

UNITED STATES SEED ACT

ASSISTANCE STRATEGY

FOR

THE CZECH REPUBLIC



1993-1995

**Submitted by American Embassy Prague
Approved, July 21, 1993**

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The Czech Republic remains in the vanguard of the political and economic transformation of Central and Eastern Europe, begun in 1989. With leadership committed to profound change, the Czech people are working together to rediscover their democratic and free market economy traditions. Accomplishments have been impressive and although the breakup of the Czech and Slovak Federal Republic slowed progress somewhat in 1992, there remains widespread confidence that the future of the Czech Republic is bright.

The government has earned International Monetary Fund (IMF) support. Monetary and fiscal discipline have been hallmarks of the Czech government's approach. The Czech currency has remained stable since January 1991. Inflation has been moderate at 11 to 12 percent, budget deficits are under control and the current account balance of payments in hard currency is in surplus. Despite a downturn in GDP over the past two years, unemployment thus far has been kept remarkably low -- near zero in Prague and about three percent throughout the country.

The economic transformation hinges on the government's determination to transfer ownership of state-owned enterprises to the private sector, forcing firms to adapt to a competitive market. This aspect of economic reform, privatization, has distinguished the Czech effort. Ambitious and far-reaching, it is arguably the most successful in the region. Over 22,000 small shops and businesses have been sold or auctioned off. Some 100,000 properties have been restored to their former owners or their heirs. Since 1989's revolution the government has approved nearly \$4 billion in all forms of foreign investment, with as much as 25 percent attributable to U.S. investors. Over 2,000 firms were privatized during the "First Wave" of privatizations. A "Second Wave," now beginning, will cover some 1,200 firms, including some of the largest and most complex.

This dramatic progress does not mean that the reform process is complete or problem free. The shakeout of privatized firms is only now beginning. The bankruptcy law, enacted in April, allows the new managers to reorganize, downsize and, for perhaps as many as 30 percent of the firms, liquidate. Unemployment nationwide could increase substantially. The agricultural sector's outlook is grim. The state farms and so-called "cooperatives" of the

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old regime continue to be inefficient, over-staffed and insensitive to changing market conditions and require a wrenching modernization. Many will inevitably fail.

The banking sector is undergoing both structural reform and privatization. Despite partial privatization of some large, state-owned banks and opening of new domestic and foreign private banks, the banking sector remains largely non-competitive and subject to strong government influence. Continued development of the banking sector is key to further healthy private sector development. With domestic capital resources being tight, efficient distribution of available credit becomes critical. While trading in the newly issued privatization equities can be expected to provide some capital, it cannot substitute for a modern banking structure.

The relative ease with which macroeconomic reforms have proceeded since 1989 stems from numerous historical factors which are noteworthy as we chart the future of U.S. assistance. First, the legacy of the pre-World War II years, when Czechs enjoyed a functioning democracy and prosperity based on free enterprise; second, the Czech Republic's geographic location which assures easy access to Western markets, and third, a tradition of fiscal and monetary prudence as well as a sophisticated industrial base that allowed the country to emerge from the Communist years without a tremendous foreign debt burden.

U.S. assistance has played a significant role in helping the Czechs move as far and fast as they have. They are appreciative of that help and have asked that we work with them to broaden the economic and democratic reform, particularly outside of Prague. Several U.S. interests are at stake. First, geo-politically, a healthy, functioning Czech democracy reinforces regional stability. Second, with all of their advantages, the Czechs must succeed if others, less well endowed and ably led, are not to lose heart. The country, with its driving ambition once again to be part of the West, has become a paradigm of transformation. Third, the Czech energy and environmental problems, like those of their Polish and German neighbors, are the world's problem as well. And finally, U.S. business has an important and growing stake in the Czech economy which is important in and of itself and for the U.S. competitive position throughout Europe. The goal is near, the costs to complete the race modest, the price of failure high.

U.S. ASSISTANCE IN PERSPECTIVE

A November 1990 exchange of letters between senior officials of the United States and the then-Czech and Slovak Federal Republic established the following priority sectors for U.S. assistance:

- Privatization and economic restructuring
- Banking and financial services
- Energy

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- Environment
- Management Training

The U.S. and Czech governments re-affirmed these priorities during consultations on the assistance program held in January, May and October 1992. The assistance strategy proposed for 1993-97 has also been developed in consultation with the Czech government.

ROLE OF OTHER MAJOR DONORS AND LENDERS

Every effort is made in-country to coordinate U.S. Government assistance activities with other major donors and lenders in order to avoid duplication and to get the maximum impact from the assistance. Formal G-24 coordination has been unsatisfactory in the Czech Republic in large part because the European Community (EC) -- the G-24 coordinator -- did not have permanent representation in the Czech Republic until mid-1992; however, on the recommendation of the United States, donors in the Czech Republic have been meeting occasionally in small informal groups to discuss specific sectors. These have been useful avenues of coordination and information sharing, but have not yet resulted in unified donor policy dialogue with the Czech government. The EC, however, is gradually taking a greater leadership role.

Donor coordination was not emphasized by the former Czech and Slovak Federal Republic, despite efforts to establish coordinating offices. Most attention has been given to project data collection, rather than strategic planning and priority setting. The donor/recipient relationship, however, is maturing. The newly-created Center for Foreign Assistance in the Czech Ministry of Economy is putting more emphasis on strategic planning and linking assistance needs to the government's overall economic development strategy.

Actual delivery of assistance also has been a mixed success for the donors. Fortunately, the ability of the United States to respond rapidly with appropriate, low-cost, tailored assistance to Czech requests has been recognized and appreciated. Other major donors to the Czech Republic include the World Bank, the European Bank for Reconstruction and Development (EBRD) and the EC. The IMF has supported the reform program with a \$1.8 billion stand-by arrangement. World Bank assistance has been limited by the former Czech and Slovak Federal Republic's reluctance to incur debt. However, a \$250 million energy sector loan was approved in 1992 to provide desulphurization equipment to Northern Bohemia. And at the beginning of 1992 the Czech government indicated it wished to reopen negotiations for an environment sector loan. The PHARE program has made substantial commitments but limited expenditures. Some 30 million ECU remain to be programmed from 1992, with 100 million ECU pledged this year. Slow project design seems to be the main obstacle. PHARE's priority sectors are small-and-medium enterprise development, education and training. The EBRD has made significant commitments in the

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infrastructure area, including 50 million ECU to modernize the Prague airport and Czech airlines and 200 million ECU for road development.

U.S. ASSISTANCE STRATEGY

The overall U.S. policy goal is to support the continuation of the economic and institutional reforms to the point that they are irreversible and Czech citizens are once again incorporated into the economic and political mainstream of the West. Continued economic and political success of the Czech Republic is a U.S. strategic interest in Central Europe. U.S. official assistance, complemented by a growing cadre of volunteer experts, has played a significant role in supporting Czech reforms. Almost \$2 billion in foreign investment has flowed into the country over the past three years. Annual sales of U.S. goods and services, which now stand close to \$200 million, most certainly will rise as more privatization occurs. U.S. aid is yielding significant returns not only in helping move the reform program forward but also in creating U.S. business opportunities. The Country Team believes U.S. support can gradually be phased from its present aid format to one more characteristic of that for an Advanced Developing Country. Such an arrangement would permit Embassy/AID responses to specific, short-term requests from the Czech government and private sector for help in completing the transformation process, while continuing to strengthen U.S. business and commercial ties. In the interim, the U.S. program will increasingly be focused on supporting four Czech initiatives. These are:

- (1) Complete the major portions of the privatization program and establish the basic infrastructure needed for the financial sector and capital markets.
- (2) Broaden participation at the regional and local level in addressing key issues, strengthen municipalities' administrative and financial capabilities and support small and medium sized business development.
- (3) Foster the development of efficient energy production and use, which concurrently improves the environment.
- (4) Further bolster media, legal and educational institutions essential to broadening public participation in economic and political reform.

These four components closely parallel the forward thinking of Czech leaders. Impressive as progress has been, a note of caution is necessary. The bulk of Czech industry in terms of production and employment remains under state control. Many industries scheduled to be "privatized" under the Second Wave are likely to continue with heavy state participation (40 to 50+ percent of shares). The banking structure also retains close ties to the state, with the major Czech banks acting as primary creditors to the large state-owned

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enterprises (SOEs) endangered by bankruptcy.

On the plus side, the Czechs have already begun to see the results of their labors as Prague and its surroundings are prospering. Much of the country-side, however, has yet to share in these gains. Indeed, there is an increasing concern in the districts and municipalities that Second Wave privatization will hit their industries and farms the hardest. Further, it is becoming increasingly obvious that efforts to curb pollution and deal with its consequences, to conserve energy, to spur local enterprise and to deal with quality of life issues will require local initiative and the exercise of individual responsibility. New alignments of power and responsibilities, at the national, regional and municipal levels are still being defined, but the political commitment to proceed appears firm.

It is explicit in this strategy that the U.S. aid program in the Czech Republic must be given a tighter focus both functionally and geographically. While a number of activities will continue to be appropriate to the Czech scene, others are increasingly marginal to Czech requirements and should be phased out or, in a few cases, dropped. Consistent with last year's Foreign Assistance Act, it is important that a portion of the program be designed to meet Czech-specific requirements, particularly in the out-years, both as a way to engage the Czech government in policy dialogue and to demonstrate the U.S. willingness to respond to Czech priorities. In the near-term (1993-94), U.S. assistance will continue primarily to support the economic transformation. Near and medium-term assistance (1993-95) will focus on solidifying the economic and democratic reforms with increasing attention to programs outside Prague. Assuming no unforeseen political and economic reversals, U.S. assistance to the Czech Republic should start to be phased out during Fiscal 1995, earlier in specific cases if warranted. U.S. assistance should thereafter be at levels consistent with Advanced Developing Country (ADC) status. Under an ADC-type program, we envision short-term consultants, perhaps using cost-sharing arrangements, and limited U.S. training through the Participant Training project. Housing Guaranty and related technical assistance to local government will continue through 1997. These activities -- one which can provide short-term responses to Czech requests and the other which primes the financial market -- are consistent with the Advanced Developing Country concept.

PRIORITY ONE: SUPPORTING ECONOMIC TRANSFORMATION

ASSISTING THE CZECH MINISTRY OF PRIVATIZATION

Helping the Czech Ministry of Privatization negotiate most large privatizations involving foreign investment has been the major thrust of U.S. assistance at the continued request of the Czech government. Since late 1991, U.S. advisors have been helping ministry staff evaluate competing privatization proposals and routinely have obtained significant improvements over the foreign investor's original offer in areas such as:

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- Increasing the purchase price
- Increasing and/or strengthening the investment commitments
- Providing technical, management and marketing know-how
- Increasing debt and environmental liabilities assumed
- Increasing ownership and other incentives for Czech citizens
- Minimizing the guarantees given by the Czech government

"Deal improvements" negotiated with the team's help have averaged three times higher than the prices initially sought by the government. A recommendation on each proposal is made to the ministry, which makes the actual decisions and negotiates the closing documents. The team now is helping negotiate approximately 55 Second Wave projects. Between 100 and 150 more Second Wave projects are expected, including many of the most complex enterprises such as those in the telecommunications, energy and health sectors. Having advisors in the Ministry of Privatization has helped develop an atmosphere of relative transparency that has created a level playing field on which investors can compete. Continued assistance will be needed until the completion of the Second Wave which the Ministry now estimates will be accomplished by mid to late 1994.

U.S. assistance will help:

- Complete outstanding First Wave privatization projects;
- Review, negotiate and complete Second Wave privatization projects;
- Supervise tenders for the Ministry of Privatization and/or the founder ministries;
- Further develop policies in such areas as economic competition, environmental indemnity, foreign investment and investment promotion, and technology transfer;
- Train Ministry of Privatization, National Property Fund, and other ministry personnel.

As the need for assistance on privatization declines U.S. assistance efforts will increasingly shift to areas such as corporate governance, capital markets, banking and help for the newly privatized firms, particularly those without foreign investors.

HELPING MAKE PRIVATIZATION WORK

The centerpiece of U.S. assistance in the privatization sector will continue to be working with the Ministry of Privatization. There also is a need to help newly-privatized or newly-created small and medium sized firms become viable. The various U.S. volunteer programs will continue to provide business advisors through 1994. The Peace Corps will continue beyond 1994 to address this need through its Small Business Development program.

In addition, the Czech government has requested assistance in privatizing not-for-profit institutions. Transformation of health care has been identified by the Czech government as a high priority. U.S. assistance, which includes economic analysis as well as

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legal and technical advice, will continue into 1995.

The Czech government also requested technical advice and training in telecommunications. The assistance being provided is expected to generate significant investment opportunities for U.S. businesses.

DEVELOPING THE FINANCIAL SECTOR

Strong, agile financial institutions and mechanisms are essential to successful privatization. U.S. aid will focus on mobilizing capital and banking reform. These areas will receive varying levels of assistance through FY 1995.

1) DEVELOPING CAPITAL MARKETS

The Prague Stock Exchange and a Ministry of Finance-sponsored over-the-counter system began trading shares of the newly-private firms in Spring 1993. While the systems' technical aspects are well established by the Czechs, real needs still exist, such as the refinement of the regulatory framework, management of mutual funds, operations management and internal controls. Without smoothly-functioning capital markets, the successes of the large-scale privatization program will be jeopardized and investor confidence shaken, further exacerbating the potential bankruptcy problem.

Thus, U.S. assistance in developing capital markets aims to create systems perceived to be honest and efficient. This entails raising the awareness of Czech officials of their system's vulnerability, based on U.S. experience. AID and the Securities Exchange Commission are working with Czech officials to identify specific tasks and resources to address them. Assistance may include a long-term advisor(s) and training for regulators and implementors.

2) STRENGTHENING THE BANKING SYSTEM

Our largest commitment to date has been to the **Czech Savings Bank** which presently holds about 75% of all individual deposits. With over 2,300 branches throughout the country, the bank's mutual fund attracted the largest share of coupons in the First Wave of privatization.

Despite its strengths, the bank is suffering from its Communist legacy. Management and operational skills are relatively weak. Few personnel perceive the importance of credit analysis, given the traditional role of deposit collection. In 1992, U.S. assistance began in such areas as credit risk management, foreign payment processing, financial management and accounting procedures, and mutual fund management. This assistance will continue

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through 1993 with added focus on the bank's mutual fund operations. The value that bank management places on this help is evidenced by its \$900,000 commercial contract which is supporting more than half of the 1993 effort.

Similar gaps in technical expertise, management capability and experience are evident throughout the banking sector. U.S. assistance is helping to address this by providing advisors on a long-term and short-term basis. A long-term advisor is helping transform the **Komercni Bank** into a western-style, market-oriented financial institution. Advice is given in such areas as credit policies, branch operations, and mortgage lending. Since 1991, a volunteer program and the New York Federal Reserve Bank have supported assistance to the **Czech National Bank**. In 1992, **Investicni Bank** received short-term assistance. A volunteer program has also provided advisors at the request of the **Foreign Trade Bank**, with a long-term advisor expected to begin work in late 1993. This type of banking assistance is expected to continue into 1994.

Assistance in training for bankers has been provided by two advisors, who help the **Czech Bank Training Institute**, an organization addressing the training needs of most Czech banks. The advisors help assess training needs and conduct courses. They also advise the institute on its institutional development needs. The latter includes marketing of training programs, collaborating with other local institutions, and establishing a business plan. The institute is highly regarded and its courses well-received. Assistance in institutional development should continue until the institute's long-term viability is assured, probably in mid to late 1994.

3) *DEALING WITH BANKRUPTCY*

As newly-privatized firms begin to face economic realities, loss of traditional markets, relatively unproductive technologies, and scarce supplies of credit, fairly wide-spread bankruptcies are likely to result. As many as 30 percent of newly-private companies may face liquidation by early 1994 and a serious backup in the courts could delay full realization of the benefits of these painful adjustments.

While U.S. assistance to the banking sector will be the most effective help in handling bankruptcies, there are specific areas in which the Czech government may request some short-term assistance, such as:

- drafting regulations to implement an expected amendment to the bankruptcy law which will help preserve firms as "going concerns" rather than being immediately liquidated;
- training bankruptcy judges (at present there are extremely few judges fully competent to preside over bankruptcy cases); and

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- seminars and conferences for jurists, practitioners and company personnel.

If a request is made, a follow-on bankruptcy activity would be an appropriate complement to the privatization and banking sector assistance.

PRIORITY TWO: BROADENING PARTICIPATION

With the separation from Slovakia accomplished and privatization entering its most critical phase the Czech Government has signaled its intent to take the reform process to the people. It has asked for U.S. and other donors' help. This decision in part reflects their acknowledgement that it is in the countryside where the effects of economic reform will pinch the hardest. Due to severe labor immobility, unemployment will mushroom in some areas of the hinterland as plants and farms adjust to new realities. Other entities, designed under central planning, are simply no longer relevant, and still others, built 30 to 40 or more years ago, are beyond the reach of modernization. U.S. assistance is already quite active outside Prague and the Country Team intends to emphasize on-the-ground activities at the district and municipal level. There will also be work required at the national level to clarify policies, delineate responsibilities and facilitate local initiative. The U.S. goal is to assist the Czech government to extend their reform process, cushion the impact of the restructuring in ways which encourage local initiative and responsible self governance. In emphasizing the latter we have chosen an assistance "niche" fully consistent with the American experience and development expertise. There are two components to this portion of the program: local government and small and medium size business.

LOCAL GOVERNMENT

This strategy supports the government's efforts to take the reform process to the district and municipal level, a thrust that is both desirable and appropriate. Initial capitalization of a municipal credit system by a Housing Guaranty program would provide significant stimulus to activating the credit system. The technical assistance already being provided is useful in and of itself, but it would have greater short-term impact with a Housing Guaranty Program. With the Czech Republic selected to be one of the priority countries under the planned public administration project, further U.S. resources will become available to assist in the transfer of responsibility and authority from the national to the local level. This will be the overall focus at the national level, with assistance helping to:

- Implement existing laws and develop regulations that support local governments' collecting of revenues, assessing user charges and designing financial strategies; and
- Develop the commercial expertise in municipal finance of lending institutions.

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At the local level, U.S. assistance will:

- Provide Housing Investment Guaranties and technical assistance for planning and construction of urban infrastructure for six or more municipalities;
- Provide technical assistance and training for elected municipal officials and their staff; and
- Provide U.S. and in-country training for local officials, enterprise representatives and NGOs on community planning, finance and negotiating skills.

SMALL AND MEDIUM SIZE BUSINESS

The reasons for assisting in this area include employment creation, economic opportunity expansion and creation of a broader revenue base. In Central and Eastern Europe, however, the rationale extends to broader factors such as the disaggregation of state-owned enterprises, the need for economic (and socio-political) initiative, the drive to democratize the economy, and to put the supply-demand equation right by replacing command with consumer demand. Indeed, a dynamic rebirth of small and medium size enterprises is a key ingredient of the transformation since it encourages individual self-reliance instead of dependence on state largesse. As the privatization process is poised to enter the post-bankruptcy phase, managerial and marketing skills will determine the winners and the losers. The large enterprises can afford to bring in necessary talent. The smaller entrepreneurs, many of them products of First Wave privatizations, will need more, not less, volunteer help and access to responsive financing.

The U.S. assistance program is well-positioned to respond by offering:

- Technical assistance and training for local business and industries via various volunteer programs, including the Peace Corps; and
- Financing for small business development provided by the Czech American Enterprise Fund (and its partner, Komerční Banka).

PRIORITY THREE: ENERGY AND ENVIRONMENT IMPROVEMENTS

Czech energy policy is driven by two major imperatives: the strategic need to reduce almost total dependence on Russian oil and gas and secondly, the economic and health urgency of the nation's pollution problems. Intensely industrialized Northern Bohemia, part of the "Black Triangle", is a major polluter, its people literally dying in the product of their labors. That vicious circle must be broken before significant new investment can be

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attracted. The effort will take years. Ironically, this area and the Ostrava region, both of which will reap the long-term health dividends from cleaner energy and environment, will also be forced to pay a heavy price for cleaner energy generation and more efficient usage. For example, the completion of the Temelin nuclear reactor will mean fewer jobs in the brown coal fields, the closing of several coal burning thermal plants and fewer trains taking coal to plants, resulting in the loss of perhaps several thousand jobs, once power begins to flow in 1997. Experience elsewhere in the world indicates substitute jobs may be a long time in coming.

ENERGY

As a matter of policy, the government has chosen to proceed with across-the-board privatization of the power sector, adopt market-driven, competitive pricing structures, encourage the shift to clean production technology and promote conservation at all levels. It has also asked for and received U.S. help in improving nuclear safety at existing and planned new power reactors.

At the national level, U.S. assistance supports a study of regional refinery rationalization and privatization. Through technical assistance and training, a new independent and economic regulatory system as well as transparent mechanisms for regulating energy pricing are being adopted. Testing, review and inspection procedures for the new State Nuclear Regulatory Office are also being assisted.

At the regional/local level, assistance emphasis is on privatization and commercial viability of the generation, transmission and distribution companies. Pilot projects test investment opportunities for Energy Service Companies (ESCOs) and legal, policy and financial obstacles for local or U.S. ESCOs. Municipal and business leaders in Usti nad Labem in Northern Bohemia will be helped in developing an energy/environment plan to reduce energy waste and pollution. Carrying out inspections and providing safety and damage control procedures/training at Dukovany Nuclear Power Plant is also a continuing program.

ENVIRONMENT

The environmental policies of the Communist era led to inefficient uses of capital, natural resources and labor and has left a legacy of waste and pollution. The Czech government is creating a framework of prices and policies to rectify that situation and encourage environmentally sound investment. To effectively implement these reforms will require close collaboration at the national and local levels. Regulations must be prepared openly and enforced equitably at both levels, financing mechanisms designed and revenue sources decided upon. Local industrial and business leaders along with impacted

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communities themselves must take part in the decision process leading to new investments, to replace old polluting industries and to provide essential public services. U.S. aid will help forge these new alliances. The assistance includes technical advice and training provided by numerous Peace Corps volunteers with environmental expertise.

At the national level, U.S. assistance will provide technical advice and training to assist the Ministry of Environment in environmental policy formulation, economic analysis and risk assessment and improve regional inspectorates' ability to interface with local governmental and Non-Governmental-Organization (NGO) leaders. At the regional and local level, U.S. assistance will provide technical assistance and training to municipalities on techniques for cost recovery on environmental investments and least-cost pollution mitigation techniques. Training for NGOs in community mobilization, education and effective communication at local and national levels will be provided. The geographic concentration of assistance in the environment sector will continue to be on the "hot spots" of Ostrava and Northern Bohemia.

Provision of limited equipment and training at the industry level will demonstrate the economic returns of waste minimization. The positive results will be promoted through industrial associations and the Ministry of Environment regional structure.

PRIORITY FOUR: FURTHERING EDUCATIONAL, LEGAL & MEDIA REFORM

Among the more debilitating legacies of Communism in the Czech Republic was its impact on educational institutions. Reform of this sector will take many years - perhaps generations - as institutions at all levels adjust to the new realities and thinking. The problem is especially acute in economics, management, public administration, as well as environmental science and law. Successful educational reform will support the national political and economic renovation process currently underway, and provide skills to the country's future leaders to manage a market oriented, democratic society. U.S. assistance can play an important role in the reform process.

Because the remedies are more than mechanical -- in many instances the faculties and institutions themselves are part of the problem -- change will require time. The U.S. commitment to helping educational reform should be seen as a long-term effort and one in which the United States must be engaged beyond the present aid program. USIS core programs, such as the Fulbright, Humphrey and other exchange programs, should continue to provide assistance to reform.

The Country Team's strategy is to target one or two institutions where school administrators and teacher trainers are trained. These former Ministry of Education

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institutions, now part of the universities, are responsible for providing pre- and in-service training to the 120,000 teachers and administrators now in the system. U.S. assistance will emphasize the basics of school administration, finances, as well as curriculum and materials development. This targeted assistance, with its multiplier effect, will ensure that future generations of Czech students will encounter new methods and ideas from the beginning of their education, rather than only at the end during their university studies, and they themselves will become a driving force in the reform process.

Assistance programs focused on post-graduate studies in the social sciences, management, law, civic education, and English teaching (a priority field) which strengthen curricula, teaching skills, and overall institutional capacity, will continue. Other short-term assistance, such as technical advice or small grants to private sector organizations will help reform the legal codes, and provide legal and judicial training.

An independent media plays an important role in a democratic society and U.S. assistance has support the establishment of an independent Czech media. U.S. assistance will continue in the near term to focus on sustaining the independent media through grants to the Center for Independent Journalism. Special attention will be given to media outside of Prague. U.S. media assistance will be reviewed annually to determine whether it continues to be appropriate.

Continued U.S. assistance under this fourth priority sector will include:

- Long-term consultants to educational research and training institutions to help develop training programs in school administration, finance, curriculum and materials development.
- the English Teaching Fellows program, which provides trained methodologists to Czech teacher training institutions for pre- and in-service seminars in the latest language teaching techniques. By the end of 1995, this program will have trained more than 3,500 Czech English teachers. Complemented by the Peace Corps program, which also provides training for Czech English teachers, the multiplier effects are such that tens of thousands of Czech students of English are benefiting from these programs.
- Provision of specialists in curriculum reform and development to help create western-oriented faculties of law, public administration, and business/management in the major universities in Prague, Plzen, Brno and Olomouc. This program also provides a core library of reference materials to each institution.

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- Support creation of an independent judiciary through U.S. government and private sector organized judicial and law-school dean training programs, material assistance to the law schools, and support for pro bono advisory services for various key legal concerns, including emerging commercial laws as well as rule of law issues.
- Assistance through university contracts to complete development of undergraduate programs and in-service programs in business and farm finance, management and sales, at one or more Czech academic institutions.

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