Current public policies, from the local to the European levels, emphasize the role of partnerships beyond the formal structure of government and governance schemes that incorporate diverse actors from the government, market and civil society (Goodwin, 1998). This regards also the European rural development policy; particularly its LEADER program, which calls for integrating the nonprofit sector in the policy implementation. However, the size and structure of the rural nonprofit sector and its capacity to effectively engage in local governance and rural development strategies formulation and realization are still largely unexplored.

The political interest in nonprofits’ engagement in local governance is mainly based on their abilities to implement local responses to community needs and to undertake collective actions for public or mutual benefit. However, it is not only nonprofits that contribute to communities and societies. Also community conditions and societies shape nonprofit organizations (NPOs). The nonprofit sector reflects the nature and intensity of social problems, opportunities for citizen participation, the resources and interests of residents, or other community institutions (Gronbjerg and Paarlberg, 2001). Therefore, rural NPOs can be expected to significantly differ from their urban counterparts, and due to large variations in rural communities’ characteristics, also between rural communities.

The hypothesized differences in the rural nonprofit sector across regions and rural municipalities mainly originate in economic theories of NPOs - market and government failure, i.e. demand-side theories (Douglas, 1987; Weisbrod, 1988), and supply-side theories (Ben-Ner and Van Hoomissen, 1992; James, 1989; Salamon, 1987). Useful insights can also be found in community studies in sociology and political science. When applied to communities, the market and government failure theory suggests that population needs heterogeneity will be positively related to the size of the nonprofit sector (Gronbjerg and Paarlberg, 2001). Nonprofits have also been viewed as responding to the needs of distressed segments of the population (ibid). This suggests that there should be more nonprofits in remote rural areas, which are characteristic for populations with insufficient financial or social resources. Valentinov (2009) further argues that transaction costs related to characteristics of rural areas, such as low population density, geographical dispersion or poor infrastructure, give rise to the emergence of rural nonprofit sector organizations. The supply-side theories consider community variations in the nonprofit sector in relation to the supply of human and financial resources. Several studies have, for example, found that wealthier communities and communities with more human capital have more nonprofits (Corbin, 1999; Ben-Ner and Van Hoomissen, 1992). Such communities would be more characteristic for European urban areas. On the contrary, Gamm and Putnam (1999) showed that smaller and more stable
communities had higher densities of locally based membership organizations, which they attributed to the denser networks and higher levels of trust and familiarity. This review thus makes the task of predicting the relationship between community characteristics and the size and capacity of the nonprofit sector rather difficult.

The objectives of this study are to document the size and structure of the rural nonprofit sector, as well as forms of cooperation between nonprofits and local governments, and to analyze whether these systematically vary with (socio-economic) community/municipality characteristics. Our empirical study considers the case of the Czech Republic, which belongs to those EU Member States with a communist past. The Czech Republic is also very specific in its highly dispersed structure of autonomous local government units (Dexia, 2008). For this study, data on NPOs from 190 rural municipalities of less than 2000 inhabitants were collected in selected regions in 2013 using structured interviews with mayors or their deputies. To analyze the relationship between various socio-economic characteristics of rural regions and municipalities and the structure and size of the rural nonprofit sector, we utilize a multivariate data analysis, regressions, and multiple choice probabilistic techniques.

The Czech rural nonprofit sector is found to be dominated by traditional groups such as volunteer fire departments, hunters’ associations or sports clubs. Those rare organizations that were established to provide social and educational services, or to contribute to local development, have been established mainly in the later phases of transition. This implies ongoing development in rural nonprofits’ development and increasing active societal awareness. Preliminary results from the analysis of the municipality-NPOs relationship suggests that the dispersed sub-national governmental structure that allows for better targeting of the heterogeneous local demands simultaneously limits the development of local NPOs that could effectively participate in local governance. Results of our study mirror aspects of both demand and supply-side economic theories. However, the observed significantly smaller size and limited service scope of the nonprofit sector in smaller municipalities rather supports the predictions of the supply-side theory of nonprofit sector development. Regarding policy implications, we can state that the less developed rural communities in need of larger political support likely lack the capacity to form and run nonprofit organizations that could effectively contribute to implementing rural development policy.