

CENTRE FOR NONPROFIT SECTOR RESEARCH

HISTORY OF THE CZECH NONPROFIT SECTOR

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1. Long and Vibrant Tradition: Charity and Voluntary Association before 1939³

1.1. Before the First Republic

The tradition of charity and voluntary association in „The Lands of the Czech Crown” is rich and old, dating back to the beginning of the Czech state in the 9th and 10th centuries. Its long evolution culminated in the latter half the 19th century and in the twenty years of the first Czechoslovak Republic in the 1920’s and 1930’s.

In the 19th century the Industrial Revolution started transforming the economic, social and demographic map of the Czech lands, but also spawned a new class of dispossessed. The new wealth and power of the bourgeoisie gave rise to many new scientific, scholarly, literary, cultural and social institutions; the poverty and societal upheavals led to the establishment of workers’ self defence and mutual aid.

A most important process that contributed to an unprecedented boom in associational life in Czech society was the Czech National Revival (approx. 1770’s – 1860’s). The linguistic, cultural, economic, and, eventually, political re-birth of the Czech nation was largely brought about by the hard work of hundreds of patriotic societies under the patronage of nationally-minded Czech aristocracy, philanthropists, scholars and writers, clergy and teachers. Similar emancipation efforts in the German population and the competition and rivalry between the two national groups further contributed to the “associational boom”. By the end of the 19th century the Czech lands had the largest number of charitable and voluntary organisations in the Austro-Hungarian Empire.

1.2. The golden age: The first Czechoslovak Republic, 1918-1939

In the 20 years between the two World Wars, during the famed First Republic, Czechoslovakia became one of the world's most advanced industrial-agrarian countries. The Constitution of February 1920 had guaranteed that the new Republic would also be one of the few states in Europe to have a genuine parliamentary democracy. Consequently dynamic charitable and voluntary organizations flourished.

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³ Brief outlines of the historical development are presented in e.g. Frič, Deverová, Pajas and Šilhánová (1998), Tůma, Vaněk, and Dostál (2001), Anderle (2002), Skovajsa (2003), Brhlíková (2004).

Traditional associations and societies prospered and most of them also directed their effort to the patriotic aim of strengthening the young state and its democracy. New organisations were established, many of them international, such as Rotary Clubs, YMCA or Boy Scouts, and quickly became very popular. A number of new organisations promoted international contacts and friendship, one of them was an early expression of the idea of European unification – the Pan-European Union founded by Count Coudenhove-Kallergi in Pobežovice in 1926. Some organisations were extremely popular, almost national institutions (*Sokol*). There was not a place in the country whose community life was not based on the existence of voluntary organisations.

The development of the nonprofit sector in the first Czechoslovak Republic was a continuation of its evolution in the last 50 years of the Habsburg Empire, but the sector had also acquired some specific features, of which the most significant were:

- (i) Most political parties and movements, trade unions and nonprofit organisations had remained nationally based, serving exclusively their own national groups. The failure of both the body politic and civil society to create one political Czechoslovak nation and/or one Czechoslovak civil society was to prove fatal for the future of the Republic.
- (ii) The interwar period strengthened the emphasis of nonprofit action on health, social and humanitarian issues. The nonprofit organisations working in these fields became partners to the government and municipalities and many of them even acquired an official status as administrators of public policies and were awarded the right to exercise official authority (e.g. the Czechoslovak Red Cross, Masaryk's League Against Tuberculosis, or The National Care for the Young).
- (iii) A great emphasis in the work of nonprofit organisations was placed on the upbringing, education and leisure activities of the young generation. Not only were there a large number of children's and youth organisations, old and new, but all the other nonprofit organisations also paid prominent attention to the moral, intellectual, physical, and patriotic, education of the young.

2. Totalitarian Repression, 1939-1989⁴

The dynamic development of civil society and nonprofit organisations in Czechoslovakia came to an abrupt end when Hitler's *Wehrmacht* occupied what was left of the Czech lands in March 1939. His *Eimarsch* marked the beginning of fifty years of totalitarian rule in the conditions of the Second World War and the ensuing Cold War. In spite of important differences, the fifty

years can be treated as one historical epoch because both the rule of Hitler's national socialism and the rule of Stalin's and Brezhnev's international socialism were based on the same totalitarian principles and methods. Both the Nazis and the Communists ruthlessly annihilated everything free and independent, so that it was only natural that the democratic political process, free thought and culture, and free civil society were the prime targets of their repression.

Both the regimes used identical methods, best illustrated by what the communist regime did after it gained power in 1948:

- (i) All the property and financial resources of the voluntary sector were confiscated and most areas of voluntary action were annihilated.
- (ii) What was permitted to function was radically transformed: independent health, education, research and cultural bodies were purged and "nationalised", i.e. turned into state-run organisations directly financed from the national budget; independent professional, trade and business associations were banned; trade unions were replaced with one *Revoluční odborové hnutí* (Revolutionary Trade Union Movement); the large field of recreation, sport and hobbies was "united" in several large mass organisations.
- (iii) All the new organisations were united, together with the several permitted non-communist political parties, in the so-called National Front under the direct control of the Communist Party.

The effects of these measures were devastating. Under their pressure, the people that were opposed to the new regime were forced to adopt one of the following choices:

- (i) to leave the country to escape the regime;
- (ii) to close down their organisations and retreat into the private world of their family and closest friends, into an "internal exile" as it became to be known;
- (iii) to attempt to work in the new organisations and to gradually subvert them from within, a solution that was risky and usually morally compromising;
- (iv) to establish independent informal or semiformal initiatives and groups, often clandestine, which worked in a parallel world.

None of these four solutions was satisfactory, they were all difficult, desperate, enforced decisions and they had the very unfortunate result that they deeply divided and still continue to divide Czech society. It was rare for these different groups to make peace or even to co-operate. Unlike the Catholic Church in Poland or the general consensus in Hungary, the Czechs never found,

⁴ A good history of the civil society sector in totalitarian years has not been written yet. In the existing country reports (Frič, Deverová, Pajas and Šilhánová, 1998; Tůma, O., Vaněk, M. and Dostál, P., 2001; Brhlíková, 2004) the period 1939-89 is usually glossed over with a few superficial truisms about the communist rule.

until the very end of the communist years, a unifying force or a unifying concept that would help overcome these tragic divides.

Independent citizen initiatives as well as opposition to the communist regime did exist, but remained fragmented and weak. Both the early scattered opposition of the 1950's and the mightier reform movement of the Prague Spring in the 1960's were put down by force, and so after 1968 cultural activists and civic leaders had to find new ways of independent existence and opposition to the regime. They found it in the parallel polis of independent cultural initiatives, samizdat publishing, underground church and underground university⁵ and in the defence of human and civil rights initiated and inspired by Charter 77⁶.

A striking characteristic of Czech opposition groups and initiatives after 1968 was their strict principle of non-violence and lawfulness. Charter 77 criticized the government for failing to implement human rights provisions of Czechoslovak law in a lawful manner: by describing and publishing the cases of breach of citizens' rights, by analysing them as well as the legal and political situation in general, and by petitioning the government for improvement. In so doing, it was exposing the fact that it was the state that was unlawful, not its opponents. This ethical example influenced all the other groups and initiatives of the 1970's and 1980's, it strongly influenced the "Velvet Revolution" of November 1989, and it continues to define the basic ethos of Czech civil society, even though Charter 77 itself was dissolved after 1989.

In spite of the admirable work of the cultural activists and the opposition leaders, independent voluntary sector remained small and isolated from the rest of the society. It was not until the second half of the 1980's, after Gorbachev had started his reforms in Moscow, that people started awakening again. The isolated opposition groups were intensifying their dialogue with the rest of society, a new generation of young people was beginning to speak up, and, surprisingly, the Catholic Church finally turned around to confront the regime. In 1989 people's long-suppressed frustration finally burst open and made the communist regime collapse within one week.

3. A new beginning: since 1989

How did charity and voluntary action respond to the new freedom? 'Explosively' is perhaps the best word to describe what happened. There were only 537 (mass) organisations in existence at the end of the communist years; by the end of 1991 there were 21,000, in 1999 there were 60,000, today there are perhaps 90,000 (ICN, 2005). People saw that the change in 1989 was a real

⁵ A good account of the history of the underground church is given in Fiala and Hanuš (1999) and of the Underground University and the Jan Hus Educational Foundation in Day (1999).

⁶ For basic information on Charter 77 see e.g. Wikipedia, for a detailed account *Nadace Charty 77* (1998) and especially Prečan (1990).

revolution, not another attempt to repair the dysfunctions of a communist regime, and they responded in a way and on a scale that surprised sceptical observers and optimists alike.

3.1. Several sectors

The re-birth of nonprofit organisations (NPOs) was spontaneous and chaotic to begin with, but it soon became clear that there were several different lines of development at work: that there was not one but at least six nonprofit sectors in the making. The boundaries between them corresponded to the divides in Czech society which the new democracy inherited from the communist years (see 2. above), and, sadly, their organisations often continued the regrettable tradition of mutual mistrust and non-communication. Even though the relations gradually improved, there remains a lot of tension 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.

3.2. Confusing legacies

It is typical of Czech civil society organisations that they have always played an important role in the building or renewal of democracy and, on the other hand, they have always been targets of harsh repression by authoritarian or totalitarian regimes. The frequent fundamental changes in the attitude of the state towards NPOs within the short period of several decades and the long years of totalitarian rule have left behind a confusing legacy of varied, often contradicting, traditions which have shaped the post-1989 development of the Czech civil society sector. Among them, the most important are (see also Frič and Goulli, 2001):

- (i) The tradition of the National Revival: The 19th century may seem too distant to be directly inspirational, but the Czech National Revival occupies such a prominent place in the Czech national mythology that a considerable number of groups and organisations base their work on the model of selfless sacrifice for the patriotic cause, of community development in difficult, neglected parts of the country, and of carrying out their mission on a strictly voluntary basis. Sometimes even the associations and societies of the 19th century have been revived.
- (ii) The tradition of the first Czechoslovak Republic: The pre-WWII Czechoslovakia is seen as the golden age of civil society and the desire to re-start its successful institutions and to copy its successful models has been very strong. A large number of organisations have indeed been revived (Sokol, Boys Scouts, YMCA, the Caritas, ...), some have even

been restituted some of their property. Equally inspirational has been the relation between the state and the NPOs, particularly in the areas of health and social care, which the organisations working in these fields have been trying to imitate.

- (iii) The legacy of mistrust: Of the many negative legacies of the totalitarian years, that of mistrust is one of the hardest to overcome. Under the communist regime, it had become second nature to disbelieve in the possibility of influencing public policy and in the usefulness of public engagement. People continue to mistrust the institutions that should serve them, including nonprofits.
- (iv) The legacy of selfishness: It never paid in the communist days to show initiative, to criticise shortcomings or to propose improvements. Initiative was punished, and so people had become crudely selfish, looking only after their own well-being and that of their families.
- (v) The legacy of clientelism: Nepotism and informal networks of mutual services had become the dominant system of securing goods for the individual and the family in the short-supply economy of the “advanced socialist society”. The system survived the fall of communism and continues to pose a serious challenge to any attempt to introduce the rule of law and standard procedures in the market, in the public sphere and in civil society.
- (vi) The legacy of the nanny state: The communist state was omnipresent and omnipotent, the only entity capable of taking care of all the needs of the population, it made people believe. And many did. It was convenient, and private initiative did not pay anyway. The habit survives. People still rely for everything on the state. If the state fails to deliver, they will grumble in private, but they will still expect assistance from the state instead of looking for the helping hand at the end of their own arm. The state takes advantage of this attitude to legitimise its continued dominant position vis-à-vis its citizens.
- (vii) The legacy of centralism: The paternalistic communist state was a monopoly provider of all educational, cultural, social, health, and other services. It had built for the purpose a centralised system of organisations, a state nonprofit sector of its own. The public sector has been finding it very hard to accept the loss of its monopoly in the public services, to recognise the existence of an independent nonprofit sector, and to change its role of providing the public services into the new role of securing their provision.

It transpires from the sketch above that, with the exception of the traditions of the National Revival and the first Czechoslovak Republic, the legacy of the past represents an obstacle to the

development of the civil society sector in Czechia. This is further demonstrated by the largely unchanged attitude of the state, which has been finding it very hard to shed its centralistic traditions and paternalistic habits.

3.3. Principal development phases and events

The new development of civil society after 1989 has been tied up with the process of transformation of the regime and society as a whole. In retrospect, it is possible to divide it into three phases, characterised by the internal evolution of the sector itself, its relation with the state and its recognition by the society at large.

3.3.1. Rapid re-birth, 1990-1993

In the first months and years after 1989, nonprofit organisations mushroomed. There were a lot of grievances, long suppressed by the communist regime, that civil society activists had wished to address, as well as new ills and challenges generated by the radical societal transformation. It was important to start work immediately, the driving force of development was the desire to dismantle the communist regime, to take over large areas of activity that the state was expected to give up, and to start repairing the enormous damage caused by the 50 years of totalitarian rule. It was essential to get down to business; the technical and legal questions would be resolved later.

The first post-1989 governments and parliaments were dominated by former dissidents, who understood from their own previous experience the importance of free citizen action for the health of society and the development of democracy and who gave the explosive growth of private citizen initiative their support. The Czech government and the Czech parliament made two important decisions in an effort to support the re-birth of civil society: (a) By putting aside 1% of the shares of companies that were being privatised in the second wave of privatisation, they established a development fund (*Nadační investiční fond* or *NIF*), whose resources were later to be distributed to Czech foundations, helping them thus to establish an independent financial base for the nonprofit sector. (b) They reached a political agreement on the transformation of the institutions of the communist state nonprofit sector into independent nonprofit organisations.

The country was receiving massive support from abroad, part of it was earmarked for the development of civil society and nonprofit organisations; first European and US foundations and NPOs started working in the country. As the new Czech organisations were very weak, they were only able to absorb part of this assistance.

In spite of their explosive growth, nonprofit organisations as well as the concept of civil society were generally unknown to the general public, even though the first successful charitable appeals were beginning to penetrate the general consciousness.

3.3.2. Learning the trade, 1993-1997

The rapid growth continues but there is increased awareness of the need to stabilise the new organisations, to learn the necessary skills and to improve the legal and fiscal environment for nonprofit activities. It is a time of training, courses, internships and study trips abroad. First umbrella and service organisations are set up, usually with foreign technical and financial assistance, first national conferences are organised which formulate the first visions and strategic plans for the sector. First leaders of the sector begin to emerge and to ask the parliament to pass new legislation that would regulate the new field and the government to take action to revise its relation to the sector and its funding from public budgets.

Paradoxically, while these demands are being made, the governments of the day are preoccupied with the economic transformation and with the break-up of the Czechoslovak state and have thus little time for, and patience with, the concerns of the nonprofit sector. Also, the second cohort of post-1989 politicians, Prime Minister Václav Klaus in particular, are much less inclined to endorse the sector or to fulfil the promises made by the previous governments and parliaments. The distribution of the financial resources from NIF is stalled for several years and the transformation of the state nonprofit sector does not even begin.

A very positive role is played by the programmes of assistance to the nonprofit sector established by the governments of most western countries and by the work of numerous foreign foundations and organisations. It is with their help that the sector drafts its own legislative proposals and increases the pressure on the government and parliament.

The sector still lacks the public recognition that it seeks. In spite of regular PR campaigns and the increased visibility of the largest NPOs, the general public still has not accepted the nonprofit sector as an important societal actor and the level of support from both private donations and corporate philanthropy remains low.

Towards the end of this period, however, the long-term pressure on the government begins to pay and the relation between the state and the sector begins to improve. The government returns to both the question of legislation and the questions of the distribution of finances from NIF and the transformation of the state nonprofit institutions. The foundation sector is by then mature enough to agree on a common strategy for the NIF distribution and creates a working group which negotiates a deal with the government on the distribution of the funds and another deal with the banking sector on its investment. This successful concerted action proved to be a breakthrough in the relations with the government as well as a turning point for the self-confidence of the sector.

Another breakthrough, this time in the relations with the public, resulted from the disastrous floods that hit Moravia and Eastern Bohemia in 1997. The NPOs proved much more flexible and

effective than the state in the relief operation and the public rewarded them by giving generously. The excellent performance of the humanitarian organisations brought about a dramatic change in the attitude of the public to the whole sector.

3.3.3. *Growing up, 1998-2004*

The nonprofit sector continues to grow fast till the end of the decade but the rate of growth begins to slow down after 2002. The oldest organisations are beginning to stabilise their achievements, the initial enthusiasm of the founders and the ad hoc day-to-day decision-making of the early days give way to the education, experience and professionalism of the second wave of leaders and to strategic planning for sustainability. The sector as a whole is more confident in its dialogue with the state and the corporate sector. The old rifts and divides survive, but the leaders are learning to act together for a common cause. The sector lacks trustworthy representative bodies that most organisations would endorse, but some of its service and umbrella organisations have won wide approval.

The attitude of the government has gradually changed from reservation to cautious cooperation. A permanent advisory council to the government on nonprofit organisations is established (*Rada vlády pro nestátní neziskové organizace, RNNO*, Council to the Government for Non-State Nonprofit Organisations in Czech). Its members are 50% representatives of the public sector and 50% representatives of NPOs, its Chairman is a Cabinet minister. It becomes the most important forum for the dialogue between the sector and the state. A series of long-awaited and much needed laws is passed by the parliament. The RNNO commissions the first-ever analysis of public funding for NPOs and proposes far-reaching changes in it based on the findings. The finances of NIF are finally distributed into the endowments of several dozen foundations, selected through a public tender, in two rounds of distribution, 1998 and 2001. A total amount of over 2 billion CZK⁷ enhances the assets of 64 foundations, which are obliged to invest the moneys and to use the revenue to make annual grants to respective NPOs.

The centralist structure of the state is finally eroded. After a long and bitter political battle a new structure of 14 administrative regions (*kraje*) is introduced and the central power is devolved to the regional governments, which also take over part of the responsibility for the funding of NPOs.

Civil society organisations are winning wider acceptance by the general public. In the second disastrous floods that hit the country in 2002, the public gives large amounts of money almost exclusively to the nonprofits, not the government. Individual giving in general and

⁷ The distribution process will continue until all the shares of the privatised companies have been sold. By the end of 2004 the total sum distributed had reached CZK2,351,663,000 (RNNO, 2006).

volunteering are on the rise, foundations and best-known NPOs open a long-term dialogue with the business sector, whose giving still lags behind.

The country becomes member of NATO (1999) and the European Union (2004), which is a signal to most foreign governments to phase out their programmes of assistance. Most private foundations also prepare their exit strategies. This is considered premature by most nonprofit leaders, because it is only now when the nonprofit sector is stronger and more confident that it can make full use of their support. The infrastructure of the sector in particular is still weak, as are the democratic watchdogs and the advocacy organisations, and there are fears that they may not find enough sustainable domestic support to continue their work.

4. Basic Facts: Czech Civil Society at the Beginning of the 21st Century

Czech civil society and nonprofit sector have been badly researched. There are insufficient data available from the Czech Statistical Office (CZSO) and only patchy and unreliable data from several one-off research projects⁸. Systematic nonprofit statistics and research do not exist. The situation is likely to start improving when the CZSO has introduced a satellite account on nonprofit institutions⁹ in 2007 and when the work of the two new university departments¹⁰ of civil society/nonprofit studies and of the Centre for Nonprofit Sector Research¹¹ have begun to bear fruit.

To arrive at some approximate information about the basic dimensions of the sector, it is necessary to critically compare the data from the 1995 Johns Hopkins Comparative Nonprofit Sector Research for the Czech Republic (Frič and Goulli 2001) and the data from CZSO 1996-2002. This has recently been done by Brhlíková (2004). However, hers as well as all the other existing data, including those below, are only gross approximations.

4.1. Definitions and Legal Forms

It is important to note that there is no generally accepted definition of civil society or the nonprofit sector. Leaving civil society aside, because there is no agreement on what it is whatsoever, the term “nonprofit organisations/institutions/sector” can have three meanings:

- (1) “Non-state non-profit organisations” is a term introduced and used by the RNNO. It only includes those (“new”) organisations that the RNNO wishes to support: foundations,

⁸ The most important was the 1995 Johns Hopkins Comparative Nonprofit Sector Research, which, however, was not followed up with further research.

⁹ The work on the introduction of the NPO satellite account started in 2004, its first „short version“ was made available in 2005. The first full version is planned for 2007.

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¹¹ For information see www.e-cvns.cz.

funds, public benefit companies, associations, and non-devotional church-based organisations.

- (2) “Nonprofit organisations” or “nonprofit sector”, as widely used by nonprofit practitioners themselves, means organisations loosely defined on the basis of Salamon and Anheier’s “structural-operational” definition (Salamon and Anheier, 1997a and 1997b) but with the exclusion of political organisations, trade unions, business and professional organisations, and cooperatives and mutuals.
- (3) “Nonprofit institutions” or “nonprofit sector” as newly defined for the Czech NPI satellite account is the broadest definition, introduced and used by the CZSO and, increasingly, the academic community. It is based on the recommendation of the UN Handbook on Non-Profit Institutions in the System in National Accounts (UN, 2003).

The following table gives an overview of the legal forms that exist in Czech law for NPOs and shows which of them are included in the three main definitions of the nonprofit sector:

Table 1: Legal forms of Czech nonprofit organisations and the scope of the three main definitions of the Czech nonprofit sector

Legal form	“Nonprofit institutions” (CZSO: NPI satellite account, broad definition)	“Nonprofit organisations” (NPOs, narrow definition)	“Non-State Non-Profit Organisations” (RNNO, political definition)
Foundation	+	+	+
Fund	+	+	+
Public benefit company	+	+	+
Association (includes trade unions)	+	+	+
		(not trade unions)	(not trade unions)
Organisational branch of association	+	+	+
Public university	+	-	-
Political party, political movement	+	-	-
Organisational branch of political party, political movement	+	-	-
Church, religious society	+	+	-
Church-based legal person	+	+	only non-devotional service providers
Professional organisation/chamber	+	-	-
Other chamber (excl. professional ones)	+	-	-
Association of owners of dwelling units	+	-	-
Association of legal persons	+	-	-
Hunting community	+	-	-
International organisation	+	-	-

4.2. Size and Structure of the Nonprofit Sector

In terms of mere numbers of NPOs the Czech sector appears to be fairly large, in relation to the population of the country (10 million) comparable with most western countries¹². It grew rapidly in the 1990's and it is still growing, even though at a decreasing rate after 2002.

Precise numbers are not available. The data published by the Czech Statistical Office for the year 2003, based on the broad definition of the sector, establish the total number of NPOs at 119,267 (see Table 2). The ICN, on the other hand, which only records the non-state nonprofit organisations, lists 90,118 nonprofit legal persons (58,810 organisations + 31,308 organisational branches).

Both the ICN and the CZSO figures, however, suffer from the same deficit: they only record those organisations that have registered with the authorities, not distinguishing between active organisations and those that have ceased to be active or have closed down.

Table 2. Number of registered private nonprofit institutions by legal form in 2003

	Legal form	Number of NPI entities
117	Foundation	321
118	Fund	752
141	Public benefit company	209
145	Association of owners of dwelling units	25 237
601	Public universities	25
611	Secondary schools	40
621	Primary schools	20
625	Educational institutions	7
631	Pre-school institutions	12
651	Health care institutions	7
701	Associations	51 660
711	Political parties, political movements	82
721	Religious organisations	4 773
731	Organisational branches of associations	31 308
732	Organisational branches of political parties/movements	136
741	Professional organisations/chambers	81
745	Other chambers	99
751	Association of legal persons	676
761	Hunting communities	3 822
	TOTAL	119 267

Source: CZSO 2004

As far as the fields of nonprofit activity are concerned, Czech nonprofit sector is dominated by the fields of hobby, recreation and sport. The organisations in these fields are the most numerous and have the largest number of members (see Table 3), which is in sharp contrast to the traditional

picture of Czech nonprofit activity, as we knew it before WWII, when the strongest fields were those of education, health and social services.

Table 3. Number of private nonprofit institutions by nonprofit activity in 2003

Nonprofit activity	Number of NPI entities
Sport and recreation	20 815
Culture and the arts	676
Hobbies and leisure	52 039
Economic development	854
Trade unions	8 429
Social care	272
Health care	160
Education	524
Other	35 498
TOTAL	119 267

Source: CZSO 2004

4.3. Scope of the Nonprofit Sector

Even though seemingly large in terms of the number of organisations, the Czech nonprofit sector is in fact small when its economic dimension is examined. The GDP of the organisations in the NPISH sector of national economy represents around 0.35% of national GDP and it has not changed much in recent years (Vajdová 2005a: 15).

Table 4. Share of NPISH in GDP

	1997	1998	1999	2000	2001
Total GDP (CZK million)	1 679 921	1 839 088	1 902 293	1 984 833	2 175 238
NPISH (CZK million)	4 982	6 311	6 549	7 675	7 883
NPISH (%)	0.30	0.34	0.34	0.39	0.36

Source: CZSO, cited in Vajdová 2005a: 34

4.3.1. Expenditure

In 1995 the Czech Nonprofit Institutions Serving Households (NPISH) had expenditures of CZK14,537 million, or 1.0% of GDP. Expenditures were steadily growing to CZK24,856 million in 2000, representing 1.4% of GDP. This growth was mainly driven by operating expenditures, which doubled in those six years; the increase in wages and capital expenditures was smaller (Brhlíková 2004: 20-21).

Capital expenditures are believed to be important in the early stages of nonprofit sector evolution. Capital expenditures were growing very slowly from CZK1,102 million, rising significantly only in 1998 and 1999 (CZK3,690 million), after which they slumped to only CZK454 million. The increase in 1998 and 1999 was no doubt caused by the new act on foundations and

¹² E.g. the UK had 153,000 general charities (narrow definition of the sector) in 2002 in a population of around 60 million. (Wilding et al. 2004).

funds, which required foundations to register an endowment, and by the distribution of the NIF funds into the endowments of selected foundations (Brhlíková 2004: 21-2).

4.3.2. Income

The only information that is available to date on the overall income and its structure is the estimate made for the 1995 Johns Hopkins NPO project. According to Frič and Goulli (2001) public funding made up 39.4% of the Czech nonprofit sector's cash revenue, while fees provided 46.6% and private philanthropy 14.0%. If churches and religious organisations were included and the value of volunteer labour added, the estimates changed considerably: public funding then accounted for 31.8%, fees for 36.7% and philanthropy for 31.4%. Since these figures are based on 1995 estimates, they have to be treated with a healthy degree of scepticism; they are at least in bad need of verification and updating.

4.3.3. Paid and volunteer employment

Recent data published in the NPI Satellite Account for 2003 (see Table 5) show the relative low level of paid employment in Czech NPIs. The nonprofit workforce only represents 0.71% of economically active population.

Table 5. Paid employment, output and value added in NPI sector (without public universities) by field of activity in 2003

Nonprofit activity	Paid employment (FTE workers)	Output (CZK million)	Value added (CZK million)
TOTAL	33 072	33 029	12 073
Other	1 626	1 212	756
Education	3 893	2 010	1 075
Health care	1 992	797	381
Social care	2 122	1 039	532
Economic development	901	1 054	343
Trade unions	1 696	2 579	947
Hobby and leisure	18 334	12 509	5 425
Culture and the arts	941	936	411
Sport and recreation	7 021	8 025	2 195

Source: CZSO 2005

The data confirm the observation that Czech NPOs in general are weak and under-funded so that they cannot afford to employ paid staff. The notable exceptions are NPOs in the fields of hobby, sport and recreation, where most organisations belong to the “old structures” with large assets, large memberships and privileged access to state funding. Of the “new” NPOs only those working in the fields of education, social care and health are beginning to show relatively higher levels of paid employment.

It ought to logically follow that Czech NPOs have to rely heavily on voluntary labour. But Table 6 (based on data from the NPI Satellite account) suggests that even with the volunteer labour, the nonprofit workforce would make up around 1% of economically active population only. The only good news is that the number of both paid employees and volunteers has been growing.

Table 6. Number of paid employees and volunteers and hours worked

	Number of paid employees (physical persons)	Number of volunteers (physical persons)	Number of hours worked by paid employees	Number of hours worked by volunteers
1999	34 312	307 955	x	x
2000	33 873	191 916	x	x
2001	29 685	215 729	x	x
2002	74 927	531 635	115 840 461	43 663 853
2003	76 568	687 138	117 011 487	36 229 186

Source: CZSO 2005

In conclusion, all the basic data on the Czech NPI sector indicate that Czech NPIs are numerous, but economically weak, under-funded and relying on voluntary labour.

5. Uneasy Friendship: Civil Society and the State

The relations between the state and the nonprofit sector are currently fairly good, but still characterised by a lot of flux and occasional tension. They have never been easy, sometimes even cold, and the old suspicions and wounds still survive. At the same time, however, both sides have come to realise that they need to cooperate.

Both sides have had to struggle with the unfortunate legacies of the totalitarian years (sketched in 3.2. above) and to overcome the practical difficulties of learning to co-exist and collaborate. These predictable problems were accompanied, particularly in the early and mid-1990's, by an ideological battle between the supporters of the concept of a vibrant, independent and self-confident civil society as a necessary pre-condition and part of a healthy democracy and their opponents, who advocated a vision of a polity where charity and voluntary association are strictly confined to the private sphere of the individual and the family and do not enter the public sphere. In the 1990's the two sides of the debate were symbolised by President Václav Havel and Prime Minister Václav Klaus respectively¹³. Even though the notion that civil society is an active participant in public policy is now widely accepted, the old debate flares up now and again and the desire to exclude civil society organisations from public debate and public decision making remains very strong in politicians of all colours and all levels of government.

¹³ For a discussion of the debate see especially Potůček (2000).

After the “cold war” between the politicians and civil society activists in the early 1990’s, things started improving when Parliament passed a series of long-awaited nonprofit laws in the years 1995-97 and after both sides had had some first positive experience from mutual dialogue and cooperation. Improved relations have been making it possible to deal with the critical issues that had been hindering the full development of the nonprofit sector. The most important of these are:

- (i) Role of nonprofit organisations in society: Even if the relations between the state and the civil society sector improved after 1997, they continue to be relations between a strong (sometimes arrogant), centralised and paternalistic state and inconvenient trouble-makers that are always complaining about something or requesting something. To change this attitude and to change this relation remains a big task, which is now more difficult than it would have been in the 1990’s.
- (ii) Subsidiarity: The central power of the state was deemed advantageous for the early stages of the economic reform by most politicians of the day, but civil society activists considered it a major obstacle to the process of dismantling and reforming the communist state and to empowering civil society and the citizens. The battle for devolution of power became thus one of the bitterest political disputes in the 1990’s, and it was not until 2002 that the state finally adopted a new administrative structure of 14 administrative regions (*kraje*) based on regional self-government. It had been believed that the regional governments and bureaucracies would be more open and flexible in their relations with NPOs and that a pattern of partnership might develop. If this hope comes true remains to be seen because the legacy of centralism and paternalism is still strong on all levels of government.
- (iii) State monopoly in provision of public services: After the state bureaucracy recovered from the initial shock of the regime change, the state continued to rely on the provision of public services by institutions of its own, failing to dismantle the communist system of state nonprofit sector. That explains why the nonprofit sector remains weak in a number of traditional fields of its activity.
- (iv) Public funding: The legacy of centralism and clientelism combined was a serious problem for the new NPOs in their access to public funding. It took a whole decade before the old system of sending annual contributions to the same pool of “approved” organisations was gradually eroded and replaced with grant competitions and public tenders, open to all types of NPO. Even today, however, many “privileged” organisations remain excluded from public competition and many areas of activity remain covered by the state nonprofit sector.

- (v) Legal and fiscal environment: It is significant for the attitude of the body politic to the nonprofit sector that it neglected its legislation for many years. A series of laws were passed in the second half of the 1990's but since then nonprofit legislation has become marginal again. The quality of the existing laws is often poor, many are in bad need of repair: particularly some of the laws on taxes, accounting and reporting are unclear or even contradict each other. This leads to a lot of uncertainty in the nonprofit sphere as well as making NPOs legally less trustworthy than other economic subjects.
- (vi) State support for the nonprofit sector: All the post-1993 governments considered the issues of nonprofit sector marginal, dealing only with partial problems or pressing needs. The state has never formulated a comprehensive policy towards the nonprofit sector. All politicians now talk about support for the nonprofit sector, but what does 'support' mean unless there is coherent overall policy towards the sector? Does the state intend to use NPOs as service providers and administrators of public policies? Does it intend to purchase services from NPOs? Or does it really wish to promote the development of civil society as an autonomous, free and self-governing sphere of society?
- (vii) Accountability and transparency: Recent research by the CVNS (Rosenmayer et al. 2004, Rosenmayer and Kujová 2005) has confirmed that the level of accountability and transparency in Czech NPOs is very low. The general disrespect for the rule of law applies to NPOs too. Most do not publish annual reports or fulfil the relevant reporting requirements so that both the accessibility and the quality of information about NPOs is very poor. This discourages potential supporters, donors, collaborators or well-wishers and makes cooperation across sectors difficult.

In spite of all the problems listed above the relations between the state and the nonprofit sector have been slowly improving. Also the amount of funding provided by the state has been steadily increasing. Its current level is illustrated in Table 7. The big question is, however, did the progress have to be so slow and erratic?

Table 7. Public funding for NPOs in 2003

Source of funding	Total amount (CZK thousand)
State budget	4 563 009
Religious organisations	1 190 986
Chambers	4 819
International organisations	46
Foundations	926
Funds	108
Public benefit companies	545 605

Organisational branches of associations	58 350
Pre-school institutions	4 624
Associations	2 623 025
Secondary schools	81 458
Educational institutions	12 049
Associations of legal persons	25 138
Primary schools	15 720
Health care institutions	154
Regional budgets	634 511
Municipal budgets	956 859
Mandatory contributions	1 403 296
Churches	469 225
Political parties/movements	934 071
TOTAL PUBLIC FUNDING 2003	7 557 675

6. Working Together: Cooperation within Civil Society

It was not only in the relations with the public and private sectors and with the public at large that NPOs have had to overcome a lot of difficulties. The relations within the sector have also evolved only slowly and gradually, the situation tending to be much better on lower levels, within the individual fields of nonprofit activity or in the regions, than on the national level. For pragmatic and practical reasons the NPOs working in the same field and/or the same geographical region have proved more likely to form alliances and mutual-support organisations to promote their common interests. Thus there are around 80 umbrella associations in the country, covering most fields of activity and all the country's regions, but, in spite of several attempts to establish it, there is no national general nonprofit umbrella organisation that would serve and represent the entire sector¹⁴.

The debate about the need for a representative body of the nonprofit sector has been going on ever since the early 1990's, but the bad experience of the communist National Front combined with the natural diversity and independence of NPOs have always made the decisive step impossible. Instead, there have emerged a few natural leaders of the sector that have gained significant support, the ICN and the Czech Donors Forum being the best examples.

This reluctance to work together and to undergo the discipline of a formal organisation has had a negative impact on the development of the nonprofit sector as a whole. The ability of the nonprofit sector to act as a societal force and a partner to the state and to the business sector depends on its internal quality as a whole, i.e. on the character and the density of the internal networks that make up the infrastructure of the sector. Frič (2001) distinguishes nine such basic networks:

¹⁴ In October 2003, after two false starts, a national association (*Asociace nestátních neziskových organizací*,) was established by 50 founding members. It has, however, so far failed to prove its worth and win the trust and support of leading NPOs.

- (i) Conceptual network: Consists of research and analytical institutions, leading organisations and personalities. Builds the knowledge base of the sector, creates strategic documents and proposals, and acts as a platform for critical reflection and discussion.
- (ii) Coordination network: Made up of umbrella organisations, alliances, coalitions and platforms. Their task is to integrate NPOs, to provide communication and coordination between various sub-sectors and groups.
- (iii) Facilitation network: Facilitates cooperation in the sector and across sectors, initiates joint activities, builds an atmosphere of trust and resolves conflicts. Consists of specialised facilitation centres and individual persons.
- (iv) Advocacy network: Organisations and individuals providing advocacy and lobbying services.
- (v) Evaluation network: Monitoring and evaluation services, accreditation systems and authorities, analytical and advisory bodies. The network is a principal vehicle for critical (self-)reflection, feedback, evaluation of standards and good practice.
- (vi) Information network: National, regional and local information centres, databases, registers and information outlets. The goal is to make information as reliable and as accessible to interested parties and the general public as possible and to use information to break the barriers between various sectors and groups, to encourage cooperation, to promote giving and volunteering etc.
- (vii) Education network: Its task is to contribute to good professional standards in management, to educate and train paid staff and volunteers, to promote the collective identity of the workforce, and to educate experts in nonprofit studies.
- (viii) Public relations network: Is closely linked to the day-to-day work of individual NPOs but must also include organisations specialised in PR activities. The purpose is to professionally deal with questions of relations between NPOs and other societal actors, to actively promote the cause of civil society, to introduce questions of civil society into the general discourse, into school curricula etc.
- (ix) Self-regulation network: Is crucial for the health of the sector, its task is to formulate, promote and monitor informal ethical norms of behaviour. The key role is played by national associations and umbrella organisations, but also informal groups and discussion platforms. Besides, a well-developed sector should also have a good number of watch-dog organisations.

Even though rather theoretical, this classification of the infrastructure makes it possible to see the internal relations in the Czech nonprofit sector in a structured way and to highlight its successes

and failures. It becomes apparent that Czech NPOs score high on three issues only: information, education and public relations. These networks are well developed and well-functioning. On two counts, viz. coordination and advocacy, Czech NPOs have had some success, but much remains to be desired. What has been achieved usually depends on the work of individual organisations and their leaders, but what is missing is coordination, systematic work and specialised organisations. Sadly, the remaining four networks (conceptual, facilitation, evaluation and self-regulation) are seriously underdeveloped.

When one views the internal development of Czech civil society sector in the light of the existence or non-existence and the quality of these networks, it becomes clear that Czech NPOs have so far consumed most of their energy and resources on the development of their own organisations. Most NPOs work on very tight budgets and their leaders must devote all their time to their own organisations. They find it very difficult to take on extra work for the benefit of the whole sector. Specialised organisations that would fulfil the roles required for the successful functioning of the infrastructure of the sector are very difficult to establish and to sustain because of the lack of funding available for such purposes. The infrastructure of the Czech civil society sector remains therefore underdeveloped. It has generated those networks that are directly beneficial to the individual NPOs (coordination, information, education and PR) but remains weak in all the other areas.

7. Civil Society Sector in Society

The evolution of the public image of the Czech civil society sector is a success story. In the first half of the 1990's the concept and the ethos of civil society and nonprofit sector were known to very few people outside the sector itself. Research and opinion polls from those years give a very pessimistic picture. Very few people reported that they knew any nonprofit organisations, were members of them or supported them. Even in the mid-1990's, a public opinion poll conducted by Charles University's Institute of Sociological Studies (Purkrábek at al. 1996) showed that only 24% of the population considered supporting the nonprofit sector as being important. The early years after 1989 present therefore a very paradoxical picture: NPOs mushroom, but the general public hardly notices or cares.

The picture presented by the most recent research, namely the CIVICUS Civil Society Index project (Vajdová 2005b), is dramatically different. Vajdová characterises Czech civil society sector as "active, ambitious, and diverse, but facing crucial challenges". She found that in 2004 47% of the population had made a material or financial donation to a NPO while the same percentage of citizens was a member of a CSO. More than half of them were members of more than one

organisation. Almost 60% of people took part in voluntary activities in their communities. (Vajdová 2005b: 11)

How is such a turn around in the public perception of civil society and in their support for it to be explained? It appears to be the synergic result of four intermingled and overlapping developments:

- (i) Pro-active PR by NPOs: Leaders of the civil society sector learned early on that in order to succeed they needed strong support from the public. That was why individual organisations as well as nonprofit umbrellas paid a lot of attention to PR, working pro-actively with various publics and the general public at large. ICN organised a large annual one-month-long national PR campaign of the nonprofit sector every February¹⁵, individual NPOs published their stories, NPOs sought the patronage of famous celebrities, local organisations organised events, festivals, fairs, exhibitions, concerts, or sales. These activities were hardly visible at the beginning, but the systematic and sustained effort was the key to their success in the long run.
- (ii) Visible success stories: In spite of the long-term and sustained PR effort, to attract the attention of the media and the general public was a long and slow process. What was most helpful were visible, spectacular success stories that were achieved. In the early 1990's NPOs organised a series of national appeals to help handicapped individuals and humanitarian causes; the environmentalists fought a number of successful battles; first half a dozen celebrities established or sponsored successful organisations¹⁶. But the breakthrough came with the disastrous floods in Moravia and Eastern Bohemia in 1997. The public suddenly realised that NPOs could handle a lot of things better, faster, in a more flexible way and more economically than the state. People saw how crude and cumbersome, insensitive and inefficient the state was when faced with unexpected emergency, unusual circumstances or individual tragedy. When the next wave of floods hit Bohemia in 2002, the public no longer hesitated: it gave generously to NPOs, ignoring the state appeals almost completely.
- (iii) Progress of the general transformation of society: The early years of the transformation were difficult for everybody, individually and collectively. Individual people as well as institutions and companies were engrossed in problems of their own, paying little attention to anything else. As the transformation progressed and the most

¹⁵ „Thirty Days for the Nonprofit Sector“ is coordinated nationally by ICN and by regional umbrella organisations in the regions.

¹⁶ For instance, President Václav Havel and his wife, singer Marta Kubišová or model Tereza Maxová.

difficult choices and changes had been made, both individuals and organisations gradually began to re-new their interest in their environments and in things public.

- (iv) Loss of illusions about the new regime: The enthusiasm after the fall of communism was so immense that it also led to unrealistic and naïve expectations. Many believed that the democratic state and all its institutions would not only be radically more efficient, more just and more friendly, but that the new freedom and democracy would also secure prosperity and happiness for all. It took the public some time to realise, that states, even democratic ones, are best kept small and restricted; that state institutions, even democratic ones, would always be crude and insensitive; and that for prosperity and happiness it was better to do something on one's own, with the help of one's neighbours, in one's own community than to expect to be provided for everything by somebody else or the state.

These developments and others that accompanied them were slow and gradual to begin with, but at some point (1997-1999, after the experience of the first flood) they had accumulated the critical mass that was necessary to change the relation between the civil society sector and the public quickly and dramatically. The general recognition and support for NPOs has been confirmed by a number of visible positive developments since then (2000-2005): the level of individual and corporate giving has been rising; some charitable appeals have now become national institutions; first rich philanthropists have established private foundations; the number of corporate foundations has been rising; and, most importantly, the sector has started to have real impact on public life and public policy. All of these have been made possible through the improved support by the public.

8. Conclusion: Still a Long Way to Go

In 2005, Czech society is still a society in transition and Czech civil society sector is in transition too. The sector went through a hard first period of recovery in the 1990's. Towards the end of the decade it gained some first self-confidence and celebrated some first successes, most important of which was the change in the public perception resulting in improved relations with the general public and the other sectors and in increased support for its work.

Although the Czech civil society sector is still very far from mature, it is felt that the foundations for its further development have been successfully laid. It is still faced with a lot of fundamental challenges: it needs to further improve its relations with the state and the business sectors; it badly needs improved legislation; together with the state, it must resolve the transformation of public services; it needs to develop its funding base, which is still too weak; it needs to become more professional, the capacity building in individual organisations remains a priority task; it badly needs to develop its infrastructure, especially its conceptual, facilitation,

advocacy, evaluation and self-regulatory functions; and it is in real bad need of improving its accountability and transparency. To tackle these challenges, however, it can already rely on the good developments of the past several years, even though it needs to continue to work on them intensively: the increasing support from the public; the increasing volume of volunteer labour input; the increasing volume of private giving; the first successes in advocacy; the increasing impact on public policy; and the improving cooperation within the sector.

In addition to all these challenges, which more or less result from the developments of the past fifteen years, there are a few issues that the Czech civil society sector has not yet begun to think about in a serious manner: It ought to find its place in the wider Europe and its civil society. It should learn to participate in EU policy. It ought to find effective ways of contributing to the democratic transformation of Czech society as well as participating in the dialogue about global issues. Last but not least, it needs to start thinking about itself.

After more than a decade of mushroom growth, the civil society sector needs time for critical self-reflection. It needs to ask itself the obvious questions: Where are we now? What have we achieved and what have been the failures? Where do we go next? But it also needs to ask those questions that it has not opened yet: What is our role in society? What is our relation with the state? What are the new challenges of the 21st century and how do we respond?

There are various possible ways of further development of the sector and there are also various pressures from the other sectors and societal actors, which wish to influence the future role of the sector in society. Will the sector limit itself to old-style charity? Will it become a service-providing appendix to the welfare state? Or will it develop into a robust and independent societal actor? As civil society and nonprofit organisations become more mature and stronger, the pressures will increase. It is time the sector started a serious debate about which role in society it wished to play and which road into the future it wished to take.

The transformation of a communist society into a free and democratic one will take two generations and so will the transformation of its civil society sector. In spite of much predictable difficulty and some unexpected setbacks, Czech civil society seems to have made a promising start - but most of the work still lies ahead.

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List of Abbreviations

CSO	civil society organisation
CVNS	Centrum pro výzkum neziskového sektoru [Centre for Nonprofit Sector Research]
CZSO	Czech Statistical Office
EU	European Union
GDP	gross domestic product
ICN	Informační centrum neziskových organizací [Information Centre of Non-Profit Organisations]
NCVO	National Council for Voluntary Organisations
NIF	Nadační investiční fond [Foundation Investment Fund]
NNO	non-state non-profit organisation
NPI	nonprofit institution
NPISH	Nonprofit Institutions Serving Households
NPO	nonprofit organisation
RNNO	Rada vlády pro nestátní neziskové organizace [Council to the Government on Non-State Non-Profit Organisations]
UN	United Nations
WWII	World War II

Appendix:

Important Nonprofit Legislation

- 1990 Act 83/1990 on citizens' associations
 Act 567/1990 on budgetary and subsidiary organizations
- 1991 Act 513/1991 on corporations and cooperatives
 Act 205/1991 on budgetary and subsidiary organizations
 Act 308/1991 on freedom of faith and the position of churches and religious
 communities
 Act 424/1991 on associating in political parties and political movements
 Act 563/1991 on book-keeping
- 1992 Act 161/1992 on the registration of churches and religious communities
 Act 586/1992 on income tax
 Act 588/1992 on value added tax
- 1995 Act 248/1995 on public benefit companies
- 1997 Act 227/1997 on foundations and foundation funds
- 2000 Act 218/2000 on the amendment of Acts 567/1990 and 205/1991 on budgetary and
 subsidiary organisations
- 2002 Act 3/2002 on the freedom of faith and the position of churches and religious
 communities
 Act 198/2002 on voluntary service
 Act 208/2002 on public benefit companies
 Act 210/2002 on foundations and foundation funds