

Partnership for Change



USAID in the Czech Republic



This report is produced by the United States Agency for International Development (USAID), an agency of the United States Government. USAID was created in 1961 to implement U.S. foreign assistance throughout the world.

Cover photo: Wenceslas Square, Velvet Revolution, 1989



IN 1989, THE WORLD WITNESSED THE PEOPLE

of the Czech Republic's return to democracy and freedom. Just as the Velvet Revolution

leapt away from communism, it also took a first step towards establishing

the stable, self-sustaining foundations for a prosperous and free society.

At that moment, the American people made a promise to help the reform

democracy overcome the fundamental challenges of transition

from a closed, communist dictatorship to a free-market democracy.

That promise renewed an historic partnership sealed more than seventy

years ago in principles of freedom.

THE WHITE HOUSE
WASHINGTON

March 19, 1997

Dear Mr. President:

The Czech Republic has inspired the world through its dramatic and impressive democratic and free market transformation since 1989. Its emergence this decade as an outstanding example of successful economic and political reform in Central Europe is eloquent testimony to the vision of Czech leaders and the hard work of the Czech people.

I am proud of the role the United States played in this successful transformation. Over the past seven years, we have worked closely with the Czech Republic to help assure a future in which it is secure, democratic, prosperous and increasingly integrated with the West. Through this process, the Czech Republic and the United States have rekindled our bonds of friendship and cooperation. I can think of no finer or more important legacy for our assistance program.

As we commemorate the completion of our formal assistance relationship, I congratulate the government and the people of the Czech Republic on your success. Today, the Czech Republic enjoys the fruits of a long and successful struggle for sovereignty, independence and freedom. Yours is a country in which individuals shape their own and their nation's future. The Czech Republic's success is a bright beacon of hope and leadership for all others who continue to struggle with similar problems of transformation.

We are entering a new phase in our relationship, one which befits the historic ties and shared values between our two nations. We shall continue to work together, as partners and ever closer friends, to further integrate the Czech Republic into Western structures and to face the challenges of the next century. We look forward with commitment and pride to this new partnership.

Sincerely,

Bill Clinton

His Excellency Vaclav Havel
President of the Czech Republic
Prague

Od roku 1989 Česká republika inspirovala svět svou dramatickou a imponující transformací k demokracii a volnému trhu. Její zrod v tomto desetiletí, jako vynikající příklad úspěšné ekonomické a politické reformy ve střední Evropě, je uchvacujícím svědectvím víze českých představitelů a usilovné práce českého lidu.

Jsem hrdý na roli, kterou Spojené státy hrály při této úspěšné transformaci. Během posledních sedmi let jsme s Českou republikou úzce spolupracovali, abychom pomohli zajistit budoucnost, v níž bude bezpečná, demokratická, prosperující a stále více integrovaná se západem. Tímto procesem Česká republika a Spojené státy oživily svůj svazek přátelství a spolupráce. Myslím, že není lepšího a důležitějšího odkazu našeho programu pomoci.

Když si připomínáme ukončení našeho formálního vztahu pomocí, blahopřejí vláde i lidu České republiky k Vašemu úspěchu. Česká republika dnes sklízí plody dlouhého a úspěšného zápasu o suverenitu, nezávislost a svobodu. Jest to Vaše země, kde jednotlivci určují budoucnost svou i svého národa. Úspěch České republiky je jasným majákem naděje a vedení všem ostatním, kdož se nadále potýkají s podobnými transformačními problémy.

Vstupujeme do nové fáze našeho vztahu, takového, jenž odpovídá historickým poutům a sdíleným hodnotám mezi našimi dvěma národy. Budeme pokračovat v práci společně, jako partneři a stále bližší přátelé, abychom dále integrovali Českou republiku do západních struktur a obstáli před výzvami dalšího století. Těšíme se na toto nové partnerství s odhodláním a hrdostí.

Prezident
republiky

V Praze 5. března 1997

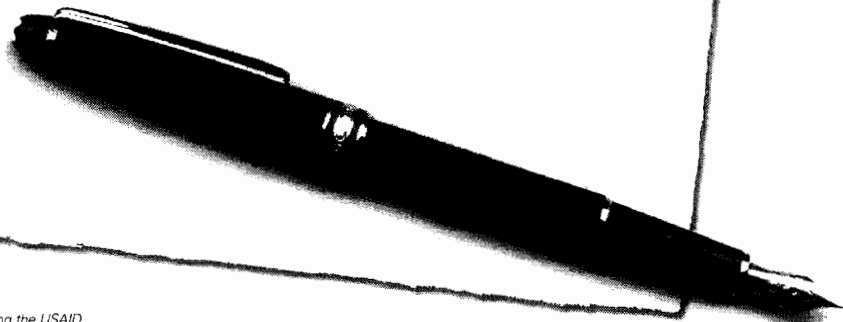
Poselství u příležitosti vydání pamětní publikace USAID (U.S. Agency for International Development) v České republice

Rád bych ocenil pomoc, které se České republice během posledních let dostalo od vlády Spojených států. Během posledních sedmi let bezpochyby přispěla k demokratické transformaci naší země.

V rámci pomoci České republice darovala vláda Spojených států miliony dolarů na přestavbu infrastruktury v mnoha českých městech. Za pomoci USAID dostaly stovky českých občanů možnost důkladného vzdělání ve Spojených státech v oblasti bankovníctví, veřejné administrace, práva a dalších oborů.

Úspěšnost programu pozitivně prohloubila vztahy a posílila těsnou spolupráci mezi Českou republikou a Spojenými státy. Jako prezident České republiky přikládám našim vztahům velký význam. Pevně proto doufám, že budeme v intenzifikaci naší vzájemné spolupráce i nadále úspěšně pokračovat.

Václav Havel

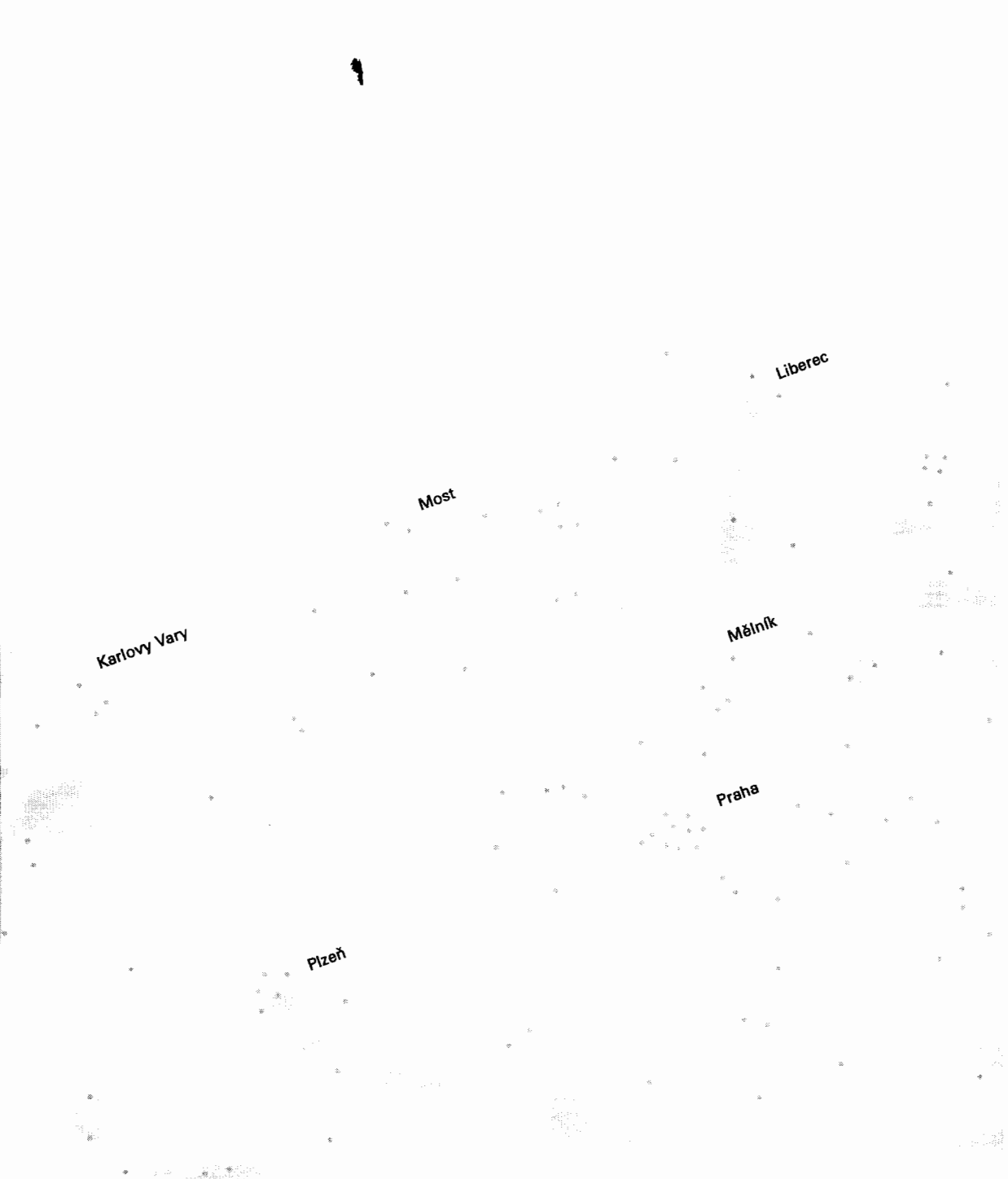
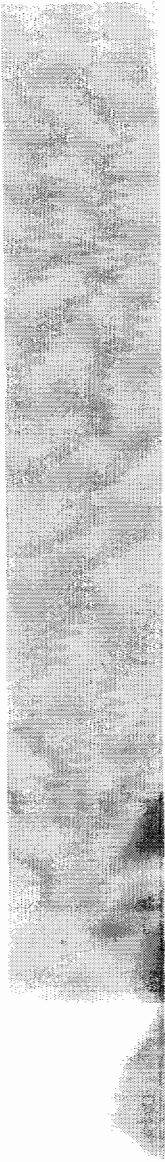


*tidings on the Occasion of Issuing the USAID
(U.S. Agency for International Development)
Commemorative Publication in the Czech Republic*

I want to express my appreciation of the assistance which the Czech Republic received in the last several years from the Government of the United States. Beyond any doubt, during the past seven years it has contributed to the democratic transformation of our country.

Through USAID assistance to the Czech Republic, the Government of the United States made available millions of dollars for reconstruction of infrastructure in many Czech municipalities. Supported by USAID, hundreds of Czech citizens had access to essential knowledge in the areas of banking, public administration, law and other fields.

The achievements of this program have positively deepened relations between the Czech Republic and the United States, and strengthened our close cooperation. As the President of the Czech Republic, I attach great importance to our relations. Therefore, I do firmly believe that we will continue intensifying our partnership successfully in the future.



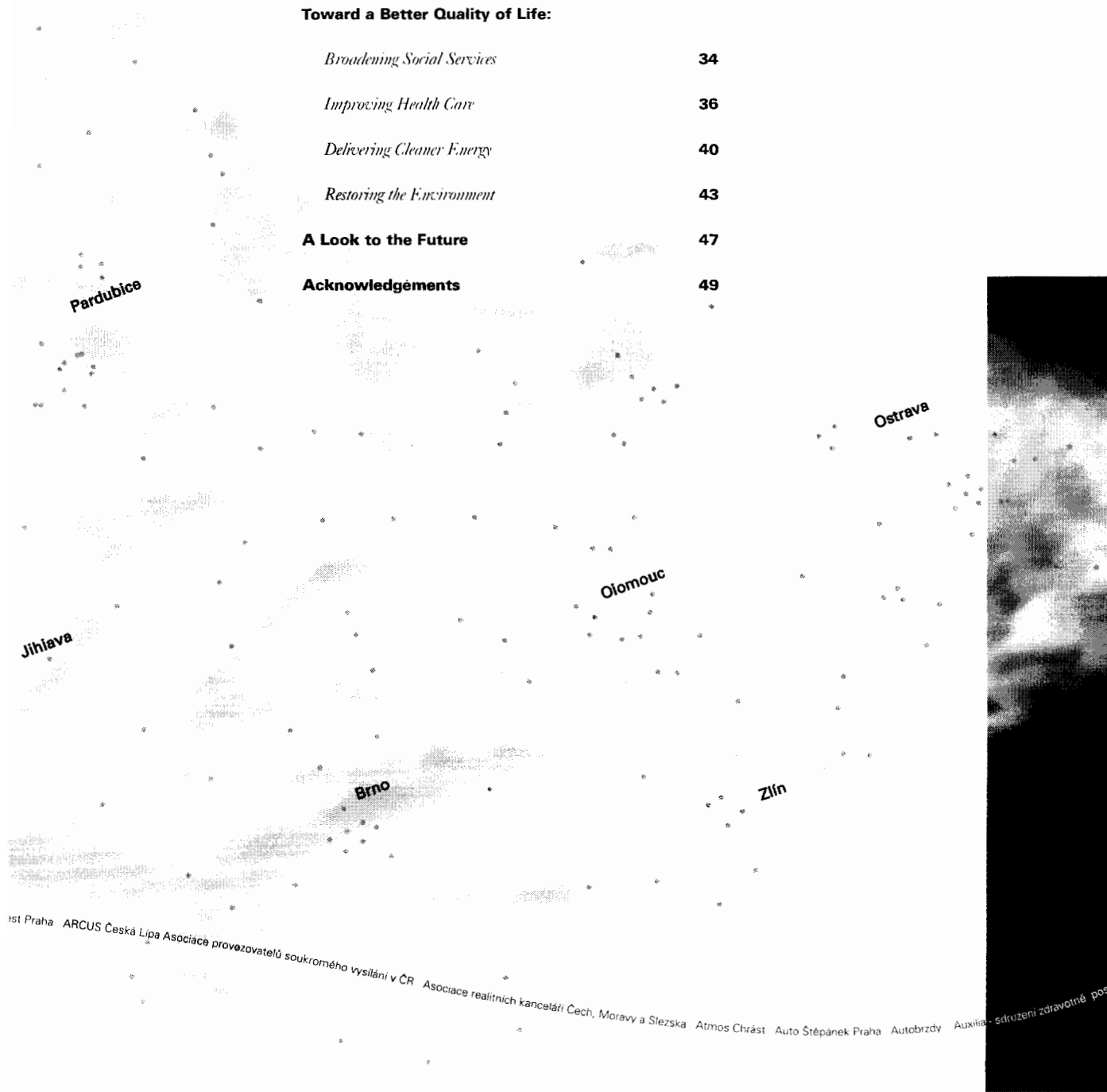
THE UNITED STATES' support of the Czech transition cut across all sectors and spread throughout the country, as reflected by the map. The Czech-American partnership was extensive. U.S. technical assistance and training came through 16 U.S. Government departments and agencies, as well as hundreds of non-government organizations, contractors, associations and universities. Those that benefited were hundreds of Czech institutions, public and private, large and small. The list, starting on this page and continuing throughout this report, is indicative of those Czech institutions that were partners in the program. Behind the institutional names are individuals who worked together to make a difference and have established long-lasting friendships with the American people.

České Budějovice

- AB Barrandov Adagast Dobruška Aero Vodochody Agentura Koniklec Agentura pro regionální rozvoj Ostrava Agrobanka Agrostroj Jičín Agrostroj Pelhřimov Alba Hofovice ALIS Alp Praha AQ-test

Contents

Overview	6
Privatization: <i>Starting the Economic Engine</i>	8
Private Sector Development: <i>Tuning the Engine</i>	12
U.S. Training: <i>Sharing the American Experience</i>	18
Finance: <i>Foundations for Growth</i>	20
Municipal Finance: <i>Helping Cities Develop</i>	24
Governance: <i>Strengthening Democracy</i>	29
Toward a Better Quality of Life:	
<i>Broadening Social Services</i>	34
<i>Improving Health Care</i>	36
<i>Delivering Cleaner Energy</i>	40
<i>Restoring the Environment</i>	43
A Look to the Future	47
Acknowledgements	49



O V E R

As the Republic of Czechoslovakia emerged in 1918, the friendship between American President Woodrow Wilson and Czechoslovak President Tomáš G. Masaryk mirrored the friendship of their respective nations. For the next 20 years, a democratic constitution and able leadership allowed the Republic to thrive, economically and culturally. Czechoslovakia became one of the most industrially advanced countries in Europe, with one of the highest incomes, *per capita*, in the world.

This prosperity ended abruptly in 1938 when the Bohemian borderlands were ceded to Germany. The following year, Nazi troops occupied the Czech lands, and Czechoslovakia ceased to exist. At the end of World War II, American troops liberated parts of Bohemia, but although the country was restored, Soviet domination led to the communist coup of 1948 and the installation of a Stalinist state. The communists rejected any participation in America's Marshall Plan, which helped rebuild Western Europe. Industry was nationalized, and virtually all land came under the control of state collectives. Freedom of expression, whether economic, artistic, political or religious, was repressed.

Not until 1989, with Soviet communism finally falling apart, would Czechoslovakia again free itself. The Velvet Revolution peacefully brought forty years of communist rule to an end with a whimper and, of course, celebration.

United States Responds

The United States acted quickly to support Czechoslovak independence, and the American Congress passed a law, the Support for Eastern European Democracy, or SEED, Act, to promise assistance to the Czechs and the other countries in the region also struggling to establish open societies and market economies. Passed in 1989, the SEED Act formed the cornerstone of America's renewed partnership with the Czech Republic. The SEED Act emphasized economic reform and support to democratic institutions during the critical early stages of their development.

The United States Agency for International Development (USAID), appointed by the U.S. Congress to manage the overall SEED program in coordination with the State Department and the Treasury Department, began to implement assistance to the region in early 1990, and opened an office in Prague in 1991. The Czechs set the agenda in the partnership and the Americans

responded with the best talent available. As identified throughout the sections of this report, USAID drew upon experts from 16 U.S. government departments or agencies, including the *Departments of State, Treasury, Commerce, Energy, Justice and Labor, the Peace Corps, the Nuclear Regulatory Commission, the Federal Bureau of Investigation, the Trade and Development Agency, the Securities and Exchange Commission and the Environmental Protection Agency.* Hundreds of private American volunteers and professionals enthusiastically answered the call...doctors, lawyers, bankers, teachers, farmers. American industry and private sector firms also responded, contributing to a new dynamic relationship between the two countries.

What was accomplished? This summary report of USAID's assistance program in the Czech Republic represents an investment of almost \$135 million in grant assistance, and \$34 million in loan guarantees. While the presentation is divided into major economic and social sectors, the overall USAID strategy sought to finance activities which could contribute to more than one objective. The introduction of energy-efficient American technology in public and private sector industry, for example, reduced operating costs and helped prepare industries to be competitive in world markets. But it also conserved scarce resources, reduced air and water pollution and contributed to a healthier environment for the population.

This report records the gamut of these activities, identifies the genuine successes, and looks to the future of the Czech Republic:

- A unique Czech-American partnership emerged in the context of **privatization**, which was one of the world's most ambitious and unprecedented programs. Since 1989 the Czech Republic has transferred 80% of state assets into private hands. American expertise played an important role in large-scale privatization, especially for fair market valuation and negotiation with foreign investors. The transparency and rapid pace of the process served to engender confidence in the stability and future growth of the Czech Republic. Legal structures, procedures and precedents were established to continue privatization of more complex conglomerates and key enterprises that remain under public ownership.
- **Support for private sector growth** demanded an extraordinary panoply of programs. The American spirit of volunteerism produced a legion of Americans with

Privatization: Starting the Economic Engine

The economic reforms after the Velvet Revolution steered the country away from central planning and toward an open and free economy.

A unique Czech-American partnership emerged in the context of privatization, as the country embarked upon one of the world's most ambitious and unprecedented programs to privatize thousands of state-owned companies. Ultimately, more than \$32 billion of state-owned property was transferred into private hands between 1990 and 1996.

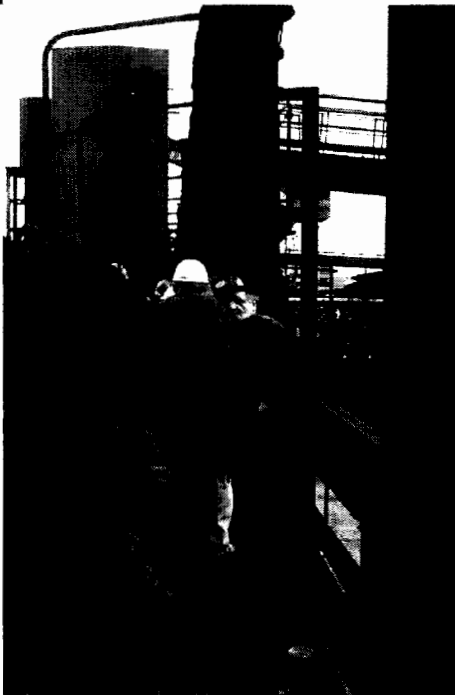
In 1990, Czechoslovakia was one of the world's most intensely centrally planned economies, with over 90% of all enterprises state-owned. The Czechs rapidly resolved privatization of small and easily transferred assets. By 1993, over 22,000 small companies and stores had been privatized by auctions to Czech citizens. In addition, some 3,000 properties were used to settle restitution claims by rightful owners whose property had been nationalized by the Communists in 1948.

In parallel the Czechs began preparation for an ambitious large-scale privatization. At this stage, USAID and American advisors were asked to help evaluate, on a case-by-case basis, the options available for privatization: direct sale, auction, tender, management and employee buy-out and liquidation. Coupon privatization was designed to transfer ownership shares of larger enterprises to eligible citizens who wanted to participate but lacked cash. Two key features were the program's flexibility to apply privatization methods to any given enterprise, and its priority to ensure that all eligible citizens could participate.

The Czech government decided to attract foreign investors to bring in new capital and valuable strategic and operational know-how. To compete effectively in the global market for investment, Czech officials recognized the need to acquire more sophisticated expertise in market valuation, negotiation and sale of assets. In response, USAID contracted with a major American consulting firm to provide an expert team of top investment bankers, financial analysts and accountants, who were also supported by American lawyers working on a voluntary or *pro bono* basis. In partnership with Ministry of Privatization staff, the advisory team reviewed large-business privatization proposals involving foreign capital to ensure that the Czech Republic received the best deal possible from long-term investors, who would deliver training, know-how and strategic restructuring, as well as financial support.

Impact of USAID's Advisory Team

The partnership prospered as the team sought vigorous competition, restructuring and good prices. The Czechs and Americans formed cohesive partnerships, developed negotiating skills in the language of international investment, shared know-how about large and complex acquisitions and gained cross-cultural insights.



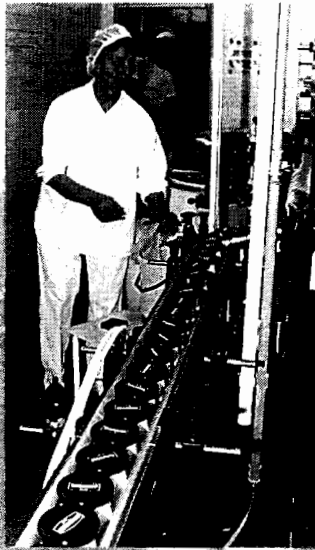
By the end of 1996 this collaborative effort yielded concrete results like:

- *Over 1,200 privatization and acquisition plans were reviewed.* Criteria for evaluation and negotiation were carefully established and applied. Some 170 foreign investment proposals were analyzed and rejected in favor of domestic transactions based on the existence of a credible Czech buyer and the inadequacy of the foreign investor's offer.
- *Over 130 foreign investor transactions were documented, negotiated and closed with a transaction value exceeding U.S. \$4 billion.* The team's analyses raised the average sale price by some 350% above the stated book value of the companies being privatized. In monetary terms, the valuation analysis conducted with USAID assistance provided the Czech Republic an additional \$1.5 - \$2 billion in foreign direct investment.
- *Over 20 major transactions were concluded with U.S. corporations, with a total value of over \$850 million.* There is little question that the Czech-American teams served as a catalyst for U.S. investment and trade interests in the Czech Republic, attracted by the transparency and fairness of the procedures and by the pace of the transactions.
- *Models for international-standard information memoranda and tender documents were designed and tested and are now in routine use by the Czech Republic.* The models were applied to such important transactions as that involving SPT Telecom, the largest single privatization transaction in all of Central Europe.
- *Creation of an asset-recovery department and an investor/purchaser compliance department both organized and facilitated the work of the National Property Fund.*



"USAID has already made a major contribution to our privatization program... Given the dramatic pace at which we are moving, it is essential that this partnership remain intact."

Václav Havel, President, Czech Republic
in a letter to the U.S. Secretary of State, May 4, 1992



A privatized food-processing plant in Lázně has increased employment and installed new machinery with foreign investment.





"A computer-based financial analysis tool developed by the USAID advisory team gave a true financial picture of some of the major Czech industries. By looking at such items as an industry's outstanding orders, inventory or cash flow, the tool helped the Czech government save substantial funds by not having to make unnecessary cash infusions. That system and the accompanying training provided through USAID allows my ministry to continue to analyze the major industries remaining to be privatized or restructured. The unique Czech/American team allowed for effective communication with a foreign advisory team, bringing the team much closer into the process, with excellent results."

Vladimír Dlouhý,
Minister of Industry
and Trade

Although restructuring and strategic covenants were inherently part of the privatization program, sometimes transferring ownership was not sufficient to assure healthy, productive enterprises. USAID assistance was sought in the post-privatization period for several of the larger companies that were facing legal, financial and management issues. In 1996, USAID's advisory team promptly responded to the Ministry of Trade and Industry's request to assist restructuring in some key industrial companies in the Czech Republic, including a few that had not gone through full privatization. The team's primary targets were selected for export potential as well as for the company's financial viability in competitive Czech and world markets. Among the firms were: Nová Hut' Steel Mill, Aero Holding & Subsidiaries, ČKD Praha and Chemické závody Sokolov.

Going out of Business?

Not often does a bureaucracy put itself out of business - but in June 1996 the Czech Government and Parliament agreed that it was time for the Ministry of Privatization to close its doors, having accomplished most of its tasks. Some 80% of all Czech state-owned property stood in private hands - almost the reverse from 1990. The USAID advisory team had helped the Ministry get the job done, participating in the review of some 1200 privatization plans and settling of 130 plans with foreign investors. Then-Minister of Privatization Jiří Skalický thanked Jenonne Walker, U.S. Ambassador to the Czech Republic and Tom Dine, USAID's Assistant Administrator for Europe and the Newly Independent States, for the United States' assistance.





Working with their Ministry partners, the American team helped create models for large-scale strategic and financial restructuring and developed the local capacity of government and enterprise managers to apply and further adapt these models in the Czech Republic.

What was the ultimate impact on the economy of this Czech-American relationship?

In overall terms, the partnership contributed significantly to the transfer of the economy from the public to the private sector. According to a recent issue of "Privatization Newsletter" published by the National Property Fund, since 1989 the Czech Republic has transferred 80% of state assets into private hands. Virtually all small and medium enterprises are now privately owned and managed. The Ministry of Privatization formally closed its doors on June 30, 1996 in clear recognition that the major task of that ministry had been successfully accomplished.

The privatization process contributed to international confidence in the stability and future growth of the Czech Republic, in turn dramatically increasing foreign investment. Underlying this confidence was the Czech Government's willingness to accelerate work in areas crucial to investors including proper disclosure, conflict-of-interest, confidentiality and corporate governance.

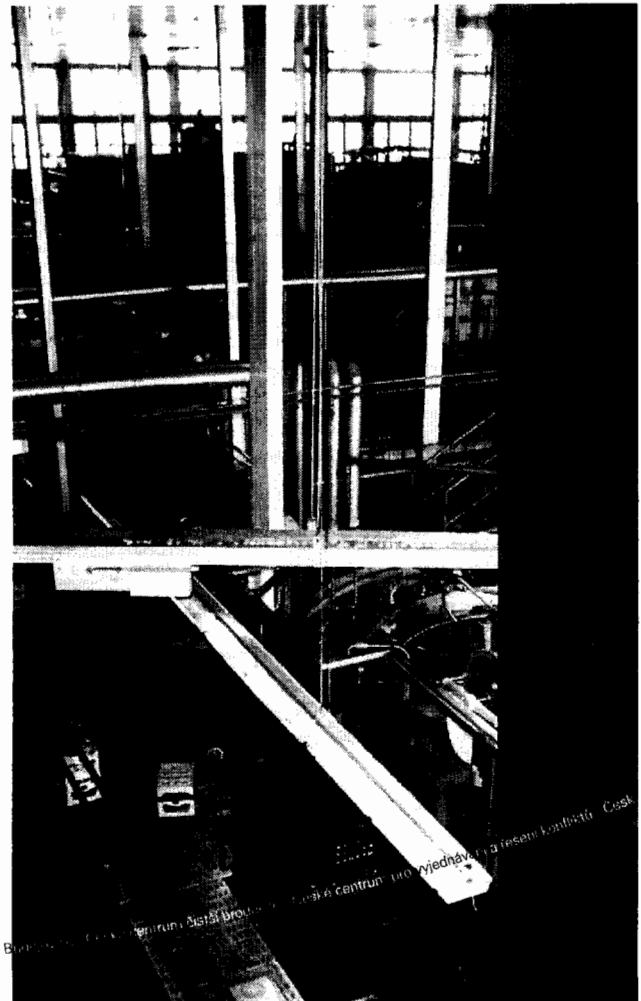
By 1996, foreign direct investment levels had increased fifteen-fold since 1990, with partial or total acquisition of privatized firms accounting for the major portion of those investments. In the ranks of foreign investors in the Czech Republic, the United States stands among the top three.

Finally, the legal structures, procedures and precedents were established to continue the process of privatization of more complex conglomerates or key enterprises that remain under public ownership. Larger firms in the core sectors of the economy, such as energy, engineering, chemicals, manufacturing and telecommunications, are well on their way to full privatization too.

The Czech Republic's commitment and dedication to privatization was a critical element in the transition of the economy. A vision was clearly established by Czech leadership, and USAID and its advisory team contributed the technical expertise to move the process along at the ambitious pace now recorded by history.

"The interesting thing about USAID assistance to the MOI&T is that the experts didn't just walk in and start giving advice. We created close working teams. We were successful in combining their ways of evaluating companies and their investment banking techniques with our local industry experience and knowledge. The effect was synergistic and very productive."

*Jaroslav Borák,
former Director,
Ministry of Industry and Trade*



Turbine production and refitting at Škoda Plzeň, a.s.

If privatization was the top priority for the Czech Republic in 1990, then next was the need of new private Czech firms for business skills appropriate to a free-market economy. These skills were required for innovation, competition and growth. Most importantly, growth of the private sector creates a strong middle class that must be the foundation for a stable democracy. The legacy of a centrally managed economy had few guideposts to contend with issues of strategic planning, marketing, finance, and modern notions of production and human resources. New entrepreneurs welcomed the USAID response: scores of American volunteers with financial and management expertise prepared to work side-by-side with Czech businesspeople, and support for new educational institutions that taught market economics and business, the American way.

America has a strong tradition of volunteerism. That tradition, combined with minimal USAID financing, brought American know-how to the Czech Republic.

Numerous organizations rallied to the call to provide the expertise needed, many of their volunteers actually working together, or with other USAID-funded groups, when opportunities arose. The 'old man' of American volunteerism overseas, the Peace Corps, stepped forward and, with USAID funding, launched a Small Business Program and various special activities to support entrepreneurs. Other organizations like the Citizens' Democracy Corps and the Financial Services Volunteer Corps (working with financial institutions) were actually created to channel American expertise to the young democracies and free economies of the new Europe.



Two examples of Citizens Democracy Corps' (CDC) work reveal the relationships developed with Czech employers, large and small:

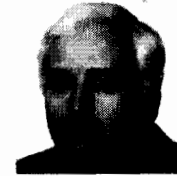
- AT LACHEMA, the fourth-largest maker of pharmaceutical products, CDC volunteer

Howard Kimel, President of Precision Instruments, twice visited to analyze the organizational structure of the company and to suggest improvements for financial management and marketing procedures. Over the period these changes were implemented Lachema doubled its profits to record income, and Kimel paid his own way back to work with the management and CDC on a review of his work and results.

- BOB KENNEDY, Chairman of Superior Chair in Belton, Texas, volunteered to help Kazado, a small company producing wood products, steel carts, and containers. They had foreign customers who bought as much as they could, but Kazado was exporting 80% of its production – at a loss. The buyers refused to negotiate prices, and used intimidation tactics. Kennedy, more experienced in playing 'hardball,' had confidence in the quality of the product, investigated substitutes and then negotiated on behalf of Kazado. He surprised the buyer by both raising the price and pushing them to increase their order by turning their threats upside down: "take it or we'll sell to your competitors, and you can buy lower quality." Before Bob went back to his own business, he had saved Kazado from bankruptcy, and its workers from unemployment. In the words of Pavel Fadrný, the owner of Kazado, "he saved our lives."



Private Sector Development



"USAID's assistance in north Bohemia was really efficient. They provided first class specialists who made decisions very quickly once they understood the Czech needs. They also remained flexible and adjusted to the changing conditions surrounding the project. It was very important that all the promises and deadlines were kept. In itself, this was a perfect example of management for us."

Zdeněk Křivský, Executive Director, Northern Bohemia Economic Association

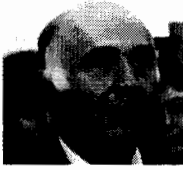
The International Executive Service Corps, working with USAID since the mid-1960s, also turned its resources to this historic opportunity, as did the Volunteers in Overseas Cooperative Agriculture in drawing on the experience of America's farmers.

The Citizens Democracy Corps (CDC) was founded in early 1990 and opened its office in Prague in 1991. It provided American voluntary assistance to develop free-market economies and to create democratic institutions. In the private sector, CDC supported entrepreneurs by placing senior advisors in small and medium enterprises for specific short-term assignments. For some larger enterprises, business-to-business relationships were built upon resident American volunteers. They came from the top ranks of American businesses. Many were retired executives with previous international experience in such fields as manufacturing, finance, sales, productivity and marketing. By 1995, CDC had placed over 110 Americans in companies throughout the country.

A second voluntary organization financed by USAID was the International Executive Service Corps (IESC), which also launched its program in the Czech Republic in 1991. Through short-term assignments, IESC provided businesses with specialized American talent in areas such as plant operations, marketing, financial valuations, legal guidance and strategic planning. In five years IESC volunteers worked with over 200 Czech businesses, municipalities and districts. Nine volunteers also helped the Czechoslovak Management Center (see below) become firmly established.

IESC volunteers worked in large and small companies, assisted other facets of USAID assistance like municipal, regional and NGO development, and even helped Czech ministries come to grips with the new world of a market economy. IESC also produced low-cost custom research reports about U.S. markets, potential partners and export and import opportunities. In a slightly different *modus operandi*, the IESC Business Development Service links client companies with businesses in the U.S., in Europe and within the region. The strategy of this program is specifically to develop long-term relationships with these clients as a precursor to finding, negotiating and creating joint ventures with U.S. For example, Ray Robbins, former CEO of Lennox International helped Janka, a.s., the largest Czech manufacturer of air conditioning equipment, to establish a joint-venture worth \$8 million through its French subsidiary.

American universities also answered the call. The MBA Enterprise Corps, established in 1990, was the product of a consortium of 20 of the top business



"Six years ago, American economists, led by Jan Svejnar from the University of Pittsburgh, came up with a challenging initiative: to establish, in Prague, a modern educational and research institution, focused on PhD studies in economics. The generous USAID grant, covering necessary starting costs, was given to the University of Pittsburgh to supervise the project and assist in developing the Centre for Economic Research and Graduate Education (CERGE) of Charles University.

With the friendly support of the USAID office in Prague, original objectives were achieved. Today CERGE is part of Charles University, with the status of an autonomous graduate school. The first students have defended their PhD dissertations and graduated from Charles University. A stable local faculty, able to teach advanced economic courses and perform top quality research, is established. The international character of the school has grown with students now representing 14 nations from central and eastern Europe and the NIS."

František Turnovec,
Director, CERGE



IESC, the International Executive Service Corps, worked with hundreds of Czech companies both large and small, but very often with the major employers in the country. Companies like ČKD

Hradec Králové, ČKD

Choceň, FAB (shown in photo), Jihočeské papírny, AB Barrandov, Galena, Chemopetrol, KOH-I-NOOR, Kaučuk Kralupy, *et. al.* – a virtual who's who of Czech industry across all sectors. Volunteers also helped a variety of municipalities, government institutions, and non-profit groups to improve financial and general management.

One typical IESC success story involved three different volunteers who assisted a major industrial firm, Škoda Plzeň, at the request of its chief executive. Russel Hale, former CEO of Marathon Electric, worked to develop a strategic plan while Gilbert Tupper, a former Marketing Director of Westinghouse, analyzed and revamped the marketing department including its training and information management units. Hale had previously won an award for IESC work with another Czech company where he closed a contract for \$15 million in export sales on behalf of his client. Finally, Joel Mellis, former Financial Vice-President of GTE Corporation assisted the Financial Director in drawing up new management rules for Škoda Plzeň's subsidiaries and new controls for the entire organization. Of Mellis' recommendations, Škoda Holding noted in a press conference, "most of them are immediately applicable into the company."



schools in the U.S. including world-renowned Harvard and Yale Universities. The American volunteers typically had some business experience and all had recently received MBAs. They provided business and financial advice to the host firms while working on a local salary scale. In turn, the MBA graduates were given the opportunity to gain international business experience in a unique setting. Over 50 young American men and woman participated, and several have stayed to work locally, either for international firms or their original host companies.

Recognizing the challenge facing Czech small businesses, the Peace Corps went beyond its primary mandates in the Czech Republic of teaching English and environmental work to place volunteers skilled in business and management, and to develop entrepreneurship through the Action and Know-How for the Czech Republic program (AKCE). The USAID-funded Small Business Program fielded 60 volunteers with experience in managing U.S. small businesses to assist clients in micro-credit, business planning, bookkeeping and management. AKCE grants supported diverse activities such as Junior Achievement, Career Days and business courses at the Plzeň Business Incubation Center. They served business at sites throughout the Czech Republic including Plzeň, Moravská Třebová, Teplice, Olomouc and Zlín.

The Volunteers in Overseas Cooperative Agriculture (VOCA) began work in the former Czechoslovakia in 1991. Over a five-year period, VOCA completed 143 projects that evolved from work on the basics of private farming and re-organization of co-ops, to agribusiness and 'appropriate technology.' These projects were extremely successful and live on through the annual savings at various farms and the new ideas at work in the Czech agro-economy, like organic farming, agro-tourism, new marketing cooperatives and a semi-private extension service.

Complementing the management skills acquired with the dedication of American volunteers were financial resources and business interest to invest in the Czech economy. USAID channelled funds to the Department of Commerce to create the Eastern Europe Business Information Center (EEBIC) as a clearinghouse on business opportunities and U.S. government programs to assist business and export development. This database served U.S. entrepreneurs and larger businesses who were interested in investing in or partnering a Czech business.

The U.S. Trade and Development Agency (TDA) promotes economic development and trade with the U.S. by providing grants and feasibility studies, consultancies, training programs, and other project planning services. During the initial years of assistance, USAID financed TDA's partnership which matched Czech private and public sector needs with U.S. investment and trade opportunities. TDA was often the first and crucial link between government support and private sector involvement, particularly for U.S. exporters. By 1996 almost 20 TDA studies worth over \$6 million were completed, planned or underway, in electric power, natural gas storage, industrial restructuring, telecommunications, environment and other areas.

The American partnership did not only address short-term needs of the evolving market economy. USAID put in place the educational opportunities for the next generation of managers, helping create new Czech institutions of higher learning.

The Center for Economic Research and Graduate Education (CERGE) launched the Czech Republic's first post-graduate economics department and first four-year, U.S.-style PhD program. CERGE initiated its program in March 1991 at Charles University in Prague in cooperation with the Ministry of Foreign Affairs, the University of Pittsburgh and the Central European University. The goals were to produce university professors and researchers in economic theory and analysis and to support and disseminate advanced research. CERGE also hosted major seminars on economic transformation and international markets, involving key economists and government officials. By 1997, the institute had enrolled over 130 graduate students from Central and Eastern Europe and the former Soviet Union. It became a European Center of Excellence in 1994.



"The benefit of the USAID grant through the University of Pittsburgh cannot be easily measured or seen. It is the contribution to Czech business development through the education of thousands of managers. Executives in CMC programs gain important tools for doing business and improving workplaces. They are armed with knowledge that is essential for professional development. But more importantly, they acquire the expertise for effective integration of Czech businesses in the global economy. To fully understand the USAID contribution, one needs to listen to the thousands of success stories in the Czech business community."

*Dagmar Glückaufová,
Academic Dean,
Czech Management Center*



The Czech Management Center (CMC) was established in 1990 with USAID financing and in cooperation with the University of Pittsburgh's Katz Graduate School of Business and the Ministry of Economy. A U.S.-style MBA graduate program began in 1991 with 26 entrants. CMC defined its instructional approach as a "team-teaching mode" where Czech faculty joined Western faculty, combining state-of-the-art management thinking with relevance for Czech students. More than 100 students had graduated by 1997, and total enrollment topped 190.

A weekend Executive MBA program began in 1995, and CMC initiated an exchange program with American institutions and companies, sending faculty and groups of business people on U.S. study tours. Industrial concerns like ČPP, the Czech gas company, sponsored groups of over 20 employees to week-long seminars at CMC to address issues including finance, accounting, human resource development, and quality control. Over 1,500 people have attended CMC executive programs. The institution has gained an international reputation and was quickly recognised as a Center for Excellence.



Farmers Helping Farmers

Before 1989, 93% of agricultural land was farmed by the state or cooperatives and all food was processed by state combines. American agricultural expertise aimed to help change those facts, which had led to huge inefficiencies, low quality and even environmental damage. VOCA volunteers directly helped cooperatives and individual farmers take responsibility for their own production, using modern concepts of both farming and agri-business. Their assistance was both specific and quite general. At one farm a volunteer observed that bulls were kept with cows and calves and recommended they be separated, resulting in fivefold lower calf mortality. This recommendation was spread by the VOCA network to other livestock farms. In

another example, Březinka resident Jiří Homolka finally had received his own private farm, but didn't know how to run it – until he met VOCA Volunteer George Foothly. Foothly had already worked with other people in the region, many of whom had nowhere to turn for help in basic agriculture. George brought them general information on crop selection, farm management and the ideas now current in U.S. small agriculture. Today Homolka's cattle are free ranging, and he has stopped erosion with no-till practices. Homolka and other private farmers across Eastern Bohemia are saving time and soil, and spending less money on fuel and additives, thanks to free advice from American volunteers. VOCA volunteers have been uniformly praised by their Czech partners as beacons of practical assistance in a sector often overlooked by the reforms focused on macroeconomic policy and larger sectors of the economy.



How does one measure the impact of American involvement in private sector development, investment and management training in the Czech Republic?

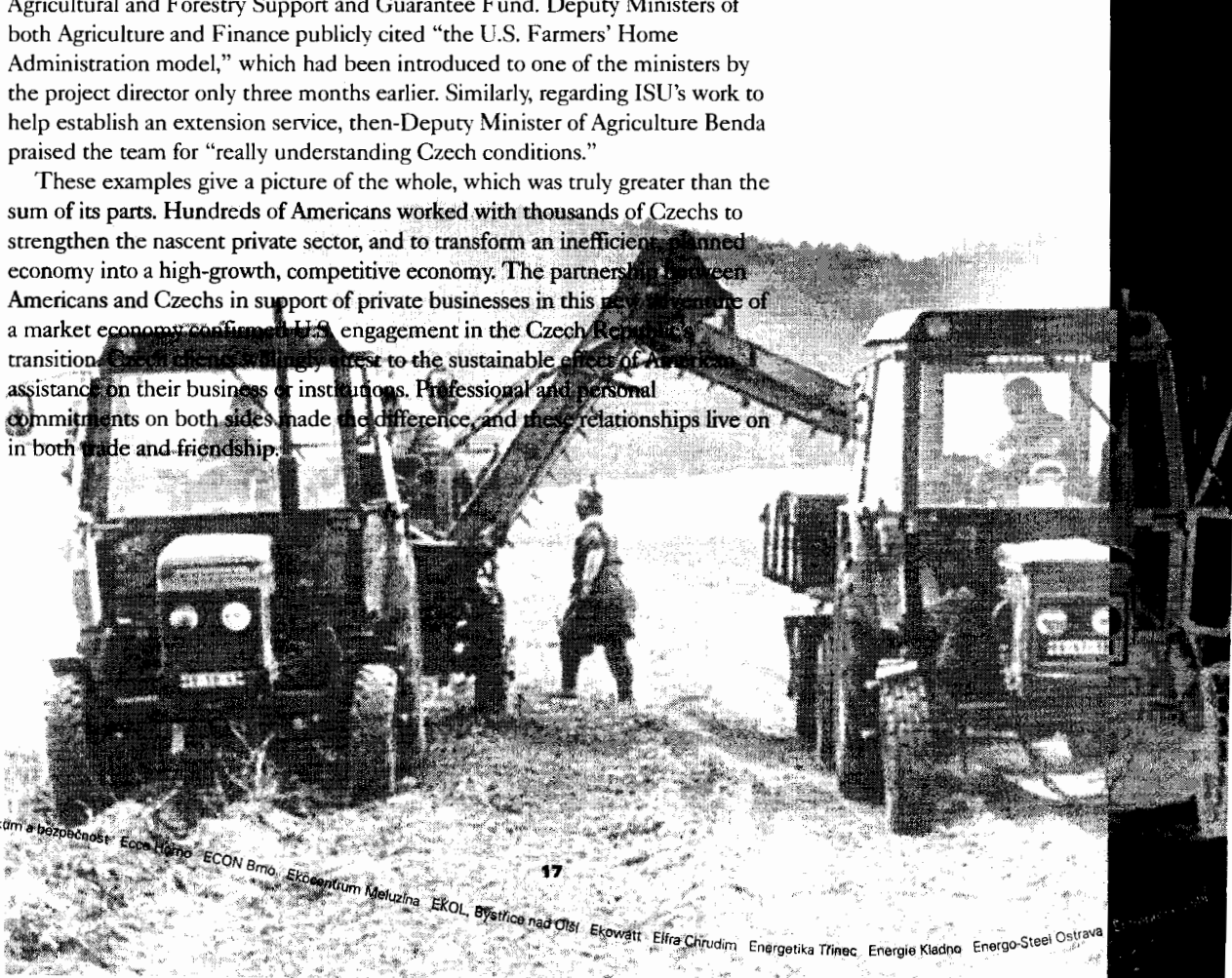
With difficulty. Many smaller but important activities not mentioned here focused on technical aspects of running businesses. Others worked on broader issues of networking and advocacy, like the Center for International Private Enterprise, or the National Association of Realtors' work with the Eastern European Real Property Foundation. This Foundation helped a Czech Association of Real Estate Agencies (ARK CMS) to set standards in ethics and meet market needs like information management, real estate mathematics, sales and marketing, and listing services. ARK CMS is now playing a leadership role in the new Central European Real Estate Association Network, which encourages international real estate services and investment in the region.

Besides the companies assisted by the 500 volunteers discussed above, there were legions more supported by USAID through seminars, training and work with larger institutions. In one major project, Iowa State University (ISU) used a USAID grant to train farmers in modern business techniques while working with both the government and universities to create the conditions for modern private agribusiness. In 1991-92 alone ISU organized workshops to help hundreds of farmers begin to grasp the basics of modern farm management, and sent others on study-tours to the U.S.

Working with the government, ISU gave advice on the establishment of the Agricultural and Forestry Support and Guarantee Fund. Deputy Ministers of both Agriculture and Finance publicly cited "the U.S. Farmers' Home Administration model," which had been introduced to one of the ministers by the project director only three months earlier. Similarly, regarding ISU's work to help establish an extension service, then-Deputy Minister of Agriculture Benda praised the team for "really understanding Czech conditions."

These examples give a picture of the whole, which was truly greater than the sum of its parts. Hundreds of Americans worked with thousands of Czechs to strengthen the nascent private sector, and to transform an inefficient, planned economy into a high-growth, competitive economy. The partnership between Americans and Czechs in support of private businesses in this new venture of a market economy confirmed U.S. engagement in the Czech Republic's transition. Czechs are willingly attest to the sustainable effect of American assistance on their business or institutions. Professional and personal commitments on both sides made the difference, and these relationships live on in both trade and friendship.

"Though VOCA's traditional volunteer program was terminated in the fall of 1995, I have still been in touch with a number of VOCA's former clients. They keep me informed about their progress and I help them stay in touch with their volunteers. Clients keep telling me that they still benefit from the work of VOCA volunteers. They achieved savings of dozens of millions of crowns as they implemented recommendations aimed at better farm management, including improved livestock operations and changed field practices. Last but not least, I would like to extend my thanks to the USAID Prague office





U.S. Training: *Sharing the American Experience*

One very special project was designed by USAID to cut across all areas of American assistance. Through "Participant Training" USAID sent 342 Czechs from all types of professions, private sector and government, non-profit and finance, to the United States for a period of training. Training took place both in classrooms and on-the-job, where the participants could really get first-hand experience.

Demand for this program was very high, and the quality of participants was outstanding. The exchange of experiences

resulted in growth on both sides, formal relationships for cooperation have blossomed, and the cultural benefits of the program are hard to overestimate. Immersion in the U.S. deepened the bonds between the two nations, as Czechs and Americans learned about each other and made new friends. Most importantly, upon their return Participant Trainees spread the news about their new skills and new friends. A few examples tell the story:

• **LADISLAV MIKA**, President of Association of Czech Air Rescue Services, managed an excellent half-day system of air rescue, but needed to expand to 24 hours-a-day. He traveled to the Rocky Mountains to find experience applicable to the challenges of expansion. After applying what he learned, today air rescue is operating safely, non-stop. On the American side, Salt Lake City Air Rescue Service utilized Mika's experience with high mountain terrain rescue to support their application of new methods of hoist operations with helicopters.

• **MILENA JOHNOVÁ**, Director of Prague Wheelchairs Association and Rytmus, saw the overwhelming need for job placement for young, handicapped adults, but did not know how to proceed. U.S. training gave her practical experience and on-the-job experience, and Johnová returned with the know-how to get something achieved. She raised money, hired staff, implemented a new program and today is placing people in jobs they never dreamed of. A success story for USAID, but a miracle for those Johnová has helped to rejoin the mainstream of society.

• **IVA SLOBODOVÁ**, a Specialized Course Clerk with Komerční Banka, spent four weeks taking classes and gaining hands-on experience at various banks and the American Bankers Association. Ms. Slobodová put the training into practice immediately, publishing a journal of her experience in the bank's newspaper and depositing training materials in Komerční's library for all employees to use. Then she organized a seminar for co-workers who wanted new information on modern private banking. The training helped Ms. Slobodová to develop new educational programs in the bank and, as she puts it, "I use the experience every day."

The impact of this project was far-reaching;

participants were encouraged, even instructed, to disseminate what they had seen and learned to their Czech colleagues. The Czech manager of this activity for USAID epitomizes this



Jan Doskočil

experience perfectly – he has moved from USAID to become Vice Executive Director of Training for the country's telephone company, SPT Telecom, with thousands of employees. Jan notes:

"What was especially useful about USAID's training was that it was demand driven. Using Czech employees in USAID to develop its programs broke through a wall, a perception barrier. The USAID program was viewed as not just another foreign program but at least partially a Czech program. So Czechs were more receptive. The training offered was narrowly focussed on specific needs rather than on broad topics. Czech employers also viewed the training in the U.S. as an investment rather than simply an incentive for their employees. The Czechs selected for U.S. training, most from outside Prague, returned from the U.S. proud of their experience and willing in a natural and enthusiastic way to disseminate their new knowledge."



The U.S.-Czech friendship began at the birth of the First Republic.

Tomáš G. Masaryk poses in front of a symbol of democracy—

Philadelphia's Liberty Bell.



"The banking sector had to be opened to domestic and foreign investors so that new banks could be established, the capacities of the banking sector enlarged and a base laid for competition.... A key issue was the systematic training of commercial bank employees. Czech bank needed urgent assistance from abroad in this area especially. USAID became one important source. The foundation in 1992 of the Bank Training Institute as part of the Central Bank, the effective cooperation in its development followed by its transformation into an independent institute were concrete contributions.... Through USAID the Central Bank was able to increase its employees' skills. Of great importance, for example, was the training of the staff of the banking supervision department. The development of the Czech banking sector was rapid and relatively successful. It required large financial investments to build systems, to open new business units and establish entire branch office networks. The transfer of know-how by USAID-funded American specialists contributed significantly and was an equally important investment. This was aid at the right time and in the right place.

Josef Tošovský,
Governor, Czech National Bank

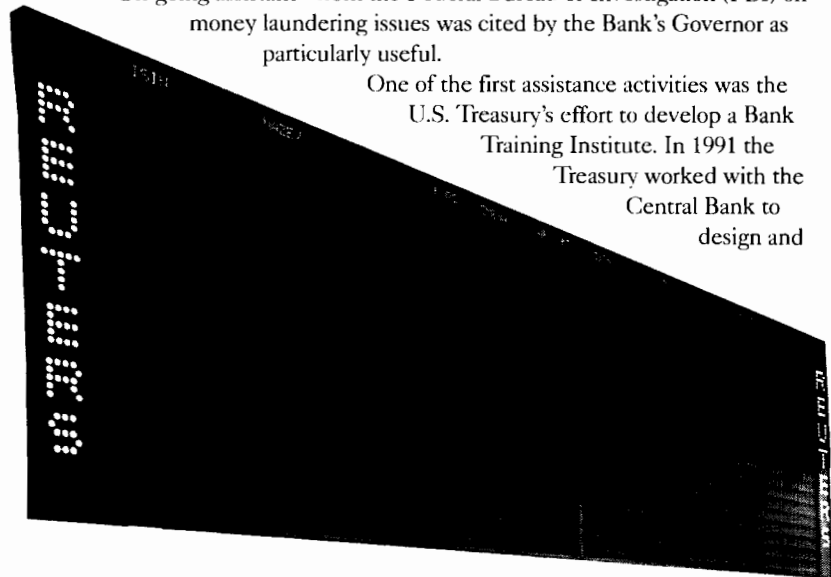
In 1989, communism left behind a financial system that had suppressed or eliminated most aspects of a market. Money itself had no real meaning in command economies stripped of concepts of competition, profit and loss. There were those with pre-1938 experience, when Czechoslovakia had a strong economy with a skilled and stable banking system, but very few had any experience in monetary relations, commercial banking, and the tools of finance and capital markets. Although some skills were retained through trade with the outside world, on the whole, COMECON relations had crowded out real understanding of international banking. Both financial managers and general managers lacked the requisite skills to deal effectively with Western financial institutions.

The financial system needed to preserve and invest the nation's capital; train managers in all aspects of finance, banking and business; find ways to serve the nascent private sector as well as individual citizens; and, eventually, privatize and diversify the assets of the system. USAID worked with Czech partners in the Central Bank, individual banks, and market-based institutions like the Prague Stock Exchange to create the financial infrastructure needed for economic growth.

The Czech National Bank's (CNB) role in the story is truly central. From monetary policy to government debt and supervision, to training and work with individual banks, the CNB was the catalyst for most assistance, especially in the early 1990s. Through the Financial Services Volunteer Corps (FSVC) and elements of short-term assistance by the U.S. Treasury, U.S. assistance aided the transition of Czech National Bank into a fully functioning central bank. Training activities and expert advice focused on banking supervision, monetary policy, and government debt, with activities continuing through the summer of 1997.

On-going assistance from the Federal Bureau of Investigation (FBI) on money laundering issues was cited by the Bank's Governor as particularly useful.

One of the first assistance activities was the U.S. Treasury's effort to develop a Bank Training Institute. In 1991 the Treasury worked with the Central Bank to design and

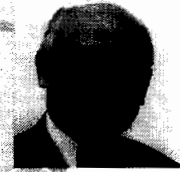


5000



Finance...

PĚT TISÍC
KORUN ČESKÝCH



implement a training program for the banking system. By 1992 a U.S. consulting firm was managing this process and the Czechoslovak Banking Institute received its first resident advisor to develop a modern curriculum.

Over the past 5 years, sponsorship diversified to include banks, the Banking Association and other donors like the British Know-How Fund. Hundreds of banking sector professionals have passed through the institute's doors, some of whom visited the U.S. under the summer program "Bankers Abroad." USAID's financial support ended in 1995 after completing a "training-for-trainers" program, and seeing the institute become a joint-stock company with a self-sufficient future. In June 1995, the Director of the Bank Institute wrote USAID:

"on behalf of the Czech banking sector...a lot of work has been done which will stay invaluable and unforgettable for us. I would like to stress the usefulness and importance of the open enrollment courses with American experts. These excellent courses allowed the Czech bankers to learn western financial theories and practice and to begin a good basis for the future cooperation and information exchange between bankers in both countries. We also appreciate the USAID assistance in training of trainers...."

Individual banks sought to adopt Western concepts of competition, customer service and full commercial activities. U.S. assistance helped improve strategy and operations at three full-service banks that represent 50% of all Czech banking assets: Komerční banka (KB), the largest bank in Central Europe; Česká spořitelna (CS), the national savings bank holding the deposits of most citizens and employing 25,000 workers; and Československá obchodní banka (ČSOB), formerly the international trade settlement bank.

A top priority was supplying the management of these institutions with expert and confidential advice on issues of transition. At Komerční, the U.S. Treasury provided a Czech-speaking advisor to the Bank Chairman, to work on strategic planning, credit risk management, and negotiating with investors, shareholders and other institutions. He played an important role in averting a capital crisis in late 1992 when the bank posted extremely large losses due to the weak loan portfolio left over from communist 'banking.' The advisor's contribution was so important that in 1993, the Chairman and CEO wrote directly to the Secretary of the U.S. Treasury to request an extension, saying "his presence will be essential...Without his help the potential for losses is heightened."

At Česká spořitelna, a team of experts funded through USAID worked to improve the bank's management of its coupon mutual fund and its *raison d'être*, retail banking services. These experts established close relationships with their colleagues and the consulting firm developed a commercial agreement with the bank after USAID assistance had ended, a market test of the value of the assistance.

At ČSOB, USAID support helped improve information and personnel management, risk management, treasury operations, and loan workout operations. This last activity is critical in the Czech environment, where the

"Our USAID-sponsored advisor played a key role in the bank's efforts to privatize. His banking experience, Czech language, competence and interpersonal skills caused him to be integrally involved with me and my top management in guiding our first steps as a privatized bank. Our advisor, 'Roger,' was head and shoulders above other advisors working in the Czech banking community."

Dr. Richard Salzmann,
Chairman,
Komerční banka





Finance...

"Our move toward privatization can be measured by our results, which are excellent. We are now ready for privatization. This is the bottom line. Among the most important aspects of USAID assistance to ČSOB was the creation of 'Centers of Excellence' - agents of positive change in the overall bank's corporate structure. On-the-job training in debt collection was successful, and had clearly measurable benefits. As a result of the assistance effort, this bank, which is one of the most important ones in the region, is now well prepared for its privatization."

Pavel Kavánek, Chairman, Československá obchodní banka

banking sector has inherited portfolios of which, on average, 30% are classified as at risk. A senior U.S. Treasury advisor arrived in 1994 to perform much the same duties as those of the earlier advisor at Komerční, strategic planning and pre-privatization support to the CEO and his senior management team. This same advisor recently moved to the CNB to help the government's effort to complete privatization in this sector.

As for the equity markets, USAID's work on privatization had already helped create the basic condition for a market, millions of new shareholders with a large supply of tradeable equity. The early lack of regulation and market policy was an unfortunate by-product of the rapid success of the privatization program. The scale of property transfers and lack of experienced policy makers and implementors created a number of challenges, including the need for a fair and transparent market and improved corporate governance.

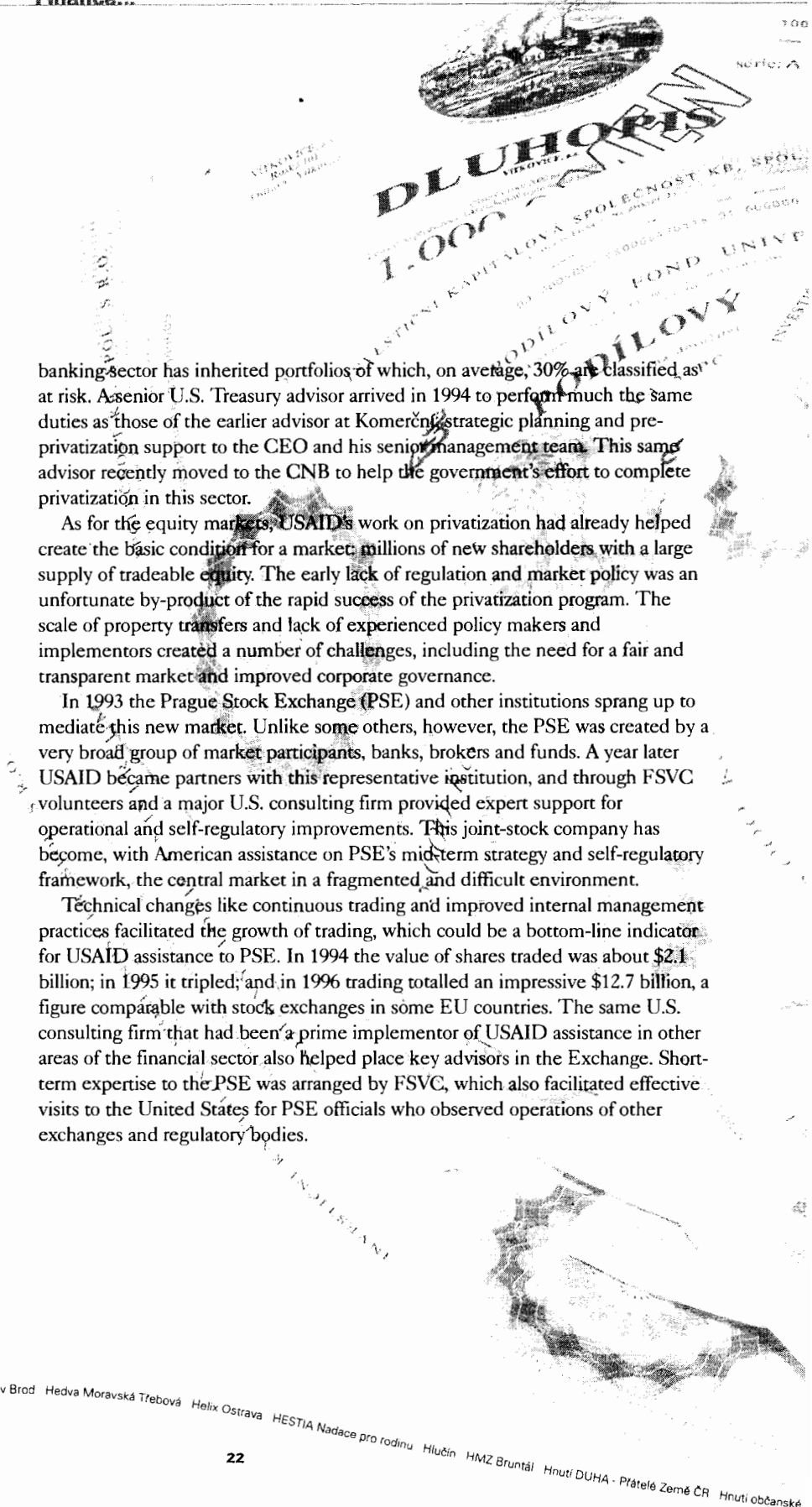
In 1993 the Prague Stock Exchange (PSE) and other institutions sprang up to mediate this new market. Unlike some others, however, the PSE was created by a very broad group of market participants, banks, brokers and funds. A year later USAID became partners with this representative institution, and through FSVC volunteers and a major U.S. consulting firm provided expert support for operational and self-regulatory improvements. This joint-stock company has become, with American assistance on PSE's mid-term strategy and self-regulatory framework, the central market in a fragmented and difficult environment.

Technical changes like continuous trading and improved internal management practices facilitated the growth of trading, which could be a bottom-line indicator for USAID assistance to PSE. In 1994 the value of shares traded was about \$2.1 billion; in 1995 it tripled; and in 1996 trading totalled an impressive \$12.7 billion, a figure comparable with stock exchanges in some EU countries. The same U.S. consulting firm that had been a prime implementor of USAID assistance in other areas of the financial sector also helped place key advisors in the Exchange. Short-term expertise to the PSE was arranged by FSVC, which also facilitated effective visits to the United States for PSE officials who observed operations of other exchanges and regulatory bodies.



"Through USAID-sponsored assistance, the Czech Saving Bank has introduced several new types of banking activities which had not been known in the bank. I would especially mention the whole area of investment banking, which has reached a top level of performance in the Czech Republic comparable to international standards."

Jaroslav Klopal, CEO Česká spořitelna





"A practical example of useful and effective cooperation with USAID in the area of capital markets are technical advice and recommendations which I have been receiving on preparatory work for the establishment of an independent Czech Securities Commission. Its existence will mean a major breakthrough in the short history of Czech capital markets, and especially for foreign investors, who are impatiently waiting for the start of its operations."

Tomáš Ježek,
Chairman,
Prague Stock Exchange



"In my personal opinion the greatest contribution of a key American advisor working at the Prague Stock Exchange was his personality. He fulfilled the highest requirements for technical competence, experience and authority, but at the same time had an exceptional ability to communicate in a "diplomatic" manner with his Czech colleagues, be it in or out of the office. This made the assistance work."

Jiří Franc,
CEO of Prague Stock Exchange

While most activities created conditions for growth, USAID-funded assistance also targeted other necessary aspects of a market economy, such as bankruptcy. The Bankruptcy Training Program helped reform the laws and train new, inexperienced judges in the theory and practice of bankruptcy as an important safety valve in a market economy. This project, including regional seminars, offered different approaches to bankruptcy from across the region, the United States, and the United Kingdom. Representatives of the Ministry of Justice, Czech courts, banks, and private law firms came together for the first time to learn entirely new practices and to exchange experiences. The resulting network continues as an independent professional association, supported by a newsletter that will allow professional development and create a legitimate voice for a key group within a healthy market economy.

In spite of tremendous progress over the past six years, challenges remain. Many regulatory issues for banking and the capital markets are still unresolved, and bank failures in 1996 were precipitated by both bad loan portfolios and criminal behavior. The FBI, the U.S. Federal Reserve and FSVC continue to provide further training to the CNB on bank supervision and to a new Czech task force on money laundering to try to head off any further problems. The PSE is receiving expert assistance in its effort to draft legislation to create a semi-independent securities commission, which would draw on the U.S. Securities and Exchange Commission and European models of structure and operation. In addition, USAID is funding the National Securities Clearance Corporation's assessment of the PSE's clearance and settlement procedures to identify potential risks and to set priorities for the future. Both of these efforts are taking place in 1997, and should help stabilize the Czech financial sector as the country tries to attract more and more investment needed for economic growth.

Municipal Finance: *Helping Cities Develop*



"In 1991 we broke with the past and chose a direction of fiscal decentralization that would be hard to reverse. But providing local governments with responsibilities and stable revenues was only part of the equation; local governments and commercial banks had to learn how to become successful partners in a free market economy. USAID played an important role at this moment. By providing Housing Guaranty capital along with technical assistance to both banks and local governments, the emerging municipal finance system received the needed support to expand and succeed."

Ivan Kočárník,
Minister of Finance

Municipal governments faced severe financing gaps after the revolution of 1989. While a 1990 State law gave municipalities responsibility for most urban services, they had no reliable source of capital financing to meet their new responsibilities. In the past, most local capital investment had been a responsibility of the central government, but these procedures were phased out between 1989 and 1992. The result was a drastic decline in local capital investment. Yet, capital needs of local governments were immense.

Municipalities had inherited infrastructure that had severely deteriorated over previous decades and, in many cases, was very inefficient. These conditions also were a major contributor to the Republic's persistent environmental degradation. With old and poorly maintained water distribution systems, water quality was often below standard and, typically, from one-third to one-half of all water produced was lost (mostly due to leakage) before it reached consumers. Wastewater systems were even more problematic: in many areas, wastewater was being discharged directly into watercourses without treatment. Soft coal was the fuel of choice for most Czech district heating systems in the previous era, resulting in high levels of air pollution as well as energy inefficiency. Further, enormous energy losses occurred in distribution systems and in final use. High infrastructure costs and poor service levels added substantial costs to doing business in any location and reduced the ability to attract or support new economic activity.

The Czech Government took a decisive step in 1993 by reforming local budgets to give local governments their own sources of recurring revenues. The capital financing system for municipalities departed significantly from the past:

- it was consistent with other financial sector reforms, and would be integrated into the overall banking system;
- municipal bank loans were made through standard commercial institutions rather than through permanently separate government funds; and,
- lending terms were oriented to an assessment of municipal credit risk, competition among banks and to market interest rates rather than subsidies.



U.S. Ambassador Adrian Basora
and Finance Minister Kočárník signing
Program Agreement, May 1994

In 1993, the Czech Government requested USAID to help to establish a sustainable, market-oriented system of lending to local governments and thereby strengthen and change the country's municipal infrastructure finance system. The *Program*, signed in May 1994,

called for mutually supportive capital and technical assistance. USAID's technical assistance was provided through the not-for-profit organization Urban Institute. The capital component is USAID's Housing Guaranty loan program.

The Czech Government, along with the Czech and Moravian Guaranty and Development Bank, created a joint stock company to receive and disburse capital. The Municipal Finance Company (MUFIS, a.s.) was formed in 1994, owned by the Ministry of Finance, the bank, and the Union of Towns and Communities. Under USAID's Housing Guaranty loan program, MUFIS can borrow up to \$100 million from private U.S. investors and then lend in Czech korunas to commercial banks willing (many for the first time) to make long-term municipal loans and assume the full credit risk. MUFIS borrowed the first \$20 million for 30 years in March 1995 and the entire amount was disbursed within 12 months. Four Czech banks borrowed the money from MUFIS and made 26 long-term loans to municipalities to finance some 40 infrastructure projects. Already reflows from the initial loans are being used for additional municipal lending.

When the Czech Government decided to embark upon fiscal decentralization in 1993, there was little long-term lending to local governments. Most loans were less than three years in length and at relatively high interest rates (over 14 percent). Banks normally only provided municipalities with month-to-month loans to cover cash flow shortfalls. Market interest rates and long maturities make the MUFIS Program's loans attractive to local governments. At an average interest rate of 11.7 percent and average maturity of 12.4 years (many at 15 years), these are the longest-term municipal loans in the country to date.

One of the objectives of the program was to stimulate competition among banks for the municipal loan business, thus reducing the banking spread for municipal loans, and offering more favorable terms to municipalities. Direct evidence of new head-to-head competition was found in several of the first loans under the program.

The record of repayment is excellent. All bank and municipal repayments have been made in full and on time. It is hard to overstate the importance of this record for municipalities, as they establish credit histories for the first time. MUFIS borrowed \$14 million in additional Housing Guaranty loans from private U.S. investors in March 1997, and may continue to borrow until the year 2000.

A principle reason for so little activity in commercial bank lending to municipalities was the inability to measure or limit municipal credit risk. Most municipalities had no lending and repayment record to point to when attempting to negotiate a loan. At the same time, Czech banks had little experience with making municipal loans, and weren't equipped to conduct credit risk analysis.

USAID worked intensively with credit departments of nine Czech banks, and the State Environmental Fund. Work focused on two types of bank officers: those responsible for setting municipal credit assessment methodology and lending policy, and those meeting directly with municipal

This program that we started three years ago has led to concrete results. The collaboration with Housing Guaranty loans has proven itself leading to several banks which have never made loans to local governments before. The assistance from USAID has been very valuable to commercial banks and is frankly the only assistance that I've seen work in this sector. Using free-market procedures for municipal finance is working to improve the lives of many citizens living in cities throughout the country. The results are significant and we are proud of that.

room of reports written on the subject."

Ladislav Macka, Director General, Czech and Moravian Guaranty and Development Bank, and Chairman, Supervisory Board, MUFIS, a.s.



"The collaboration with USAID over the past 4 years led to dynamic processes that brought a wider circle of banks into the field of municipal finance, and made them realize the attractiveness of these new clients - the municipalities. This process is also solving problems that accumulated over a long period of time in our cities, and couldn't be ignored any longer."

Josef Vaník, Chairman of the Executive Board, MUFIS, a.s.



"One of the main purposes of the Finance Committee is to enlighten our mayors about the importance of municipal budgets, which to us is the 'alpha' and 'omega' of their elected responsibility. USAID's assistance in helping us develop our country's first Credit Analysis Model was instrumental in getting this message across because the model is such a practical and useful tool. Only by understanding technical matters such as 'debt capacity' and 'surplus operating revenues' will mayors be able to responsibly implement their programs."

*Pavel Vyvijal,
Mayor, Frýdek-Místek and
Chairman, Finance
Committee, Union of Towns
and Communities*

Exchanging Finance Experience

The UTC, with support from USAID, held the First National Conference on Financial Management and Development of Municipalities in the Czech Republic in September 1996. Held at the Radio Free Europe facilities in Prague, the conference offered 16 sessions under four broad themes relevant to municipal finance officers and mayors. The meeting attracted 520 participants from the 130 largest Czech cities, as well as ministry and bank officials. Each participant left with a computer diskette and handbook on how to use the financial analytical tool demonstrated at the conference. Participants' enthusiastic response has led UTC to plan a second annual conference in September 1997.



officers in the loan application process. A series of seminars brought bank officers from several banks together for training in credit assessment of municipal budgets, using case studies with actual Czech municipal credit applications and budgets.

New methods to meet the collateral requirements for municipal loans were also explored. By identifying future surpluses in annual operating revenues that could be earmarked for debt service, municipalities and banks could move away from the practice of relying solely on municipal property as collateral. The seminars were followed by separate intensive training sessions at several banks, employing a program-designed method and associated computer model that analyzed the debt capacity of individual municipalities.



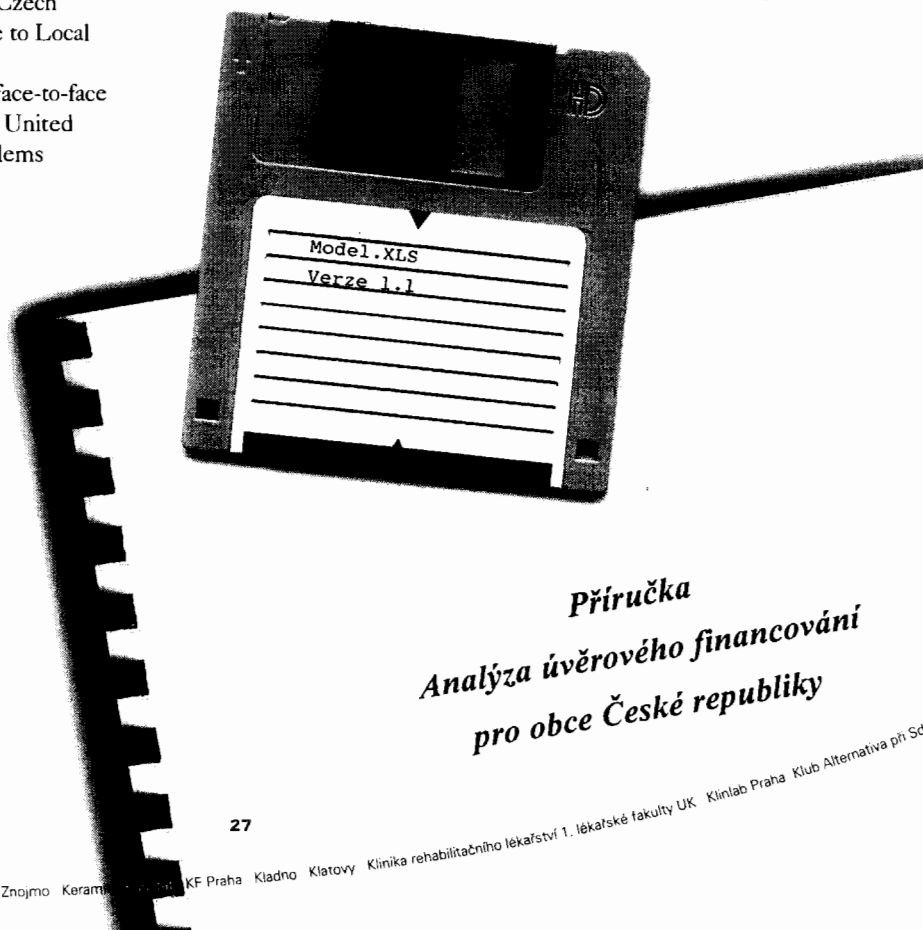
The structure of municipal credits shifted significantly since the fiscal decentralization was introduced in 1993: terms are longer and interest rates are falling. Overall, aggregate levels of commercial credits have grown significantly each year. By the beginning of 1997, over 18 municipal bonds had been issued, with two issued internationally. On the other side of the finance equation were the local governments with their new fiscal responsibilities. Strengthening the process by which municipalities plan and budget for local infrastructure is a powerful agent in improving the overall effectiveness of local government. Because physical infrastructure facilities have a long useful life, planning for them in a coordinated way helps local leaders to think more comprehensively about the future shape of their municipalities. Linking this planning to the budget enables them to consider what they can realistically afford, to compare the cost-effectiveness of alternative strategies for local development, and to set priorities. Since 1993, USAID conducted a comprehensive program that combined four approaches in working with over 600 municipalities:

- making short-term visits to a large number of municipalities to help them strengthen infrastructure projects (technical designs and financial analyses) for submission to prospective lenders;
- providing more sustained assistance in capital improvement planning to a small number of municipalities, both to gain deeper experience of local problems and to demonstrate promising new approaches and techniques;
- spreading knowledge about best practices in infrastructure development and finance to municipal officials nationwide through seminars and workshops and with the training assistance of the Czech Foundation for the Assistance to Local Administration; and,
- bringing Czech practitioners face-to-face with their counterparts in the United States to discuss mutual problems and solutions.

The Czech Union of Towns and Communities (UTC) is an excellent partner in the development of the municipal finance system. Founded shortly after the revolution, the UTC has grown in importance and now its member cities represent the vast majority of the country's urban population.

"When municipalities became empowered with new responsibilities and financial resources, this country did not have a cadre of trained local government officials ready to take on these new tasks. Nor did we have training programs or university degrees in the field of local government administration. USAID came at just the right time and filled this gap. They opened the eyes of many people concerning the major issues we were facing. Even more importantly than that, USAID provided us with help over a several-year period, so as our problems changed, so did their assistance."

*Věra Kameníčková,
Director,
Municipal Budgets*



**Příručka
Analýza úvěrového financování
pro obce České republiky**



"USAID's Housing Guaranty loan allowed us to inject capital into an historic residential sector of our city that was formerly full of life but now had died due to inadequate infrastructure. We knew that public investment had to lead the way of renovation, but the terms of available credit were unacceptable to us. This loan was like life water sprinkled over our city. It has had a palpable and visible effect on us."

Pavel Hejman, Mayor of Třebíč and State Senator

Since 1995, USAID has worked with the UTC's Finance Committee to develop a *Credit Finance Analysis Handbook*, and an associated spreadsheet model, which can be used by municipalities to assess their debt capacity by using financial performance indicators. After lengthy testing and refinement in member cities of the Finance Committee, the debt-management model now is recommended by the UTC for use by all its members. The *Handbook* and computer model were featured in an on-line computer workshop at the USAID/UTC-sponsored First National Conference on Financial Management and Development of Municipalities in Prague, in September 1996, and is now being used throughout the Republic. Through collaboration with USAID, the UTC is also developing policy recommendations concerning municipal audits, disclosure, and municipal debt management.

Lasting impact

USAID gets the most from its investment by integrating a variety of programs into one single effort. In the town of Vratimov in northern Moravia, environment, privatization and municipal finance programs joined to bring cleaner air to the citizens. The town's mayor had seen the use of industrial heat waste to warm homes and offices in other countries. Towering over Vratimov is the nearly privatized Nová Huť steel mill, a huge complex expanding with a new mini-mill. The USAID team working with the Ministry of Industry and Trade provided extensive advice on the company's complex privatization.

The mayor saw an opportunity, but was unsure of how best to make the idea a reality. USAID's Environmental Action Program advised the town how to determine the project's cost-effectiveness. With that in hand, the town turned to two of MUFIS' participating banks to borrow Kč 80 million. The winter of 1996 saw the mill's waste heat running through insulated pipes to Vratimov's central heating system, heating 650 apartments, the community center and even the Town Hall. The system replaced 16 obsolete coal-burning boilers, reducing annual emissions by hundreds of tons. Not only has the winter air improved but the town hasn't gone broke financing the project. It got among the best commercial terms available in the Czech Republic: a fixed rate of 11.5 percent for 15 years.





"Not-for-profit organizations operating outside the government are a vital part of a free society, and have been absent in our country for the past 40 years. They have an important role in improving the health sector, education, ecology, and most importantly culture, where the messages and monuments of civilizations of the past inform those in the present and the future. With considerable assistance of USAID, the new law on Publicly Beneficial Corporations was written according to internationally recognized principles and passed into law."

*Pavel Pelant,
Deputy Minister of Justice*

After 50 years of repression under nazism and communism, the Czech citizens were determined to revive democratic governance and voluntary citizen participation. The U.S. Government supported this goal by marshalling myriad resources from both public and private sectors to help Czechs reinstate democratic processes and rebuild their institutions. Under the leadership of the U.S. Ambassador, a unique Democracy Commission focused these intensive efforts on bolstering both sides of the democracy equation: sustainable private voluntary organizations (PVOs) and responsive local and national governments. The U.S. Government concentrated resources on building the capacity of PVOs to effectively represent and serve public interests and on stimulating Czech support for the nascent civil society.



During her 1996 trip, First Lady Hillary Clinton accompanied President Havel to the Olga Havel Foundation.

Although there was an enormous surge in the number of PVOs after 1989, the PVO community lacked experience. Similar to private sector entrepreneurs, PVO managers needed new skills in day-to-day operations and in competition for scarce resources – in this case, operating funds. Many PVOs were wholly dependent on foreign donors and the legal and economic conditions for development of a civil society were a dream, not a reality.

A variety of partnerships coalesced to address the special needs of the PVO community:

- The C.S. Mott Foundation and USAID established the Donors Forum to create sustainable financial support for the Czech PVO community. Forum members, including Czech and foreign donors and business associations, engaged business leaders in formulating the principles of corporate citizenship. Seminars explained why a healthy civil society ensures a healthy and stable marketplace for business. Working with the Forum, the U.S. Ambassador actively encouraged Czech and U.S. businesses to take the leadership in philanthropy.



"USAID activities in the Czech Republic have been crucial for the development of NGOs in the country. USAID served very well in its role of initiator of many projects and activities, it facilitated the cooperation of Czech NGOs with their partners and supporters abroad, facilitated the participation of NGO representatives in the development of appropriate legal and fiscal framework for the whole not-for-profit-sector, and, last but not least, its staff made it possible to extend the U.S. assistance to many NGOs and their staff."

Petr Pajas,
Deputy Director,
Center for Democracy
and Free Enterprise



- American non-profit managerial expertise was important in the initial years of support. USAID engaged the Johns Hopkins University to develop and implement a Training-of-Trainers program. Czech participants received extensive training, and were provided further coaching during actual Czech PVO training.
- The National Forum Foundation (NFF), another USAID partner, offered internships with U.S. non-profit organizations for Czech PVO managers. In conjunction with the NFF and FCS, the USIS small grants program supported environmental action groups, youth programs, racial mediation programs and journalism training.
- The International Center for Not-For-Profit Law (ICNL) provided critical legal advisory services. Based on substantial groundwork laid by American advisors under the USAID Health Care Markets project, ICNL worked with the Ministry of Finance to address legal constraints and impediments to developing non-profit organizations. The Law on Public Benefit Corporations took effect January 1996. The legal structure for PVO operations is in place.
- Critical USAID support to PVOs was delivered through the Democracy Network program, under the American Foundation for a Civil Society (FCS), which provided small grants, advice and training to fledgling PVOs.

The Democracy Commission's Grants

By the end of 1996, 140 small grants from the Foundation for a Civil Society had been awarded to PVOs active in democracy building, social services, environmental protection and community development. Examples demonstrating the range of these groups and services include:

- Czech Helsinki Committee provides free counselling on human rights and refugee issues. In late 1996 a USAID grant was awarded to the Committee to help resolve issues when residents in the Czech Republic have difficulty in obtaining Czech citizenship. The majority of the applicants are of Roma origin, often belonging to vulnerable groups.
- The Film & Sociology Foundation produced a TV film about an exhibition promoting PVOs that offer social services. Of the 60 exhibitors, 15 were Democracy Network grantees, and two PVOs featured in the film received USAID support. People in Need Foundation organizes humanitarian assistance for Bosnia, Chechnya and Kazakhstan; and DUHA, or "Rainbow," is the Foundation for the Integration of Mentally Handicapped People.
- In April 1995, the Czech Republic joined the worldwide GLOBE Project in which students use the Internet for exchanging experience in environmental monitoring, data gathering and evaluation. TEREZA, the Association for Environmental Education, is the country coordinator. Combining U.S. funds with support from private sponsors and Czech ministries of Education and Environment, TEREZA had 72 school groups participating by 1996.

The real impact of the program is captured in a few remarks of Czech participants: "The program clearly succeeded in strengthening the capacity of non-profit organizations.... Support for the projects no doubt has meant great encouragement for Czech citizens...still learning what a civil society means, what it stands for, and what opportunities it offers and what responsibilities it has."

TEREZA



Under the Democracy Commission, responsible journalism was promoted and links between media and the PVO community were created:

- Increased public awareness and interest in PVOs was critical to their survival. With USAID financing, the Democracy Network structured internships for journalism students from Charles, Palacký and Masaryk universities to work with selected PVOs. USIS also supported citizen access to public information from independent sources. Czech media, especially outside of Prague, benefitted from a wide range of financial and technical assistance.

- Although the Parliament provides complete and up-to-date information on legislative affairs, journalists outside of Prague initially did not have access. The Parliament News Service filled the gap by expanding its reporting on Parliamentary activities with a U.S. grant. Journalists throughout the country can now get debates and Parliamentary reports through a computer network.

- Journalism graduates from Charles University usually remained in Prague, leaving a dearth of trained journalists elsewhere in the country. With Georgetown University assistance, a graduate journalism program was developed at Masaryk University in Brno to remedy that imbalance.

What is the impact of the Democracy program support to Czech PVOs and new institutions?

The Czech Republic has established institutions necessary for a healthy democracy. All basic rights and freedoms are guaranteed and the legal framework for citizen participation is in place. The growing network of PVOs has attracted a broad membership and set an ambitious agenda. Of course, challenges of sustainability and adaptability remain – those that meet citizens' needs will thrive, while others will wither. But Czechs are engaged, in both political and civic society, and the commitment to democracy and all its expressions is clear.

Working with the government, the Democracy Commission sought to provide to public servants at local and national levels the capacity to duly discharge their responsibilities within a democratic society. Complementing the assistance to PVOs, which communicate citizens' needs and provide services the government can't, was assistance to government officials to improve communications and responsiveness to citizens. Local Czech officials faced



"Cooperation with USAID has meant a lot for me and the TEREZA organization. Thanks to USAID and the dedicated people working there, we could implement magnificent projects like 'Greetings to the Planet Earth' on the Earth Day in 1995. The most important effort was the support to the development of the worldwide GLOBE Program, which could not be implemented so quickly without cooperation with representatives of the U.S. Government in the Czech Republic. I thank everybody in USAID Prague not only for substantial financial assistance, but particularly for moral support and confidence."

Jana Ledvinová,
Chairperson, TEREZA,
Association for Environmental
Education



Děti Země





"Our town received much more from the Local Government Citizen Relations Project than it expected. For the first time, we recognize the need to promote civic pride as a municipal responsibility. The USAID expert tried things that we, at first, were very skeptical about, such as the 'municipal information brochure,' 'town bulletin board,' 'quarterly department activity reports,' and the 'citizenship survey.' All of these proved to be extremely successful. It led one of our citizens to remark that 'this project dealt with the real problems of people, in contrast to political party meetings.' This project did more for my town than any other foreign-sponsored project."

*František Dohnal,
Chairman, Czech Union
of Towns and Communities
and Mayor, City of Jihlava*



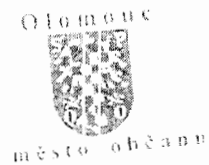
In Jihlava, for the first time, municipal officials went to outlying districts to present the work of government and to elicit feedback on municipal development plans. Above, university students board buses to take public opinion polls on municipal development.

dramatic challenges as laws assigned to them new responsibilities, including control of revenues. USAID stepped forward to offer help in communications and accountability:

- USAID worked to strengthen communications among local officials by supporting the network of municipal officials in the Union of Towns and Communities (UTC). With membership of more than 1,400 municipalities ranging from small villages to the capital city, UTC needed to develop into a strong, representative service organization. USIS conducted a U.S. training program for 18 Czech mayors, and UTC leadership and staff observed first hand the role and management of similar American organizations.
- Improving municipalities' communications with Czech citizens was even more important. The cities of Jihlava, Mikulov, Kutná Hora and Olomouc were pilot cities in a USAID program to stimulate the dialogue. Communications techniques, such as holding of public meetings, were used in these Czech cities to increase direct communication among citizens, PVOs, businesses and public servants. In Kutná Hora, for the first time, government established a public information office which regularly briefs regional and local media on city events. Increased media access to municipal information means greater reliability and accuracy in local news.



Ružnice k občanům
občane k radnicím



IMPROVING THE RELATIONSHIP BETWEEN LOCAL GOVERNMENT AND THE CITIZENRY

Handbook
for Senior Czech
Municipal Officials

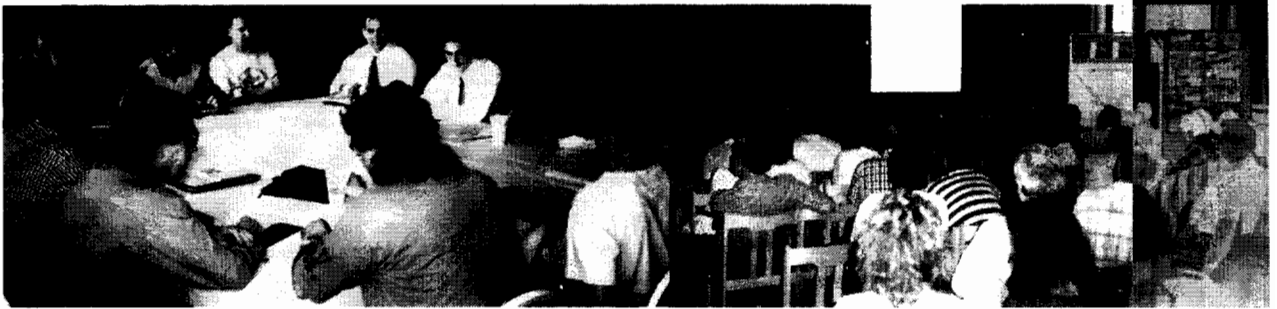
This handbook was prepared

- Providing tools for legislators to improve communication with citizens was a third area of USAID attention. The U.S. House of Representatives' Special Task Force and the Library of Congress provided a computer-based data system for the Czech parliament, including training. Parliamentarians then met with counterpart U.S. legislators to share experiences.

What are the returns on these Czech-American investments?

Issues of development and management are key to successful democratic government – people must believe that the government is working for them and they must work with the government to build a better future. Relationships between government and private sector were high on the Czech-American

USAID projects promote citizens' participation in designing economic development strategies and attending public hearings.



agenda. USAID worked with six municipalities to form public-private sector partnerships for economic development strategic planning. The partnerships in these pilot cities of Ústí nad Labem, Kopřivnice, Karviná, Přelouč, Velké Meziříčí and Rožnov pod Radhoštěm are now being replicated throughout the Czech Republic.

As budgets devolved to the local level, services improved and public officials were elected on their experience and skills in managing public resources and in responding to citizens. As an example of this new awareness of accountability, the Czech government identified the need to revamp public procurement procedures, in order to improve services, lower costs and end corruption. With USAID support, a new public procurement system was installed which enhanced transparency and competition. This in return raised citizens' confidence in their government and its officials.

Communications between citizens and their elected officials are now opening up. At both national and local levels the Czech Republic has models for sound public management and organizations to share experience and voice common concerns in this new civil society.

Toward a better quality of life:

*Helping improve social services, health care, energy efficiency
and the environment*



"Since 1991, USAID has provided considerable support to many projects that were also supported by the Committee of Goodwill-Olga Havel Foundation. These are principally projects in the areas of healthcare, social affairs, education and human rights. Our common endeavors indicate strongly that such models, set up by people themselves, are the germs of a democratic society in our country. Without the expertise brought to the sector by USAID and the commitment of its staff, our society would not now be in a position that it is."

*Dr. Milena Černá,
Director, Committee
of Goodwill-Olga Havel
Foundation*

A SUSTAINABLE MARKET ECONOMY requires an undergirding of ever-improving quality of life. Forty years of neglect left bankrupt and antiquated health and social systems, and wasteful energy systems that damaged and polluted the environment. The challenge for the Czech Government was to maintain services while improving quality and efficiency, so costs might be contained. USAID worked with numerous partners to lay the foundations for a healthy society, healthier citizens, and cleaner environment through cleaner energy. Seeing improvements will take time, but the costs of ignoring these issues today could threaten the economy and democracy itself in the future.

Quality of Life: Broadening Social Services

The political and economic changes in the early 1990s sent shock waves through Czech social structures. Overburdened and underinvested, health and social systems faced new demands as families' real income plunged. To ease the costs and pain of transition that these systems could not accommodate, USAID launched humanitarian and social sector assistance in 1991.

In the Czech Republic, the need was less for emergency assistance than for programs targeting long-term improvements in the quality of life. Radical political reforms, privatization and restitution processes also brought disruption of state-supported health care and other social support systems. The state was no longer the exclusive provider responsible for meeting citizens' needs. While citizen-led initiatives occurred before 1989, new legislation was needed to provide the legal environment for independent social institutions to expand. A number of newly established organizations focused on missing health and social services, often dealing with topics previously taboo -- disabilities, drug abuse, homelessness and child abuse.

After 1989, several organizations resumed their traditional services, including an organization with a long tradition in the U.S., the Young Men's Christian Association, or YMCA. USAID helped the YMCA to restore programs like camps, sports and youth exchanges, as well as to train and broaden its leadership base.



Olga Hacířová, the President's first wife who died in 1996, congratulates Alice Troblová on her new identity card, which allows Alice to move to independent living.

During three years of USAID support, the Czech YMCA expanded to 14 local associations, grew to some 5,000 members, and developed 16 camps for 1,000 participants. Programs involved thousands of young people. Along with its 'traditional' activities, YMCA started new programs for young couples and families, education courses, clubs, and mothers' centers. Partnerships were re-established with U.S., Swiss and Norwegian YMCAs. The YMCA now is assisting YMCAs in Slovakia and Ukraine.

USAID-funded assistance also tackled the issue of neglected people. In 1991, the American Jewish Joint Distribution Committee (JDC) was funded to improve care for disabled people by introducing new treatment and rehabilitation approaches. Western knowledge and experience was shared with local experts and Czech volunteers. Training programs stressed new practices, values and attitudes toward work with disabled and disadvantaged people.

Most training was provided by the newly created Desider Galský Training Institute, at Charles University. Attention was given to care of individuals with severe and multiple physical and mental disabilities, of disabled newborns, and of persons with lesser disabilities who sought jobs, accessible education, rehabilitation and social integration. In a 5-year period, about 160 Czechs and Slovaks – physicians, psychologists, special educators, and parents – received intensive certified training. An additional 3,000 professionals, volunteers and parents participated in other training programs: 'travelling' seminars that met monthly in different locations; week-long programs for directors and workers in social-care institutions and community organizations; and field visits to social service facilities. New methods were added to the University's curriculum for special educators.

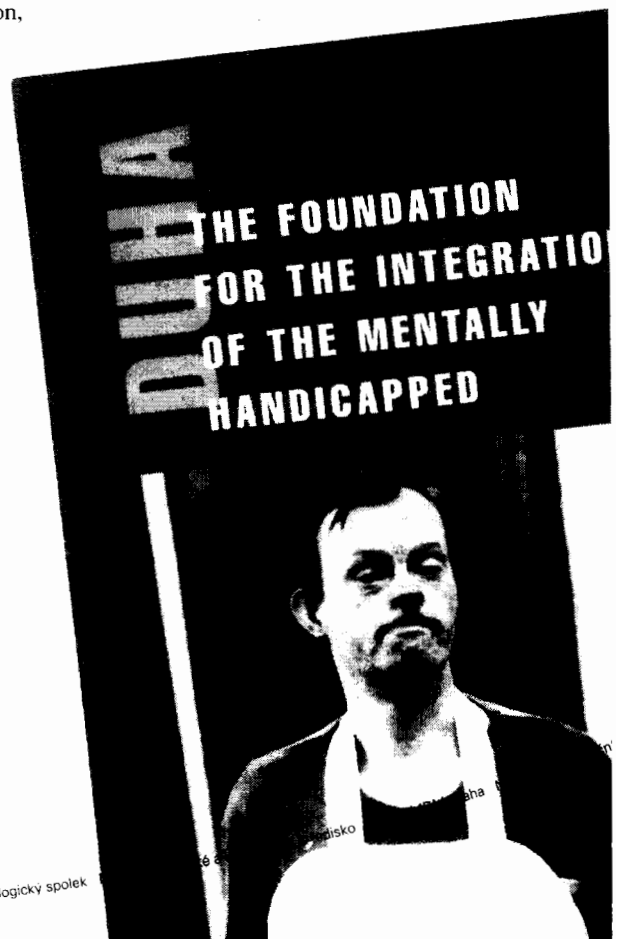
In April 1995, JDC supported the Prague Wheelchair Users Association's effort to open a Center of Independent Living. At the Center, physically disabled people can obtain peer-counseling, legal and social advice, information on accessible facilities, and transportation service.

A more open attitude in Czech society – recognition of individuals' rights – allowed for a new approach to work with mentally disabled people, bringing them out of the institutions and broadening services to help them lead meaningful lives. Courage, enthusiasm and information converged in 1991 in the



"Thanks to the participation in USAID projects we took our first steps towards changing the lives of people with handicaps and their integration into society. Professional assistance helped us choose the right direction and avoid mistakes. Our activities support a slow change in opinion and approach by 'healthy' people towards those with disabilities. We have shown that even severely handicapped people can live outside institutions if they receive appropriate services. Without the support that we received, the whole process would have been much more difficult and longer."

*Michaela Frycová,
Director, DUHA –
Foundation for the Integration
of the Mentally Handicapped*





Residents of DUHA-managed apartments enjoy shopping in their new neighborhood.

establishment of DUHA or 'Rainbow.' Within a year, this non-governmental organization opened a home for a group of mentally disabled adults. But the organizers dreamed of expanding operations to meet the real need for sheltered living for mentally impaired people. With financial support of USAID and the

know-how of JDC, DUHA started 'sheltered apartments,' the first of their kind in post-totalitarian Europe. Beginning with two facilities, DUHA now operates 18 apartments, each for one to four residents, and has created a unique model of 24-hour, year-round non-institutional care for mentally disabled adults. Recognizing the economic and social benefits, several Czech municipalities are working with DUHA to create similar apartments in their communities.

With USAID financing, Project Hope focused on improving the health of infants, children and women by enhancing local abilities to provide health services. From 1991 to 1993, Project Hope supported nursing education, cancer screening for women and health-care management. For example, Project Hope provided training and equipment for screening for breast and cervical cancer at centers in Prague, and opened a clinical unit in Brno as a model for patient management and practice.

Project Hope built a sustainable program in the Czech Republic as USAID support ended. By 1994, Project Hope had attracted other sources of funding, including corporate support. Today the health-care management course is conducted by Czech trainers. In February 1996, President Havel congratulated Project Hope for its lasting contribution to improving Czech health care.

Throughout the world the challenge of providing good health and social systems continues, and the burden of social responsibility cannot be assumed by purely private efforts. But several sustainable models that offer great potential were introduced through the Czech-American partnership. The work of voluntary and professional organizations in the social sectors, as in other areas supported by USAID, serves not only the people who need it most, but strengthens the fabric of civic society for everyone.

Prezident republiky

V Praze dne 25. ledna 1996

Vážení přátelé,

se zájmem jsem se seznámil s Projektem HOPE a jeho několikaletou činností v České republice.

Jsem potěšen, že ve spolupráci s Ministerstvem zdravotnictví, Výborem pro sociální politiku a zdravotnictví Parlamentu České republiky, Institutem pro další vzdělávání ve zdravotnictví a zahraničními lektory probíhá příprava managementu pracovišť ve zdravotnictví.

Věřím, že účastníci tohoto projektu budou po absolvování dobře připraveni k řešení nelehkých úkolů, před kterými stojí naše transformující se zdravotnictví.

Přeji Vám pevnou vůli v praktickém uplatňování nové získaných poznatků. Projekt HOPE přeji další úspěšné působení v naší zemi.

Srdčně Vás zdravím

Václav Havel



Under communism, investments in social sectors were held as non-productive compared to industrial sectors, but bought social peace and security that the lack of freedom belied. Housing and health care, though universal and basically 'free,' did not guarantee health or even nutrition, and the system was woefully undercapitalized. In view of the poor condition of the health-care system in 1989, reformist leaders realized that people were concerned about health care as a litmus test for the 'human face' of market economics in society. At the same time, difficult choices among national priorities had to be made. Therefore, the pace of health-care reform has been uneven.

In 1990, the Czech government embraced new health-care goals, with public and private roles, patient choice of providers, improvements in management, efficiency and quality of health care services, and privatization. Recognizing the need for capital to modernize both production of health-care commodities and antiquated facilities, foreign donors and investors were invited to support the reform process.



In response, USAID targeted three objectives:

- reduction of a leading cause of death, cardiovascular and cerebrovascular disease (CVD);
- improvement of the quality of care and management;
- promotion of private markets and innovations in insurance and health-care financing.

USAID's Health Partnership Program began as an American-style community intervention program in Dubeč, a small village near Prague. The program included both preventive and curative measures. The first target was to change the villagers' attitudes and habits by explaining

high-risk behavior. The second target was to diagnose and treat the CVDs among Dubeč villagers who were high-risk candidates or already stricken. Cooperating hospitals, including the Second Internal Clinic at Vinohrady and the Litoměřice Town Hospital, provided state-of-the-art care, using practices introduced by U.S. partners.

The pilot project clearly made a difference; lives were saved through intervention, and on a broader scale, the lifestyles of the village of Dubeč were changed. This project is a model for the Czech Republic, and was replicated in some form in over 30% of Czech districts.

"The success of any program always depends on which project is selected. USAID and its experts always paid unusual attention during the informal interviews with Czech health care providers to identify which projects would provide the maximum gain for Czech partners. I admire these 'strategic' decisions of USAID concerning the best forms of cooperation. USAID also preferred investment into the education and know-how of people instead of giving medical equipment, which was so often required by the Czech side. In the end, this choice was correct, it was the best."

Dr. Zuzana Roithová, Director, Vinohrady Faculty Hospital



"USAID has provided assistance to General Health Insurance Company (VZP) for over five years. Right from the beginning, we worked together to identify the strategic areas that needed assistance, including patient classification systems (Diagnostic Related Groups, or DRG). The assistance was highly professional and made a great contribution to us. Thank you for a wonderful five-year partnership."

Dr. Jiří Němec, Director, General Health Insurance Company



Health Care...

"The financial and professional support of USAID experts was very helpful. Thanks to the U.S. experts we could get more information on various branches of clinical medicine, social health care, preventive medicine, and oncological programs. However, the most important contributions were the various multilevel contacts concerning health-care systems transformation, health insurance companies and health-economy."

*Dr. Martin Bojar,
Ex-Minister of Health,
now Faculty Hospital Motol*

Improved health-care systems require not only optimized medical treatment but also efficient and effective management of medical facilities. In 1993, the Czech Association of Hospitals held an informal competition to identify those institutions that had defined management issues, were committed to resolving them, and wanted experienced U.S. partners to help. With USAID sponsorship, three hospitals attacked a range of management issues:

- Boskovice Hospital developed new standards for nurse management;
- Litoměřice Hospital improved management of its financial reporting system; and,
- Vinohrady Hospital designed and installed a primary maintenance program for hospital equipment.



The three hospitals demonstrated their results at a concluding seminars, attended by senior managers from 60% of all Czech hospitals.

A second objective of USAID assistance was to improve quality of health care in hospitals. In cooperation with Vinohrady Hospital, the concept of quality assurance (QA) was introduced. Beginning in 1994, the program was gradually applied throughout the hospital's departments. Today QA is a management principle for the entire hospital and has quickly spread to other hospitals; in one case, QA practices improved management of inpatient care and reduced average length of hospital stays by half, from 17 to 8 days.

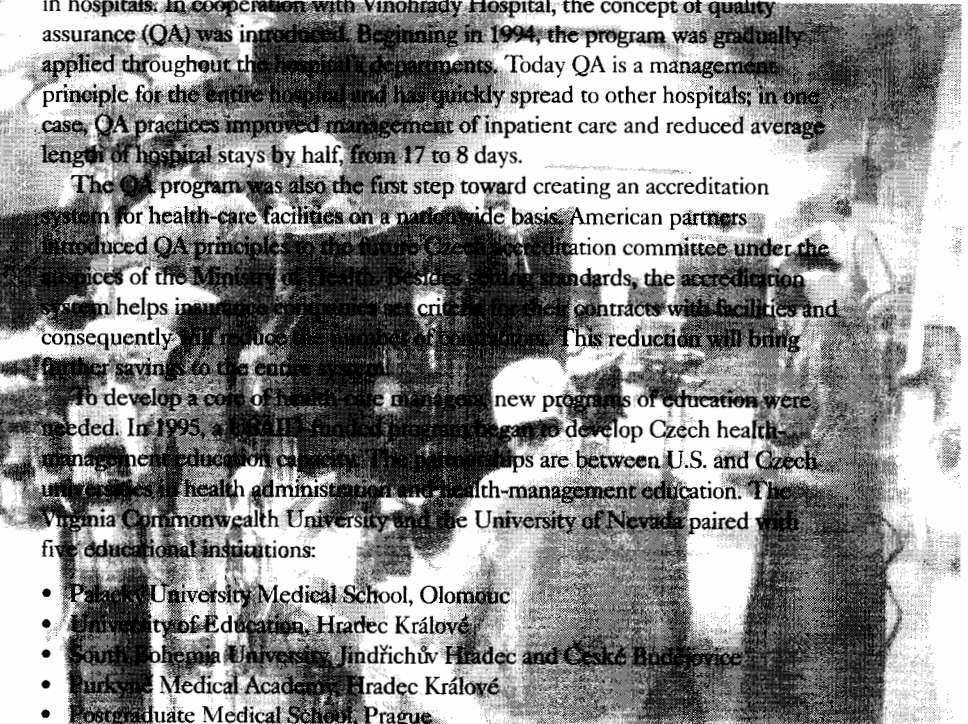
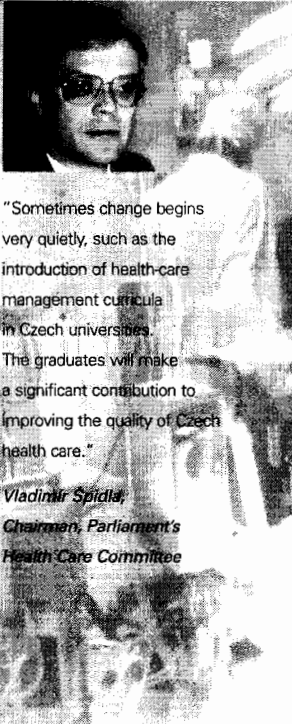
The QA program was also the first step toward creating an accreditation system for health-care facilities on a nationwide basis. American partners introduced QA principles to the future Czech accreditation committee under the auspices of the Ministry of Health. Besides setting standards, the accreditation system helps insurers, employers and critics to check contracts with facilities and consequently will reduce the number of complaints. This reduction will bring further savings to the entire system.

To develop a core of health-care managers, new programs of education were needed. In 1995, a USAID-funded program began to develop Czech health-management education capacity. The partnerships are between U.S. and Czech universities in health administration and health-management education. The Virginia Commonwealth University and the University of Nevada paired with five educational institutions:

- Palacký University Medical School, Olomouc
- University of Education, Hradec Králové
- South Bohemia University, Jindřichův Hradec and České Budějovice
- Purkyň Medical Academy, Hradec Králové
- Postgraduate Medical School, Prague

"Sometimes change begins very quietly, such as the introduction of health-care management curricula in Czech universities. The graduates will make a significant contribution to improving the quality of Czech health care."

*Vladimír Spidla,
Chairman, Parliament's
Health Care Committee*





"USAID provided experts to help with the Czech health-care system. Because it doesn't have much in common with the American system, I appreciate how flexible these experts were in understanding our system. Thanks to that, they successfully cooperated with Czech partners especially on the introduction of a quality-of-care improvement system, which brought extraordinarily good results. Quality of health care is the background for a development of an accreditation system."

*Dr. David Marx,
Secretary to the
Deputy Minister of Health*

Over a period of two years, the partners focused on curriculum development and design but also worked on all aspects of information sharing, institutional and faculty development. Their achievements included the establishment of networks to deliver case studies, student exchanges, common publications and workshops, and development of education libraries and computerized resource centers. These new centers of learning will help meet future demands of the health-care system for sound administration and management.

Health-care financing continues to be a topic on the national agenda. The General Health Insurance Company (VZP) is the largest state-owned health insurance company, covering some 85% of the Czech population. In response to a request from VZP's Director, USAID supported a pilot study comparing present reimbursement methods based on fee-for-service with reimbursement based on case-mix. If fully implemented, the case-mix approach, also called diagnostic-related groups, provides the information needed for better resource management, evaluation of the quality of care, and an equitable basis for comparing and compensating hospitals. By more appropriate allocation of resources, Czech citizens will enjoy more responsive and effective health-care services.

A Healthy Dubeč

In the small town of Dubeč, just outside Prague, improved quality of life is a reality. The town mayor says the lifestyle of the entire village has completely changed since 1993, when Dubeč became the model town for USAID's "Partners in Health Care" project. Based on experience in San Francisco, the partners focused on community-based intervention (changing lifestyles) and surgical intervention for individuals at high-risk for cardiovascular disease.



Through educational programs and by linking a clinic in the village of 1800 people with hospital clinics in Prague and nearby Litoměřice, this project has changed lifestyles in Dubeč.

Sixty percent of Dubeč's men, women and children took part in the baseline survey which delineated groups for primary, secondary, or community intervention. Most at risk or already stricken (40% of the Dubeč adults) are victims of the high-fat, low-fiber Czech diet and smokers. After treatment in hospital, they received therapy and monitoring to make sure survivors of heart disease stay survivors. Weight reduction and a 90% decrease in smoking has been observed after only two months in the program. But it is the community intervention which has captured hearts and minds (and stomachs!) of Dubeč, led by...little children! The comprehensive school program in Dubeč has been the cutting edge of change, as the children – from kindergarten up – have quickly absorbed the imaginative literature on proper nutrition and the dangers of smoking. Most importantly, the children bring the messages home...and perhaps across the whole country, as the project is replicated on a national scale.



"Our faculty has a long experience in medical education, but it is obvious that the transforming health care system needs not only physicians and nurses highly educated in their field, but also good managers. Thanks to the Partnership project for education of health managers we changed a curriculum of BA Nursing study, so that our graduates are now better prepared for their professional career. Without a support of USAID and AIHA we could hardly teach the subject on the appropriate level."

*Dr. Jana Macaková,
Dean, Medical Faculty,
Palacký University Olomouc*



"I highly value the UPP program managed by USAID/USEA. The program began in 1992 and the energy sector was not only a receiver of foreign assistance but a partner for American utilities. With our 'sister utility' Houston Industries, we exchanged experiences on various topics like utility management and more environmentally friendly behavior. We learned more about the role of the energy sector in a market economy and basically how democratic principles work. We visited U.S. power plants and other technical facilities and we did the same for American partners. But above all we found excellent friends."

Petr Karas, ČEZ, a.s.
Executive Board Chairman

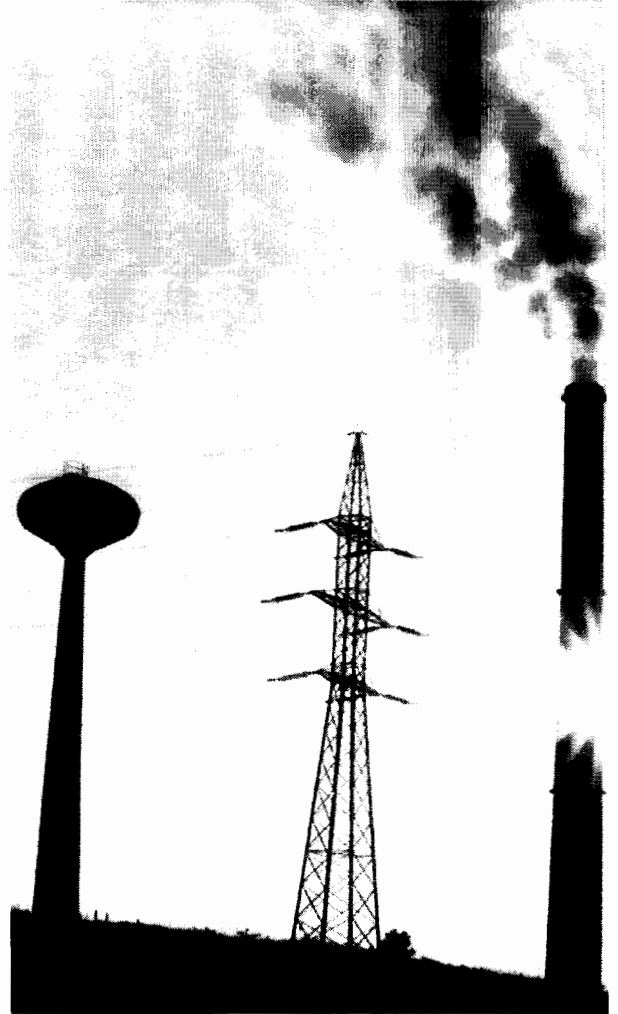
Prior to the revolution, Czechs had few incentives to be energy efficient in a centrally planned economy where neither demand nor the prices of labor, energy and raw materials mattered. Planners assumed that society's needs were best met by subsidized energy. In energy production, the environment was viewed as a free input, with almost no attention to pollution and health effects. Unchecked coal mining and burning produced severe environmental degradation resulting in the "black triangle," one of the world's environmental hot spots.

After 1989 the Czechs were determined to restructure and regulate a market-driven energy sector. At the same time, an increase in global energy prices created an urgency in dealing with energy efficiency. The objectives set by the government were fourfold:

- improve energy efficiency and diversify energy sources;
- attract domestic and foreign capital to the energy sector;
- achieve Western standards for air emissions and nuclear energy; and
- meet requirements for integration with the European electricity network.

In response, the U.S. offered training and technical assistance in restructuring and privatization; development of private-sector energy efficiency services; and enhancement of the safety of Czech nuclear power plants. USAID, the U.S. Department of Energy (DOE) and the U.S. Nuclear Regulatory Commission (NRC) all worked to assure the broadest expertise was made available.

Training, or educating public or private companies, is a long-term endeavor for which an indigenous institution must take the lead. USAID was fortunate to work with an energetic Czech partner, SEVEN, the Czech Energy Efficiency Center. Combining missionary zeal and technical excellence, SEVEN is a major success story. After only three years of USAID support, SEVEN became self-sustaining by selling services to companies, including annual technical exchanges like the *Energy Efficiency Business Week*, industry newsletters and demonstration projects.





"Prague Energy was very fortunate to be a partner with USAID. I believe that projects helped us significantly when we jumped from being state-owned to being a joint stock company. Our top managers learned about organizational and financial structures of American utilities, their regulation, tariff-setting and information systems. Because of this we have recognized the importance of good customers and public relations, as well as personnel and financial planning. We are now a consolidated company with good prospects."

*Dr. Růta,
Prague Energy CEO*

SEVEN promotes energy policy reform and is also a commercial matchmaker, linking energy users with engineering and equipment firms.

Energy efficiency was an underlying principle. USAID engaged an experienced American firm to conduct energy audits of selected Czech firms. The auditors recommended low- or no-cost efficiency improvements, and state-of-the-art, energy-saving equipment was installed, bringing operational savings to each plant.

USAID also promoted energy efficiency by demonstrating energy auditing in hospitals and assisting municipal energy planning. In 1992, DOE and municipalities jointly confronted the issue of environmental limits and energy supply options for four cities: Plzeň, Český Krumlov, Ostrava and Ústí nad Labem. Americans brought experience in supply and demand management of energy systems and its implications for city planning. Based on the results, a 1994 international conference was held in Plzeň, which established a regional network on energy issues.

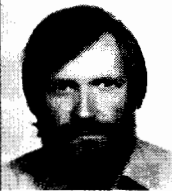
The Czech Republic also participated in USAID-sponsored partnerships with American utilities. Houston Lighting and Power was paired with the dominant Czech power utility, ČEZ, which provides about 75% of all electric power in the country. ČEZ, applying the experience of its partner, now uses a U.S. software package on utility strategic planning and financial management. The ČEZ credit rating improved to a Standard and Poors rating of BBB+ and the company issued bonds for both domestic and foreign investors. A similar program paired the Czech power distribution company Prague Energy (PRE) and Central Maine Power, a U.S. utility. The project focused on issues of financial and cash management, customer services and human resource management.

USAID assistance also helped Czechs keep pace with international standards at nuclear power plants operating at Dukovany and under construction at Temelín. At Dukovany, DOE and the Brookhaven National Laboratory addressed one of the most difficult and potentially devastating issues for Czechs and Europeans – nuclear safety emergency procedures and equipment maintenance. NRC worked with the Czech State Office for Nuclear Safety to conduct safety reviews and evaluations at Temelín. In an innovative approach to improving Russian nuclear design, an American firm created new systems for instrumentation, controls and fuels for the plant. The work was partly financed through a loan guarantee from the U.S. Export-Import Bank.





Low-cost improvements yield operational and energy savings for Czech industries



"Since the start in 1990, SEVEN has developed into a respected and successful organization. USAID stood at SEVEN's cradle and assisted during the first three years of its existence. Thanks to USAID support and experts, we started our business, set up principles of our internal management and developed an effective organizational structure. We took part in several USAID projects and tested our goal – effective and environmentally friendly use of energy. Based on American experience, SEVEN promoted integrated resource planning in the energy sector. We proved for the first time in the CR that energy efficiency is a viable option."

*Jaroslav Maroušek,
Director of Energy Efficiency
Center SEVEN*

Privatization and more efficient operation of the energy sector required new legislation. The Energy Act was adopted in 1994 and the government began implementing the new legislation by issuing several decrees. Although the new legislation provided guidelines for regulation of the electric and gas sectors, implementation of the new regulatory policies was not so simple. USAID worked with the Ministry of Industry and Trade, the Ministry of Finance, and the utilities to develop new energy pricing methodologies. The USAID team also worked with the Czech Government on proposed amendments to the existing energy legislation to stimulate more competition within the sector, as well as more independent regulation. Both are prerequisites for meeting EU directives, and international standards to attract strategic investment.

What are the results?

Pilot projects and training undertaken with the assistance of USAID and other U.S. Government agencies stand as models for efficient energy in a healthy environment. There is no question that the environmental impact has been significant.

Czech nuclear plants are safer than they were five years ago, applying American methods to meet international safety standards. In industry, switching to cleaner fuels, shutting down highly polluting heavy industry, and modernizing industry by replacing old and energy-inefficient equipment, with the help of USAID's projects, have reduced air pollution by up to 20% over the past five years. The Czech Republic has pledged to phase out energy subsidies by the year 2000. Companies will continue to implement further energy efficiency measures, which will further improve the environment. Cleaner and safer production and distribution of energy, combined with increased efficiencies instilled by a free market, is improving the quality of life of Czech citizens.

Quality of life: *Restoring the Environment*



"In my new ministerial position, I see how U.S. assistance cuts across many sectors. USAID has truly been a partner in the transition, from helping the privatization to continuing to work with environment and energy efficiency programs. I appreciate USAID's emphasis on advice and training based on priorities set by Czechs, and focussed on concrete results. The challenges of cleaning the environment require creative approaches and USAID brought many useful ideas based on experience. USAID work with the State Environment Fund is reaping important rewards to the environment as I see us maximizing the resources available to the fund. By enhancing the fund's loan portfolio with guaranty and commercial credit, we have been able to start more projects.

*Jiří Škalický,
Minister
of Environment*

The 1989 revolution was sparked in part by a people who would no longer tolerate an environmental horror: the discharge of hazardous materials directly into the environment. The economics of communism subsidized production with pollution of air and water which increased cancer, respiratory diseases, and dead forests. Czechoslovakia vied with its Central European neighbors as one of the most polluted countries in the world.

With Czech partners, USAID, the U.S. Environmental Protection Agency (EPA) and the World Bank produced a Joint Environmental Study which proposed priorities for action. The U.S. Government designed its assistance based on Czech priorities:

- focus on a few large projects in order to have greater impact;
- focus on severely damaged regions where assistance could make a tangible difference in the short-term; and
- focus at the local level, working closely with industries and local government.



Project Silesia Monitoring Station being prepared for measurement of pollutants in Ostrava.

In addition, a \$10 million U.S. grant to the Czech State Environmental Fund increased funds available for environmental projects by 10% in 1992.

USAID supported EPA's major activities in the two most polluted areas of the Czech Republic through Project Silesia in northern Moravia and Project Teplice in northern Bohemia. Using risk assessment, monitoring, and other analytical techniques, these projects helped to improve local environmental conditions by using technical information to set top priorities for action.

Launched in 1991, **Project Silesia** focused on the heavily industrialized region surrounding the cities of Ostrava in the Czech Republic and Katowice in Poland. On the Czech side of the border, environmental

risk analyses guided demonstration projects to address the greatest environmental threats, especially emissions from coke ovens. Technical and economic analyses conducted by EPA coincident with both a loss of markets and mandatory emission reductions required under the Czech Clean Air Act convinced Vítkovice Steel plant in Ostrava to close two high-risk coke ovens. Czech experts determined that the combination of coke oven closures and installation of pollution control equipment would substantially reduce the incidence of cancer for neighboring residents. Setting an exciting precedent, the City of Ostrava signed a compliance agreement with the Ostrava Karvina Coal Mines (OKD) in 1995 to seal commitments to further improvements and/or closures.



"The scale of impacts from Project Silesia is very broad. The principle of risk reduction has been incorporated into the State Environmental Policy of the Czech Republic; concrete studies developed under Project Silesia have influenced significantly decisions for regional development; the approach to the environmental protection issues has been visibly changed both by industries and municipalities. In addition, American and Czech managers, technicians and scientists have started fruitful and valuable partnership. The contributions made by the U.S. Government to these impacts have been enormous."

Helena Čížková,
Project Silesia Czech
National Coordinator

Project Teplice was designed to increase technical and analytical capacity in two primary areas: air pollution monitoring and modeling on air pollution sources and exposure; and a series of studies to determine the long-term health effects of air pollution. Assessments were conducted in Teplice, a town in industrial northern Bohemia, and in Prachatice, a control site in southern Bohemia. EPA provided equipment, training and technical advice to Czech counterparts who continued the monitoring and research.

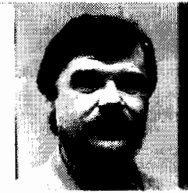
Studies revealed significant health risks for people living in northern Bohemia where life expectancy is two to three years shorter than the national average. The concentration of carcinogens and other toxins in the air was alarming. Coal burning by households and industry was identified as the main source of pollution. In response, the Czech Government accelerated its program to convert homes from coal to gas by establishing a special allocation of six billion crowns (\$240 million) to cover consumer costs of fuel conversion.

Heavy industries' antiquated technologies were not only uncompetitive in a free-market economy, but were also a major source of pollutants in the country. The Czech Government recognized that revamped industrial investment policies and incentives to improve operation and maintenance of existing plants were key to achieving environmental improvements. Fortunately, the privatization process offered opportunities and incentives to install newer, cleaner technology, especially in industries that attracted foreign investment.

At first, foreign investors interested in companies being privatized were very concerned about potential liability for clean up of polluted sites. The Czech government responded courageously by assuring investors that they would bear no liability for off-site past environmental damage. For on-site liability, half of the purchase price of privatized enterprises was escrowed into a fund to remedy past environmental damage and cleanup. In addition, the Ministry of Environment recommended that firms use EPA's risk-assessment methodology to evaluate remediation measures.

USAID's Environmental Action Program Support (EAPS) program helped both enterprises and the government with the preparation of environmental remediation projects for funding through the State Environment Fund (SFŽP). Technical assistance to the State Environment Fund increased managers' knowledge of credit analysis, cash-flow management and financial planning. Advice on use of loan guarantees versus direct financing was implemented by SFŽP and the Ministry of Environment. On the project side, 80% of the investment projects developed with EAPS assistance were approved for financing – a success rate eight times higher than the Fund's average.

TEKNOLOGIE



"U.S. assistance produced results on the most severe environmental problems in the CR. Our cooperation with the U.S. EPA on environmental risk assessment and its practical implementation in the Teplice and Silesia projects, was extremely important. There were many others, and all these projects produced successful results not only from a professional point of view but because of the establishment of a new partnership between people. In my opinion, this is a promise for the future."

Vladislav Bizek,
Deputy Minister of Environment

USAID engaged the World Environment Center (WEC) to design an industrial waste-minimization program, aimed to demonstrate to Czech enterprises the measurable environmental and economic benefits of no- or low-cost technology and processes. Working with ten major Czech industrial companies, the demonstrations of future savings were presented at a major regional conference in 1996. Examples demonstrate the significance of this project:

- Through the use of one \$20,000 piece of equipment, Chemopetrol Litvínov, a large petrochemical plant, reduced volatile organic compound emissions by over 940 tons a year. Annual savings to the company were over \$100,000.
- Viadrus Bohumín, a producer of radiators and other heating elements, recycled over 40% of materials formerly disposed as waste, and since 1995 has saved \$210,000 a year.
- In the chemical company Spolana Neratovice, equipment provided by WEC cost \$30,000. Annual savings reached \$60,000 in raw materials. Through process/technology changes proposed by WEC, the company saved over \$800,000.

Under the Environmental Training Project, a consortium led by the University of Minnesota provided management training to a new kind of business – environmental services. Ten courses were presented in northern Bohemia to help



CEMC presents its program as an exhibition at the ENVIBRNO fair, 1996.

Czechs develop financial analysis skills and prepare environmental impact assessments. Close collaboration with the University of Ústí nad Labem in curriculum development, environmental policy, and management assured the program's continuation after USAID support ended.



Environment...

"From the beginning, the U.S. environmental initiatives presented new ideas that had impact on the situation in the ČR. We especially appreciated the work on country climate-change studies, national action plans for the environment, environmental risk assessment and participation of top American experts at regional conferences. USAID projects produced very positive results. I am sorry to see USAID activities end."

*Bedřich Moldan,
Former Minister of Environment,
and the Head of the Center
for Environmental Scholarship
at Charles University in Prague*

Recognizing the critical role of NGOs in the environment sector, USAID provided grants to NGOs like:

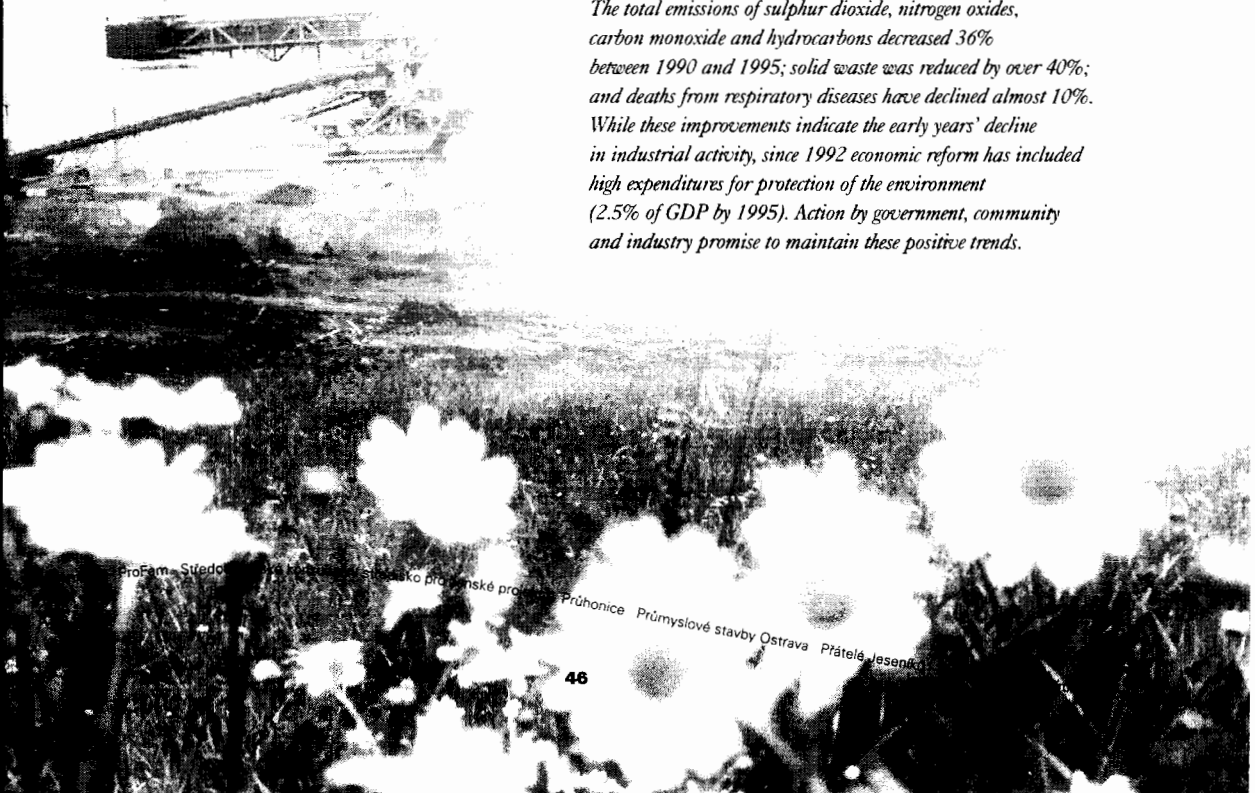
- Green House (Litvínov), to train Northern Bohemian NGOs in strategic planning and public participation;
- KZT (Prague), to train environmental business managers to identify viable business opportunities and develop marketing strategies; and,
- the Czech Environmental Management Center to train small- and medium-size businesses in northern Bohemia in pollution prevention.

Support to Czech NGOs was also provided through the Regional Environmental Center (REC) for Central and Eastern Europe. Based outside of Budapest, Hungary, and established with support from the U.S. and other donors, the REC acts as a catalyst for addressing environmental problems and promoting development of civil society in the region. Among its many activities and programs, the REC offers small grants and pilot cooperative projects to encourage linkages among NGOs throughout Central and Eastern Europe to address common issues.

The Czechs' determination to reverse decades of environmental degradation set the tone and pace of the partnership. The Ministry of Environment established clear policies and priorities. Cooperation under USAID-financed programs enhanced Czech public awareness of environmental issues, provided useful American technology, and introduced concepts of corporate responsibility for environmentally sound investments. The professional relationships that were established, government to government, business to business and people to people, will endure for the future.

STATISTICALLY SPEAKING...

The total emissions of sulphur dioxide, nitrogen oxides, carbon monoxide and hydrocarbons decreased 36% between 1990 and 1995; solid waste was reduced by over 40%; and deaths from respiratory diseases have declined almost 10%. While these improvements indicate the early years' decline in industrial activity, since 1992 economic reform has included high expenditures for protection of the environment (2.5% of GDP by 1995). Action by government, community and industry promise to maintain these positive trends.



ProFam, Středočeský územní ekologický program, Průhonice, Průmyslové stavby Ostrava, Přátelé Jeseník

A Look to the Future

USAID-sponsored programs are one facet of American foreign policy, and as such are supported by other official activities of the U.S. Government. The most prominent example in the Czech Republic of this synergy may be the Democracy Program. This integrated effort incorporates USAID activities and the work of USIA with its numerous visitors programs and the direct involvement of Embassy staff on human rights issues. Other examples are the many times that Peace Corps volunteers crossed paths with USAID-designed projects, for the mutual benefit of both American and Czech partners. These types of collaboration have made the whole American effort greater than the sum of its parts.

In 1997 the U.S.' SEED Act assistance to the Czech Republic, and the USAID role in its management, come to a conclusion. Several U.S. Government departments and agencies that have been active under SEED Act financing, as well as the Housing Guaranty loan program, will continue their partnership with the Czech Republic, albeit in a traditional relationship between democratic nations, or in areas of mutually special interest. These include the U.S. Information Service, the Federal Bureau of Investigation, the Department of Commerce, and the Nuclear Regulatory Commission.

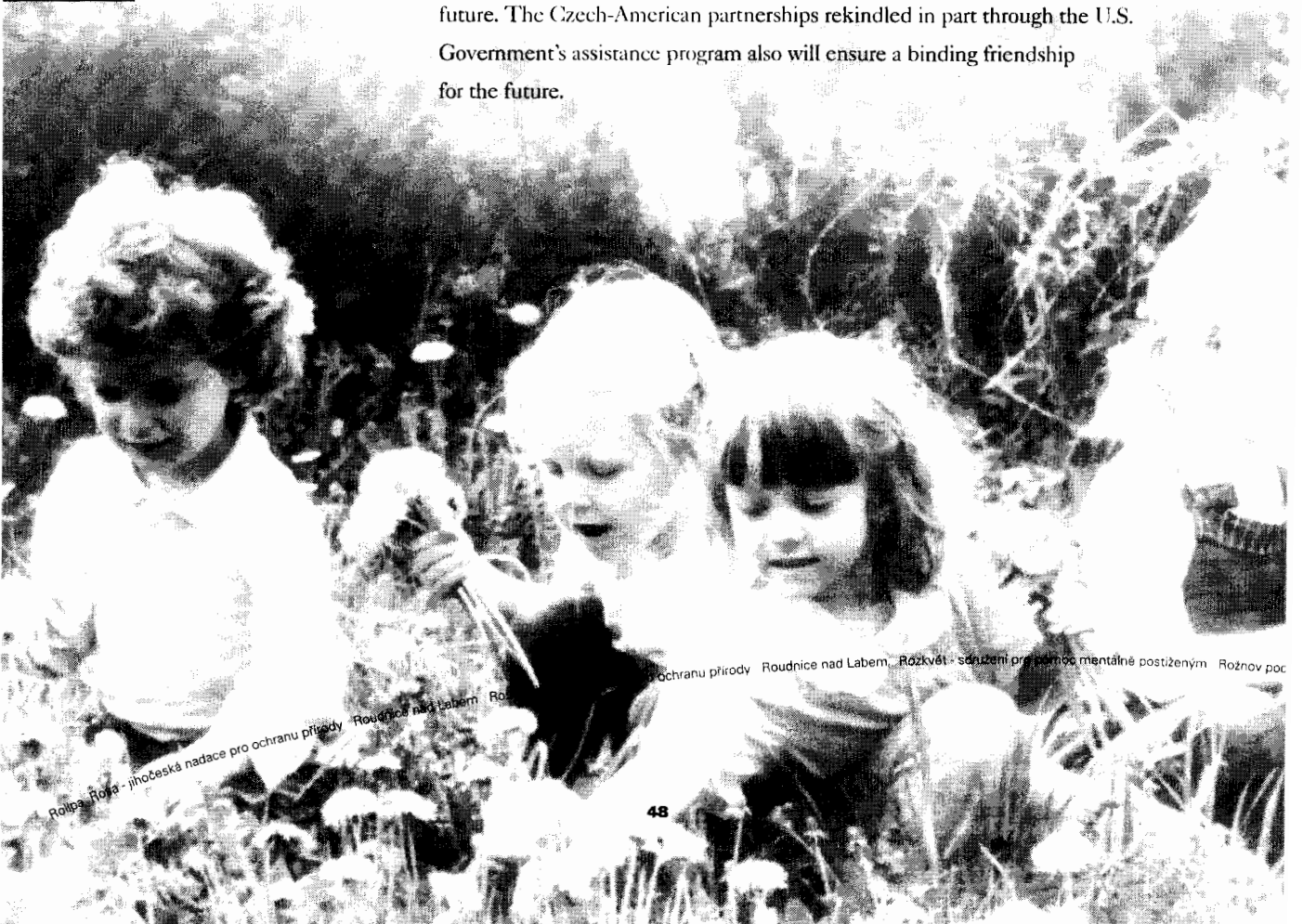
And the future looks promising for the Czech Republic. In 1995, accession to the Organization for Economic Cooperation and Development (OECD) signalled that the Republic had joined the ranks of free-market democracies. Under the Czech-American partnership of the last seven years, industrial, agricultural and environmental standards were crafted with a Czech eye upon the entry standards



for the European Union. The Czech Republic is also preparing for membership in the North Atlantic Treaty Organization (NATO). Thus, in the twenty-first century, the Czech Republic can expect to take its full place on the stage of the world's economic and political organizations.

The success of the Czech Republic sets a notable precedent for the region. It sends an encouraging message to other nations in transition that the painful economic and political transformation can produce rewards. To share the experience of the last seven years, as well as to secure a leadership role in the next decade, the Czech Republic initiated its own foreign assistance program. The lessons learned from Czech privatization have been shared with groups of Bulgarians, Albanians, and Bosnians. During the last year, the Czech Management Center has welcomed in its classrooms innumerable participants from European countries to the south and the countries of the former Soviet Union, including Ukraine and the Central Asian Republics. In addition, the Czech Republic has assumed an active role in new regional organizations like the Regional Environmental Center and the energy network CENTREL.

The commitment and determination of the Czech people moved the country from the turmoil of 1989 to a dynamic, new democratic society with some of the brightest economic prospects in Central Europe. The vision that led the country through recent challenging times offers great promise for the Czech Republic's future. The Czech-American partnerships rekindled in part through the U.S. Government's assistance program also will ensure a binding friendship for the future.



Rožnov pod Radhoštěm - jihocheská nadace pro ochranu přírody Roudnice nad Labem Ro

ochranu přírody Roudnice nad Labem, Rozkvět - sdružení pro pomoc mentálně postiženým Rožnov pod

Acknowledgements

IN APPRECIATION to the staff of
the Office of the AID Representative to the Czech Republic

AID Representative: Jim Bednar
Former Representative: Lee Roussel



PRAGUE 1997

Document production:

TEXT AND OVERALL DESIGN

Jim Bednar, Charles Corry, Nancy Turnavick, Fred Van Antwerp

DESIGN AND LAYOUT

Julia Hänsel Tennant and Alexandra Marculewicz for Kapr & Co, Prague

PRINTING

Coordinated by Department of Design (DOD), Prague

PHOTO CREDITS

Agentura Fotografů a Grafiků, Archives of DUHA, Norton Berman, CDC,
Zdeněk Chrapek, CMC, Charles Corry, ČSTK, Czech Press Office, IESC,
Marta Jedličková Běhalová, Leoš Jirásek, Moderní Obec, NBEA,
Ondřej Němec - LN, Prague Stock Exchange, Steve Rosenberg, SEVEN,
Škoda Plzeň, a.s., Tereza Foundation, Fred Van Antwerp, VOCA

CONTACT:

American Embassy

Tel: (420-2) 5732-0663, Tržiště 15, 118 01 Prague 1
Czech Republic

Correction, with apologies, page 17 quotation should read as follows:
"Last but not least, I would like to extend my thanks to the
USAID Prague office for their long-standing
support and cooperation."

Dušan Čechvala,
former VOCA Country Director

Lucie Adamová
Rosita Angeli
Elizabeth Bacigalupo
Ivo Beneš
Charles Corry
Julie Defler
Joseph Dorsey
Jan Doskočil
Petr Egermayer
Zdeněk Frinta
Eliška Gryčová
Květa Havlová
Judith High
Věra Hušková
Leoš Jirásek
Ivana Kadlecová
Václav Kolář
Eva Kostelková
Jiří Král
Jan Krompholz
Carol Mahnke
Olga Matulová
Alexandr Navvalač
Jan Pisko
Robert Posner
Ann Posner
John Rogers
Kamila Roslerová
Janice Shattuck
Lucie Šimová
Iveta Slaker
Randala Harder Stockton
Soňa Štrbaňová
Richard Šup
Josef Švanda
Jana Srovátková
Marcela Trachtová
Nelia Untalan
Alena Urbanová
Heiena Vágnerová
Fred Van Antwerp
Romana Vejnarová
Jaroslav Veselý
Bohumil Zdeněk

h. mateř. Sdružení občanů zabývajících se emigrací Sdružení přátel Papířku Sdružení pro bezbariérovou kulturu 'Nedomyslino' Sdružení pro integraci postiženého občana Sdružení pro komplexní péči při dětské mozkové obrně Sdružení zabývající zpracovávání ekologického dřeva

