Global Civil Society
Dimensions of the Nonprofit Sector

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BACKGROUND

As in other countries in Central and Eastern Europe, civil society and the nonprofit sector in the Czech Republic saw a tremendous upsurge after 1989, when the Communist Party’s monopoly of power was abolished. While the Czech nonprofit sector appears, on balance, perhaps less visible than its counterparts in other Central European countries, it has reached a comparatively high level of development. This is so despite the skepticism of the former neo-liberal government of Prime Minister Václav Klaus about the necessity of a nonprofit sector. Fortunately, however, civil society also had a high-level proponent in President Václav Havel. Largely due to Havel’s influence, civil society in the Czech Republic is increasingly thought of in positive terms as a set of citizens’ activities that counterbalance state bureaucracy and state centralism.¹

The work reported here was designed to bring the Czech civil society sector into empirical focus for the first time. The work was carried out by a Czech research team at the Institute of Sociological Studies in the Faculty of Social Sciences of the Charles University in Prague as part of a collaborative international inquiry, the Johns Hopkins Comparative Nonprofit

Sector Project. It thus offered ample opportunities both to capture local Czech circumstances and peculiarities and to compare and contrast them to those in other countries both in Central and Eastern Europe and elsewhere in a systematic way. The result is a comprehensive empirical overview of the Czech nonprofit sector and a systematic comparison of Czech nonprofit realities to those elsewhere in Central and Eastern Europe and the rest of the world.

The present chapter reports on just one set of findings from this project, those relating to the size and structure of the nonprofit sector in the Czech Republic and elsewhere. Subsequent publications will fill in the historical, legal, and policy context of this sector. The data reported here draw heavily on the annual sets of national accounts, employment data, and selective censuses of households conducted by Český statistický úřad—ČSU (Czech Statistical Office), and numerous additional sources of statistical information. Unless otherwise noted, financial data are reported in U.S. dollars at the 1995 average exchange rate. (For a more complete statement of the sources of data, see Appendix C. For a more complete statement of the types of organizations included, see Chapter 1 and Appendix A.)

PRINCIPAL FINDINGS

Five major findings emerge from this work on the scope, structure, financing, and role of the nonprofit sector in the Czech Republic:

1. A sizable economic force

In the first place, aside from its social and political importance, the nonprofit sector turns out to be a modest but growing economic force in the Czech Republic.

More specifically:

- **An $800 million industry.** Even excluding its religion component, the nonprofit sector in the Czech Republic had operating expenditures of $800 million in 1995, or 1.6 percent of the country’s gross domestic product, a substantial amount for a sector that essentially has had only six years to develop more or less freely (see Table 14.1).

- **An important employer.** Behind these expenditures lies a sizable workforce that already includes the equivalent of 74,200 full-time equivalent paid workers. This represents 1.7 percent of all nonagricultural workers in the country, 3.4 percent of service employment, and the equivalent of 6 percent of the government employment at all levels—central, provincial, and municipal.
• More employees than in the largest private firm. Put somewhat differently, nonprofit employment in the Czech Republic easily outdistances the employment in the largest private business in the country, and does so by a ratio of approximately 3:1. Thus, compared to the 74,200 paid workers in the Czech Republic’s nonprofit organizations, the largest Czech private corporations, Škoda Automobilová or Chemapol Group, each employ between 20,000 and 30,000 workers.

• Outdistances some industries. Indeed, more people now work in the nonprofit sector in the Czech Republic than in some entire industries in the country. As shown in Figure 14.1, nonprofit employment in the Czech Republic outdistances employment in the country’s petrochemical and printing industries. In addition, employment in the nonprofit sector in the Czech Republic is essentially on a par with the employment in food manufacturing and textiles, and equals almost three-quarters of the employment in transportation.

• Volunteer inputs. Even this does not capture the full scope of the nonprofit sector in the Czech Republic, for this sector also attracts a considerable amount of volunteer effort. Indeed, an estimated 10 percent of the Czech population reports contributing their time to nonprofit organizations. This translates into another 40,900 full-time equivalent employees, which boosts the total number of full-time equivalent workers at nonprofit organizations in the Czech Republic to 115,000, or 2.7 percent of total employment in the country (see Figure 14.2).

• Religion. The inclusion of religion, moreover, would boost the totals to 78,200 paid employees and 45,400 full-time equivalent volunteers. With religion included, nonprofit paid employment therefore rises to 1.8 percent of the total and paid plus volunteer employment to 2.9 percent. Religion also boosts operating expenditures to a total $860 million. Including religion and volunteering would thus bring total

<table>
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<th>Table 14.1 The nonprofit sector in the Czech Republic, 1995</th>
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<td>$ 803.6 million in expenditures</td>
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<td>— 1.6 percent of GDP</td>
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<td>74,200 paid employees</td>
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<td>— 1.7 percent of total nonagricultural employment</td>
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<td>— 3.4 percent of total service employment</td>
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<td>— 5.9 percent of public employment</td>
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Figure 14.1  Nonprofit employment in the Czech Republic in context, 1995

Figure 14.2  Nonprofits in the Czech Republic, with and without volunteers and religion, 1995, as a % of . . .
expenditures to close to $1.1 billion—the equivalent of 2.1 percent of the gross domestic product (see Figure 14.2).

2. One of the largest nonprofit sectors in Central Europe

Not only is the Czech nonprofit sector relatively sizable in relation to the Czech economy, but also it is large relative to its counterparts elsewhere in Central and Eastern Europe, though it still falls behind the level in Western European countries.

- **Below the international average.** As Figure 14.3 shows, the relative size of the nonprofit sector varies greatly among countries, from a high of 12.6 percent of total nonagricultural employment in the Netherlands to a low of 0.4 percent of total employment in Mexico. The overall 22-country average, however, is close to 5 percent. This means that the Czech Republic, at 1.7 percent without religion, falls below the global average, which is not surprising given the hostility toward such organizations during the Communist era that ended only six years prior to the date reported on here.

- **Considerably above the Central European average.** While it falls below the 22-country average, nonprofit employment as a share of total employment is still higher in the Czech Republic than it is elsewhere in Central Europe. Thus, as shown in Figure 14.4, full-time equivalent employment in nonprofit organizations in the Czech Republic, at 1.7 percent of total employment, is proportionally 65 percent greater than the Central European average of 1.1 percent. Indeed, of the other Central European countries covered by this project, only Hungary comes close to the Czech Republic in the scale of nonprofit employment.

- **Margin widens with volunteers.** This margin widens, moreover, when volunteers are added. Thus, with volunteer time included, nonprofit organizations account for 2.7 percent of total employment in the Czech Republic, which is a full percentage point above the regional average of 1.7 percent (see Figure 14.4).

3. A rich, but also troubled history of nonprofit activity in the Czech Republic

That the Czech nonprofit sector is comparatively highly developed in the region is very likely a product of the rich, but also troubled, history that such institutions have had in this country. This history includes:

- The early origins of philanthropy and the nonprofit sector were tied to Christianity with the first foundations appearing as early as the 13th
The leading role of the Catholic Church was reduced, however, by the Reform Church movement in the early 15th century and the growing role of urban communities.

- The forced re-Catholicization of the country after 1621 under the House of Habsburg restored the position of the Catholic Church,
which clearly dominated such fields as education. The Church’s prominence, however, was broken again in the second half of the 18th century. In this period of Enlightened Absolutism, the Church came under state surveillance, and education and charitable activities were taken over by the state.

- The period of the so-called National Revival beginning around 1830 brought a substantial blossoming of societies and foundations, especially those with patriotic, cultural, and women’s educational goals.
- The collapse of the Habsburg Empire and the creation of the Czechoslovak Republic in 1918 brought a new surge of societies, associations, and foundations with educational, cultural, charitable, health, or social purposes that were formed on an ethnic, religious, or above all civic, basis. Statistical research in the 1930s registered 5,130 societies, and the nonprofit sector accounted for about 26 percent of total social care expenditures. With the German occupation in 1939, civic activities were banned, however.
- After World War II, activities of associations were renewed, but only for a short time: the Communist coup of 1948 interrupted their development. From 1951 onwards, church activities were limited to worship and education, whereas health and social care came under direct state control. All permitted socio-political activities were consolidated

Figure 14.4  Nonprofit share of employment, with and without volunteers, Czech Republic and four regions, 1995
within the National Front, an umbrella for political organizations, trade unions and so-called voluntary social organizations. Membership in these organizations was often formal, but was considered an expression of loyalty to the state. Statistical data from 1972 reflect the full extent of the organization of state-controlled public life: in a country with a population of 14.5 million, individuals held a total of 19 million memberships in the organizations that comprised the National Front.

- The political opening toward the end of the 1960s briefly reawakened the real interest of citizens in public affairs, but this was once again banned following the military invasion by the Warsaw Pact countries in 1968. Some political activists survived as dissidents. Only after 1980, however, were the environmental movement and some educational and scientific activities tolerated.
- A number of current organizations began their activities informally in the late 1980s. The activity of civic initiatives culminated in the revolution of 1989. In 1990, Act No. 83 on the Association of Citizens, regulating the activities of civic associations, was passed and new organizations finally were allowed to develop again independent of the state.

4. Culture and recreation dominance

Similar to other Central European countries, but unlike the all-country average, culture and recreation clearly dominates the nonprofit scene in the Czech Republic.

- Thirty-one percent of nonprofit employment in the culture and recreation field. Of all the types of nonprofit activity, the one that accounts for the largest share of nonprofit employment in the Czech Republic is culture and recreation. As shown in Figure 14.5, 31 percent of all nonprofit employment in the Czech Republic is in this field, mostly in sports and hobby clubs. This is comparable to the Central European average of 35 percent, but it greatly exceeds the 22-country average of 14 percent. This situation reflects the long tradition of culture and sports clubs in the Czech Republic and in other Central European countries and the fact that these activities were tolerated, and often encouraged, under the Communist regime.
- Relatively smaller shares of nonprofit employment in the welfare fields of education, health, and social services. Compared to the overall 22-country average, core welfare services in the fields of education, health, and social services absorb a smaller share of nonprofit employment in the Czech Republic. Thus, while these fields absorb more than two-thirds of nonprofit employment on average, they account for
39 percent of all nonprofit employment in the Czech Republic, of which 15 percent is in education, 14 percent in health care, and 11 percent in social services. This reflects the state dominance of these critical welfare functions during the Communist era.
• **Sizable nonprofit presence in professional associations.** Another sizable portion of total nonprofit employment in the Czech Republic is in the professional associations and unions field. This field accounts for 12 percent of Czech nonprofit employment, which is almost twice the 22-country average of 6.5 percent and even slightly greater than the Central and Eastern European average of 11 percent. This very likely reflects the heritage of the Communist period, which established a more definitive state role in encouraging (and controlling) trade unions as well as a broad range of professional groupings.

• **Significant nonprofit development and advocacy employment.** Compared to the employment in nonprofit culture and recreation, education, health, social welfare, and professional organizations, the share of Czech nonprofit employment in the development field and in the related fields of advocacy and environmental protection is considerably smaller. Altogether, these fields absorb 14 percent of all nonprofit employment in this country. However, this greatly exceeds the 22-country average of 9 percent, perhaps reflecting the civic activities that produced the Czech Republic’s “velvet revolution” of 1989. An additional 3 percent of nonprofit employees fall into other categories, including philanthropy and international activities.

• **Pattern shifts with volunteers.** This pattern is intensified when volunteer inputs are factored in. In particular, as shown in Figure 14.6, with volunteers included, the culture and recreation share of nonprofit employment increases from 31 percent to 36 percent; and the combined development, advocacy, and environment share rises from 14 percent to 16 percent. Clearly, these activities attract considerable popular support in the Czech Republic. For example, culture accounts for 28.7 percent and development and environment/advocacy account for 26 percent of the total memberships in the Czech nonprofit sector (6.7 million members).

5. **Most revenue from fees, not philanthropy or public sector**

Consistent with its composition and similar to other countries in the region, the Czech Republic’s nonprofit sector receives the bulk of its revenue not from private philanthropy or the public sector, but from fees and charges. In particular:

• **Fee income dominant.** The overwhelmingly dominant source of income of nonprofit organizations in the Czech Republic is fees and charges for the services that these organizations provide. As reflected in Figure 14.7, this source alone accounts for nearly half, or 47 percent, of all nonprofit revenue in the Czech Republic.
Substantial public sector support. Public sector payments account for another 39.4 percent of Czech nonprofit revenue, which is a relatively high share both for Central Europe and for much of the rest of the world. Interestingly, the centralized Communist-era state funding system for voluntary organizations was largely left intact after 1989. While...
the system is frequently criticized for being inadequate and inconsistent with the new realities of the sector, it nevertheless has contributed to relatively substantial levels of state support over the past years.

• **Considerable support from philanthropy.** By contrast, private philanthropy provides a much smaller, though still notable, share of total revenues. Thus, as Figure 14.7 shows, private philanthropy—from individuals, corporations, and foundations combined—accounts for 14 percent of nonprofit income in the Czech Republic, which is higher than the 22-country average of 11 percent, but significantly below the Central and Eastern European average of close to 21 percent.

• **Revenue structure with volunteers.** This pattern of nonprofit revenue changes significantly when volunteers are factored into the picture. In fact, as shown in Figure 14.8, the share of private philanthropy increases substantially from 14 percent to 30 percent. Public sector support decreases somewhat from 39 percent to slightly less than one-third. The proportion of fee support declines from 47 percent to 38 percent, though it still remains the dominant revenue source.

• **Revenue structure with religion.** The overall pattern of nonprofit finance in the Czech Republic changes only slightly when account is taken of religious institutions, such as churches and synagogues. Such religious institutions account for approximately 6.8 percent of the total revenue of the Czech nonprofit sector. With religion included, therefore, the philanthropic share of total nonprofit revenue in the Czech Republic rises from 14 percent to 15 percent. With volunteers included as well, the private giving share rises to 31 percent (see Figure 14.9).
• **Similar to other Central European countries.** The pattern of nonprofit finance evident in the Czech Republic is quite similar to that elsewhere in Central Europe. As shown in Figure 14.10, the nonprofit organizations in the other Central European countries included in this project (Hungary, Romania and Slovakia) derived the majority of their revenues from

![Figure 14.8](image1.png)  
**Figure 14.8** Sources of nonprofit revenue in the Czech Republic, with volunteers, 1995

![Figure 14.9](image2.png)  
**Figure 14.9** Sources of nonprofit revenue in the Czech Republic, with volunteers and religious worship, 1995
fees and charges. Thus, compared to the Czech Republic’s 46.6 percent, the share of total nonprofit income coming from fees stood at 46.1 percent for all four Central European countries. The public sector and philanthropy shares of nonprofit revenue in the Czech Republic deviated slightly from the regional average, with the public sector share stronger in the Czech Republic than elsewhere in the region (39 percent vs. 33 percent on average) and philanthropy somewhat weaker (14 percent vs. 20.5 percent).

- **Similar to the global average.** While the revenue structure of the Czech nonprofit sector is generally similar to that elsewhere in Central Europe, it also mirrors that evident elsewhere in the world. Thus, as Figure 14.10 shows, while fees and charges are the dominant element in the financial base of the nonprofit sector globally, its dominance is only a little more pronounced than it is in the Czech Republic (49 percent of total revenue compared to 47 percent). Similarly, public sector payments comprise essentially the same share of nonprofit income in these other countries on average (40 percent vs. 39 percent in the Czech Republic). Quite clearly, it would seem that the Czech Republic is approaching a pattern of cooperation between nonprofit organizations and the state that is similar to that in these other countries.6
• **Variations by subsector.** Even this does not do full justice to the complexities of nonprofit finance in the Czech Republic, however. This is so because important differences exist in the finances of nonprofit organizations by subsector. In fact, three quite distinct patterns of nonprofit finance are evident among Czech nonprofits, as shown in Figure 14.11:

![Figure 14.11 Sources of nonprofit cash revenue in the Czech Republic, by field, 1995](image-url)
Fee-dominant fields. Fee income is the dominant source of income in five fields of nonprofit action for which data were gathered (professional associations, development, culture and recreation, education, and the environment). The fee dominance is most strongly pronounced in the cases of professional associations and development and housing, where membership dues or rental income are the primary sources of income. But fee income is also the single largest revenue source of nonprofit cultural and educational establishments, as well as environmental organizations. In education, however, fees barely edge out public support as the largest source (44 percent vs. 43 percent), and government support, at 42 percent, is also not far behind fee income with 45 percent in the cultural arena.

Public sector-dominant fields. In three fields, health, civic, and social services, government plays the dominant role in financing nonprofit action in the Czech Republic, accounting for more than half of total revenue in each field. To a certain degree, this may be due to counterpart, or matching, contributions of the Czech government, which are required by agreements with the European Union’s PHARE program, and other international public grants. The dominant source of public payments in the civic and advocacy field is mandatory budgetary payments of the state to political organizations.

Private philanthropy-dominant fields. While private philanthropy is far from being the dominant source of nonprofit income in the Czech Republic overall, it turns out to be the dominant source of income in international activities and in the philanthropy field, which would naturally be expected to be supported chiefly by private giving.

CONCLUSIONS AND IMPLICATIONS

The nonprofit sector thus emerges from the evidence presented here as both a growing and rather complex set of institutions in Czech society. Not only does this set of institutions serve important human needs, it also constitutes a growing economic force and is a significant contributor to political as well as social life. However, there remain a number of current trends and key challenges that will need to be addressed to ensure the further development of the sector into the next millennium. More specifically, these trends and challenges include:

- The prospect of consolidation. While the nonprofit sector in the Czech Republic is still going through a period of expansion, the latest data suggest that the growth rate of nonprofit organizations is beginning to slow down, and that a phase of market saturation for the ser-
vices provided by these organizations is approaching. This means that in the short run a more intensive consolidation within the nonprofit sector may take place that will separate those that will survive from those that will have to dissolve. The outcome of this trend will be heavily influenced by the overall economic conditions, the further development of the legislative framework, and the political climate. In principle, this consolidation could lead to improvements in the overall position of the sector, as decreases in quantity might result in increases in quality. The present state of affairs, however, raises doubts about whether this will actually be the case.

• **Legal regulation.** The legislative framework for the nonprofit sector is as yet incomplete, is sometimes unnecessarily complicated, and does not provide sufficient protection against the misuse of the nonprofit status. While, on the one hand, the current regulatory system makes it difficult for nonprofits to operate freely, on the other hand, it is not strict enough to overcome the existing negative image and create a climate of trust. The incomplete character of the regulation governing nonprofit organizations has led to some confusion about the actual differences between various types of organizations. For example, in the recent past, foundations had been able to carry out the same activities as civic associations, and civic associations performed tasks that the law intended public benefit corporations to undertake. Judging from their activities, these organizational forms have been virtually indistinguishable. In this sense, the relatively new Act on Foundations and Funds has been one step toward clarifying the respective roles and characteristics of different legal forms. In general, creating a new and comprehensive legal framework has been the main area of cooperation between the nonprofit sector and the state.

• **Nonprofit finance.** The system of state financing that was taken over from the Communist era still lacks a clear plan for the development of the nonprofit sector and suffers from excessive centralism. It gives the impression of a long-term provisional arrangement waiting for a definite solution that has yet to materialize. On the other hand, there is little doubt that state support will continue to be of central importance to the nonprofit sector. The present system of state financing of nonprofit organizations, however, fosters an atmosphere of uncertainty and has a tendency to keep alive those organizations that “know the ropes,” but not necessarily those that provide the highest quality services. Foreign sources of finances for nonprofit organizations are beginning to diminish rapidly, which, especially in the area of human rights, could give rise to major problems. Because the general public often fails to reconcile profit-generating activities with nonprofit
status, the economic activities of nonprofit organizations remain their most controversial income source; however, final regulatory guidelines for such activities are still lacking. More optimism for the future lies in sponsorships as another important source of nonprofit revenues. Current developments do not suggest that the amount of corporate support is rising markedly, but a cultivation of corporations is taking place and leading to a more effective use of these resources.

In sum, the development of the nonprofit sector as outlined above suggests that any consolidation pressures that are likely to take shape in the near future will have some benefits, but will also cause substantial problems. In addition, even though the number of nonprofit organizations is presently increasing, fatigue is beginning to show in the activities of many of them, as a result both of uncertainties generated by the current legal and fiscal environments and of over-exertion of nonprofits in trying to meet their own objectives. Many organizations work on a voluntary basis and cannot afford to pay a professional workforce. The possibility of professionalizing the staff of nonprofit organizations will play a decisive role not only in the oncoming process of consolidation, but also in further shaping the nonprofit sector in Czech society.

While the challenges remain substantial, the interest that the recently elected new government is beginning to show in the nonprofit sector gives rise to new hopes. In particular, the Social Democratic Party, which is now one of the ruling parties, not only exhibits a positive attitude towards the nonprofit sector, but Social Democrats also recently initiated several practical steps to improve the sector’s position in society. The most important is a government effort to complete the legal framework for the nonprofit sector and to unfreeze funds that were dedicated to nonprofit purposes by former governments. Another positive change is the cooperation between the new government and nonprofit organizations in the process of preparing the Czech Republic for the administration and distribution of regional financial support from the European Union. This process will have strong positive consequences for the financial resources and regional integration of nonprofit organizations in this country.7

ENDNOTES


2. The work in the Czech Republic was coordinated by Martin Potůček, Director of the Institute of Sociological Studies, Charles University, and Pavel Frič, who served as local associates to this project. Assisting them were Rochdi Goulli and five other researchers, including
student assistants Leila Goulliová and Olga Vyskočilová. The team was aided, in turn, by a local advisory committee made up of seven prominent philanthropic, academic, and business leaders (see Appendix D for a list of committee members). The Johns Hopkins project was directed by Lester M. Salamon and Helmut K. Anheier, and the Central and Eastern European portion of the work overseen by Stefan Toepler.

3. The definitions and approaches used in the project were developed collaboratively with the cooperation of the Czech researchers and researchers in other countries and were designed to be applicable to the Czech Republic and the other project countries. For a full description of this definition and the types of organizations included, see Appendix A. For a full list of the other countries included, see Chapter 1 above and Lester M. Salamon and Helmut K. Anheier, The Emerging Sector Revisited: A Summary, Revised Estimates (Baltimore, MD: The Johns Hopkins Center for Civil Society Studies, 1999).

4. Technically, the more precise comparison is between nonprofit contribution to “value added” and gross domestic product. For the nonprofit sector, “value added” in economic terms essentially equals the sum of wages and the imputed value of volunteer time. On this basis, the nonprofit sector in the Czech Republic accounted for 1.1 percent of total value added.


In Memoriam

Ágnes Vajda

As this volume went to press, the tragic news reached us that Ágnes Vajda, one of our Hungarian Associates, had succumbed to a long and severe illness. Ágnes was an outstanding researcher and a wonderful colleague. We will sorely miss her.