

Foundation of banks in the Czech Republic

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Abstract

Foundations and civic associations are non-governmental, non-profit organizations, which account for the majority of NGOs in the Czech Republic. The project is focused on bank foundations in the Czech Republic, amount of the foundations' property, the grant activity, obtaining grants, areas of support, amount and share of the financial support and possibilities of using financial contributions by civic associations. The specification of recommendations and conclusions utilizable for NGOs has been another partial objective. The analysis of web sites and annual reports of 37 banks in the Czech Republic and the current literature dealing with the foundations' issue has been made. Two big banks have their foundations with the registered offices in the Czech Republic - it is Nadace České spořitelny (the foundation of Česká spořitelna) and Nadace Komerční banky, a.s. – Jistota (Foundation of Komerční banka, a.s. – Jistota). The first foundation grants most contributions to other foundations and endowment funds. Second foundation mostly supports the public services, i.e. hospitals and schools, where more than 66 % contributions were directed in 2007. Utilization of contributions for civic associations is very small. Neither foundation has employees; their grants mostly consist of financial resources provided by the parent bank.

Key words

Non-governmental non-profit organization, civic association, grants

1 Introduction

The banks form the specific group of shareholding companies. Their activity is within the whole territory of the Czech Republic. In June 2009 there were 37 banks in the Czech Republic. Česká spořitelna, a. s., Československá obchodní banka, a. s., UniCredit Bank Czech Republic and Komerční banka, a. s. are big banks with the balance sum of over CZK 200 billion a year. Medium-sized banks with the balance sum from CZK 50 to 200 billion include Českomoravská záruční a rozvojová banka, Evropsko-ruská banka, J&T banka, LBBW Bank CZ, PPF banka, Volksbank and Wüstenrot hypoteční banka. Other banks belong to the group of small banks (with the balance sum under CZK 50 billion), subsidiaries of foreign banks and building saving companies.[1]

Banks are companies established for the purpose of generating profits. Currently clients choose products both by quality and guarantee provided by the company. 66 % inhabitants of the Czech Republic believe that the success of companies is related to their social responsibility² [2, str. 26]. Currently the Corporate Social Responsibility – CSR - becomes a

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² Ms. Doležalová deals with the term of "social responsibility". She states that management theoretic have been dealing with the concept of the Corporate Social Responsibility – CSR since the middle of 1950's, mostly after 1953, which is considered a key year when Howard R. Bowen published his book called Social Responsibilities of the Business, where he discovers the first definitions of the social responsibility. "According to this book it includes all obligations of an entrepreneur directed at

sort of unwritten rule for the building of company reputation [4, page 2]. One of the ways is contribution to distressed natural persons or corporate bodies or those in difficult life situations. Some banks establish their own foundations directly for this purpose and the foundations further re-distribute sources mostly granted by the bank. Which of Czech banks have their own foundations, with which foundations the banks cooperate, to whom contributions are granted and whether a civic association as one form of the non-governmental non-profit organization (NGO)³ is entitled to resources of banks foundations - these are some of main issues considered by this work.

Civic associations are established according to the Association Act no.83/1990 Coll. and there were 64,538 registered civic associations out of the total number of 101,659 NGO [6] in the Czech Republic (September 2008).

Furthermore, the project focuses on foundations, which are purpose property associations established under the Act no. 227/1997 Coll. no foundations and endowment funds and on amendments of some related laws for achieving generally beneficial objectives. According to the law: "Generally beneficial objectives namely include the development of spiritual values, protection of human rights or other humanitarian values, protection of the natural environment, cultural monuments and traditions and the development of science, education, and sports. The objective of the project has been to perform the analysis of the current state of bank foundations in the Czech Republic, amount of the foundation property, grant activity, obtaining grants and options of the utilization of financial resources by civic associations, the areas of support, amount and share of the financial support.

2 Non-governmental non-profit organizations

The indication of an organization as a non-profit organization means that it is a case of an organization, which has been established neither by the state and other state organization and that they are also independent from them. A non-profit organization indication means that unlike commercial and profit oriented organizations the generation of profit is not their main objective.

NGOs may be classified according to various criteria. For the purpose of this work their classification under the act pursuant to which they have been established, has been used. These are civic association, generally beneficial company, foundations and endowment funds, churches and religion societies.

2.1 Foundation and endowment fund

Foundations and endowment funds are purpose property associations established pursuant to the Act no. 227/1997 Coll. on foundations and endowment funds and amendments of some related acts, they are corporate bodies and must have the word "foundation" as a part of their name; an endowment fund must have the "endowment fund" indication as a part of its name; on the other hand other persons shall not use this indication as a part of their name. For the purpose of the act above and for the purpose of this work the foundation contribution means everything granted by a foundation or an endowment fund pursuant to this Act and the statute of the foundation or the endowment fund to any third person for the purpose for which the foundation or endowment fund has been established. For the same purpose the foundation

procedures, decisions and actions, which are desirable from the points of view of the company objectives and values.[3, page 127]

³ The definition of the term "non-profit organization is contained in the publication called "Talking about non-profit organizations by S. Škarabelová a kol. [5]

grant means everything granted by any third person to the foundation or endowment fund for achieving the purpose for which the foundations or endowment funds have been established.

The Act on foundations has been based on the adoption of the Austrian concept of the differentiation between a foundation and an endowment fund. The difference consists in the fact that an endowment fund serves for a temporary rather than permanent purpose, thus its whole assets may be consumed for the specified purpose (§ 2 section 3).“ [7, page 15]

2.2 Civic association

A civic association is a corporate body established pursuant to the Association Act no.83/1990 Coll. Pursuant to § 1 of this Act citizens have the right to associate freely and they do not need any permission of a government body for the execution of this right. This act does not apply to the association of citizens in political parties and political movements, for the purpose of the profit-making activity or the proper performance of certain professions, in churches and religious associations.

A foundation contribution to a civic association is a subject to the gift tax, from which it is however exempt.

3 Material and methodology

The work has been prepared under the information of the current literature dealing with the issue of NGOs in the Czech Republic and it mostly focuses on foundations and endowment funds. The web site of the Czech National Bank has been used as a source of web addresses of all bank organizations in the Czech Republic. From this website the information on which banks have their own foundations or are active in social affairs in any other way has been extracted. Annual reports have been used as a source of information on the structure of contributions in 2006 – 2008 considering the representation of individual types of NGOs. According to the list of organizations these have been classified into groups according to whether they are civic associations, generally beneficial companies, foundations or endowment funds, public sector entities, companies, churches and religious societies or natural persons and the summary contribution amount has been calculated.

4 Foundation of banks in the Czech Republic

Only two out of 37 bank institutions in the Czech Republic have their own foundations. It is Nadace of Česká spořitelna (the foundation of Česká spořitelna) with the foundation assets of CZK 501 million and Nadace Komerční banky, a.s. – Jistota (Foundation of Komerční banka, a.s. – Jistota), with the foundation assets of CZK 500,000. Citibank, a.s. operates a foundation with the registered office outside the Czech Republic (Citigroup Foundation based in New York) supporting projects in 89 countries of the world whereas 43% contributions are directed outside the U.S. [8]. Czech bank foundations have no employees. Foundation related activities are performed by bank employees and the services are invoiced to foundations.

4.1 Grants to foundations

In last three years parent banks donated financial resources for their activity (table no. 1) to their foundations. Česká spořitelna, a.s. donated the grant of CZK 49 million to its foundation in 2008 probably mainly due to the decrease in the market value of the foundation assets in order to balance its value. No entity donated anything to the Nadace České spořitelny during the past two years. Komerční banka, a.s. donated the amount of CZK 11 million to its

foundation in 2006 and 2007. Compared to this the grants of other entities have been very small - they only amounted to CZK 70,000 in 2007.

| Foundation | Grants of parent bank in last three years (in CZK) | | |
|---------------------------------------|--|------------|------------|
| | 2006 | 2007 | 2008 |
| Nadace České spořitelny | 1,050,000 | 6,000,000 | 49,000,000 |
| Nadace Komerční banky, a.s. - Jistota | 11,000,000 | 11,000,000 | - |
| Foundation | Grants of other entities (in CZK) | | |
| Nadace České spořitelny | 177,450 | 0 | 0 |
| Nadace Komerční banky, a.s. - Jistota | 33,000 | 70,294 | - |

Table no. 1 - Grants to foundations in 2006 – 2008

4.2 Supported entities

Nadace České spořitelny mainly supports other foundations and endowment funds, where more than 42 % of the total amount of contributions was directed in 2007 (table no. 2). In 2006 this share amounted to 39 % and in 2008 it was 35 %. In 2007 one quarter of contributions was divided among 21 civic associations. In 2006 and in 2008 the situation was similar. Nadace Komerční banky, a.s. - Jistota mostly supported the public services, i.e. hospitals and schools in 2007, where more than 66 % contributions were directed in 2007. It also supported individual natural persons in difficult life situations. The amount of contributions to individual entities is depicted in following tables.

| Individual entities | Contributions (in CZK) | Contributions (in CZK) | Number of entities | Average contribution (in CZK) |
|----------------------------------|------------------------|------------------------|--------------------|-------------------------------|
| Civic associations | 6,232,153.00 | 25,30 | 21 | 296,769.20 |
| Generally beneficial companies | 2,188,300.00 | 8,88 | 4 | 547,075.00 |
| Foundations or endowment funds | 10,381,000.00 | 42,15 | 10 | 1,038,100.00 |
| Public sector entities | 60,000.00 | 0,24 | 3 | 20,000.00 |
| Companies | 270,000.00 | 1,10 | 2 | 135,000.00 |
| Churches and religious societies | 5,500,000.00 | 22,33 | 1 | 5,500,000.00 |
| Natural persons | 351,000.00 | 1,43 | - | - |
| TOTAL | 24,982,453.00 | 100,00 | 40 | - |

Table no. 2: Amount of contributions of Nadace Česká spořitelna by individual entities in 2007

⁴ The amount of the gift in 2008 has not been known yet, as the annual report of Nadace Komerční banky, a.s. – Jistota has not been published yet. The foundation secretary, M. Janebova wrote in her email from August 24, 2009 following: „...the annual report of the Jistota foundation has not been prepared yet. Currently we have been working on it and it is about to be published in the autumn.

| Individual entities | Contributions (in CZK) | Contributions (in CZK) | Number of entities | Average contribution (in CZK) |
|-------------------------------------|---------------------------|---------------------------|-----------------------|-------------------------------------|
| Civic associations | 467,219.00 | 6.44 | 7 | 66,745.57 |
| Generally beneficial companies | 206,500.00 | 2.85 | 3 | 68,833.33 |
| Foundations or endowment funds | 30,000.00 | 0.41 | 1 | 30,000.00 |
| Public sector entities | 4,792,500.00 | 66.06 | 20 | 239,625.00 |
| Companies | 1,019,930.00 | 14.06 | 6 | 169,988.30 |
| Churches and religious societies | 194,000.00 | 2.67 | 3 | 64,666.67 |
| Natural persons | 544,848.00 | 7.51 | 15 | 36,323.20 |
| TOTAL | 7,254,997.00 | 100.00 | 55 | - |

Table no. 3: Amount of contributions of Nadace Komerční banky, a.s. - Jistota in 2007⁵ by individual entities.

Annual reports or websites of several other banks indicate that they contribute to or cooperate with some foundations or endowment funds, charities and other NGOs or involve their employees in such activity. It is a case of UniCredit Bank Czech Republic, a.s., ING Bank N.V. a ČSOB, a.s., Volksbank CZ, a. s. (in 2004 and 2005) and Reiffeisenbank, a.s.

4.3 Contributions of foundations to civic associations

Civic associations have better chance to get grants from Nadace České spořitelny, which contributes about to twenty associations every year. They are mostly organizations dealing with health or social services. On the whole foundations are supporting less than forty NGOs a year, which is a very low share considering the total number of registered organizations.

Nadace Komerční banky a.s. – Jistota supports about ten civic associations every year. The organizations mainly use the contribution to finance equipment, devices or reconstructions. Considering the number of supported organizations it seems that the chance for getting support for civic associations is very low. It may be caused by small demand for contributions of foundations or preferring foundations and endowment funds in case of Nadace České spořitelny, which redistribute the resources gained in this way to other NGOs. In case of Nadace Komerční banky, a.s. – Jistota it may be given by the guarantee of high-quality and long-term services in case of public, allowance organizations and their social and health services, on which the foundation has been mainly focusing.

5 Conclusion

There are only two bank foundations with the registered office in the Czech Republic. It is the case of Nadace České spořitelny with the fixed assets of CZK 501 million. In 2007 the foundation granted contributions in the total amount of CZK 24,982,453. It granted more than 42 % to other foundations and endowment funds. In years 2007 and 2008 the foundation was granted the financial grant from its parent bank, Česka spořitelna, a.s., and it was not granted other grants. The other foundation is Nadace Komerční banky, a.s. – Jistota with the foundation assets of CZK 500,000 .In 2007 the foundation distributed contributions in the

⁵ The annual report of Nadace Komerční banky, a.s. – Jistota for 2008 was not available on the foundation website at the time of the contribution processing. For better comparison both tables have been prepared for both foundations with 2007 data.

amount of CZK 7,254,997 with more than 66 % being granted to public sector institutions, i.e. schools, hospitals, social facilities etc.

Civic associations are not granted much money from these foundations. Considering the focus of Nadace Komerční banky, a.s. – Jistota we can suppose that civic associations active in the areas of providing social and health services may have chance for getting some resources.

Neither foundation has employees. Their activities are performed by bank employees and invoiced to the foundation consequently.

Aknowledgment

The paper was supported by the IGS 16/2009 (Internal Grant System of Silesian University) Nadace bank v České republice a oblasti podpory (Foundation of banks in the Czech Republic and areas of support).

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Summary

Nadace bank v České republice

Nadace i občanská sdružení jsou nestátní neziskové organizace, které tvoří většinový podíl všech NNO v České republice. Projekt je zaměřen na nadace bank v ČR, velikost nadačního jmění, grantovou činnost, získávání darů, oblastí podpory, výše a podíl finanční podpory a možnosti využití finančních příspěvků občanskými sdruženími. Byla provedena analýza internetových stránek a výročních zpráv 37 bank v ČR a aktuální literatury zabývající se problematikou nadací. Dvě velké banky mají nadaci se sídlem v ČR. Je to Nadace České spořitelny, jež poskytuje většinu příspěvků jiným nadacím a nadačním fondům a Nadace Komerční banky, a.s. – Jistota, jež podporuje hlavně veřejný sektor, tzn. nemocnice, školy, kam směřovalo v roce 2007 víc jak 66 % příspěvků. Využití příspěvků pro občanská sdružení je minimální. Obě dvě nadace nemají žádné zaměstnance a dary tvoří převážně finanční prostředky poskytnuté mateřskou bankou.