

THE ESTABLISHMENT OF NGOs AS ONE GROWING PART OF DEVELOPING INTEREST GROUPS IN THE CZECH REPUBLIC

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Introduction

This contribution is part of a study concerning interest groups in the Czech Republic and the EU and inquires specifically into the activities of non-governmental non-profit organizations or NGOs (Non-Governmental Organizations), which are considered a component of interest groups, engaged generally in beneficial activities not provided by the state and independent of the state. Their characteristic feature is their goal of not generating profit for redistribution among its owners, administrators or founders, but directly achieving the benefits and performing worthy goals predefined as the mission of the organization. In regard to other functions of non-state organizations, they are, in essence two types; they can perform an operational function, that is providing services, or an advocacy function, i.e. they advocate and establish the interests of

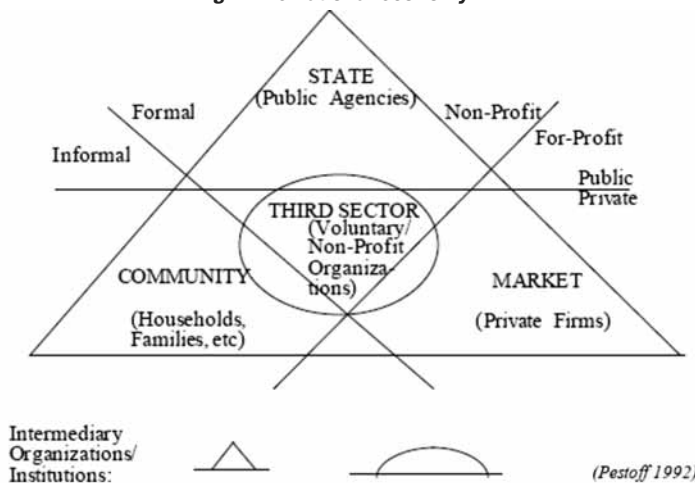
specific groups. If any profit is generated, it must be reinvested into the development of the organization and the fulfilment of its goals.

1. Characteristics of the Non-profit Sector

In principle, it is possible to view the non-profit sector from three perspectives: economic, sociological, and political. There is not necessarily a strict separation between them, but rather they overlap and need not be in contradiction to one another.

From an economic standpoint, it is possible to perceive the existence and development of this sector as an institutional response to deficiencies in the state and the market. In regard to the state, this means a demonstrated incapacity to satisfy the demands of various minorities for public sta-

Fig.1: The national economy



Source: Pestoff 1992

te-sponsored aid - a governmental breakdown. In the case of the market, this involves an asymmetry of information between producer and consumer, when the civil sector acts more like a creditable partner, although its goals is not to achieve a profit. Economists describe the civil sector as the environment responsible for expanding the wealth of a society. Non-governmental non-profit organizations add a new perspective and guide the reactions of both local needs and problems as well as issues of a global character at the turn of the 21st century (for example, environmental problems). In the civil sector, large financial resources have been allocated and human resources mobilized, both paid and voluntary. Like other forms of business, particularly small and medium-sized businesses, many volunteer organizations and foundations are also economically active. These sell products or provide services. The non-profit sector, together with the profit (commercial) sector, is part of the national economy and as such it can be divided further into sub-sectors of public, private and households. [13]

Perhaps the most integral and sophisticated definition of this sector has been described in an article by the Swedish economist Pestoff. [9] He divides the national economy into four sectors on the basis of three criteria:

- 1) According to financing operations and development in the profit and non-profit sectors;
- 2) According to ownership in the private and public sectors;
- 3) According to the degree of formalization in the formal and informal sector.

His four-sector triangular model of a national economy contains the following:

- For-profit private sector,
- Non-profit public sector,
- Non-profit private sector,
- Non-profit domestic sector.

According to him, in the model, or triangle, displayed above, criteria were used for the dividing lines as defined by fields for the formal - informal sector, for-profit - non-profit, public - private. The dividing lines are placed so that in the middle of the triangle, according to the size of the edges of the sectors, there is actually a larger or smaller space for a third non-profit private sector, delineated by a circle. This structure leaves space in places covering the spheres of individual sectors for placement of these organizations, which

have the social character of two or more sectors. These are defined as so-called mixed and border organizations, in which the activities and the mission of individual organizations are covered for the defined sectors.

One private non-profit sector is defined simultaneously by three criteria; all the other sectors require only one criterion for fulfilment. This involves a negative definition - if an organization (better stated as an economic unit) does not belong to any of the „corner sectors“, then it is initially placed in the „middle sector“.

From a political standpoint, emphasis is placed in particular on the mediating role of the civil sector in the space between the state and the market or as that part of society in which social tension and political conflicts are reduced. „(...) the key function of a non-profit organization is its activity in the role of interpreter for the demands of citizens. They achieve this by enabling citizens to actively participate in its activities and increasing the degree of awareness regarding these demands. Their means are expressed as the wishes and demands of citizens and so they are reintroduced into political demands, which then become part of the political process“ [10]

The complex and internationally recognized characteristic of non-governmental non-profit organizations, contrary to sector definitions (see above), is to define a certain type of organization on the basis of outlining the defining features that attempt to monitor the issue from the most diverse angles possible. To do this, professors Salomon and Anheier bring this issue into play. Both authors understand the non-governmental non-profit sector as a collection of institutions existing outside the state structure, but in principle serving the public interest, unlike non-governmental interests. For designation, they consider five features for classifying non-governmental, non-profit organizations (in this case, this involves a positive definition, which means non-governmental non-profit organizations are able to set forth just those organizations with the characteristics mentioned below):

- 1) **Institutionalized** (organized) - i.e. these have a certain institutional structure, a certain organizational reality, without regard to whether they are formally or legally registered.
- 2) **Private** (private) - these are institutionally separate from state administration and are not

even managed by it. This means they cannot have significant state support and state officials are not allowed in their management. The fact that the basic structure of a non-profit organization is in essence private is critical.

- 3) **Non-profit** (non-profit) - in the sense of non-allocation of profits, i.e. no redistribution of profits acquired from organizational activities is allowed among owners or management of the organization. Non-profit organizations may create profit through their activities, but this must be used for the purpose of the given mission of the organization.
- 4) **Autonomous and independent** (self-governing) - these are equipped with their own procedures and structures, which enable control over their own activities, i.e. that non-profit organizations are not controlled from without, but are capable of managing themselves. No state or institution standing alongside them has any control over them.
- 5) **Voluntary** (voluntary) - these use volunteer participation in their activities. Volunteerism may manifest itself both as performing unpaid work for the organization as well as honourable participation in administrative councils.

The European commission ranks all groups with the following characteristics as NGOs:

- They see to the common good; they act in the context of the broadest social spectrum; they do not pursue the commercial or professional interests of their members.
- They are not based on the goal of generating personal profit.
- They are founded voluntarily and usually also have voluntary membership.
- They are independent, particularly from government and other organs of the state administration, political parties and commercial organizations.
- They also include funds of the same character in addition to the point related to membership.

Since 1998, the Czech Statistical Office has included non-governmental non-profit organizations in the institutional sector - Non-profit institutions serving households. This is derived from a classification compiled on the basis of

the international standards and includes the following institutions:

- Endowments,
- Endowment funds,
- Generally beneficial associations,
- Secondary schools, elementary schools, educational facilities, pre-school facilities,
- Health care facilities,
- Cooperatives (union, association, fellowship),
- Political parties and movements,
- Religious organizations,
- Organizational units of cooperatives (union, association, fellowship), organizational units of political parties and movements,
- Professional organizations - professional chambers, interest groups for legal entities.

2. Statehood Aspect

If we set out from the assumption of a market system as a form of economic coordination, the basic information regarding the infrequency of state support here is price, which becomes a gauge for economic decision-making for subjects on the market, for the selection of choices, so that limited resources are used optimally. However, there are cases when the market mechanism does not provide redistribution of those resources from a socially desirable perspective - providing public amenities, the occurrence of external effects, humanitarian activities, damage to the environment etc. In these cases, we are talking about market breakdown, when market forces do not satisfy the needs, requiring adjustment as a rule for extra-economic reasons. According to economic theory, in these cases the state should intervene by means of practical economic policies. In a number of cases, however, not even the state is capable of providing coverage for all market breakdowns. The government lacks sufficient information for decision-making and it is at an informative disadvantage in regard to those things because of policy. The deficiency of the state is the inflexibility of its reaction to newly developing needs - the time delay. Another barrier to optimal allocation of resources is its own bureaucratic apparatus. The bureaucracy, as a rational maximizing subject, produces goods and services through the state in amounts exceeding the socially optimal level, but then does not bear the costs of its own (often ineffectual) decisions. This then leads to government breakdown.

The issue over the activities, actions and role of NGOs in individual states closely correlates to the concept of the state, its functions, activities and strength in the society. Francis Fukuyama distinguishes two perspectives regarding the state; in part its strength or the efficiency (capacity) of its institutions, and in part the scope of its actions or the scope of state activities.

At the beginning of the 20th century, liberal theory with a minimalist state governed the industrialized world. Two world wars and an economic crisis necessitated the call for the state to be more active and centralized. The public sector began to increase in volume; its share in GNP grew many times over the course of the 20th century - in the 1980s, it reached nearly 50% of GNP (in Sweden up to 70%). The rise of the public sector also brought growth in state administration and presented a continuously growing burden for the state budget, so an effort was made to return to the minimalist state in the form of Thatcherism and Reaganism, which accordingly advocated limiting state interventions in the economy, strongly welcomed currency rate of exchange in regard to the role of the state in the economy and the scope of its activity. During the 1980s and the beginning of the 1990s, a series of international institutions also recommended similar measures for developing countries, in the context of a package of liberal reforms, which are known under the name the Washington Consensus. Unfortunately, it has been shown that starting conditions play a fundamental role and so measures very desirable and transferable for mature nations, are rather harmful to developing countries. In a similar spirit, the original concepts of economic transformation were established by economists from the countries of central and eastern Europe. These reform models were based on a traditional neo-classicist economy, which does not consider the importance of information in engaging the issues of administration, institutional and legislative infrastructure, which are critical for the effective functioning of market economies.

After the Second World War, the Czech Republic (Czechoslovakia) became a satellite of the Soviet Union with a totalitarian regime - a government by one party with a centrally planned economy. Political representation was not selected democratically and, with the help

of repressive means, they attempted to isolate individuals absolutely subject to state power. It became one of the examples of an extreme leftist state in society (The second case is a right-wing extreme - fascism, which was defeated in Europe in the Second World War).

Communist power reached its peak and became exhausted during the 1950s and eventually the totalitarian regimes in central and eastern Europe fell. Newly developing democracies faced the daunting task of reforming their centrally managed economies through liberalization of trade, privatization, reduction in subsidies, customs barriers etc.

As time has shown, the difficulty lay in the fact that during the process of limiting state power, either its power was reduced or state power assumed a new role, for which the state was unprepared or too weak. For example, privatization of property, which was one of the foundations for the transformation from centrally planned economies, required a certain capacity of institutions that would provide the execution of its administration. When privatization leads to restricting the activities of the state, a functional market environment and the ability to introduce the necessary measures and rules and subsequently the ability to enforce compliance are needed. In the end, such orthodox bulwarks of the free market as Milton Friedman acknowledged in an interview in 2002 the primacy of power or state power before the extent of its activities: „Ten years ago I gave all countries striving toward the market model for their economy three good pieces of advice: privatize, privatize, privatize. But I was wrong. It confirmed that government law is more important than privatization.“ [3]

Unfortunately, the introduction of formal rules for economic efficiency alone is not enough. These could be introduced day to day, but informal norms usually change gradually over time. Insofar as these are truly norms providing a „legitimate“ set of rules, revolutionary changes are never quite so revolutionary as their creators wish, and performance will be different than anticipated. It follows from this that the introduction of the formal political and economic rules of successful western market economies into the economies of central and eastern Europe (and the Third World) has not been a sufficient condition for good economic performance.

2.1 Character of Institutional Framework Determines the Character of NGOs

If we accept the fact that non-governmental non-profit organizations are a legitimate part of democratic society, it is necessary to ask where the desirable activities of an NGO and their social effectiveness ends and their effort to affect the decision-making mechanisms only in their own favour begins?

The answer to this question brings us back to the beginning of this chapter, which notes the necessity to distinguish between the area of operations for state activities, which include various state functions and its aims, and the ability of the state to plan and implement its own political goals, including maintaining its own legitimacy, which is called the „capacity of the institution“. The World Bank has created a list of state functions and divided it into three categories: [3]

- 1) Minimal function of the state, when the state intervenes into the market - production of goods suitable for society, defence, government law and order, protection of property, macro-economic interventions, public health care and protection for the poor, programs for fighting poverty and help during catastrophes.
- 2) Medium-level important functions of the state
 - resolving externalities: education, environmental protection;
 - regulation of monopolies: regulation of public services, anti-trust measures;
 - dissemination of information: insurance, financial regulation, consumer protection;
 - social protection: redistribution of income, programs for families, unemployment insurance.
- 3) Above-average functions
 - interventions into the private sphere: market supervision, collectivization attempts;
 - redistribution - complete income redistribution.

If we consider the dimensions of the power and scope of state actions as two variables and place these in a graph, we create a matrix with four quadrants.

If a state is located in the Quadrant I position, which means a limited field of state action with high institutional performance, then this means that

Fig. 2: Statehood and performance

q.I	q.II
q.III	q.IV

Source: Fukuyama 2004

the state has clearly defined goals and methods of enforcing adherence to the rules. The activity of the NGO is probably high and desirable, since in certain areas of life, the state does nothing, but at the same time, enters the game with clearly established, transparent and enforceable rules. There is also the possibility of corruption, and the unilateral influence on decision-making processes and other negatives related to the existence of non-governmental, non-profit organizations are small. From the standpoint of the economy, this is the optimal position. On the other hand, economic growth is held back in the case of the Quadrant IV position, where ineffectual state power establishes too many ambitious goals, its activities are too extensive, but it is unable to achieve or effectively implement any. Even in this case, space is open for the action of NGOs, which substitute not only for non-existent state institutions, but especially those not functioning sufficiently. Because the state is incapable of completing its own projects, introducing correct legislation, and wielding power effectively without unnecessary bureaucratization, the performance of the state administration is burdened by corruption and bribery; as a rule it is not transparent and the state is incapable of enforcing the law. This endorses the word of organizations that offer alternative mechanisms to parliamentary decision-making; giving them greater negotiation power during changes in the rules than the weak government apparatus and they are radical in their positions. We need to remember that organizations originate as a result of opportunities provided by the institutional framework. If the institutional framework creates an environment for sufficient rent seeking - (The bearer of the Nobel Prize for economics in 1993, Douglas C. North called this phenomenon profit piracy), then organizations appear and begin to seek it. If the institutional framework creates an environment for profit productive activity, then companies - organizations form and become engaged in production activities. The character of non-governmental, non-

-profit organizations then primarily depends on the allocation of social institutions.

3. NGOs from the Standpoint of Economic Theory

From the standpoint of economic theory, the issue of NGOs inquires into the theory of public elections and the new institutional economy. The theory of public elections is based on the assumption that voters maximize benefits and political parties (government) maximize votes. Economic categories are used to analyze non-economic phenomena. We find non-governmental non-profit organizations here primarily in an advocacy function (see above), that is as one type of interest group.

Economic models describing the activity of interest groups have attempted to answer the following two questions:

- 1) How do interest groups influence the policy of democratic systems?
- 2) How should government institutions support or control this influence (the role of the state)?

Despite some significant differences between economists engaged in politics, there are two fundamental principles that have been accepted by everyone: methodological individualism and maximization of benefits. Interests alone create a powerful stimulus for forming interest groups and the political system ensures the institutional arrangements for mutual influence, which from interest groups make good candidates for economic analysis. Economists have concentrated on describing the mechanisms that assist in aggregating the behaviour of individuals with alternative institutional measures into irrational and undesirable political outputs [7].

The new institutional economy began to develop in the 1960s. In the 1980s and 90 |s, at least in part, the formulating and marking out of social interests began, as up to this time, it still had not been possible to link this economic direction in one at least partially consistently defined current of thought [22]. Included in the same scientific study are the following fundamental questions of the new institutional economy:

- 1) How do alternative sets of institutions and organizations affect the behaviour of people, the allocation of resources and equality?
- 2) Why does the form of economic organization for various economic activities differ under the same legal framework?

- 3) What economic logic do basic social and political rules have in production and in currency?
- 4) How do these rules change over time?

North defined institutions as created by people with limitations that are brought into a structure for human negotiations. They are composed of formal limitations (rules, laws, and constitutions), informal limitations (norms of behaviour, habits and rules for behaving applied to individuals themselves) and the methods for ensuring adherence. In his summary, he defines the structure of stimuli for individual societies and primarily for economies. Institutional development for economies is created from the mutual activity between institutions and organizations. If an institution presents the rules of the game, organizations and business are players. Organizations are comprised of groups of individuals, which join together for a certain common purpose to achieve a certain common goal. NGOs are also among such defined organizations. Organizations originate as a result of opportunities provided within an institutional framework. Institutions are not necessarily or even usually created so that they are socially effective. On the contrary, institutions or at least formal rules are created to serve the interests of those who have sufficient bargaining power to create the new rules [8].

4. Changes to the NGO Concept

NGOs began to form in the middle of the nineteenth century. At this time, they played an important role in the anti-slavery movement and in the women's suffrage movement. Nonetheless, the term non-governmental organization (NGO) began to be used together with the founding of the UN in 1945, where Article 71, Chapter 10 of the UN Charter defines the consultative position for organizations not characterized as either governments or member states.

Globalization and internationalization over the course of the 20th century amplified the importance of the NGOs position and their strength. This process peaked in the 1990s. Ideas regarding its causes are not uniform among experts. Some see it in relation to the end of the Cold War in Europe, in the revision of the theory of state prosperity and a critique of the growing role of the state and its field of activities, in the growth of the role of multi-lateral institutions in the area of global deci-

sion-making, in the continuously growing appeal for the development of civil society, particularly in the countries of central and eastern Europe. The result has been an enormous increase in the resources available for NGOs. From the traditional role of distributors of aid, NGOs are expected to promote democracy, intervene in the course of exceptional situations, help change disrupted political regimes, support the social integration of people and groups on the fringes of society and many other things.

An illustration of this process may be documented by statistical data regarding resources for humanitarian aid from the 1970s to the end of the 20th century. Whereas in the 1970s more than 90 percent of humanitarian aid from the EU was financed by means of governments and none via NGOs; about 30 years later, only 6 percent of this comes from government sources and 37 percent from NGO resources. With the growth in significance of NGOs, their power has also grown. Their possibility to influence international relations and policies is more and more apparent. According to some, NGOs have become an indispensable part of the legitimacy of the UN; Kofi Annan even called them the „conscience of humanity“.

With the rise of their influence in societies, they are forced to respond to the questions they themselves set forth in the not too distant past. If they are focused on the external environment - sending volunteers to refugee camps, areas afflicted by flooding, earthquakes or war, their activity has not been criticized by and large, and politicians indirectly use them in their own election campaigns. However, insofar as NGOs have become engaged in issues inside the given society (environment, consumer protection, minorities, etc.), their legitimacy has begun to be doubted. Critics of NGOs primarily point to their loss of vision, to the growth of their own bureaucratic agendas, to doubts regarding financial independence from governments and to their efforts to change the principles of traditional, parliamentary decision-making with an offer of alternative mechanisms.

Over the past decade, the criteria have also changed for measuring the effectiveness of NGO work. In the past, the expenses for administration and the amount of grants was monitored in particular. In particular, this standard was related to their traditional role - implementing projects (operational function). However, their activity res-

ted more and more in advocacy and establishing projects (advocacy function), i.e. in lobbying.

A conference in Brussels in 2005, which was engaged precisely in the change in NGO concept, opened with a definition which was not formulated by experts engaged with this issue, but by the lay public: NGOs are only interest groups focused on their own interests; the chief motive is their own survival. *The idea of their mission has long been forgotten - the main activities have become chasing after money and they are absolutely dependent upon their sponsors.*

NGOs are seeking a new identity and are attempting to respond to the following questions:

- 1) To whom are they responsible?
- 2) How to substantiate what they say?
- 3) How to demonstrate the results of their projects, which have been realized thanks to sponsor contributions?
- 4) How to demonstrate that what they claim regarding the results of their activities is correct. Just because they say it doesn't automatically mean it is true?

An NGO is a very broad fellowship. For example, the network of volunteer organizations in Great Britain, founded in 1993 under the name of BOND - British Overseas NGOs for Development, had 280 members in 2005. The oldest of these were founded more than 150 years ago, the youngest were established recently. The largest expend more than 250 million Euros per year, the smallest around 10,000 Euro annually. The organizations were established for many diverse segments of the civil society, with various purposes and interests. All of these circumstances have led to the fact that it is not easy to generalize the issue of NGOs and it is very difficult to create recommendations for their activity and behaviour towards other subjects in the market, which would satisfy everyone.

Richard Bennett, the general secretary of BOND, therefore attempted at the conference in Brussels to name certain trends regarding NGOs in the method of thought and the method for negotiating with NGOs, which have as a serious consequence, calls for a change in the paradigm.

These changes include:

- From poverty to power,
- From sponsorship to solidarity,
- From „North-South“ to global.

Bennett demonstrated these changes in the example of British non-governmental organizations. Many of these were founded in the 1950s by people who began to perceive the gap between the extreme poverty in Africa, Asia, and Latin America and the wealth of Europe and North America and felt responsible for transferring part of this wealth to the poor south and thereby eliminating poverty. Fifty years of experience, however, has shown that just the transfer of resources - particularly „only“ to such a degree that NGOs are capable of handling - will not change the world. Even though these activities essentially change the quality of the lives of some individuals, they do not eliminate poverty. So the authority for the existence of NGOs rests on the fact that the „north“ has changed. This is no longer based on the fact that the north is wealthy, but that the north has power. The key decisions that hold people in poverty in Africa and elsewhere, according to Bennett, are accepted by the governments of developed countries and by worldwide institutions over which these countries have control. Therefore, the activity of NGOs has changed. A far greater emphasis has been placed on advocacy, lobbying, campaigns, development of education and awareness. Ten years ago in Great Britain, there were roughly ten NGOs, which had the most significant position in these areas. Now there are nearly fifty. Many others would like to expand their activities in this direction, but for most it is impossible to find sufficient resources for these activities.

In regard to the issue of sponsoring versus solidarity, many NGOs specialize in helping organizations in less developed parts of the world to build their own financial capacity, demonstrating the significance of education and a relatively well-provided middle class, which is traditionally the support for activities in the non-profit sector and invokes local governments to provide institutional conditions for its development. Last but not least, the strongest NGOs in these countries have become less dependent on financial bonds to the more developed north, which helps shift away from relationships based on the power of money to bonds based more on the principle of solidarity.

Although the term „north-south“ is still used in the issue of NGOs, this expression already lags somewhat behind reality. How many organizati-

ons from the original 15 members of the EU until recently still operated with NGOs of candidate states on the same principle as NGOs in Africa, Asia, or Latin America? These NGOs were considered as „southern“. Now they are part of the EU, so they have suddenly become „northern“. Serving as another example could be the rapidly expanding northern-type NGOs in South Korea, which are very successful in Africa and in other parts of Asia. The economies of Brazil and South Africa could not be defined as economies of the „poor South“.

In connection with these changes and the relationship with sources of power, which is essential for the work of NGOs, in connection with the changing character of partnerships - the principle of solidarity, a number of NGOs have international status as well as offices around the world.

5. Non-governmental Non-profit Organizations in the Czech Republic

The specific situation in post-communist countries finds itself in the phase of identification of state institutions with the existence of legitimate, natural and important pluralities and the diversity of opinions and they are learning to take advantage of the positive potential of social conflicts. The basic deficiency has manifested itself in so-called institutional illiteracy or the non-existence of effective and enforceable rules of communication between states and interest groups (as well as NGOs), weak performance (capacity) of state institutions and the unclear scope of its operations, of the scope of state activities. The activity of non-governmental non-profit organizations in the Czech Republic, like in other post-communist countries, is particularly actual in relation to building a strong and effective civil society.

„Consequently, civil society is the best safeguard, not only against political chaos but also against the rise of authoritarian forces that always emerge whenever a society feels shaken or insecure about its future. The more power is left at the centre the more favourable are the conditions for such forces to gain control over the country. Communists knew very well why they needed to dominate and manipulate every bee-keepers' association...“ .[4]

In the middle of the nineties, this led to a dispute about the character of democracy and the role of the

civil society within it. The most distinct ideas were formulated in the speeches of Václav Havel (then president of the Czech Republic) and Václav Klaus (then prime minister of the Czech government).

The dispute is still ongoing and it is apparent that on the political scene, a narrow representative model of democracy has prevailed, which better suits the technocratically oriented political elite. The ideology of „true representative democracy“ enables them to effectively resist the claims of non-profit organizations in applying its own advocacy (political) function in society. Technocratic pragmatism unequivocally leads to the fact that non-profit organizations are perceived by the political elite as illegitimate competitors in the struggle for power and not as allies in the formulation of public policy agendas. [1]

According to a report on the status of the non-profit sector, compiled in 2006 by the Information Centre for Non-Profit Organizations (ICN) for the United States Agency for International Development (USAID), NGOs are noted by public administration as partners and colleagues, but in practice it is still not considered an equal relationship. Non-profit organizations find themselves in this difficult situation, from which those providing services (operational), they have to meet with competitors from state preferred budgetary and contributory organizations and those advocating must overcome strong opposition by political parties for the political function of non-profit organizations in society. The advantage of new non-profit organizations is their representative strength in the central advisory body of public administration, i.e. in the Council of Government for Non-Governmental Non-Profit Organizations (RNNO), in which the identity of the „new civil sector“ definitely predominates. The Council of Government for Non-Governmental Non-Profit Organizations has become the consulting, initiative and coordinating organ of the government of the Czech Republic (herein the „CR“) in the area of non-governmental non-profit organizations. Government resolution dated 10 June 1992, no. 428, arranged this as the Endowment Council, by Government Resolution dated 30 March 1998, no. 223, this was transformed into the Council of Government for Non-Governmental Non-Profit Organizations. Currently, the RNNO is the sole functional platform at the national level which is engaged in creating conditions for the work of

non-governmental non-profit organizations as a whole. This concentrates, discusses and submits government information related to non-governmental non-profit organizations in documents and proposals related to creating suitable conditions for their existence and activity. According to the Report on the Status of the Non-Profit Sector in 2006 (ICN, 2006), the Council does not have sufficient influence, however, on the principle and necessary changes (modification of legislation in favour of NGOs).

Despite pressures and recommendations coming from the European Commission, actual partnerships in the Czech Republic have been difficult to establish and this applies also both for new as well as traditional organizations. The lack of formally guaranteed, programmed cooperation is acute. The lack of programmed partnership alone has left cooperation between them and the state at the good will or momentary mood of officials and has opened a broad space for clientelism. [2] If this leads to an exchange of the bureaucratic apparatus, cooperation will begin practically as zero. It seems that the most extensive „model for cooperative relations“ between the state and the civil sector in the Czech Republic is the asymmetric model of informal relationships. [1]

For assigning space between the state, the market and the citizens in the Czech Republic, many expressions are used - non-profit sector, third sector, civil sector, volunteer sector, non-governmental sector or civil society. A more distinguishing characteristic is whether the given non-profit organization looks after exclusively the needs and interests of its own members - mutually beneficial interests, or whether their activities are oriented on helping others, on establishing and satisfying public interests - publicly beneficial interests. In reality, this involves rather the predominance of this or that element in their activities. It is difficult for us to find an organization oriented exclusively on just a public or group interest.

Frič attempted to capture the internal heterogeneity of the Czech civil sector by means of a typology using two basic dimensions for the operations of non-profit organizations in society. This involves the dimension of the activity type (operational function - organizations providing services) and the dimension of monitoring interests (advocacy function). Through a combination of these, then we reach four types of non-profit

Tab. 1: Four types of non-profit organizations

	Type of monitored interest:	
Activity type:	Mutually beneficial	Generally beneficial
Service	1. mutually beneficial service NGO	2. generally beneficial service NGO
Advocacy	3. mutually beneficial advocacy NGO	4. generally beneficial advocacy NGO

Source: Frič (2005) and author's own modification

organizations, which have markedly different relations with the state. The first type represents „mutually beneficial service organizations“, the second „generally beneficial service organizations“, the third „mutually beneficial advocacy organizations“ and fourth „generally beneficial advocacy organizations“.

Bearers of the first and third types are for the most part traditional non-profit organizations. A Bearers of the second and fourth types are for the most part new non-profit organizations.

The advocacy function of non-profit organizations in itself requires lobbying. In the Czech Republic, lobbying is perceived by the public as rather negative (see first part of study). According to the already mentioned Report on Non-Profit Organizations, lobbying is generally not perceived as having its own priority and not with any clearly formulated strategy in this area. Nonetheless, they are aware of the fact that in certain situations, lobbying is critical. In the Czech Republic, there are powerful interest groups that manage to effectively take advantage of lobbying. Traditionally, these are ecologically-focused organizations and new organizations operating in the fields of social and health care. Individual lobbying at present is more functional than joint. Non-profit organizations have not succeeded in establishing renown, which relates to the non-profit sector in general. The cause is the lack of capacity by organizations (associations, umbrella organizations, think-tanks), which would have to resolve these matters. NGOs are capable of relatively effectively cooperating in the establishment of legal norms in the context of the field or region,

while at the same time, they almost never have to join up with the comment process for a proposal of a new law regarding income taxes, which in principle affects the vast majority.

In addition to non-governmental, non-profit organizations, the non-profit sector includes contributory and budgetary organizations, unions, political parties and movements, interest associations for legal entities, cooperatives (if they have been established for purposes other than business), non-commercial trading companies (e.g. limited liability companies, if they have been established for purposes other than business), or also legal entities established by independent laws (e.g. the Czech Academy of Science, Czech Television, Czech Radio). The non-governmental, non-profit sector in the Czech Republic is diverse in legal forms as well as in areas in which non-governmental non-profit organizations (NGOs) operate.

NGOs actively share in defining the subjects of the non-profit (third) sector in CR by means of regional and national conferences. Unlike budgetary and contributory organizations, NGOs have not had a clearly defined link to the public budget for very long. They have struggled with uncertain long-term financing and have had to continuously advocate for their right to exist (see dispute over the essence of democracy in CR). According to the Council of Government for Non-Governmental Non-Profit Organizations, thanks to their initial difficulties, management of NGOs are far better prepared for design and multi-source methods of financing than other non-profit organizations. An analysis of the non-profit sector in 2004 howe-

Tab. 2: Four types of non-profit organizations

I. TRADITIONAL	1. MBS NGO: sport, recreation, community development, interest associations
	3. MBA NGO: unions, employment guilds, professional organizations (chambers)
II. NEW	2. GBS NGO: social and health care, education, humanitarian aid, charity
	4. GBA NGO: environmental protection, human and civil rights, consumer rights

Source: Frič (2005)

ver, notes the poor quality of management and decision-making and the lack of professionalism in NGOs, which among other things are also marked by the lack of professionals who know strategic planning, fundraising, management etc. [21]

The definition of non-governmental non-profit organizations in the Czech Republic has been imported from legal subjectivity: civil associations, generally beneficial societies, endowments, endowment funds, religious legal entities.

Non-governmental non-profit organizations are:

- Institutionalized (with at least the rudiments of formal organization);
- Private (these are institutionally separate from public administration);
- Non-profit (possible profits from activities are not returned to its administrators or founders);
- Autonomous (capable of governing themselves);
- Voluntary (volunteers participate in the activities of the organization or manage its affairs through administrative boards, supervisory boards).

A qualified estimate of the number of these organizations in CR is more than 50,000. Before February 1948, on the territory of Czechoslovakia, around 60,000 non-profit organizations operated; after the communist takeover, their number declined to only 683 - and these were thrust into the totalitarian corporative system called the National Front. [11]

The fundamental change occurred in this area in 1989. Thousands of NGOs began to appear and the non-profit sector underwent a series of changes during this period. Since 1989, it is possible to trace at least five stages in the development of the non-profit sector:

- 1990 - 1992 stormy development of the non-profit sector, foreign donors enter the country and support the development of civil society as part of the founding of the young democracy; acts on association and legal amendments to endowments and the establishment of the Endowment Investment Fund; establishment of the Council for Endowments as an advisory body to the government for NGO issues.
- 1993 - 1996 the state displays scepticism and reserve toward the non-profit sector (lack of will to distribute the Endowment Investment Fund, hesitation over the new act regarding

endowments); notions about the non-profit sector affect the debate by two leading political personalities, Václav Havel and Václav Klaus, on the essence of the so-called civil society; state politics in this period lagged behind the development of the non-profit sector in and of itself; despite this, state support to the non-profit sector remained stable (2 to 3 bil. CZK).

- 1997 - 2001 the relationship of the state to the non-profit sector is more intensive and becomes more specific; a new act on endowments, preparation for other new laws are discussed related to the non-profit sector and clarification occurs related to grant rules for individual ministries; the activity of the RNNO is renewed and the first financial resources are allotted from the Endowment Investment Fund.
- 2002 - 2004 in this period, two great changes occur: first, reform of public administration means the establishment of regions which are a new factor affecting the situation for NGOs in regions and second, entry of the CR into the EU brings new opportunities in financing (the possibility to draw resources from EU funds) and partnerships. With its entry into the EU in 2004, the CR moved into the category of consolidated and relatively wealthy countries - foreign donors receded.
- 2005 - 2009 introduction of a satellite account for non-profit institutions (SÚNI); SÚNI overcomes the main deficit in the existing method for establishing national accounts, during which data regarding non-profit organizations ranked in the economic statistics of other institutional sectors, while the total image of the non-profit sector is lost. As a basic benefit, the introduction of the satellite account will bring in future the possibility for considering primarily the quality of data regarding the economic results of non-profit institutions. Users will have access to precise and complete data on practically all significant economic indicators; 2006 - establishment of a publicly accessible database for NGO records.

5.1 NGO and EU Structural Funds

With the entry of our country into the European Union, drawing on foreign financial resources for the activities of NGOs fundamentally changed. There was a receding of foreign donors (private as

well as governmental) and on the other hand, the possibility of drawing resources from EU structural funds and taking advantage of the so-called „partnership principle“. However, this does not involve just a change in the available resources, but principally its character too. Foreign resources had three specifics which structural funds were not able to replace. First, unlike EU funds, foreign donors linked the providing of resources with relatively simple and fast selection procedures and controls, which was beneficial also for small and weaker NGOs in terms of capacity. Second, unlike EU structural funds, these foreign resources gave project implementers a marked degree of freedom when achieving the marked out goals (as a rule it was more flexible and less strict). One of the main disadvantages of drawing money from structural funds, which are the basic source of NGO financing, is the high administrative complexity of the entire process. Third, foreign resources often directed support for democracy into areas such as advocacy of the public interest, human rights and the like, i.e. into fields where no EU structural funds have been directed. The departure of foreign donors therefore palpably affected primarily NGOs, whose main activity is the critical reflexive activities of state institutions - the role of „watchdogs of democracy“. They relied mainly on private financial resources, because, thanks to the critical character of their activities, they often meet with difficulties when acquiring resources from the side of the public administration.

NGOs in the CR have succeeded in linking up with the phase for preparing structural funds in 1999 through 2002 thanks to their own initiative and active interest in cooperation. At the national level, representatives of NGOs are present in monitoring committees for individual operational programs and also in expert work groups. Representatives are nominated by the RNN0.

At the regional level, NGOs have their own representatives in Commissions for Regional Development established during Regional Councils for individual regional consistency in the context of the Common Regional Operations Program. NGOs are represented here by one to four representatives.

In July 2007, the European Commission issued a decision regarding acceptance of the National Strategic Reference Framework (NSRR), which defines the strategic aims for the social and eco-

nomic development of the Czech Republic for the period 2007-2013 and this document is the basis on which individual operational programs (OP) will be implemented.

Operational programs, for which NGOs may draw financial resources via EU funds, effectively combine the concentration of operations into individual thematic wholes in individual regions of the Czech Republic. The Czech Ministry for Regional Development established a uniform request, which will maximally simplify the process for requesting a subsidy from European funds. The uniform request can be used for all operational programs, which totals 24. In the period 2007-2013, the Czech Republic may draw from EU funds approximately 26.7 billion €, which is roughly 752.7 billion CZK, for the purpose of improving the environment. For comparison the CR budget for 2007 is 1,040.8 billion CZK. Support from EU funds, on which the Czech Republic may draw in the period from 2007-2013, corresponds to 74% of the state budget for the CR in 2007.

5.2 Share of the Non-profit Sector in GDP

In the ČSÚ system of national accounts, NGOs are entered into the sector „non-profit institutions serving households“ Sector 15. Other non-profit institutions, or data about them, are entered as one of the resources in the summary of individual sectors and after performing methodological modifications, it is no longer possible to separate this from the final data. The system of national accounts does not create summary information for all non-profit institutions, it provides data only for non-profit institutions from sector 15. A better, more specifically corresponding capability would be to introduce a satellite account for non-profit institutions, which would be planned in several stages. The first stage is establishing an abbreviated version of the satellite account from information the statistical office already has, to use it for the necessity of setting up national accounts. The second stage rests in expanding the scale for statistical monitoring and setting up a complete version of the satellite account. The complete version will contain those facts that are typical for non-profit organizations (e.g. value of the work of volunteers, data about membership and donations), and other important statistical

indicators (e.g. share of non-profit institutions in the production of the entire economy in the given branches). Unlike the current method for monitoring statistical data regarding non-profit institutions, a satellite account would introduce four innovations:

- 1) Methodology for the satellite account and in its framework, a **definition of non-profit institutions** enables the expansion of monitoring results of activities for the non-profit sector by non-profit institutions currently incorporated into other institutional sectors and their subsequent unification into one account.
- 2) The satellite account introduces a **new classification** (International Classification of Non-Profit Organizations - ICNPO) for classifying the activities performed by non-profit institutions, which unlike the current period used by the Branch Classification of Economic Activities will be more detailed and more advantageously structured.
- 3) The satellite account expands monitoring of indicators by two more categories, which deepen (improve the quality) to calculate the share of non-profit institutions in gross domestic product (they increase the share of non-profit institutions in creating gross domestic product): the **imputed value of volunteer work**. The work of volunteers shares in a significant way in the operation of many non-profit institutions. **Non-market production of non-profit market institutions**. Non-profit market institutions, unlike other market producers, usually have an essentially non-market production, which is not captured in their market revenues. It is recommended to conduct an evaluation of non-market production by non-profit institutions on the basis of operational expenses and to include the value of this production into the accounts.
- 4) The satellite account expands the monitoring of data regarding non-profit institutions by additional indicators that do not originate from national accounts. This involves both **structural indicators** (the number of subjects, employees, volunteers, members, membership) as well as **performance indicators** (number of visitors to museums, number of graduating students from secondary schools, etc.). All these indicators are part of the complete and expanded version of the satellite account.

NGOs provide their services to households (individual and the public) predominantly free-of-charge, or for economically insignificant prices. The non-profit sector - like everywhere else in the world - is rather a consumer and its share in the economy corresponds more to the side using rents than the side of production. The predominant part of the difference between value produced and end consumption of an NGO is defrayed by transfers from other sectors of the economy, from households, government institutions and businesses. The total share in the broad non-profit sector in GDP of the CR, including imputed work of volunteers, in 1994 was estimated at 2.2% of GDP. For comparison, the share of the non-profit sector in GDP in 1995 in Italy was 2%, in France 3.3%, in Germany 3.6% and in Great Britain 4.8%.

5.3 Social Economy and the Non-profit Sector

The share of the non-profit sector in the economy of the CR can be perceived also from the perspective of the social economy concept, which in Western Europe developed from the 1970s. The social economy consists of organizations and business independent of the state (associations, generally beneficial societies, endowments, but also small companies and especially cooperatives), which conduct business in diverse areas and produce goods and services with social aims (integration of unemployed and socially marginalized citizens, development of local communities or regions). They do not redistribute profits among members or shareholders, but invest it back into activities.

The concept originated as a reaction to the situation when the state was no longer able to guarantee integration of affected persons and provide services via traditional institutions at full measure and quality - mainly social health care, and at the same time for commercial (profit) subjects conducting business in these area, when it was not longer sufficiently profitable. The net commercial concept of services would furthermore be secured by access to provided services for socially weaker groups of the population due to the high price of the services offered. Some theories speak of the crisis of the social state.

For example, Keller characterizes the crisis of the social state as „the result of the course of several processes: labour market flexibility, growing brittleness of the family, the aging process in the population and accompanying forms of desolidarization. Of course, individually, the state would be able to take care of each of these. They have converged, however - and at a time when globalization reduces room for governments to manoeuvre. The result is that at the same time when demand for reassurance is growing, the possibilities to satisfy it is dramatically declining ...“. [6]

In the context of the European Union, the share in the social economy stands at 10% of GDP and the share in overall employment rate is also 10%. [15]

There are various theories and interpretations for the social economy:

- a) **Southern** (Italy, Spain) - this includes the most diverse subjects in addition to state administration and commercial firms, as well as, for example, cooperatives of all types. The idea of the social economy here is based on Christian foundations.
- b) **Northern** (Scandinavian countries) - the main attention is concentrated on local cooperation and consultation of various partners (sectors) related to ensuring services. In Sweden, there are also social economy work groups at the governmental level.
- c) **Anglo-Saxon** - subjects of the social economy are one of many players of local economies and services, the cooperative form of ownership is equal to others. The concept of the social economy here has links both to the idea of levelling social chances as well as to liberalism. Institutions do not reject profit, which is seen as a tool, although in the case of the social economy, profit is limited through legislation.

In the CR, this concept is not yet known, even though in recent years it is beginning to receive a certain amount of attention. In the CR there are no clear, explicit government documents announcing the concept of the social economy, despite the fact that this concept is part of the social policy and the policy of regional development in EU countries. For now, there is only a limited awareness about what the social economy means (interpretations differ, particularly the accents on this or that side of the social

economy). Clear support by individual projects announcing the social economy comes from the side of the EQUAL Initiative. Organizations that are interested in this topic, do not currently work with the system.

Some principles and the goal of the social economy implicitly appear in important documents with nationwide reach. For example, this involves the National Action Plan for Social Incorporation in the years 2004 - 2006 (MPSV), the statutes for introducing the Community Planning of Social Services (MPSV), Government resolution 824/2004 on the support strategy for access to social services and generally declared principles of placing priority for community care over institutional.

A distinct initiative is establishing work groups under the leadership of the OSF Praha Foundation and NROS. These are also in the group represented by the Foundations of VIA, SKOK, Sue Ryder House, The Union of Towns and Municipalities of the CR and Fokus Praha, together with an emphasis on the goal of support for development of the social economy in CR, specifically applying the role of NGOs in this concept.

From the standpoint of public benefit, non-profit organizations do not just play the role of provider of public services guaranteed by the state, or they not only fill in the quasi-market gaps, but they also have their own missions in the fact that they strengthen a sense of belonging, solidarity, communication and trust, helping people build their own social capital, on which depend both a functioning market as well as democracy.

Conclusion

Non-governmental non-profit organizations comprise a meaningful component of interest groups, both at the level of the national state as well as the EU. European institutions have begun to recognize the positive role and impact of NGOs over the course of the 90s. The result has been a shift from the concept of „government“ to the concept of „governance“. The tool for governance is a civic dialogue, which develops participative democracy, i.e. the possibility to express and participate in the decision-making process during the election period (not just participation via voting rights). In itself, however, this has not also served the demand for reevaluation of NGO operations primarily in relation to their represen-

tative nature, legitimacy and transparency. While representative democracy is the result of clearly defined obligatory procedures and the results of its activities are understood as legitimate, in the case of a civic dialogue, this is far more complicated. NGOs are called on to more precisely define those for whom they speak and or whose interests they defend. They strengthen the demand for their transparency and responsibility.

In the case of the Czech Republic and NGOs, it is possible to say that, although 18 years have passed since the fall of the totalitarian state, the rebirth of civil society has been and continues to be, a painful and long-term process. What is missing here is a clear vision supported by social consensus regarding the role of the state in Czech society, or what function the state should perform. There are still a significant number of politicians who see the civil sector as something inferior, in some cases as a competitor and not as a partner. On the other hand, the public still respects the paternalistic role of the state and expects that the state and the public administration take responsibility for fulfilling their needs. Despite this, NGOs are beginning to be viewed as subjects that generally represent their needs. Although NGOs are attempting to acquire an overview of the needs of society, for the most part they do not have sufficient capacity to market research the specific needs of target groups, so these needs are often established on the basis of a qualified estimate.

From the standpoint of the relationship between the private sector and NGOs, a trend is visible for large and foreign companies to consider non-profit organizations in their conceptions of social responsibility (corporate social responsibility) focusing on the support of certain topics or regions. For others, cooperation with non-profits serves rather as a good image, but is still not a standard part of corporate culture. The European Commission published several Communications on CSR with the objective to help companies integrate corporate social responsibility into the way they do business, every day. [5]

Non-profit organizations have been declared by public administration as partners and colleagues, but in practice this is still not an equal relationship.

In order for the Czech Republic to improve the political culture and link the access of state organs to NGOs, it is necessary for political

representatives and employees of state administrations to begin to consider organizations of the non-profit sector as full-value partners with sufficient expertise and an alternative viewpoint for resolving social problems. They need to be more interested in NGO issues, which represent a significant and indispensable segment in the development of a civil society, and to enable NGOs to actively participate in the form of establishing instruction sites for umbrella NGOs. These would associate and present the interests of other NGOs outside the non-profit sector and their representation in meetings and consultative organs of ministries and governments.

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ABSTRACT

THE ESTABLISHMENT OF NGOS AS ONE GROWING PART OF DEVELOPING INTEREST GROUPS IN THE CZECH REPUBLIC**Šárka Laboutková**

The aim of this article introduces the establishment of non-governmental organizations (NGOs) in the Czech Republic. They belong to interest groups, are interested in generally beneficial issues, are not directly part of the structure of government and act independently of it. The West European countries have begun to recognize the positive role and impact of NGOs over the course of the 90s. The result has been a shift from the concept of „government“ to the concept of „governance“. The tool for governance is a civic dialogue, which develops participative democracy, i.e. the possibility to express and participate in the decision-making process during the election period. Economists describe the civil sector as the environment responsible for expanding the wealth of a society. Non-governmental non-profit organizations add a new perspective and guide the reactions of both local needs and problems as well as issues of a global character at the turn of the 21st century. A rigid centralized system in the post communist countries has been largely replaced by a bureaucracy lacking both experience and finances to create a truly democratic alternative. The main problems of these countries is a deficit of rules of communication with the interest groups (NGOs included), limited power (capacity) of state institutions and no clear lines between state activities and civil society. although almost 20 years have passed since the fall of the totalitarian state in the Czech Republic, the rebirth of civil society has been and continues to be, a painful and long-term process. Non-profit organizations have been declared by public administration as partners and colleagues, but in practice this is still not an equal relationship. What is missing here is a clear vision supported by social consensus regarding the role of the state in Czech society, or what function the state should perform.

Key Words: NGOs, civil society, public goods, interest groups, non-profit sector, lobb.

JEL Classification: L30, L31, L38, H42.