

## Executive Summary

An order by the Ministry of Regional Development of the Czech Republic entitled “**Evaluation Study of Involvement by the Nonprofit Sector in the Implementation of Programs Funded from the Structural Funds in the Czech Republic**” was implemented by the HOPE-E.S., v.o.s., EUservis.cz division between 6 January 2012 and 26 April 2012. Results of the evaluation were presented 13 June 2012. Comments of the Client and the Government Council for Nongovernmental Nonprofit Organisations (RVNNO) were incorporated into the final version of the document and approved by the Client 7 September 2012.

The order is part of “National Strategic Reference Framework Management Tools II”, funded by the EU Structural Funds – OP Technical Assistance (OP TA 2007-2013). The project registration number is CZ.1.08/1.1.00/11.00119. According to Commission Regulation (EC) No 213/2008, amending Regulation (EC) No 2195/2002 of the European Parliament and of the Council on the Common Procurement Vocabulary (CPV), the subject of performance is included in the Analytical Services category, code: CPV 71620000-0.

The order focused on evaluation of the involvement by nonprofit, nongovernmental sector (NNS) entities in the implementation of projects funded from the structural funds in the Czech Republic between 2007-2013 and the formulation of recommendations for the future period of 2014+.

The **objective of the evaluation** was to identify, describe and comprehensively analyse system obstacles preventing NNS from implementing projects funded from EU SF in the 2007-2013 programming period and potentially in the future programming period of 2014+ and to prepare proposals for improving the system.

Project implementation included analyses and evaluations of the following areas (**A–D thematic areas**):

**(A) The NNS Legislative Framework in the CR (including NNS entity classification),**

- a. the legislative basis for NNS in the CR (Act on NNS - generally beneficial activity, public interest, not-for-profit, tax legislation, concept of NNS development support - areas concerning provision of public services),
- b. the NNS legislative basis within the EU (structural funds - comparison of NNS legal status in the EU and CR)
- c. political support/public support for civic sector development in the CR (the evaluation of conditions in the legal environment focused on NNS partnership with CR public administration),
- d. the legislative framework, the legal environment related to NNS opportunities for implementing cohesion policy in the CR.

**(B) The NNS Institutional Framework,**

- a. the institutional framework - NNS development in the CR, typology of NNS institutions in the CR,
- b. NNS classification,
- c. the basic role and mission of NNS entities - the role of NNS in society,
- d. the institutional framework and its relationship to implementing the principle of partnership between the NNS and the public sector.

### (C) The NNS Funding System in the CR,

- a. potential sources of NNS funding (state subsidy policy: state subsidy policy areas, NNS subsidies allocated from public budgets and their release process, multisource funding, long-term public administration orders for public services awarded to NNS, tax relief), other sources,
- b. NNS monitoring and evaluation in the CR (current NNS satellite account in the CR) - development, prediction, accessibility and publication of information on NNS and NNS national policy measures,
- c. evaluation in terms of opportunities on the part of the NNS to access funding from SF.

### (D) NNS Involvement in SF Implementation in the CR,

- a. opportunities and current state of drawing SF funding for NNS (acting as applicants and beneficiaries of the funds or project partners),
- b. evaluation of factors limiting NNS access to SF funds from the point of view of the managing authority /NNS (NNS administration capacity - human resources, informedness, education, capacity building, NNS organizational structure, etc.), key barriers to the SF implementation system preventing NNO access to SF funds (the requirement for projects submitted to be innovative, sustainability of projects or services provided etc.) from the viewpoint of the managing authority/NNS,
- c. NNO participation in SF management – applying the principle of NNS partnership, recommendations for the existing and future programming period of 2014+.

Project preparation primarily made use of the following **evaluation methods**:

- desk research, background documentation analysis,
- electronic survey among NNS representatives,
- individual interviews with NNS representatives,
- consultations with NNS experts,
- SWOT analysis,
- expert panel and workshop for output discussion.

Based upon the deskresearch analysis, electronic questionnaire and individual interviews conducted with NSS representatives, a **SWOT analysis** was formulated to study the involvement of the nongovernmental nonprofit sector in implementing programs funded from the Structural Funds in the Czech Republic, along with key conclusions (an analysis of key findings and an overall evaluation). The project outputs and the SWOT analysis were discussed as part of an expert panel organized as a workshop and consulted with NNS experts.

Key outputs of the order consist of recommendations for the 2007-2013 programming period and for the future 2014+ programming period indicated below, formulated on the basis of the analyses carried out and conclusions corresponding to thematic areas included in the order. The recommendations have been formulated based upon the key conclusions of the project.

### The key conclusions have been formulated as follows:

- From the standpoint of the analysis of the legislative and legal environment of the NNS in the CR, it may be said in summary that legislation designated by Act No.

83/1990 on civic associations is problematic. This act limits the activities of civic associations, particularly as regards applications for public fund subsidies and decreased credibility in the eyes of the public. This decreased credibility derives from the ease with which a civic association may be found and the minimum obligations entailed. These obligations represent a negative factor inherent in this legal form, since they result in poor transparency of financial flows, both in terms of public administration grants or other contributions and as affects grants provided by other donors. Act No. 40/1964 Coll., Civic Code and Act No. 117/2001 Coll., on public collections, as amended are outdated and their effectiveness is therefore limited. But this issue has been addressed in a new comprehensive law.

- The system for subsidy allocation designated under the Principles for Providing Subsidies from the CR's State Budget to Nongovernmental Nonprofit Organizations by Central Administration Bodies and Act No. 218/2000 Coll., on budget rules and the amendment of corresponding legislation, as amended, is outdated and therefore represents a key obstacle to nonprofit sector development. Also problematic is that in spite of recently enacted laws, no transparent model exists for the system for making use of tax money generated from games of chance which is intended for publicly beneficial purposes, including precise rules for beneficiaries and a publicly accessible register of beneficiaries of such funds. The fact that no definition exists for "publicly beneficial purpose" in the Civil Code also seems problematic, since this is key for NNS operation.
- As far as drawing funds from the EU financial resources goes, **significant problematic issues include the regulation of public contracts** (Act No. 137/2006 Coll., as amended) and the **comprehensive regulation of inspections and budget rules**. As indicated in the text above, the key issue lies in the fact that NNS entities use EU funding as only one of several sources of funding. When utilizing other funding sources, an NNS need not always address issues concerning inspections, budget rules and public contracts. Thus problems occur both during the preparation and implementation of relevant projects which use OP subsidies co-funded from EU funds.
- Key entities in the NNS environment in the CR were presented as part of evaluating the NNS institutional framework. The key institutional entity with pan-national scope operating on both the national and regional levels is the Association of Nongovernmental Nonprofit Organizations in the CR (ANNO CR), an official umbrella organisation for almost 900 nongovernmental nonprofit organizations which promotes the joint interests of its NNS members. Its main strength lies in its broad representation, both in terms of its regional presence and focus and the fact that it is decentralized into individual regional associations of nonprofit organizations which operate on the regional level within the CR.
- In terms of a partnership between the nongovernmental nonprofit sector and the public sector, a principle of partnership is designated under Council Regulation (EC) which lays down general provisions on the Structural Funds. From standpoint of the partnership principle and NNS involvement in implementing programs funded from the Structural Funds in the CR, is important for individual NNS entities in the CR to participate in the preparation, monitoring and evaluation of operational programs in the CR by actively participating in the entire process of Structural Fund implementation in the Czech Republic. From a partnership principle standpoint, key platforms have been defined for inclusion in the partnership process.
- **NNS is a significant group of EU SF fund applicants and beneficiaries.** Particularly in areas of intervention co-funded by ESF, **NNS entities play an essential role**. In OP LZZ, OP PA and OP VK, NNS entities provide for a significant portion of absorption of funds used for project implementation. Key areas of traditional

NNS activity include social services, education and HR development, the development of a civic society, support for sustainable development and environmental protection, etc.

- **More than 1,300 NNS entities participated in SF EU implementation**, most frequently employ the legal form of the civic association or public benefit corporation. Jointly, these legal forms make up 80% of NNS applicants.
- As of 3/2/2012, **NNS projects** whose status is positive (P4, P45, P5, P6 and P7) have a volume of almost **CZK 10 billion**.
- NNS entities were involved primarily in the implementation of **OP LZZ, OP PA and OP VK**. A total of approximately **4,500 project applications** were submitted on behalf of NNS organizations, approximately **1,400 of which** are being implemented.
- NNS organizations have specific conditions set on their operation and means of activity funding, due to the fact that **the funds are usually not entitlements**. NNS entities must therefore **fund their activities from various sources**, with the SF EU playing a key role in developing and building the NNS. Funds from national public budgets primarily cover the basic provision of services offered by NNS entities (usually in the public interest). In contrast, **SF EU funds do not target general operation** but primarily **developmental activities, improving the provision of public interest services**, capacity building, etc.
- Continuous support from a **multi-source funding system for the NNS** is essential for effective operation, since these organizations cannot rely upon only a single source of funds. NNS funding must be supplemented on the level of the entire organization. It is difficult to build and develop an organization whose activities depend only upon, e.g., SF EU funding.
- NNS can fulfil its mission effectively **only in partnership with public administration entities, the private sector, educational institutions and other relevant partners**. Collaboration with the public sphere is key with regard to providing availability of public interest; collaboration with the private sector is key in terms of securing private funding for further use in the NNS in the public interest.
- **The NNS spectrum is very broad both in terms of organization sizes and the nature of activities undertaken**. The heterogeneity of NNS entities gives rise to varied interests on the part of individual types of organizations. That makes it difficult to reach agreement on representing NNS interests during the preparation and implementation of programs co-funded by the SF EU. Currently, a number of entities promote their interests via **umbrella union organizations**. Nevertheless, structures exist which, due to their regional structure and the number of associated organizations, may be considered suitable successors to NNS entities. Chief among these is the **Association of Nongovernmental Nonprofit Organizations in the CR**, which is built upon a regional structure and elected bodies. But it cannot be considered a sole partner which universally represents NNS organizations.
- **The Government Council for Nongovernmental Nonprofit Organisations (RVNNO)** also plays a significant role. The RVNNO is a permanent consulting, initiating and coordinating body in the Czech Republic. It forms a suitable platform for

representing the NNS position, primarily in the area of initiating and implementing changes to the law.

- The NNS is involved in the preparation and implementation of programs co-funded from the SF EU, chiefly **by representing the NNS on oversight committees of the individual OPs** and management and coordination committees. Their representation in OP Monitoring Committees is, however, perceived by the NNS as purely formal with no practical influence over OP implementation. NNS representatives also pay a significant portion of costs related to their participation in Oversight Committees and frequently have insufficient financial and personnel capacity to participate fully in shaping the implementation of individual OPs. Nevertheless, the NNS has a rather low awareness that it has representation on the OP Oversight Committees (almost half of respondents have no information about participation by NNS representatives on OP Monitoring Committees).
- **NNS makes use of partnerships for project preparation and implementation to a lesser degree than anticipated.** The research shows 41% of NNS respondents do not include partners or include them only partially. The respondents explain this fact as being primarily due to the administrative difficulties associated with partner involvement.
- Most NNS entities state they **have a sufficient number of quality, experienced workers available to implement SF EU funded projects.** There is, however, demand for activities which would build NNS absorptive and administrative capacities in project preparation and implementation (e.g., support for and education of NNS project managers, etc.) Generally, NNS entities may be considered applicants with sufficient experience in preparing and implementing SF EU projects.
- The NNS entities are not satisfied with the transparency of the evaluation process. **Getting adequate information on evaluation procedures and project application (or monitoring report) administration is perceived to be problematic.**
- NNS entities encounter **barriers** in the preparation and implementation of projects co-funded from the SF EU. Chief among these are:
  - **Long deadlines connected to administrative processes** bearing on project applications, monitoring reports and payment requests. Aside from fairly long deadlines for individual processes, the deadlines designated are often not met, which may significantly impact the ability of the beneficiary to fund a project even if deposit payments are involved.
  - **Providing for sustainability, especially for projects co-funded from ERDF, represents a great challenge for most NNS entities.** The issue lies in the practical impossibility of providing funding to sustain investments in a binding manner from national public sources with the current budget uncertainty and the annual budget cycle of national sources.
  - High-level **administrative difficulties connected to project preparation and implementation** compared to other sources of funding for NNS activities. NNS representatives are aware these are public funds but nevertheless perceive difficulties primarily as impacts recordkeeping and documenting lower amounts, whose costs often approach the amount requested. In this context, so-called indirect expenditures have proven effective. Nevertheless,

the rules for their use remain unclear (e.g., with regard to monitoring procedures, documenting, etc.).

- **High competition when participating in calls** (insufficient funding to satisfy all applicants) – on the one hand, the NNS shows a lower relative success rate in published calls compared, e.g., to public administration. One of the key reasons for this is that NNS entities primarily participate in calls with a high number of potential applicants, with relatively open call conditions accompanied by limited funds allocated for the calls. **The fact that demand outstrips supply** for available funds then leads to a lower relative success rate for NNS entities (this, of course, also concerns also other groups of applicants participating in competitive calls).
- **Frequent changes in documentation and clarity** – this issue is primarily related to initial OP calls. Nevertheless, the NNS entities perceive changes in applicant and beneficiary manuals, changes in obligations defined by law on support provision, etc., to represent a significant barrier. The ambiguity of provisions included in the documentation and the potential for several interpretations are also perceived as problematic.
- **Not enough global grants supporting even small-scale NNS regional projects.** The existing minimum financial limits defined in the calls are too high for a number of NNS entities to be able to prepare a sensible project plan. In the prior programming period, global grants were used with a minimum project budget level defined in terms of hundreds of thousands of crowns (e.g., the GG NROS in OP RLZ 2004-2006).
- **Problematic pre-funding of NNS entity projects which make use of loans.**

The recommendations have been formulated as follows:

No.	Recommendation	Entity
1	<p><b>To Develop NNS Representation in EU OP SF Monitoring Committees and Coordination Committees Based upon Equal Partnership.</b> It is also advisable to reinforce NNS representation in the 2014+ period by, e.g., individual an <b>OP beneficiaries' committee</b>, which will serve as an advisory body for implementing interventions indicated in individual OPs (technical assistance funds may also be used). Representatives of beneficiaries may use their experience to make OP implementation more effective and improve the course of individual calls and supported activities. They may assist in formulating selection and evaluation criteria and conditions for project implementation.</p>	National Coordinatio n Authority (NCA) , Managing Authority (MA), ANNO
2	<p><b>Reinforce Support for Partnership Projects between NNS and Public Administration or NNS and the Private Sector.</b> In the 2014+ period, continue to support collaboration between regions and NNS representatives by, e.g., collaborating with individual umbrella organizations on the regional level. Examples of good practice may include selected activities implemented in the prior program period under SROP 3.3 (2004-2006) projects. We recommend the use of technical assistance funds to develop regional partnerships.</p>	NCA, MA, ANNO
3	<p><b>In the 2014+ period, focus on building NNS institutional, absorptive and administrative capacities by making use of technical assistance funds.</b> Activities to support absorption and administration capacity may have national or localized impact. The regional impact and inclusion of relevant <b>NNS regional and local actors</b> from both private and public sectors is also very important.</p>	NCA, MA coordinating TP, ANNO
4	<p><b>To allocate funds into global grants focused on supporting smaller NNS regional projects and relevant operation 2014+ programs (particularly the ESF intervention).</b> A number of NNS entities do not have the courage to administer a larger volume of funding. If they operate locally or on a regional level, limits exceeding CZK 500,000 are needlessly high. Global grants on the regional level which would be administered at an adequate difficulty level would significantly contribute to NNS development and the development of activities supported.</p>	MA
5	<p><b>To reinforce awareness of the need for multisource funding for NNS entities with the aim of including NNS in EU SF sustainable implementation.</b> When implementing a communication campaign, the beneficiary must be informed of the purpose of the subsidy allocated from the EU Structural Funds, along with the sustainability requirements and the need to combine various funding resources to ensure sustainable functioning of the organization and provision of services to the target groups. Communications must therefore be both proactive and provide information on support opportunities at the same time they provide balanced information on implementation risks and the conditions under which EU Structural Fund resources are provided (something particularly true for the managing authority and</p>	MA, Intermediate Body

No.	Recommendation	Entity
	intermediate body in implementing OP communication plans).	
6	<p><b>To increase transparency of administration and project evaluation by most detailed informedness on the state of the project and individual steps.</b> Under current practice, applicants are not provided with specific objections from the evaluator in the breakdown of individual evaluation criteria. It is therefore difficult to modify the project for potential resubmission. Due to insufficient capacity on part of the managing authority or intermediate body, beneficiaries often get into a situation in which their payment applications are not administered within deadlines. But because of their beneficiary status, they have no real chance to speed this process up or to locate relevant information on the course of the application administration process or MZ.</p>	MA
7	<p><b>To support interconnection of information sources concerning the possibilities for drawing on EU SF funding (<a href="http://www.strukturalni-fondy.cz">www.strukturalni-fondy.cz</a>, individual OP websites) with other information sources for NNS (portals administered by NNS umbrella organizations, etc.)</b> According to most NNS respondents, the means of providing information on EU SF support is satisfactory. Nevertheless, it is not sufficiently interconnected with other information sources designated for NNS. This is also due to inadequate funds for information services providing data on NNS funding accessibility, the high level of heterogeneity for NNS in the CR, etc.</p>	NCA, ANNO
8	<p><b>To continue regular communication with NNS representatives via umbrella organizations, particularly ANNO CR and RVNNO.</b> Given the NNS heterogeneity in the CR, it is difficult to find a single organization which might be considered a universal spokesperson for NNS and NCA's partner. Because of the loose regional structure, the most suitable candidate seems to be Association of Nongovernmental Nonprofit Organizations in the CR. The Government Council for Nongovernmental Nonprofit Organisations also plays a significant role. The National Coordination Authority must then regularly communicate with these representatives at a minimum and ensure NNS representation in relevant working groups and committees while respecting the partnership principle.</p>	NCA, MA
9	<p>NNS representatives must subsequently bear responsibility for information transfer by their structures to the broadest possible range of NNS in the CR. <b>Information transfer to individual NNS entities is the primary function of associations and groups.</b> The broader the information impact, the better.</p>	ANNO
10	<p><b>To monitor the EU SF, the codebook of legal forms employed by NNS under MSSF must be adjusted.</b> The most frequent applicant type – civil association – is not indicated independently in the legal form selection and ongoing monitoring in keeping with the applicant's legal form is impossible. This issue very likely arose due to the adoption of the Czech Statistical Office codebook. A significant portion of applicants and beneficiaries may fail to be classified in the proper category according to their legal form.</p>	NCA



No.	Recommendation	Entity
11	<p>In negotiations on future EU SF programs for the 2014+ period, the direction of ESF interventions must be ensured as part of the Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Social Fund and Repealing Council Regulation (EC) No 1081/2006, particularly in the following areas (as indicated in Art. 3):</p> <ul style="list-style-type: none"> <li>• support of employment and worker mobility</li> <li>• investments into education, skills and life-long learning,</li> <li>• support of social inclusion and battling poverty.</li> </ul> <p>The NNS in the CR is expected to play a significant role in the areas indicated above during the 2014+ period. Simultaneously, it is advisable to support investment to ensure the activity areas indicated above be funded by ERDF.</p>	NCA, MA
12	<p><b>The body providing for national coordination should, as part of its activities, consult individual OPs on specific funding characteristics and the means by which individual groups of applicants and beneficiaries are included in OP projects.</b> This concerns not only NNS but also schools and educational facilities (or other applicant groups). Each group has specific options and laws governing its activities which must be taken into account. The method of defining applicant and beneficiary conditions falls under the competency of MA. The National Coordination Authority is to monitor and potentially coordinate the approaches of individual MAs.</p>	NCA
13	<p><b>When designating the rules for expenditure eligibility and funding of EU SF projects, the specific character of the NNS must be taken into account.</b> Project pre-funding by loans is problematic. If co-funding is necessary, it is advisable to include, e.g., the value of volunteer work into the NNS entity's own resources. Another area is use of so-called indirect or one-off expenditures which limit the administrative difficulty of project preparation and implementation for both applicants and beneficiaries and administrators.</p>	NCA, MA
14	<p><b>In terms of new legislation governing the NNS action environment and amending the existing regulation, the position of umbrella union and interdisciplinary organizations must be reinforced in the preparation of a new legislative environment, working closely with RVNNO.</b></p>	ANNO, RVNNO