional model of Wagner.

Recently, however, the Czech Republic has started implementing some significant reforms in the area of public service provision that may start changing the government-nonprofit relationship and impacting the scope of the service-providing part of the nonprofit sector. Our

experience up to now suggests that any change will be hard and long. The post-1989 governments of the country have predominantly focused on economic reform and have grossly neglected the reform of the public sphere. Due to this policy, and under the pressure of international trade and globalisation, the private sector has developed much faster than the other sectors. On the basis of global economic data, Czechia is now invariably classified as a developed country; its public and nonprofit sectors, however, remain largely unreformed and underdeveloped, and the same applies to their mutual relationship. As far as we are concerned, the faster development of the two sectors is inhibited by three barriers, all of them legacies of the communist regime:

- 1) *Centralised and inefficient government.* “In the West, strengthening local government capacity and ensuring accountability for shrinking public funds was the primary, if not only, reason for decentralisation, whilst in the East (Europe) this was perceived as an important move in the process of democratisation of former socialist societies. ... Therefore, decentralisation in CEECs was both the need and the fashion.” (Šević, 2005, p. 27). Well, it may have been the need and the fashion, but without enough pressure from decisive societal actors, the CEE governments remained reluctant to reform the system of government and public administration for too long.
- 2) *Restricted access to public policy formation.* All the post-1989 governmental parties shared the same of view of government and public policy as the outcomes of party-political decisions rather than of an open democratic process.
- 3) *Low social participation.* This well-described legacy of communism has recently been confirmed in a large international comparison of European countries, where both the Czech Republic and the other CEE nations found themselves among the countries with the lowest social participation in Europe. (European Social Survey I, carried out in 2002 and 2003 in the majority of Western and Central European countries.)

To overcome these barriers, and others, has obviously proved much harder than had been generally expected after 1989, especially in a situation where the reform of the public sphere and the public sector was underestimated by most societal actors and, as a result, neglected by the government. Not there has been no progress in these areas, but so far it has been very slow and erratic.

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