EUROPEAN COMMISSION
Directorate-General for Research and Innovation
Directorate B — Innovation Union and European Research Area
Unit Directorate B. Unit B.3 — SMEs, Financial Instruments and State Aids
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European Commission
B-1049 Brussels
Czech Republic Country Report
EUFORI Study

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1 Contextual Background

1.1 The historical background

The historic ‘Lands of the Czech Crown,’ which today constitute the Czech Republic, have a long and rich tradition of charity and voluntary association dating back to the Middle Ages. The centuries of the development of philanthropy and associational life culminated in the 19th and early 20th centuries, when the Czech Lands became the most industrialised and the most urbanised parts of the Austro-Hungarian Empire and, after the First World War, the new country of Czechoslovakia.

The centuries-long tradition came to an abrupt end under Nazi occupation during the Second World War and in the ensuing decades of the totalitarian Communist regime in the conditions of the Cold War. After the Communist takeover in 1948, all private philanthropic institutions were liquidated and their assets and property confiscated; free association, free assembly, free speech, as well as other basic civic freedoms, were outlawed. The few organisations that were permitted to continue their existence were amalgamated into new mass organisations in which their property was conveniently dissolved. Together with the ostracised political parties, the united Revolutionary Trade Unions and new mass organisations such as the Union of Czechoslovak-Soviet Friendship or the Union for Cooperation with the Armed Forces, they were put under the direct control of the Communist Party in the notorious political umbrella organisation, the National Front. No organisations were permitted to go on working or to be established unless they were members of the National Front.

After the fall of the Iron Curtain and the democratic revolutions in the eastern part of Europe in 1989, associational life was quickly re-born: a lot of traditional and pre-WWII organisations were revived and large numbers of new associations were established. Their growth was explosive: in 1989, at the end of the Communist era, there were only 537 ‘socialist mass organisations;’ by the end of 1991 there were 21 000 registered organisations; by 1995 their number had shot up to 35 000; and today, more than two decades after the ‘Velvet Revolution,’ the Satellite Account of Non-Profit Institutions of the Czech Statistical Office has records on some 110 000 nonprofit institutions (in a nation of ten million people).

The new explosive growth of nonprofit organisations took place in a situation of legislative void: the first post-1989 parliament quickly amended a few sections in the Constitution and one article in the Business Code to re-introduce basic civic freedoms and to make possible the establishment of not-for-profit organs-

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1 On 12 July 1951 the National Assembly of the Czechoslovak Republic passed a new law, Act No. 68/1951, ‘On voluntary organisations and assemblies,’ whose implementing regulations included the following sentences: ‘The focus of associational life in a people’s democracy has been moved to mass organisations. The purposeless and self-absorbed forms of bourgeois clubmanship are a thing of the past.’

2 For a more extensive treatment of the history of the Czech nonprofit sector see, e.g., Tůma, Vaněk and Dostál 2001; and Pospíšil 2009.
sations, respectively. Then, for a number of years, it refused to debate any further nonprofit legislation, even though the nascent nonprofit sector was badly in need of it. The politicians’ repeated excuse was the priority they had to put on the legislation that was urgently needed for the political and societal transformation of the country. A few thousand nonprofit organisations were simply not on their radar.

This absence of rules and regulations, combined with the loss of historic memory and a complete lack of any experience in establishing and managing private nonprofit organisations soon led to a confusing situation in which the new nonprofit organisations were often erroneously defined, badly established and poorly managed. This lack of legislation later also led to large-scale abuse of the nonprofit form.

For a discussion of philanthropic foundations it is worth noting that the old Czech word ‘nadace’ (foundation) seemed to have completely lost its traditional meaning of ‘assets or capital dedicated by the founder to a charitable purpose.’ This word was arbitrarily used in the names of many new nonprofit organisations, including membership-based associations, even though they bore no resemblance to traditional foundations. The ‘popularity’ of naming one’s organisation a ‘foundation’ rose dramatically when the first post-1989 Czech government decided that they would like to contribute to the creation of a financial base for the budding civil society and nonprofit sector by providing them with some seed capital. In 1991 the Czech Parliament passed Act No. 171/1991 on the transfer of State property to other subjects, on the basis of which it was decided that 1 % of the proceeds from the second wave of privatisation of State property would be put into a special fund called the ‘nadační investiční fond’ (the Investment Fund for Foundations), from which, after the conclusion of the privatisation process, financial contributions would be made into the endowments of foundations selected through a public tender. It is hardly surprising that in expectation of such financial contributions, hundreds of new foundations were established. By the mid-1990s the number of Czech ‘foundations’ had risen to almost 5 500.

Gradually, this situation of legal void and linguistic confusion, and the evermore frequent cases of abuse, led to increased pressure on the politicians for the implementation of the much needed and long overdue legislation. The first set of new laws dealt with the concept of a foundation. However, in an effort to return the old meaning to the legal status of foundations and to curb any abuse of the nonprofit sector, Czech politicians went too far in the opposite direction to their liberal attitude in the early 1990s. The result was a very strict draft which defined a foundation as an asset-based legal entity with a public benefit purpose whose finances could only be used to make grants to third parties. Foundations would not be allowed to engage in business activities, nor could they operate projects of their own. For those entities that provided services for the public benefit, and were thus roughly equivalent to operating foundations, a new legal form was designed: ‘obecně prospěšná společnost’ (public benefit company).

There was a lot of dissatisfaction and protest voiced by the nonprofit community about these legislative proposals. Most Czech foundations had no, or very little, capital as they were fundraising organisations. Most operated programs and projects of their own. But the legislative process went ahead; a law on public benefit companies was passed in 1995 (Act 248/1995) and a law on foundations in 1997 (Act 227/1997). As the Bill on foundations passed through Parliament, however, it was substantially amended: the MPs responded to the pressure from most foundations and (a) lowered the sum required for foundations’ en-
endowments to 0.5 million Czech Crowns (approximately EUR 20 000), and (b) created a new legal form for foundations with no endowments: ‘nadační fond’ (the charitable fund). But both these new laws remained very strict in all other aspects of the operations of foundations, funds and public benefit companies.

There was a lot of hesitation about the new legal form of public benefit companies, and so in the first years very few of these organisations were established: by 1998 there were only 129 of them. The effect of the law on foundations and funds, on the other hand, was immediate and drastic: the number of foundations dropped from 5 238 in 1997 to 55 in 1998. By the end of the re-registration process at the end of 1998, there were 272 foundations established under the new legislation with at least the legally required minimum sum of CZK 500 000 as an endowment, and there were 695 charitable funds. The rest of the original 5 238 ‘foundations’ transformed themselves into public benefit companies (there were 560 of them by the end of 1998) or associations, or they dissolved themselves. The erratic growth of the foundation sector after 1989 is illustrated in Table 1 below.

The new legislation clarified the playing field for charitable foundations, but the problem of underfunding remained. Almost none of the newly registered foundations had more money than the minimum required sum of CZK 500 000 (roughly EUR 20 000 at the rate of EUR 1 = CZK 25 in 2012), which foundations had to put in their endowments, and which, however, was an absurd amount as a revenue-generating investment with which to make grants (Pospíšil, 2003). A very modest number of foundations were attempting to build an endowment through capital fundraising campaigns, but that was a long-term task with a very uncertain result, as by 1998, only eight short years after the Velvet Revolution, there was not yet enough new wealth in the country. But the implementation of the new foundation legislation, which had done away with fake foundations, made it possible for the government to distribute the proceeds from privatisation that had in the meantime accumulated in the Investment Fund for Foundations (NIF). Between the years 1999 and 2006, the Czech State thus donated CZK 2 443 million (approximately EUR 90.5 million) into the endowments of 64 private foundations selected in two rounds of public tenders (1998-9 and 2001-2). [3]

The selected foundations had to have a good record of several years of foundation activity; they had to be able to prove that they had already been building an endowment of their own for some time, and they were obliged to add the State’s contribution to that endowment. The money was not to be spent and the foundations had to invest it and were only allowed to use the return from their investment for grantmaking. [4] Individual contributions were not very high (the best-rated foundations were able to obtain between CZK 50-90 million [approximately EUR 2.0-3.6 million] if they were successful in both the tenders), but they were meaningful contributions to those foundations that had been building an endowment and were determined to continue to do so in order to become proper grantmaking entities. The net gain from this extraordinary act of State support for private foundations was the emergence of approximately 40 grantmakers, albeit small in size in comparison with the rest of Europe.

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3 See Rada vlády pro nestátní neziskové organizace, 2012.
4 Ibid.
1.2 The legal and fiscal framework

The two laws mentioned above (Act 248/1995 on public benefit companies, Act 227/1997 on foundations and funds) set out quite strict rules for the behaviour of foundations, funds and public benefit companies. First of all, they are all defined as nonprofit organisations for public benefit; they cannot provide services for private or mutual benefit.

They can be established by natural or legal persons. New organisations are registered by the regional courts (seven in the country), with which they also have to file their statutes, the names of the members of their governing board and the supervisory board, their annual reports and auditor’s reports, and other documents.

Foundations must have an endowment; charitable funds can have an endowment. The endowment, including the way(s) in which it is invested, must also be registered with the registration court. The foundation’s and fund’s statutes must, among many other things, include a clause that prescribes the maximum amount that the foundation/fund is permitted to spend on its own administration.

The law sets strict limits on the business activities of foundations and funds: they can only use up to 20% of their other funds to invest in shares of private companies, but the use of an endowment for that purpose is not permitted. They can engage in no other business activities. Public benefit companies can, however, engage in supporting business activities, besides the purpose for which they are established (i.e. the provision of public services).

The laws define strict rules on all aspects of the life of foundations, funds and public benefit companies and prescribe detailed procedures for the functioning of the organisations’ governance and management. All three types of foundation-like organisation must publish annual activity reports and annual financial reports according to a prescribed structure. Their finances must be audited and the auditor’s reports must also be published and filed with the registration courts, just like the annual reports.

Even though the laws are so strict on foundation-like organisations, Czech legislation does not offer them better fiscal treatment than it does to other nonprofit legal forms. The income from the investment of an endowment is exempt from income tax, but otherwise foundation-like organisations get the same tax treatment as associations and all other nonprofit legal entities. Their income from (supporting) business activities is taxed regularly, while any income from their foundation activities or the provision of public services, as defined in their mission statement and statutes, is exempt from income tax. Furthermore, complete tax exemption also applies to membership fees (not applicable to foundation-like organisations, of course), the interest from bank accounts, and income from charitable appeals and collections or charitable lotteries. Last but not least, also tax exempt are gifts, donations, bequests and grants made to nonprofit organisations for their charitable purpose. [5]

Donors to charitable organisations are also entitled to tax relief, and a flat rate is applied to all donors, i-
respective of which type of nonprofit organisation they have contributed to. Natural persons can deduct from their tax base donations up to 10% of their income tax base and legal persons can deduct up to 5% of their tax base.

Foundations are recipients of public funding only in very exceptional cases; in principle they should not apply for public funding at all. They have to rely on private donors for their fundraising campaigns. Funds and public benefit companies, on the other hand, are free to compete for public funding, just like all other nonprofit organisations. Public benefit companies in particular rely on public funding to a very large extent.

1.3 The foundation landscape
Since the Foundation Law of 1997, foundation legislation has been amended several times to make it less strict in terms of foundations’ involvement in business activities within the range of investment tools that they are permitted to use, and their ability to operate projects of their own. But in principle legislation has remained the same, [6] distinguishing three legal forms that foundation-like organisations can take:

1. Foundation (*nadle* in Czech), defined as an asset-based non-membership organisation dedicated to supporting public benefit purposes, with a registered endowment of at least CZK 500 000 (EUR 20 000).
2. Charitable fund (*nadační fond*), a property-based non-membership organisation dedicated to supporting public benefit purposes, without registered endowment.
3. Public benefit company (*obecně prospěšná společnost*), a non-membership nonprofit organisation dedicated to providing public services (roughly equivalent to an operating foundation).

Since the implementation of foundation legislation in 1995 and 1997 (as described in 1.1 above), the numbers of all the three foundation-like organisations have been gradually rising: by 2011 there were 435 foundations, 1 195 funds and 1 968 public benefit companies (Czech Statistical Office, 2012).

Figure 1: Czech foundation-like organisations according to legal form (2011)

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6 On 1 January 2014 a new Civil Code came into effect in the Czech Republic, which includes new legislation on associations and foundations. The following pages describe the situation that was valid until the end of 2013 as this is relevant to the EUFORI study.
The financial strength of Czech foundations, however, has remained poor. Today, we have the thirty or so foundations that received a reasonably sized contribution from the NIF (see 1.1 above); perhaps a dozen of them have been successful in further increasing their assets and can now boast of medium-sized endowments of around CZK 100 000 000 (approximately EUR 4 million). All of these foundations, however, continue to raise money through annual fund-raising campaigns.

Since the beginning of the 21st century, in addition to the ‘NIF’ foundations, perhaps two dozen new foundations have been established with sufficient endowments or some other secured source of annual income. The first to be established were corporate foundations, founded by large corporations and banks, followed by private foundations established by new wealthy individuals and families. It is interesting to note, however, that both the corporate and the family foundations tend to be established with the minimum required endowment, or to be incorporated as charitable funds rather than foundations. The parent companies or individual donors seem to prefer to fund their foundations through annual contributions rather than immobilising large sums in their endowments.\(^7\)

The rest of the 435 foundations, almost all the charitable funds and all the public benefit companies have very little or no property and assets, and are thus fully dependable on annual fundraising.

The large private foundations and the corporate foundations typically combine operating programmes and projects of their own with grant making. Pure grantmakers are extremely rare, only some bank foundations operate in that way. Since most foundations do not, or cannot, rely on just the income from the investment of their assets, they also raise funding from other donors; they use this funding for projects of their own or re-grant it.

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\(^7\) There has been no research undertaken into the development of endowments and assets in Czech foundations; all the estimates in this text are my own, based on several investigations into the financial reports of a small sample of the ‘NIF,’ corporate and family foundations.
Almost all the charitable funds are grantseeking organisations; they raise money so that they can operate projects of their own. A very large number of them are established as ‘parallel’ foundations, typically established by all kinds of service provider (schools, universities, hospitals, health services, social service providers, cultural institutions etc.). They serve exclusively their parent organisations by raising money or providing services for them.

All the public benefit companies are grantseekers. They raise funding from all types of donor so that they can provide the public service for which they were established. They operate in all areas of public service: education, research, culture, arts, heritage, health, social services etc.[8]

Finally, it must be borne in mind that all Czech foundation-like organisations are very young, with the exception of one foundation established at the beginning of the 20th century, which survived the totalitarian years (thanks to an administrative error), all of them were established after the regime change in 1989, and most of them after the year 2000. Table 1 below shows this development.

Table 1: Czech foundation-like organisations since 1989

<table>
<thead>
<tr>
<th>Year</th>
<th>Foundations</th>
<th>Funds</th>
<th>PBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1992</td>
<td>1 552</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1997</td>
<td>5 238</td>
<td>0</td>
<td>52</td>
</tr>
<tr>
<td>1998</td>
<td>55</td>
<td>71</td>
<td>129</td>
</tr>
<tr>
<td>1999</td>
<td>272</td>
<td>695</td>
<td>660</td>
</tr>
<tr>
<td>2011</td>
<td>435</td>
<td>435</td>
<td>1 968</td>
</tr>
</tbody>
</table>


Most foundations are active in the fields of Culture and Arts (12 %), Education (9 %) and Health (6 %); only 1.45 % foundations support Research as their main purpose. 40 % foundations are grantmaking and/or mixed, whereas 60 % only operate their own programs and give no grants (Rosenmayer 2004).

Charitable funds most frequently operate in Education (37 %), Health (12 %) and Culture and Arts (7 %); 1 % are active in Research. 7 % of them are grantmaking and/or mixed, the remaining 93 % are operating foundations (Rosenmayer 2004).

The highest numbers of public benefit companies (PBCs) work in Education (29 %), Culture and Arts (18 %), Social Services (15 %) and Development (11 %). Only 1 % of PBCs have research as their principal purpose (Rosenmayer and Kujová 2005).

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Both in the Czech pre-WWII tradition and in the new nonprofit organisations established since 1989, one of the most frequent (and prestigious) charitable causes has been education: there have always been large numbers or organisations dedicated to educational missions. Research often accompanies education so that the mission statements of such organisations as a rule include research as one of the minor purposes, or they say ‘education and research,’ or ‘education and science,’ or a similar specification. Foundation-like organisations whose principal mission/activity is research, however, are very rare indeed, as is clear from the data given above. Innovation fares even worse: few organisations are dedicated to innovation, maybe because innovation is considered to be the *raison d’être* of science and research anyway, and so does not seem to require to be stated as a separate purpose.

The infrastructure of the foundation sector remains underdeveloped after 25 years; most foundation-like organisations are individual players and they do not tend to form umbrella organisations or associations. The one honourable exception is the Czech Donors Forum, established in 1997 by several leading foundations with the task of cultivating the foundation environment, of guarding the ethics of foundation behaviour and of representing the interests of philanthropic grantmakers. Today, the umbrella of the Donors Forum covers three associations, whose membership, however, is very low in comparison with the total numbers of organisations: the Association of Foundations (33 members), the Association of Charitable Funds (22 members) and the Association of Corporate Foundations and Funds (nine members). These low numbers are undoubtedly due to the condition of membership: the member organisation must be a grantmaking foundation or fund. There is also a miniscule Association of Community Foundations, established in 2006, which only has four members; the concept of community foundation does not seem to have taken root in the Czech Republic. The members of the Donors Forum are foundations that support all fields; there are no field-specific umbrellas or associations in the country. [9]

### 1.4 Research/innovation funding in the Czech Republic

In 2012, the total expenditure on research, innovation and development (GERD) was CZK 72.36 billion (approximately EUR 2.9 billion), which is 1.88 % of the GDP. [10] This expenditure represents an increase of 20 % compared with the year 2011, the largest year-to-year increase in the past ten years. This was mainly due to a 180 % increase in income from foreign public sources and a 15 % increase in income from domestic private sources. The GERD has been rising steadily in recent years, from 1.22 % of the GDP in 2005 to 1.88 % in 2012, thus almost reaching the EU27 average (1.9 % in 2011). In terms of overall innovation performance, the country counts as a moderate innovator in the Innovation Union Scoreboard 2014.

In 2012, the largest amounts of finance for research, development and innovation (RDI) were spent within the domestic public sector and on domestic business. The expenditure of private foundations is so low that it is not perceptible according to official statistics. The CZSO, however, records RDI expenditure for the whole private nonprofit sector, which was 0.9 % in 2012 (see Table 3).

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9  There are field-specific networks and associations of service-providing nonprofit organisations in, e.g., social services, the environment or children and youth, and a number of operating foundations belong to their members.

10  All the data in this section are from the Czech Statistical Office 2013 unless otherwise stated.
Most RDI expenditure supports technological science (51 % in 2012) and natural science (31 %), followed at a big distance by medical science (8 %), social science (4 %), agricultural science and the humanities (both 3 %). About one third of the finances is each spent on basic research (30 %), applied research (36 %) and experimental development (34 %).

Like the EU as a whole, the Czech government has paid increased attention to research, innovation and development. In a strategic document (Rada pro výzkum, vývoj a inovace 2013b), it has defined nine policy objectives and highlighted the priorities of RDI for the years 2009-2015:

- **Objective 1**: Establish RDI strategic management at all levels.
- **Objective 2**: Focus State aid for RDI on the need for sustainable development.
- **Objective 3**: Improve the efficiency of the RDI State aid system.
- **Objective 4**: Apply R&D results in innovations and improve public-private cooperation in RDI.
- **Objective 5**: Improve the Czech Republic’s involvement in international cooperation in RDI.
- **Objective 6**: Ensure quality human resources for RDI.
- **Objective 7**: Create an RDI-stimulating environment in the Czech Republic.
- **Objective 8**: Ensure effective links to policies in other areas.
- **Objective 9**: Rigorously evaluate the RDI system.
The priorities of applied research, development and innovation in the Czech Republic in 2009-2011:

- Biological and environmental aspects of sustainable development.
- Molecular biology and biotechnology.
- Energy sources.
- Materials research.
- Competitive engineering.
- Information society.
- Security and defence.
- Priorities for the development of Czech society.

In comparison, the Czech Republic scores quite low with the EU15; in spite of the increased attention paid to RDI, it remains a transition country that has not yet overcome the negative legacy of the Communist years and which does not have the financial or human resources to successfully compete with the ‘old’ EU countries. Among the new EU members, however, the country is much more competitive, usually ranking among the first four.

In terms of scientific publication production, e.g., with 0.85 publications per 1 000 citizens, the Czech Republic is the average of the EU27, but its score is only roughly half of the score of the EU15. In terms of citations, both in relation to the number of citizens and to the FTE number of R&D workers, the Czech Republic only reaches 80 % and 85 %, respectively of the average of the EU27. (Rada pro výzkum, vývoj a inovace 2013a)

Between 2005 and 2011, Czech subjects submitted 832 patent applications to the European Patent Office (EPO), a mere 0.85 % of all applications for that period. Applicants from Denmark or Austria submitted approximately 10 000, Dutch applicants almost 50 000 (47 850) and those from Germany even reached 180 000 patent proposals. In 2011, the EPO received 164 proposals from the Czech Republic, which means 16 proposals per 1 million inhabitants; the EU27 average, however, is 128 per 1 million inhabitants (Rada pro výzkum, vývoj a inovace 2013a).

The Czech Republic’s innovation performance is slightly below the EU27 average; it is one of the best countries among moderate innovators. But the two examples mentioned above of scientific publications and citations and of international patent applications reveal that in terms of output the position of the country in the EU context is much weaker. According to the Index of Economic Impact of Innovation, the Czech Republic (0.497) is clearly below the EU average (0.612), as well as underperforming its reference group (CZ+IT+HU+SI+SK: 0.543). It ranks 17th due in particular to its poor performance in ‘patent applications per GDP’ and ‘share of knowledge-intensive services in total export of services’ (European Commission 2013).

To sum up, the country is ‘critically weak in terms of high impact scientific publications, PCT patents and attractiveness to foreign doctoral students (other than Slovaks). Other marked weaknesses (...) include pub-
lic R&D expenditure, access to venture capital and license and patent revenues from abroad’ (European Commission 2013). On the other hand, the Czech Republic has real strengths in six science and technology areas in the European context: automobiles, other transport technology, construction and construction technology, materials, energy, and the environment. (European Commission 2013). A relative weakness in supporting and financing R&I is the lack of coordination and cooperation between the individual players in R&I, including the low extent of cooperation between the science base and the business sector.

Research, development and innovation have enjoyed being a very high priority for the government, with a series of green papers, white papers, strategic documents (such as the National Research, Development and Innovation Policy of the Czech Republic 2009-2015, the National Innovation Strategy, the Czech Republic International Competitiveness Strategy for 2012-2020) and new legislation (e.g. the amended Investment Incentive Act or Income Tax Act) issued over the past ten years. The government has set up the Council for Research and Development as its main advisory body and a steering committee to oversee the implementation of the National Innovation Strategy. The Grant Agency of the Czech Republic and the Technological Agency of the Czech Republic are the main channels of providing state support for science and technology in the country.

Technology and science parks, innovation centres and clusters, associations of innovative entrepreneurship and venture capital have mushroomed recently due to a combined effort of the government, business and academia to improve the less than satisfactory RDI performance of the country. Recent government policy papers include private nonprofit organisations and foundations in this strategy, but their role as financial contributors to RDI remains very marginal, due to the financial weakness of Czech foundations. Also, science (and education) was the sole responsibility of the State for so long that most people do not think of foundations and/or nonprofit organisations when it comes to financing them. The dominant institutions in science and research, namely the universities and the Academy of Science of the Czech Republic, are in fact publicly funded, and since scientific progress is such an important force in economic development, most people think the full funding of science and research is the State’s responsibility.
2 Data Collection

The processes of sampling and data collection turned out to be difficult and drawn out, lasting one year from November 2012 until almost the end of 2013. The main reasons were the low reliability of all existing sources of data and information on foundations and the continued attempts to raise the low response rate during data collection.

2.1 The identification of foundations supporting R&I

There are two sources of information in the Czech Republic that we could use as the starting point for the identification of foundations supporting research and innovation:

- The Business Register (Obchodní rejstřík), administered by the Ministry of Justice, available online at https://or.justice.cz/ias/uj/rejstrik
- The Satellite Account of Nonprofit Institutions, [11] for whose implementation the CZSO has a database of all legal forms of nonprofit institutions (currently thirteen legal forms). The database is not publicly available, but the CZSO provides information from it on request.

The process of identification was then implemented as follows:

1. We requested a database from the CZSO of foundations, funds and public benefit companies that were classified in the CZSO database under ‘science, research and innovation’ and/or had those words in their names or stated those objectives in their mission statements or their lists of activities. We received a database of 247 foundations and funds and 373 public benefit companies, 620 organisations altogether. We knew from previous research (Rosenmayer et al. 2004) that the information in the official databases was very unreliable, therefore:

2. The second step was to check the information in the database against other sources of information:
   - We looked up the information in the Business Register.
   - We conducted an online search for R&I foundations.
   - We consulted the address lists and databases of nonprofit umbrella organisations.
   - We consulted major recipients of research grants (universities, research centres, think tanks, institutes of the Academy of Sciences).

3. Finally, after ruling out defunct foundations and mistaken identities and adding a few new finds, we attempted to complete the contact information. We made use of all the sources mentioned in Step 2 above and, in addition, we searched through individual foundations’ websites, including their latest annual reports and other documents if available.

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At the end of the process we obtained a sample of 519 R&I foundations, with which we started the survey. Much later, during the last round of reminders and additional searches, we identified one more foundation so that the final sample included 520 organisations. The share of the three legal forms in the sample is presented in Table 4 below.

Table 4: Final sample of Czech foundation-like organisations for the EUFORI Study

<table>
<thead>
<tr>
<th>Foundations</th>
<th>Funds</th>
<th>Public benefit companies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>62 (12 %)</td>
<td>146 (28 %)</td>
<td>312 (60 %)</td>
<td>520</td>
</tr>
</tbody>
</table>

Most foundations in our sample were active in the fields of Medical Science and Social and Behavioural Science, followed by the Humanities and Engineering and Technology. One tenth of the sample were multiple-purpose and general purpose foundations.

Three things struck us as significant in the sample:

1. Almost all the R&I foundations listed research (very often combined with education) and science among their purposes, but not as their main purpose: in fact it was usually only included towards the end of the list of a foundation’s objectives/activities. This much-repeated pattern gave rise to a suspicion that the mention of research in such cases was more of a declaration of intent based on wishful thinking rather than a serious commitment to allocating resources to research.

2. Most foundations were very small.

3. Most foundations were grantseeking rather than grantmaking organisations. Table 5 clearly shows
that there were only three foundations in our sample with endowments that were large enough to enable them to make grants from their investment, while 90% (!) of the 207 foundations and funds did not have more than the minimum endowment requested by law. All the PBCs are by definition fundraising organisations.

Table 5: Czech R&I foundations and funds: size of endowment

<table>
<thead>
<tr>
<th>CZK millions</th>
<th>EUR thousands</th>
<th>Number of foundations</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1</td>
<td>&lt; 40</td>
<td>186</td>
<td>89.9</td>
</tr>
<tr>
<td>1-5</td>
<td>40-200</td>
<td>10</td>
<td>4.8</td>
</tr>
<tr>
<td>5-10</td>
<td>200-400</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>10-25</td>
<td>400-1000</td>
<td>2</td>
<td>1.0</td>
</tr>
<tr>
<td>25-50</td>
<td>1000-2000</td>
<td>5</td>
<td>2.4</td>
</tr>
<tr>
<td>50-100</td>
<td>2000-4000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>&gt; 100</td>
<td>&gt; 4000</td>
<td>3</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Thus, before we even started the survey, the main finding was clear: almost all Czech R&I foundations were grantseeking and operating. Their contribution to research and innovation consisted of the programs and projects they implemented with the funding raised from other donors, while their financial contribution was very low. They would be consumers of other donors’ funding rather than financial contributors to the causes stated in their missions.

2.1.1 Problems and issues in the sampling process

Of the 519 organisations, only 369 had an e-mail address. These days, when an e-mail address is a must, this was a signal to us that these organisations were probably not active, maybe even dead. But even with the other organisations in the sample, we could not be sure about the contact and other information, judging from the experience we had from the sampling process in terms of the unreliability of the data sources.

In spite of all our efforts to clarify these problems, it was clear to us that anywhere between 40 and 60% of the R&I foundations that we identified might be defunct or inactive, and that the contact information might be outdated or completely obsolete.

Bearing this in mind, and after a consultation with the EUFORI Study coordinator, it was decided to use the whole sample of 519 organisations for the survey.

2.2 The survey

The foundations were notified in advance by a letter signed by the country researcher and the Head of the Department of Public Economics at Masaryk University on 10 April 2013. Subsequently, e-mail invitations were sent by VU University Amsterdam on 18 April. They were accompanied with a letter of endorsement.
In response to both batches of mail, 45 e-mails and 37 letters were returned as undeliverable. We tried to reach these organisations by telephone, but were successful in only seven (!) cases. In the end, the invitation was successfully sent to (519 – 45 – 37 + 7) 444 organisations.

To begin with, we received 51 completed questionnaires from those foundations that had an e-mail address and only one questionnaire from those that did not, which confirmed our suspicion that the absence of an e-mail address meant that the organisation was defunct, dormant or not active.

Four rounds of reminders followed: on 16 May (e-mail reminders sent out by VU University Amsterdam); between 13 and 20 June (further reminders from the country researcher by e-mail, by post and by telephone); during the summer months (a last round of reminders to all non-respondents); and, finally, in September and October (reminders aimed at some selected foundations that we had identified as being highly relevant to the EUFORI study out of the remaining non-respondents). In several cases we even filled in the questionnaires ourselves using data from the foundations’ annual reports with additional information from telephone conversations with the foundations’ representatives.

In the end, we collected questionnaires from 90 respondents (out of the sample of 520), a good result in view of the fact that we could reasonably presume that perhaps up to 50 % of the organisations in our sample were dormant or defunct, or had in actual fact nothing to do with research and innovation, in spite of a statement to the contrary in their mission.

2.3 The interviews

For the qualitative part of the study, we selected eight organisations for in-depth interviews, six foundations and two stakeholders.

The selection of the foundations was based on their representativeness with regard to the Czech foundation sector and to the R&I foundation sector. A combination of the following criteria was used:

- Size (large, medium, small).
- Source of funding (own resources, either from endowment or annual contribution by founder; fund raising; mixed).
- Founder (corporate, private).
- Mode of operation (grantmaking, mixed, operating).
- Mission in terms of research and innovation as their sole purpose, as an auxiliary purpose or as one of several/many purposes).
- Legal form (foundation, fund, public benefit company).

The criteria for the selection of stakeholders:
• Large recipients of a variety of types of funding for research.
• Research in scholarly/scientific fields and in technological fields.

Based on these criteria, six foundations and two university research/development officers were interviewed in November and early December 2013.\[12\]

Foundations:

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Large bank foundations, grantmaking, general purpose, research one of 12 stated purposes.</td>
</tr>
<tr>
<td>F2</td>
<td>Medium-sized corporate foundations established by an industrial company, multiple purpose, both grantmaking and operating, supporting the industrial area of its business activities, including research.</td>
</tr>
<tr>
<td>F3</td>
<td>Medium-sized private educational foundation supporting higher education, both grantmaking and operating, with research as a secondary purpose to the support of higher education.</td>
</tr>
<tr>
<td>F4</td>
<td>Small private foundation (legal form charitable fund), grantmaking, single-purpose foundation, supporting research in a narrowly defined multidisciplinary field.</td>
</tr>
<tr>
<td>F5</td>
<td>Medium-sized operating foundation (legal form public benefit company), implementing own programs in one technological field in the areas of both research and innovation.</td>
</tr>
<tr>
<td>F6</td>
<td>Large national operating foundation (= public benefit company), implementing own programs that initiate, support, transfer and disseminate innovation.</td>
</tr>
</tbody>
</table>

Stakeholders

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>Head of development at a public university.</td>
</tr>
<tr>
<td>S2</td>
<td>Research development coordinator at a technical university.</td>
</tr>
</tbody>
</table>

The interviews were semi-structured, and the themes discussed with the foundations followed this outline:

• Reasons for establishing the foundation and choosing R&I, original and current aims, changes in aims, reasons for changes, future of the foundation.
• Position of the foundation in the context of the foundation sector and in the context of R&I, coordination and cooperation with other foundations/players, relation to government and business, reasons for cooperation/partnerships or their absence. Ditto in the EU/international context.
• Major achievements, success stories. Impact on R&I. Role(s) of the foundation. Strengths and weaknesses.
• Management of the foundation: endowment, assets, sources of income, expenditure, staff, management procedures; strengths and weaknesses; opportunities and threats.
• Suggestions for relations with the State and business, policies that would support R&I, policies that would support the role private foundations could play in R&I: regional, national and EU levels.

\[12\] One of the selected foundations declined to give an interview and was replaced with an additionally chosen organisation. This interview took place in January 2014.
The themes discussed with the stakeholders were:

- Sources of funding for R&I: regional, national, international - in general and in that specific institution.
- The role played by the government and business in (i) R&I and in (ii) funding R&I.
- The role government and business could/should play in (i) R&I and in (ii) funding R&I.
- The role played by private foundations in (i) R&I and in (ii) funding R&I.
- The role private foundations could/should play in (i) R&I and in (ii) funding R&I.
- Examples of projects at that specific institution supported by private foundations.
- Examples of projects at that specific institution involving private foundations.
- Suggestions for policies that would support R&I, policies that would support the role private foundations could play in R&I: regional, national and EU levels.
This chapter reflects the descriptive results of phase 1 (questionnaires) and phase 2 (interviews) of the EUFORI survey in the Czech Republic. Since we obtained a relatively high number of completed questionnaires, most of the findings are based on the quantitative information. The information we requested in the interviews completed the data from the questionnaires, provided a background to the quantitative data, and attempted to deal with some specific findings about Czech foundations, in particular their role in funding research and innovation vis-à-vis other funders, their financial weaknesses, and their relationship with the State.

The Czech sample of all the foundation-like organisations that stated as their purpose or as one of their purposes ‘research,’ ‘science’ or ‘innovation’ numbered 520 organisations. Out of this total number, 90 organisations filled in the EUFORI questionnaire (16 foundations, 18 charitable funds, 54 public benefit companies and two unidentified legal forms). However, as many as 31 (= 34.44 %) organisations said that they had not funded/operated any research and/or innovation activities between 2005-2012. The sample on which the findings below are based therefore consists of 59 foundation-like organisations, nine foundations, 11 charitable funds and 38 public benefit companies (with one unidentifiable legal form). (The three legal forms will henceforth be called ‘foundations’ for the sake of brevity unless the distinction is important.)

3.1 Types of foundations
Most foundations in our sample said they supported/operated research, while innovation was supported/operated by only about one seventh of our foundations.

Figure 3: Types of foundation according to research and/or innovation
As a percentage of the total number of foundations (N=59)
One typical feature that has already been mentioned more than once previously is the prevailing operating nature of most Czech foundations. The quantitative data from our sample confirm this:

**Figure 4: Types of foundations according to purpose**
As a percentage of the total number of foundations (N=35)

- Exclusively R&I focused Foundations: 26%
- Mainly R&I focused Foundations: 40%
- Mainly other purpose focused Foundations: 34%

All the foundation-like organisations in our sample were very young, established after 1989:

**Figure 5: Types of foundations; grantmaking versus operating**
As a percentage of the total number of foundations (N=58)

- Grantmaking: 9%
- Operating: 67%
- Both grantmaking and operating: 24%

**Figure 6: Types of foundation according to year of establishment**
Number of foundations by decade (N=57)

- Up to 1989: 0
- 1990-1999: 15
- 2000-2009: 33
- 2010 up to now: 9
3.2 Origins of funds

3.2.1 Financial founders

It is unfortunately impossible to distinguish the founder from the financial founder in the Czech context because the establishment of a foundation only requires a very small endowment and the establishment of the other two legal forms does not even require any endowment at all. The numbers in Figure 7 below must therefore be read as types of founder, without any connection to the foundations’ assets or income.

Figure 7: Financial founders

As a percentage of the total number of foundations, multiple answers possible (N=57)

<table>
<thead>
<tr>
<th>Type of Founder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private individual (s)/family</td>
<td>58 %</td>
</tr>
<tr>
<td>For profit-corporation</td>
<td>21 %</td>
</tr>
<tr>
<td>Other non-profit organisations (associations, etc.)</td>
<td>19 %</td>
</tr>
<tr>
<td>Public sector</td>
<td>11 %</td>
</tr>
<tr>
<td>University</td>
<td>7 %</td>
</tr>
<tr>
<td>Other, please specify</td>
<td>4 %</td>
</tr>
<tr>
<td>Research institute</td>
<td>2 %</td>
</tr>
<tr>
<td>Hospital</td>
<td>0 %</td>
</tr>
</tbody>
</table>

We know from previous research (Rosenmayer 2004) that foundations and funds are almost exclusively established by private entities (individuals/families, businesses and private nonprofits). The pattern also applies to PBCs, but less so, because PBCs are also established by regional and local governments to whom regions and municipalities often outsource the delivery of some public services (Rosenmayer and Kujová 2005). This explains the substantial number of organisations founded by the public sector. The foundations established by universities and research institutes are invariably philanthropic funds in form and fundraising ‘parallel’ foundations in function.

3.2.2 Income

As many as 53 % of the respondents reported an income so low that it is barely conceivable that they can cover more than their administrative expenses, unless they rely fully on voluntary labour. About one third (37 %) of the foundations had a total income high enough for modest systematic work, whether it be making grants or operating projects of their own, and only four foundations (10 %) reported a relatively high income. All these four, however, are multiple-purpose or general-purpose foundations, which allocate only a small percentage of their income to R&I.
The extremes are also worth noting: the highest income was EUR 7 million and the lowest EUR 2,800. The structure of income shows dependence on fundraising and earned income; only one quarter of the respondents reported some income from an endowment. Since we know how small Czech endowments are (see Table 5), the income will also be very low in most cases. Figure 9 below shows what sources of income were made use of by the largest percentages of the respondents, most of them drawing their income from several sources. The sources on which foundations rely most are the government and sales of services, followed by donations from individuals and corporations.

However, in terms of the total amount of income, the overall picture looks different, as is evident from Figure 10 below. The income from the government remains high but is surpassed by a large margin by income from the business sector. One possible explanation is to be found in the fact that corporate founders do not donate money as endowments for their foundations but provide them with annual contributions.
which are as a rule higher than other foundations’ income (this fact was also confirmed in interviews F1 and F2) and in the much-used pattern when a foundation as a (minor) member of a consortium receives funding from the leader of a consortium which is a for-profit corporation or from the budget of a consortium that has been put together from corporate sources (revealed in interviews F5 and F6 and illustrated in innovative examples (b) and (d)).

Table 8 also shows very clearly how very small the income from the endowments is in terms of the total amount of funding, even though one quarter of the respondents reported that they had income from their endowment.

**Figure 10: Sources of income**
As a percentage of total (known) income

<table>
<thead>
<tr>
<th>Sources of income</th>
<th>Amounts in Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from an endowment (N=11)</td>
<td>4 296 872</td>
</tr>
<tr>
<td>Donations from individuals (N=16)</td>
<td>507 496</td>
</tr>
<tr>
<td>Income from for-profit corporations (N=14)</td>
<td>7 579 760</td>
</tr>
<tr>
<td>Donations from other NPOs (N=6)</td>
<td>1 104 280</td>
</tr>
<tr>
<td>Income from government (N=18)</td>
<td>230 790</td>
</tr>
<tr>
<td>Service fees, sales etc. (N=14)</td>
<td>1 578 880</td>
</tr>
<tr>
<td>Other (N=3)</td>
<td>1 531 268</td>
</tr>
<tr>
<td>Unknown</td>
<td>4 131 048</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>20 960 394</strong></td>
</tr>
</tbody>
</table>

All of the 11 foundations that had some income from their endowment shared information about the origin of their endowment. This suggests that Czech endowments come from two main sources: donations by initial founders and the contribution by the State from the privatisation process after 1989 (see 1.1 above). If we relate this finding to the data about foundations’ income, it becomes clear that the other income (from fundraising and fees and sales) does not contribute much to the endowments, it is regranted or spent immediately; only two respondents in the ‘Other’ category said they increased their endowments from donations and fundraising. This is rather surprising because they at the same time said that their endowments are to be maintained to generate income (seven foundations) or even increased (three foundations), while only two foundations reported that their endowments might decrease.
3.2.3 Assets

As might be expected, Czech foundations do not possess high assets. One half of them have practically no assets, and another third have very few. Four of the 29 foundations that responded have assets of up to EUR 10 million and one a little over ten million (EUR 11.25 million).

Table 6: Origins of endowment

<table>
<thead>
<tr>
<th>Origin of endowment</th>
<th>Number of foundations</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations from initial founder</td>
<td>7</td>
<td>58.3 %</td>
</tr>
<tr>
<td>Shareholdings from initial founder</td>
<td>1</td>
<td>8.3 %</td>
</tr>
<tr>
<td>Property from initial founder</td>
<td>0</td>
<td>0.0 %</td>
</tr>
<tr>
<td>Legacy/bequest</td>
<td>1</td>
<td>8.3 %</td>
</tr>
<tr>
<td>Patents</td>
<td>0</td>
<td>0.0 %</td>
</tr>
<tr>
<td>Proceeds from privatizations</td>
<td>6</td>
<td>50.7 %</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>25.0 %</td>
</tr>
</tbody>
</table>

Figure 11: Total assets by categories in Euros, 2012
As a percentage of total number of foundations (N=29)

Statistics Assets

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of foundations</td>
<td>29</td>
</tr>
<tr>
<td>Mean in Euros</td>
<td>809 404</td>
</tr>
<tr>
<td>Median in Euros</td>
<td>62 000</td>
</tr>
<tr>
<td>Total assets in Euros</td>
<td>23 472 703</td>
</tr>
</tbody>
</table>

Again, it is interesting to look at the extremes: the highest amount was EUR 11.25 million, the lowest only EUR 62.
It comes as no surprise that the assets of almost all the respondents (32 out of 33) had the form of current assets, while only some of them also invested part of their assets in securities (nine foundations) and fixed assets (four foundations). But those that invested were the several big foundations so that the total amount invested in securities made up two thirds of the total amount of the assets (68.1 %).

### 3.3 Expenditure

#### 3.3.1 Total expenditure

Most foundations’ annual expenditure is below EUR 1 million; almost two thirds of them only spend up to EUR 100 000 per year. Only one foundation out of the 31 respondents spent more than EUR 1 million.
When we look at how much of the total expenditure is allocated to research and innovation, it becomes clear that it is only a fraction (13% for research and 6% for innovation). The average amounts spent on research (EUR 59 000) and innovation (EUR 71 000) are not very impressive either.

When we look at how much of the total expenditure is allocated to research and innovation, it becomes clear that it is only a fraction (13% for research and 6% for innovation). The average amounts spent on research (EUR 59 000) and innovation (EUR 71 000) are not very impressive either.

<table>
<thead>
<tr>
<th>Statistics Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of foundations</td>
</tr>
<tr>
<td>Mean in Euros</td>
</tr>
<tr>
<td>Median in Euros</td>
</tr>
<tr>
<td>Total expenditure in Euros</td>
</tr>
</tbody>
</table>

Figure 13: Total expenditure according to category in Euros, 2012
As a percentage of the total number of foundations (N=31)

Expenditure on research: 39%
Expenditure on innovation: 58%
Expenditure on other purposes: 3%

Figure 14: Distribution of total expenditure by research, innovation and/or other purposes
As a percentage of total known expenditure (N=26)

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>1 294 026</td>
</tr>
<tr>
<td>Innovation</td>
<td>637 618</td>
</tr>
<tr>
<td>Other purposes</td>
<td>8 464 995</td>
</tr>
<tr>
<td>Unknown</td>
<td>1 277 776</td>
</tr>
</tbody>
</table>

When we look at how much of the total expenditure is allocated to research and innovation, it becomes clear that it is only a fraction (13% for research and 6% for innovation). The average amounts spent on research (EUR 59 000) and innovation (EUR 71 000) are not very impressive either.
The total amount spent on other purposes is seven times (!) higher than the expenditure on research and more than four times higher than the money spent on research and innovation combined. That is the best confirmation of the fact that we have already observed several times (see 1.3, 2.1 and the opening paragraph to Chapter 3 above), which is that there are very few foundations whose sole/principal purpose/activity is R&I and that most of the other foundations that include R&I in their mission only consider R&I secondary/subsidiary to their main activities and/or indeed have very little money to implement them.

An extract from an interview illustrates this clearly:

In actual fact, research projects are quite rare with us ... research projects that we do ... or innovation ... we can only do them if we get a grant for them, otherwise we focus on other things, the services where we can make some money ... The services is what we really do, the innovation is like a bit of luxury ... when somebody pays us ...

(Interview F5)

Our big sample of the 520 R&I foundations showed the same characteristics: there were 53 research institutes in the sample, in which, naturally, research was a primary objective, and 28 institutions of further education, in which research activity could be taken for granted. But in most other organisations research (very often combined with education) and science were, inter alia, included in the mission statements, but only at, or towards, the end of the list of a foundation’s objectives and/or activities. A typical example would be a foundation with a medical purpose such as Alzheimer’s disease: its mission statement would say that the foundation would provide support and assistance to the patients, their families, the relevant hospital wards, old people’s homes, hospices; it would publish educational brochures about the disease for the patients’ families and for the general public; they would carry out informative campaigns about the disease for the public; and then, at the end of the list, they would also mention research.

3.3.2 Research expenditure
A more detailed look at how the expenditure on research is subdivided shows that:

- More foundations support/operate applied research than basic research.
- More foundations support/operate research-related activities than direct research activities.
- In terms of total expenditure, slightly less than a half (45 %) is spent on direct research activities and slightly more than a half (56 %) on research-related activities.
- On average, a foundation spends more on its own operating costs (EUR 88 000) than on grants (EUR
the maximum expenditure shows the same pattern: the maximum spent by a foundation on its own operating costs was EUR 420 000, while on grants it was only EUR 100 000.

These spending patterns are functions of the prevailing characteristics described so far: most Czech foundations are small operating foundations that prefer implementing projects of their own and/or supporting/operating research-related activities whose budgets are much lower than those of research projects proper. If a foundation can afford to make a grant, the role of the foundation is often in a small financial contribution to one element (such as dissemination or mobility) of a large project that is coordinated and implemented by a large organisation or a consortium that has received substantial funding, as a rule from public budgets. The foundation contributes a small fraction of the project’s budget, usually for research-related activities. (See also the illustrative examples in Chapter 4 below.)

<table>
<thead>
<tr>
<th>Distribution of expenditure on research: direct versus research-related</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct research (N=9)</td>
</tr>
<tr>
<td>Research-related (N=13)</td>
</tr>
<tr>
<td>Unknown</td>
</tr>
<tr>
<td>Total expenditure on research</td>
</tr>
</tbody>
</table>

Figure 15: Distribution of expenditure on research: basic versus applied
As a percentage of the total number of foundations (N=43)

<table>
<thead>
<tr>
<th>Distribution of expenditure on research basic versus applied:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic research (N=24)</td>
</tr>
<tr>
<td>Applied research (N=24)</td>
</tr>
<tr>
<td>Unknown</td>
</tr>
<tr>
<td>Total expenditure on research</td>
</tr>
</tbody>
</table>
3.3.3 Innovation expenditure

In the subdivision of expenditure on innovation the tendencies described in 3.3.2 above are even more pronounced:

- 92% of the respondents financed their own operating costs, while only 38% of them also made grants.
- The maximum expenditure by a foundation on its own operating costs was EUR 280 000, while on grants it was only EUR 36 000.
- In terms of the total expenditure on innovation by all the respondents, 93.3% was spent on own operating costs and only 6.7% on grants.

These findings are attributable to the fact that almost all foundations that support/operate innovation are operating foundations (public benefit companies), and that most foundations that support/operate both research and innovation spend much more on research than innovation.

The respondents offered 30 examples of innovation projects. Interestingly, only seven of them were true innovation projects that developed concrete innovations (such as new software solutions, foetal surgery, new heating technologies or new coatings for metal surfaces). The others dealt with related activities such as networking and dissemination (seven), communication and education (seven), infrastructure (three), buildings and equipment (two) and mobility (one). These findings support the findings from research (in 3.3.2 above): both the foundations supporting/operating research and those supporting/operating innovations spend more funding on related activities than on direct research/innovation activities.

3.3.4 Changes in expenditure

44 foundations responded to questions about the changes in their R&I expenditure: actual changes from the previous year and expected changes in the next fiscal year:

**Figure 16: Changes in expenditure on research and innovation compared to the previous year**

As a percentage of the total number of foundations (N=44)
Compared to the previous fiscal year, 25 % of foundations reported an increase, not a single one reported a decrease, and 68.2 % reported no significant change (for 6.8 % the year 2012 was their first year in which they had supported R&I). The increase ranged between 13 % and 200 %.

In the following year, 25 % of foundations expected to increase their R&I expenditure (a minimum increase of 10 %, maximum 600 %), 6.8 % expected a decrease (minimum 10 %, maximum 100 %), while 68.2 % reported that they expected their R&I expenditure to remain about the same.

While it is no surprise that most (slightly over two thirds) foundations reported that their R&I expenditure had remained stable over the years, the extremes in the reported changes are quite extraordinary: an actual increase of 200 %, an expected increase of 600 % or an expected decrease of 100 % are very dramatic changes. The explanation, confirmed in the interviews, is that if a foundation has a small R&I budget and if it depends on fundraising, the acquisition of a new grant, or the termination of a current grant, may change the R&I budget quite dramatically. Foundations with large R&I budgets and/or with income from an endowment or some other reliable source do not suffer from such fluctuations.

### 3.4 Focus of support

#### 3.4.1 Beneficiaries

Unfortunately not many foundations offered information about their beneficiaries; nor did they fill in the percentages of their expenditure to the individual categories of beneficiary in the requested manner. But the number of respondents that indicated some degree of support for individual categories is enough to show that most support goes (in that order) to public universities, nonprofit organisations, individuals, and then research institutes. While the government also receives some support, the least favoured beneficiary is business.
3.4.2 Research areas

45 foundations indicated which area of research they supported/operated in and whether or not they had also supported that area/those areas in previous years, but only 19 of them (42.2 %) added the amounts they had spent on that area. The data are therefore good indicators of which thematic fields Czech foundations direct their support/activities to, but the financial data are less reliable.

With this reservation in mind, the most popular areas over time are (in that order) social and behavioural science, engineering and technology, natural science and the humanities, with medical and agricultural science somewhat lagging behind.

If foundations supported/operated more than one, it was engineering and technology, which was ranked first most often in order of expenditure, followed by social and behavioural science and medical science.

Figure 18: Beneficiaries
As a percentage of the total number of foundations, multiple answers possible (N=17)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public HEIs</td>
<td>59 %</td>
</tr>
<tr>
<td>Non-Profit Sector</td>
<td>47 %</td>
</tr>
<tr>
<td>Individuals</td>
<td>41 %</td>
</tr>
<tr>
<td>Research Institutes</td>
<td>35 %</td>
</tr>
<tr>
<td>Government Sector</td>
<td>24 %</td>
</tr>
<tr>
<td>Business Sector</td>
<td>6 %</td>
</tr>
<tr>
<td>Private HEIs</td>
<td>0 %</td>
</tr>
</tbody>
</table>

Figure 19: Research areas
As a percentage of the total number of foundations, multiple answers possible (N=45)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Science</td>
<td>27 %</td>
</tr>
<tr>
<td>Engineering and technology</td>
<td>27 %</td>
</tr>
<tr>
<td>Medical sciences</td>
<td>22 %</td>
</tr>
<tr>
<td>Agricultural Sciences</td>
<td>18 %</td>
</tr>
<tr>
<td>Social and behavioral Sciences</td>
<td>47 %</td>
</tr>
<tr>
<td>Humanities</td>
<td>36 %</td>
</tr>
<tr>
<td>Other</td>
<td>0 %</td>
</tr>
</tbody>
</table>
A comparison of the shares of research areas in the whole sample of 520 R&I foundations (see Figure 20 above) shows that the strong position of social sciences in the big sample has even become a dominant position in terms of both the number of foundations and (even more so) the total known expenditure for the 45 respondents. Such a result is no doubt related to the focus on the rehabilitation of social science and the humanities as the academic disciplines that were most devastated under the Communist regime. After the fall of communism in 1989, a lot of attention, effort and investment was devoted to the rectification of the situation in these disciplines and, in addition to universities, research institutes and publishers, many nonprofit organisations, including foundations, set themselves this task (see also the discussion in 3.7.2 Motivations below). Interviewee F4 is one example of such a foundation (which supports the introduction of a multidisciplinary social science field that was non-existent prior to 1989), and Innovative Example (c) is an illustration of a project aimed at the rehabilitation of philosophy.

On the other hand, medical science, which was the (declared) purpose of 26 % of the foundations in the big sample and of 22 % of the respondents, represented as little as 10 % of the total known expenditure. The explanation offered in the interviews (F1 and S1), and even more tellingly illustrated by Innovative Example (a), was that medical research was very expensive and that there was no Czech foundation that
was rich enough to support it. While medical research was a desirable charitable objective, and many foundations declared it as their purpose, most were limited to small contributions, mainly to research-related activities (as in the innovative example), or were unable to support/operate medical research at all because of the high costs.

3.4.3 Research-related activities

The same problems as those described in 3.4.2 above occurred in the responses to the questions about research-related activities so that the data are less reliable than would be desired.

In spite of that, they seem to be representative because they relate very well to the findings from the interviews and to the roles of the foundations that are visible in the innovative examples.

Figure 21: Research-related activities
As a percentage of the total number of foundations, multiple answer possible (N=22)

- Dissemination of research: 83%
- Research mobility and career development: 48%
- Science communication/education: 26%
- Civic mobilisation/advocacy: 26%
- Technology transfer: 22%
- Infrastructure and equipment: 13%
- Other: 9%
- Not specified into categories: 4%
The most preferred research-related activities in our respondents over time were (in that order) dissemination of research, research mobility and career development, and then science communication/education (see Figure 21). Interviewees F3, F4, F5, F6 all commented that they spent a large share of their funding on dissemination, researcher mobility, career development, ‘promotion’ and ‘education of the public’ because they thought them (i) to be important to the rehabilitation, development and innovation of their academic fields, and (ii) for two of them research-related activities were the only activities they did because they did not have money for larger undertakings (F4) or because networking and the transfer of knowledge/innovation was their declared mission. Both interviewees S1 and S2 agreed that what their universities invariably obtained from Czech foundations were small contributions to ‘publications,’ ‘travel,’ ‘conference participation’ or ‘summer courses.’ S2 even opined that career development (of budding scientists) is what foundations should primarily do.

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Amount in Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research mobility and career development (N=4)</td>
<td>42 200</td>
</tr>
<tr>
<td>Technology transfer (N=0)</td>
<td>0</td>
</tr>
<tr>
<td>Infrastructure and equipment (N=1)</td>
<td>100 000</td>
</tr>
<tr>
<td>Dissemination of research (N=5)</td>
<td>62 920</td>
</tr>
<tr>
<td>Science communication/education (N=2)</td>
<td>26 800</td>
</tr>
<tr>
<td>Civic mobilisation/advocacy (N=1)</td>
<td>35 680</td>
</tr>
<tr>
<td>Other (N=0)</td>
<td>0</td>
</tr>
<tr>
<td>Not specified (N=0)</td>
<td>0</td>
</tr>
<tr>
<td>Unknown</td>
<td>1 026 426</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td><strong>1 294 026</strong></td>
</tr>
</tbody>
</table>

Figure 22: Research areas
As a percentage of total known expenditure on research
We currently have one thing only, we award annual prizes to young ... to doctoral students or young scholars ... for the best paper, publication in this field. Or a piece of research ... research report ... We do not have money for more. ... And we then can try to help the winners with publication, we recommend a journal ... introduce the young person to people ...

(Interview F4)

I believe that the best that they can do for the future is to support young talent ... It’s the best investment ... and you don’t need much, Czech foundations don’t have much money, but this is what they could do with the little ... But I’m not talking money here, I do think that it is the best thing foundations can do in any case.

(Interview S2)

3.5 Geographical dimensions of activities

3.5.1 Geographical focus

Most Czech foundations are active nationally and on a local/regional level; a European or international focus is much rarer (6 % and 0.4 %, respectively). This holds true for both the number of foundations that identified their geographical focus and the total sum of funding that foundations allocate to the four levels.
11 foundations commented on the difficulties they had encountered in their work in other EU countries. Nine foundations reported that they had not encountered any problems; the remaining two foundations identified cultural difficulties, political/policy difficulties and problems with intellectual property rights.

We also asked this question in the interviews, where two interviewees complained about legal problems and five about problems of language. But in either case they identified the problems on the Czech side: Czech institutions were reluctant to accept contracts signed under a foreign jurisdiction, and Czech participants in international projects did not speak English and/or other languages well enough.

### 3.5.2 The role of the European Union

Figure 24 below shows the percentages of respondents that identified themselves with the suggested options. The clear winner is the idea that the EU should collaborate with foundations on projects. If we combine this with the option that says the EU should provide a structure to enhance collaboration, the support for the idea of collaboration becomes even more pronounced. Strong support was also expressed for investing in an information infrastructure by databases, followed by providing fiscal facilities.

On the other hand, almost one third of the foundations expressed no opinion about a possible role for the EU. This was also echoed in the interviews: three interviewees could not think of any way that the EU might be useful to private foundations, one even said that the less the Czech State and the EU interfered with private foundations the better.
Two suggestions were identified in the ‘Other’ category: (1) ‘the EU should provide a unified framework for cross-border giving by e.g. establishing a European donation instrument for SMS giving and other electronic tools for fundraising and giving;’ (2) ‘the EU could make use of private foundations to administer grant schemes.’

3.5.3 Contribution to European integration

Figure 25 shows the percentages of respondents that identified themselves with the suggested options in Q30. The respondents agreed that their work most contributed to European integration on (in that order) educational, research and cultural issues. Five foundations claimed that they did not contribute to European integration and ten expressed no opinion.

With regard to other issues, four foundations (erroneously) gave examples of the concrete projects that they had implemented, but they failed to group them into one area of integration: one was a contribution to legal/legislative issues, two to research and one to social issues.

![Figure 24: Role of the European Union](image)

As a percentage of the total number of foundations, multiple answers possible (N=47)

- Collaborate with foundations in projects: 43%
- Investing in an information infrastructure: 40%
- Providing fiscal facilities: 34%
- Providing a structure to enhance collaboration: 34%
- No opinion: 30%
- Providing a legal framework: 19%
- Contribute to awareness raising about foundations: 19%
- Evaluate projects from foundations: 4%
- Other: 4%
- None: 0%
3.6 Foundations’ operations and practices

3.6.1 The management of foundations

As Table 7 below shows, the responsibility for annual strategic planning rests mostly with the governing board, and much less with the original founder or the CEO (all eight answers in the ‘Other’ category). Since respondents were free to tick more than one category, it is reasonable to expect that the participation of the original founder in strategic planning will take place through his/her membership on the governing board because the board is by law the organ that is responsible for these decisions.

Table 7: Responsibility for defining annual strategy

<table>
<thead>
<tr>
<th>Annual strategy responsibility</th>
<th>Number of respondents</th>
<th>% in sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original founder</td>
<td>10</td>
<td>18.5</td>
</tr>
<tr>
<td>Governing board with appointed members</td>
<td>27</td>
<td>50</td>
</tr>
<tr>
<td>Governing board with elected members</td>
<td>18</td>
<td>33.3</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Czech foundations must by law have both governing and supervisory boards. The number of members of governing boards ranged between three and 16, three members being the most frequent number (53 %), followed by six (14 %) and nine (12 %). The average was 5.36 members. The supervisory boards in our sample had between one and 13 members, most supervisory boards (78 %) had three members, which is the number required by law. [13]

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13 If a foundation’s assets are lower than CZK 5 million (EUR 200,000), however, the supervisory board need not to be established.
28 % of foundations in our sample functioned on a fully voluntary basis and 72 % had professional paid staff. Table 8 below shows how many FTE staff they employed. More than half the respondents had fewer than five FTE professional staff, the lowest number was 0.3 FTE workers. Higher numbers of staff, however, were also represented because public benefit companies (= operating foundations) can sometime employ quite a lot of people: the highest number of FTE staff in the sample was 150.

Table 8: Czech foundations: paid staff

<table>
<thead>
<tr>
<th>Professional paid staff (FTE)</th>
<th>Number of foundations</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 5</td>
<td>23</td>
<td>56.1 %</td>
</tr>
<tr>
<td>from 5 to 10</td>
<td>7</td>
<td>17.1 %</td>
</tr>
<tr>
<td>from 10 to 20</td>
<td>3</td>
<td>7.3 %</td>
</tr>
<tr>
<td>from 20 to 30</td>
<td>1</td>
<td>2.4 %</td>
</tr>
<tr>
<td>from 30 to 40</td>
<td>3</td>
<td>7.3 %</td>
</tr>
<tr>
<td>from 50 to 100</td>
<td>3</td>
<td>7.3 %</td>
</tr>
<tr>
<td>more than 100</td>
<td>1</td>
<td>2.4 %</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

3.6.2 How do grantmaking foundations support research?

The respondents were asked to identify themselves with eight statements describing their different approaches and practices in the grantmaking process. The highest approval was granted to these proposals:

1. Our foundation demands evidence of how grants have been spent after funded projects have been completed.
2. Our foundation conducts evaluations to assess whether a grant was successful and why.
3. Our foundation pro-actively searches for projects (e.g. through competitive calls for proposals).
4. Support from our foundation is on a long-term basis (i.e. a specific amount every year for a project over multiple years)
In the interviews, however, the favourable picture of a watchful foundation was slightly tarnished: four out of the six foundations admitted that their evaluation was very formal and superficial and that what they did was little more than making sure that a report has been received.

Well, we make sure that we have received a report and ... see ... one of us looks at it ... and the figures, sometimes there are appendices, we look at those, and if it’s alright ... No, we don’t discuss the projects, the completed projects, in our meetings, at least I can’t remember that we have ever done ...

(Interview F1)

Opinion was divided on these options:

- Our foundation waits for applications from third parties, with no active call for proposals.
- Our foundation prefers ‘small’ grants to multiple organisations/individuals over ‘large’ grants to few organisations/individuals.
- Our foundation is involved in the implementation of any project which it funds.
Most foundations disapproved of the following option:

- Our foundation supports an organisation only once (i.e. projects can receive a grant one time only).

**Figure 27: Partnerships**
As a percentage of foundations, multiple answers possible (N=45)

- Yes, with universities: 49%
- Yes, with governments: 33%
- Yes, with other non-profits: 33%
- Yes, with foundations: 27%
- Yes, with companies: 27%
- Yes, with research institutes: 24%
- Yes, with hospitals: 7%
- Yes, with other: 0%
- No: 38%

**Figure 28: Motivations for partnerships**
As a percentage of foundations, multiple answers possible (N=27)

- Pooling expertise and/or sharing infrastructure: 89%
- Increasing impact: 78%
- Pooling money for lack of necessary funds: 52%
- Expanding activities: 41%
- Increasing legitimacy: 30%
- Creating economies of scale: 22%
- Avoiding duplication of efforts: 15%
- Other: 0%
3.6.3 Engagement in partnerships
Out of the 45 respondents, 17 (38 %) said that they did not develop joint research activities in partnership with others. The others did, and Figure 27 below shows that the most frequent partners were universities, other nonprofits and the government. Other foundations were fairly frequent partners too, as well as companies.

Of the 28 foundations that engaged in partnerships, the following shared their reasons for doing so:

Pooling expertise and/or sharing infrastructure, increasing impact and pooling money (in that order) were the strongest motivators for partnerships in our sample. The high percentages for individual options also indicate that as a rule a combination of three to four reasons leads foundations to forming partnerships with other entities in the R&I field.

3.7 Roles and motivations
3.7.1 Roles

Figure 29: The roles of foundations
As a percentage of the total number of foundations

When asked to identify themselves on a scale of 1-5 from ‘never’ to ‘always’ with four proposed roles that they play in the domain of R&I, the respondents:

- Most agreed with the complementary role.
- Partly agreed with the substituting role.
- Were divided on the initiating role.
- Disapproved of the competitive role.
The overwhelming agreement on complementary roles is hardly surprising: it reflects the financial weakness of Czech foundations. With the little funding that they can offer for either grants or the implementation of projects, they very often feel that the best use of their modest means is to support/implement a small contribution to a larger research undertaking.

_We can only make small grants with our money. We support a translation or a publication or a trip abroad ... the people are working on something, have written a book, for instance, or have a grant, but not ... the grant is not for everything ... so we give them a little to publish or to make a short trip to visit a workplace in Europe... (Interview F3)_

The second most popular option, the substitution role, corresponds to the original motivations of many founders, especially those that established their organisations soon after the fall of Communism, when they felt there were large gaps and inadequacies in our academia and/or in what the State was supporting (see also 3.7.2 below).

_What interests us is multidisciplinarity and interdisciplinarity, all the nominations must be like that ... It was practically non-existent when our founder came here from exile, he saw that ... and it is his belief and his approach ... all his life ... So it was clear we wanted to work in that direction ... And it hasn’t in fact improved, it’s still the same, people do not work like that in the universities._  
_(Interview F4)_
3.7.2 Motivations

What leads foundations to take up research and/or innovation as their purpose or one of their purposes? To answer this question, we searched through foundations’ annual reports, websites and strategic documents, as well as raising the topic in interviews. The answers varied, of course, but three motivations for the establishment of R&I foundations came up most often:

1. The intention of the founder(s), who are, however, activists, not donors: since most Czech foundations and almost all charitable funds and public benefit companies are established as operating foundations without a financial endowment, the founders are as a rule people that wish to work for the development of a certain scientific field, an academic discipline or a specific research objective. They are often experts in that field, who believe that they can achieve the desired progress themselves, or with a team of other experts, and that they will be able to raise the necessary funding for their cause.

2. The essential importance of research and innovation for economic and social development: it is widely accepted in Czech society that education and science are the most important driving forces behind a nation’s prosperity and sustained well-being. That is why they are strong motivations for the establishment of R&I foundations, and that is also why foundations with a multiple or general purpose include science and research (and education) in their mission statements.

3. The desire to rehabilitate and to develop scientific and scholarly fields that suffered from neglect, underfunding or even persecution during fifty years of totalitarian regimes: this motivation overlaps with the first motivation above, of course, but is probably peculiar to the situation of a post-Communist country. Cynically speaking, all independent science and research found little favour with the Communist regime, but this motivation is particularly typical of the humanities and social science because they suffered the most: whole academic disciplines and large areas of enquiry were completely banned and/or perverted (philosophy, religion, history, literature, law, anthropology, economics, political science, psychology and sociology).

Further motivations that were identified or mentioned in the interviews included:

- The development of research, theories and scientific inquiry that are alternative to mainstream science.
- The development of new approaches that are ignored by established academic institutions, including multidisciplinary and interdisciplinary research.
- The preservation of a scientist’s estate and/or a further development and dissemination of his/her research and thinking.
- The provision of risk capital for innovative, unorthodox scientific and technological solutions.
- Research that is supportive of a corporate foundation’s business activities.
Examples of innovative practices were offered by the respondents to the questionnaire, and further examples were identified from the qualitative data (interviews), annual reports and websites, and through searching the Internet.

The results of the search were far from satisfactory. As mentioned in 3.3.3 above, most innovation projects offered by the respondents were aimed at related activities rather than ‘tangible’ innovations. And when we looked in greater detail at those projects that were true innovations, we discovered that the role of foundations was, as a rule, very marginal. This pattern then continued to dominate in all the other innovation projects we were able to find: the projects operated by the foundations, or co-operated by them, tended to consist of activities related to R&I rather than directly addressing a research or an innovation issue; and in those projects that had a direct research or innovation objective, the role of the foundation tended to be minimal and/or marginal.

In the end, the four projects that we selected illustrate four roles that we identified in the sample. The first two were quite common in the sample, typical of the role that a foundation tends to play in R&I in the Czech Republic: the role of a minor contributor (the first example) or that of a consumer rather than contributor (the second example). The other two are rarer examples in which a foundation plays a leading and active role: it thus provides a real contribution to R&I. The roles could be characterised as follows:

(a) The foundation as a (minor) member of a consortium + it contributes financially to the project.
(b) The foundation as a (minor) member of a consortium + it implements part of the project activities with funding from a grant received by the consortium.
(c) The foundation as a contributing member in a partnership + it co-funds and co-implements a project.
(d) The foundation initiates a project, provides seed funding, puts together a consortium, which raises project funding, and the foundation proceeds to coordinate the implementation of the project.

Short descriptions of these examples follow, accompanied by an assessment of the role of the foundation in the project and a final evaluative comment:

(a) **Project: Foetal surgery in babies with congenital abnormalities and defects.**
An example of a successful international partnership and the introduction of new service.
Project consortium: Institute for the Care of Mother and Child, Prague; University Hospital of the Catholic University of Leuven; Nadační fond pro zdraví dětí (Endowment Fund for Children’s Health).
Aim of the project: to establish the first medical clinic capable of performing foetal surgery in central/eastern Europe.

Project activities: construction of a new medical centre for foetal surgery; purchase of equipment; training of the medical team; establishing research into foetal medicine. Project duration: 2010-2012.

Funding: ESF/EU (90 %), Institute for the Care of Mother and Child (9 %), Nadační fond pro zdraví dětí (which regrants the annual contribution from its founder) (1 %).

Activities of the foundation in the project: financial contribution to the costs of transport between Prague and Leuven, conference expenses of the Czech specialists.

The project: an example of an innovation project, based on the transfer of know-how from other countries.

The foundation: The Fund for Children’s Health (legal status, charitable fund) is a typical parallel foundation, established by a corporate donor (the largest residential developer in the country) and doctors from the Institute for the Care of Mother and Child. It only supports, and raises funding for, the Institute. It has no staff, it is administered by the founder, and it does not possess any assets. It annually receives funding from the founder, a corporate donor (around EUR 40 000). In addition, it manages to raise a little from other donors (EUR 4-8 000).

The role of the foundation: a small financial contribution to one element (mobility) of a large project. The foundation re-grants money received as an annual contribution from its founder and raised from other donors.

Comment: this pattern was fairly common in the sample. A foundation as a minor partner in a project coordinated and implemented by large organisation(s) that have received substantial funding, as a rule from the public budget. The foundation contributes a small fraction of the project budget, usually for research-related activities. A closer analysis often reveals that the foundation is a parallel foundation associated with the principal coordinator, and that it is more often than not a grantseeking foundation which only re-grants the money from other donors.

(b) Project: Advanced heating and power-generating technologies.
An example of a successful partnership and the introduction of new technologies.

Consortium: a large consortium of four public universities, eight for-profit corporations and one foundation, Institut pro rozvoj vědy a techniky (Institute for the Development of Science and Technology).

Aim of project: the application and introduction of the most recent and most advanced technologies in practice.
Project activities: applied research for innovation, the technological design of new solutions, testing new solutions and their introduction in practice. Duration of the project: 2012-2019.

Funding: Grant from the Technology Agency of the Czech Republic.

Activities of the foundation in the project: Compiler and author of the grant application, co-administrator of the project.

The project: a large applied research and innovation project based on partnerships between academic institutions and for-profit companies.

The foundation: The Institute for the Development of Science and Technology (legal status public benefit company) defines itself as a consultant that provides ‘information and analytical services in the area of the energy industry, energy engineering, energy savings and sources of renewable energy.’ It explicitly says in its mission statement that it offers ‘consultation, information and analytical services for the preparation of projects for public tenders and EU calls.’ It is thus clear that it differs little from a commercial consultation firm. This is confirmed by the structure of its income, all of which comes from the sales of services.

The role of the foundation: no financial contribution to the project, no contribution to the activities of the project. It had the task of coordinating the preparation of, and of writing, the grant application to the Technology Agency of the Czech Republic; within the project it was responsible for certain administrative tasks.

Comment: variations on this pattern were the most frequent in the sample. It is foundation as a minor partner in a project whose activities are implemented by the core members of the consortium. It, however, profits from its participation, in terms of both financial income and prestige. A closer look at the details of the project reveals that in actual fact the foundation sells its know-how in the form of project writing and project administration to the consortium. It therefore does not contribute to the project financially, and it in fact uses part of the grant from public money.

(c) Project: The Annual French-Czech-Slovak Philosophy Symposium

An example of a successful international partnership and an innovative project with significant impact.

Project partners: a joint long-term international project by the Jan Hus Educational Foundation (Brno, Czech Republic), Association Jan Hus (Paris, France) and the P. J. Šafárik University Foundation (Košice, Slovakia).

Aim of project: support for mutual cooperation and exchange in philosophical research between French, Czech and Slovak philosophers.

Project activities: annual meeting of French, Czech and Slovak philosophers and philosophy students as a culmination of a year’s work and cooperation. The symposium takes place in one of the three countries each year, the participants present and discuss the results of their research.
Activities of the foundation in the project: a financial contribution which covers the expenses of the Czech participants as well as a contribution to the cost of the symposium. Participation by the foundation’s staff in the preparation, organisation and management of the symposium.

The project: an example of an international project that supports research-related activities. The foundation would not have enough money to support any larger number of research projects in philosophy, to say nothing of international projects, but can co-fund an annual event in the form of a symposium. The value of the project is in its long-term support for the cooperation of scholars from the three countries: the symposium has been an annual event since 1990 (and developed out of clandestine cooperation between philosophers before 1989).

The foundation: The Jan Hus Educational Foundation (legal status, foundation) is a private medium-sized endowed foundation, established by three individual founders for the support of higher education in the areas of the humanities and social science. As part of its support for the development of these academic disciplines, it also supports a limited number of research projects and the career development of young scholars.

The role of the foundation: the project is based on a partnership between three foundations from the three participating countries that share the cost of the project and jointly work on its implementation. The foundation uses income from the endowment for the project.

Comment: this was a rare example of project in the sample in three respects: (i) It was initiated and implemented by three equal partners which pooled their financial sources and administrative forces in a long-term international project, the coordinating role being played by the partner in whose country the event takes place in a given year. (ii) The partners differ in legal status and sources of income, but the Czech foundation uses its own financial resources, not having to turn to the use of public funding. (iii) The project has a wide-ranging impact due to its longevity (21 symposia so far, 1992-2012), as well as a ripple effect in the three countries.

(d) Project: Moravian wine trails.
An example of a successful wide partnership (foundation – nonprofit organisations – local government – regional government – business) with a significant impact.

Project partners: a large consortium of funders, implementing partners and regional and community governments led and coordinated by the Czech Environmental Partnership Foundation (Nadace Partnerstvi).

Aim of project: to introduce into the Czech Republic the concept of Greenways and the related concepts of sustainable tourism, ecotourism, agritourism and culture tourism, and, using these concepts, to establish and gradually develop a long-term project of cultural heritage protection and viticulture tourism in South Moravia.
Project activities: the study of the Greenways concept and related concepts; their adaptation to the Czech environment; the selection of a suitable geographical area; negotiations with the Government of South Moravia and with the municipal and village councils in the selected area; the gradual building of a project consortium; research into legal and economic issues; design of the Moravian Wine Trails and a plan for their implementation; fundraising for the project; expansion of the consortium to include travel agencies, heritage protection agencies, local entrepreneurs, and above all the wine makers, local museums and other cultural institutions etc.; and finally the implementation of the project itself: construction of the infrastructure, publication of guidebooks and maps, national and international PR campaigns and launches. The project started in 1999 and has been developing and progressing ever since.

Today the Moravian Wine Trails is almost 1,250 kms of cycling and hiking trails through the orchards, vineyards and wine cellar alleys of South Moravia. The main route connects Uherské Hradiště in the eastern part of the region with Znojmo, a medieval town on the Austrian border. Ten loops feature typical types of wine and the wine cellar lane architecture creates a network of unique cultural heritage and viniculture. The visitors can choose a one-day or two-week tour to explore Moravian folklore, the wine, protected landscape areas, historic monuments and UNESCO Heritage sights. The system is continued in the Austrian Weinviertel with 13 main trail loops of 1,600 kms of signposted wine trails. The regions of South Moravia and the Weinviertel create a unique wine-growing area catering to the needs of cycling as well as wine and cultural tourists. The main vision of this project of Nadace Partnerství is to make South Moravia a prosperous region known as the ‘Region of Monuments and Wine.’

The project: an example of a large innovative project with a far-reaching impact on the economy and social and cultural life of a whole administrative/geographical region of the Czech Republic. It was based on know-how transferred from other countries, but was adapted and further developed by the foundation. The foundation has played a conceptual, initiating and coordinating role throughout the project. It financed the early stages, led the fundraising campaigns during the decisive stages of the development of the project, and finally transformed the project into an enterprise in its own right.

The foundation: Nadace Partnerství (legal form foundation) is a private medium-to-large endowed foundation, which has been successful in multiplying the effect of its work by building around itself a large community of nonprofits, associates, partners and donors with whom it cooperates on a long-term basis. It is both grantmaking and operating: it has a grantmaking program, but it develops and implements most of its projects in partnership with public, business and nonprofit agencies and firms (hence its name) because it wants to make the projects independent and sustainable in the long run and create a lasting impact.

The role of the foundation: the project is typical of the style of work of this foundation: it initiates, develops, builds and leads a consortium, involving as many stakeholders as possible as partners at all stages of the project, and finally makes it independent and hands it over to the implementing partner(s). It provides the seed money but then involves the partners in financing the project with a view to eventually making it financially viable for the future.
Comment: this project was a very rare example of a best practice model in our sample. The same foundation could boast of more projects built on the same model. It combines the grantmaking and the operating approach. It provides funding for the project, but is well aware of the fact that it is not rich enough to finance large-scale multiple-effect and high-impact projects, it only provides the seed money and then raises funding from other sources, preferably involving the other funders in the project as active partners.
5 Conclusions

The research into foundations that support research and innovation in the Czech Republic encountered two principal problems, that of definition and that of identification:

(a) If the definition used in the EUFORI Study includes both grantmaking and operating foundations, the survey in the Czech Republic must cover three legal persons: foundations, charitable funds and public benefit companies. The problem is that Czech foundations are very weak and are thus grantseekers out of necessity; and the funds and the public benefit companies are grantseekers by definition. This research was thus predetermined to be illustrative of the grantseeking operating foundations, which, frankly, differ little from nonprofit or even for-profit service providers.

(b) The unreliability of all the databases and other sources of information meant that a large number of the R&I foundation-like organisations that were identified were no longer active; and too many foundations, while declaring their support for R&I in their mission statements, in fact only paid lip service to it and in reality limited themselves to other activities that were higher on their agenda. It was therefore difficult to say with any certainty how many of the 520 R&I organisations should have been excluded from the Czech sample.

The inactive foundations could of course not be reached; most of those that had had no activity in R&I ignored the invitation; and of the final number of 90 respondents, as many as 31 (= 34.44 %) said that they had not funded/operated any research and/or innovation activities between 2005-2012. The quantitative findings in this report are thus based on 59 foundation-like organisations: a low response rate in relation to 520 entities, but a good response rate in relation to the estimated number of de facto existing and relevant organisations.

Finally the good news: the final sample of 90 respondents was representative of the whole R&I population in terms of legal status (18 % foundations, 20 % funds and 62 % public benefit companies), involvement in R&I (66 %), assets (90 % without any assets) and the areas that they supported. This leads us to the conclusion that the quantitative data and findings present a credible portrait of R&I foundations in the Czech Republic.

5.1 Main conclusions

This section attempts to summarise in bullet points the main findings from both the quantitative and the qualitative research. All the conclusions are based on, and referable to, the more extensive discussions of the findings in Chapter 3, and the information obtained through the interviews and from existing literature.
Background to R&I: research in the Czech Republic is generally perceived as the responsibility of the State. Grantseekers do not as a rule think of foundations when they look for funding for research projects. Innovation seems to be almost exclusively in the hands of business, with substantial support from the State.

General information: all Czech foundations are legal persons in private law, and there are no public law foundations in the country. All Czech foundations (with one single exception) are new foundations, established after 1990.

Foundations’ activities in R&I: between one third and one half of the foundations that declare their support for R&I in their mission statements, do not in fact take part in any R&I activities. In most R&I foundations, research and innovation are only supplementary to the main activities. Of the foundations that support R&I, one quarter are grantmaking, two thirds are operating and one tenth are mixed (both grantmaking and operating).

Founders: foundations can be established by natural persons and legal persons and any combination thereof. Among the founders we most frequently find private individuals/families (60 %), followed at a distance by corporations and other nonprofits (20 % each). In almost all cases the founders are not financial founders (original donors).

Assets: most Czech foundations are established with only a minimum endowment of the EUR 20 000 required by law. Almost all charitable funds and all public benefit companies are established without any capital. There were only four foundations among the respondents with any meaningful assets (four had between EUR 1 and 10 million and one had a little over EUR 10 million).

Income: the structure of income shows a dependance on fundraising and earned income; even endowed foundations depend on fundraising (because their endowments are very small). The sources on which foundations rely most are the government and sales of services, followed by donations from individuals and corporations. Their income is on average very low: 55 % of foundations reported an income lower than EUR 100 000 and only 9 % had an income higher than EUR 1 million.

Expenditure: Most Czech foundations’ annual expenditures are below EUR 1 million, almost two thirds of them only spend up to EUR 100 000 per year. Of that overall expenditure, only a fraction is spent on research (12 %) and innovation (6 %).

Focus of support: most support goes to (in that order) public universities, nonprofit organisations, individuals, and then research institutes; the least favoured beneficiary is business. The most preferred areas over time are (in that order) social and behavioural science, engineering and technology, natural science and the humanities, with medical and agricultural sciences somewhat lagging behind. More foundations support/operate applied research than basic research, more foundations spend more funding on research-related activities than direct research activities, and more foundations spend more money on programs and projects of their own than on grantmaking.
Geographical focus: most Czech foundations are active nationally and on a local/regional level; European and international focus is rare (6%). About half of them think that their work contributes to EU integration, the other half expressed no opinion.

Role of the EU: the most appealing option was the idea that the EU should collaborate with foundations in projects. Strong support was also expressed for investing in an information infrastructure through databases, followed by providing fiscal facilities. On the other hand, almost one third of the foundations expressed no opinion about a possible role for the EU.

5.2 Strengths and weakness of the R&I foundation sector in the Czech Republic

**Strengths**
- A large number of foundations included R&I in their missions.
- Many foundations are staffed with, and/or can recruit, outstanding specialists in their fields.

**Opportunities**
- Research and innovation enjoy high prestige in Czech society.
- Research and innovation are high priorities for the government.
- On the basis of national policies and strategies, with the help of new state-sponsored infrastructure, the government has recently created a favourable environment for the development of R&I.

**Weaknesses**
- For most foundations, R&I are of minor importance in their portfolio. There are very few foundations whose principal aim is support for R&I.
- Almost all R&I foundations are grantseekers and not grantmakers.
- Most grantmaking R&I foundations are very small and/or spend very little on R&I.
- Most operating R&I foundations are much too dependent on external (public) funding, very often on one source of funding.
- Most R&I foundations focus on research, very few on innovation.

**Threats**
- The tendency of politicians to attend to short-term populist causes rather than long-term strategic investment.
- Tax legislation does not offer sufficient incentives for establishing (endowed) foundations.
- A shortage of wealth in the population.
- The tradition of philanthropy was annihilated by the fifty years of totalitarian regimes and has been very slow in recovering.
5.3 Recommendations

For foundations

- Make more use of partnerships. Research shows that successful projects with societal impact are based on partnerships. This was clearly apparent from the successful projects from which we selected the innovative examples for Chapter 4 – but the quantitative data from the survey reveal that almost 40% of foundations do not engage in partnerships (see 3.6.3), and three of the interviewed foundations never thought of forming a partnership either.

- Diversify sources of funding. Too many (operating and grantseeking) foundations depend on one type, or even source, of funding.

- Invest strategically in activities where you can make a difference even with limited funding. Since Czech grantmaking foundations are very small, they should think creatively about how to make the best use of their limited resources: one of the best investments, suggested in the interviews with the stakeholders, is support for young talented scientists/scholars. While most R&I grantmakers cannot afford to fund research projects, they would have the means to help a talented young student or scientist to spend some time abroad, to go to an important conference, to attend a summer school or to write his/her first monograph.

For business

- Make more use of partnerships. The projects we considered for the innovative examples in Chapter 4 revealed that firms usually formed partnerships with other firms and with the public sector, but rarely with universities and almost never with foundations or other nonprofits.

- Offer foundations better investment instruments. Banks should offer foundations advantageous instruments for the long-term investment of their endowments. This would encourage foundations to build their endowments, and individuals to establish endowed foundations.

- Make more use of the expertise that foundations have for innovation. Almost all innovation appears to be in the hands of business: corporations should make better use of the specialists that work in foundations. Czech foundations are weak financially, but since most of them are operating foundations, they can offer experts in their fields of specialisation.

For the government

- Make more use of partnerships. The Czech public administration predominantly thinks of nonprofits as grant recipients and service providers only. Government agencies are reluctant to engage nonprofits in PP partnerships.

- Improve the legislative and fiscal environment for foundations. The single flat rate for tax relief that is currently applied to all nonprofit forms is not tenable. Czech nonprofits need a system of differentiated (graded) tax relief that would stimulate private giving, the building of assets/endowments, responsible financial management and the use of funding for public purposes.
For the EU

Please note, these recommendations are based on the results of the quantitative survey (see 3.5.2 above) only. Disappointingly, none of the interviewed foundations offered any thoughts about the role of the EU or about what the EU should do to support foundations. One of the stakeholders even expressed a negative attitude by saying that governments and the EU should leave foundations alone (Interview S2). This lack of opinion on the role of the EU may be attributed to the geographical focus of Czech foundations’ activities, which is almost exclusively regional/local and national. Czech foundations do not seem to think beyond national borders.

In response to the options in Q29, most foundations agreed that in relation to foundations the EU should:

- Collaborate with foundations in projects and provide a structure for enhancing collaboration.
- Invest in information infrastructure.
- Provide fiscal facilities.
6 References


European Commission (2013). *Research and Innovation Performance in the Czech Republic. Country Pro-


Online information and data sources


