

# EUROPE OF ENGAGED CITIZENS

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## Case of CZ Endowment Fund (NIF)

### Success of Czech Privatization

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NADACE  
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# Story of €100 million NIF (CZ Foundation Investment Fund)

- 1991: Act on NIF approved by Czech Parliament
- 1992: 1% from 2<sup>nd</sup> wave of voucher privatization allocated for NIF (2,823 billion CZK /100 mil EUR/ in shares of 485 companies)
- 1992-96: „containment of NGOs by Klaus government“
- NIF frozen at National Property Fund losing its value / state using profits

# Turning period

- 1997: Act on Foundations approved  
(decline from 5000+ to 200, followed by slow increase: 318 in 2001)
- 1997: Minister Bratinka: terms of reference for call for proposals of the 1st NIF phase developed and agreed
- 1998: call for proposals published by Minister Mlynář
- 1998-99: 1st NIF phase implemented by office of Minister Bašta

# Goal reached after a decade

- 1999: Czech Parliament approved **distribution of CZK 500 mil** among 39 foundations – 1<sup>st</sup> NIF phase completed
- 2001: Call for proposals - **2nd NIF phase** published by Minister Březina to distribute remaining portfolio of NIF (different TOR)
- 2001: Parliament approved distribution of CZK 849,3 mil + % from future sales of remaining shares among 64 foundations
- Beneficiaries of both NIF stages: 73 foundations (22% of total No of foundations registered by 15. 10. 2001).

# STRICT RULES

- NIF contribution should be registered as endowment, foundations are **obliged to sustain its value**. Only earnings can be **used**, min. 80% should be granted to third parties (mainly NGOs)
- Grant making should be publicized as **open call for proposals**
- Foundations agreed with **state control** of using NIF endowments and they must report about it separately in Annual report. If they do not use money properly they can be fined, including charge back of the NIF contribution
- Foundations take responsibility for **safe management of the NIF contribution**, and they agreed with restrictions in choosing investment instruments.

# WHAT TO DO WITH €100 MIL?

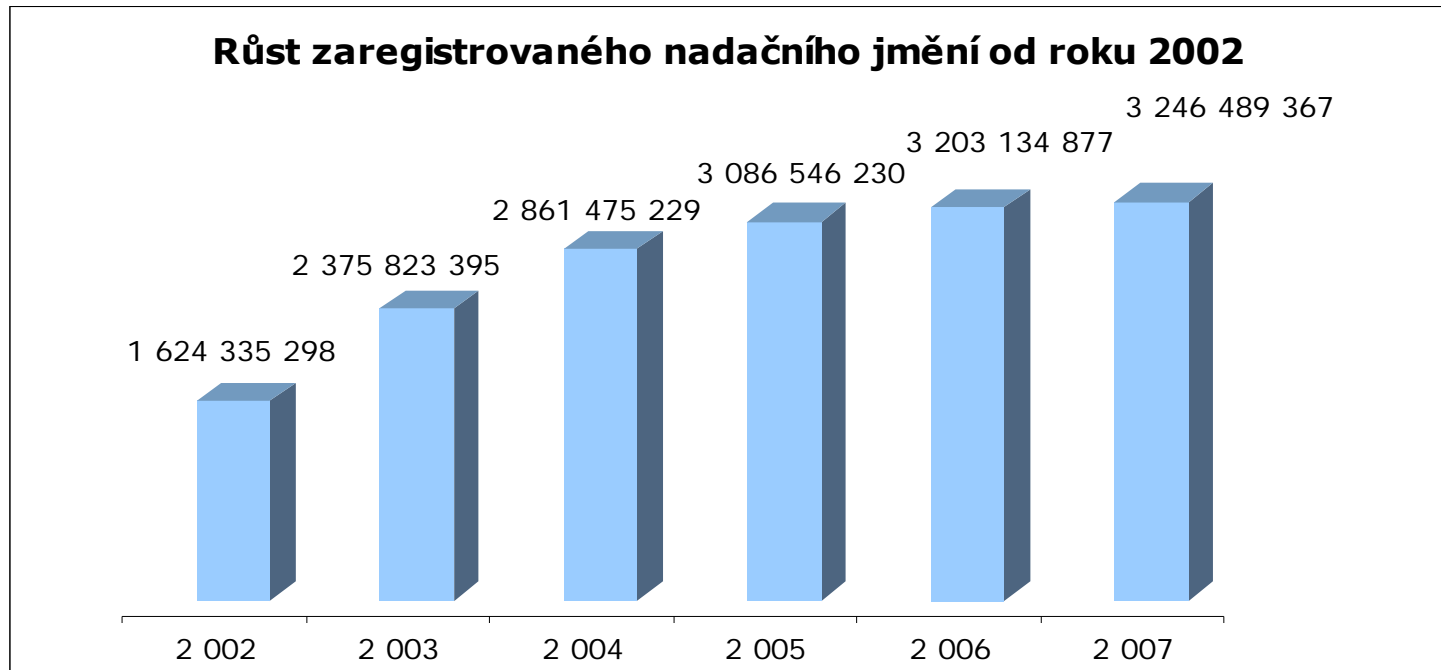
## MAJOR CHALLENGES in 2000:

- Fragile confidence in banking sector
- Restrictions for investing instruments  
(only bank accounts till 1999, low risk structure of portfolio, properties allowed in 2005)
- Very limited competence of foundations to manage endowments
- High expectations (+10% profit)

# BYPRODUCTS OF NIF

- **Coop of foundation community, consolidation of Donors Forum**
- **Mobilizing boards – responsibility**
- **Mobilizing investment expertise within foundation community**
- **Realizing potential for equal partnership with financial sector**
- **Make banks understand needs of F.**
- **Self-confidence and institutional growth of foundations**
- **Long-term sustainability**

# Endowment of CZ Foundations benefiting from NIF (Group 68)



- Grants from Group 68 in 2007: **420 821 481 CZK** (13% of total value of endowments, only 10% of this is generated by NIF investment profits)

# BE REALISTIC

- Expectations of earnings in 98: 10%
- Today reality far bellow inflation
- € 1-4 M can not generate enough
- But gives cushion to fundraise more
- Future of CZ / CEE foundations is combination of grant making and operational institutions
- Change in the Law needed



# Key points for success

- 1991: decision of 1% privatization
- 1997: Act on Foundations: clean up the stage, transparency
- 1995: Avoiding scenario of one National Foundation (parallel to some recent EU concepts)
- Reach political consensus: sustain concept of perpetual endowment vs. immediate spending
- Getting banks on board
- Transparency in the process
- Role of individuals (Jiří Müller)

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