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A Comparative Analysis of SME Strategies, Policies and Programmes in Central European Initiative Countries

Part III
Czech Republic
A COMPARATIVE ANALYSIS OF
SME STRATEGIES, POLICIES AND PROGRAMMES IN
CENTRAL EUROPEAN INITIATIVE COUNTRIES

PART III

THE CZECH REPUBLIC
This country report represents the basic background material covering policy, institutions, assistance and perceived needs relating to SME development. It has been initially compiled by the Ministry of Economy of the Czech Republic within a framework developed by the UNIDO project. Together with the results of the follow-up discussions, interviews and workshops involving key institutions and personnel, this report has provided the basis for the comparative analysis in Part I.

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The annexes II and III are reproduced in the form in which they were received.
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BROAD ECONOMIC AND SOCIAL POLICIES

The ministries with prime responsibility for SME policy

The Ministry of Economy of the Czech Republic, under the provisions of Law No. 474/94, is responsible for state administration in matters concerning small and medium enterprises. It is also responsible for the promotion of technical and technological development. The Ministry's SME-related activities are located within the Business Section, which has the following departments: Secretariat; Business Promotion; Small Business; Privatization; Tourism; Former Communist Party Property Administration.

Two departments of the Business Section of the Ministry are involved in SME-related activities: the Business Promotion Department and the Small Business Department.

The Business Promotion Department has two foci for its SME activities: the Division for Programme Support and Business Promotion Methods and the Technical and Technological Division.

In the sphere of state administration, the Business Promotion Department prepares legislation and other materials in which the main guidelines and principles of the State's economic policy concerning small and medium business are formulated. It prepares drafts of state programmes for the promotion of business and technical and technological development. The Department also:

- Informs the entrepreneurial sphere about the possibilities and forms of support for the establishment and development of small and medium enterprises;
- Provides consulting services;
- Mediates relations between foreign institutions and interested Czech businesses.

The Small Business Department is responsible for the structure of business, as stipulated in the Czech Trade Licensing Act governing the registration, structuring and governance of businesses. It has the following responsibilities:

- To prepare legislation;
- Act as an appeal body;
- Undertake monitoring and control.
Other government departments with small business development roles

The Ministry of Agriculture has an Agricultural and Forestry Fund that provides guarantees and interest-subsidies to farmers and agricultural and forestry businesses. Most of the recipients are sole proprietors and SMEs. Provision of this assistance is based on special guidelines worked out by the Ministry of Agriculture and is focused solely on enterprises in the primary sector. The Fund is supported by the state budget and shares of selected agricultural enterprises that have not yet been fully privatized. Custodian of the Fund's finances is Agrobank and custodian of shares is Credit Suisse First Boston Czechoslovakia.

In 1994, the highest number of promotions was provided to individual farmers (54.7 %), agricultural cooperatives (23.4 %) and private companies (19.9 %). The share of small and medium entrepreneurs was not followed up but the Ministry estimated that the participation of big firms (over 500 employees) was not significant.

The Ministry of Industry and Trade's Czech Energy Agency undertakes some activity in the field of SME assistance, primarily around the development of energy consulting and information services in the Czech Republic. Its activities are focused on the EKIS A and B programmes, which support businesses, primarily SMEs, in this area. The programmes select a small portfolio of companies and then subsidize some of their services to encourage uptake of energy efficient activities.

The Ministry of Labour and Social Affairs is focused on job creation and skills development. Most support is provided to employers who can show that they can create new employment in their businesses. Unemployed individuals can also receive support if they start a business. A key focus is on assisting in the conversion of skills developed in the previous system to skills in demand during the current transition to a market economy.

The instruments of employment generation used by the Ministry of Labour and Social Affairs are the following:

- Support of re-qualification of applicants for jobs;
- Support of socially useful jobs creation;
- Professional training of school-leavers and young people.

The Ministry of Finance is responsible for coordinating and submitting ministry budgets to Government and Parliament, including the SME assistance by the Ministries outlined in the rest of this section. Although not directly involved in SME assistance, the Ministry of Finance's role as the liaison in the annual budget negotiation round makes it an important component of the support structure.
According to official statistics, an annual reduction of tax liability (to around 15%) by the Ministry of Finance has been included as a form of SME assistance totalling approximately half of total state assistance. This reduction was introduced in 1993 as part of a revised taxation system for all enterprises in the Czech Republic. As a result, in 1994, a tax liability of about CK 5 billion (approximately US$ 180 million) was removed from the SME sector.

The Ministry of Health is also involved indirectly in SME development. Within the health and medical sector, it is responsible for the privatization of state-owned enterprises and properties.

The Czech-Moravian Guarantee and Development Bank is 49% owned by the Ministry of Economy (through the Minister/First Deputy Minister, not through the Business Section) and 51% owned by five commercial banks. It provides a range of guarantees and interest-subsidy schemes from funding provided through the Ministry of Finance and ratified by Parliament. The Bank was established in 1992 as the first institution in the Czech Republic dedicated to SME development.

In 1994, the Czech-Moravian Guarantee and Development Bank provided financial support to 1,557 projects. Among the supported firms, small enterprises dominated (62.8% of support was provided to firms with up to 24 employees). The Czech-Moravian Guarantee and Development Bank has also produced a guide to consulting and counselling services which includes directions for obtaining support for these services.

Much of the success of programmes depends upon cooperation between the Czech-Moravian Guarantee and Development Bank and other credit providers. Every year the Bank organizes seminars for staff of commercial banks on available government assistance. In addition, there is ongoing dissemination and promotion activity. More than 500 branches of banks receive information on programmes and application forms from the Czech-Moravian Guarantee and Development Bank. In 1994, the majority of financial support from the Bank was provided alongside credits from the Commercial Bank, Czech Savings Bank, Agrobank and Post Bank.

The Agency for Enterprise Development (ARP) was founded by the Ministry of Economy on 31 May 1995 (it was transformed from the former Small and Medium-Sized Company Centre) as a new business support agency.

ARP’s main task is assistance to SMEs according to the Law No. 299/1992 Coll., ‘State Support to Small and Medium-Sized Businesses’ and the state SME policy. It currently has several PHARE funded projects and is looking to establish itself as a self-supporting ‘service’ agency for small business support organisations.
Main activities include:

- Support the provision of counselling and information services to SMEs;
- Realisation of PHARE funded SME assistance programmes;
- Looking for foreign SME assistance, collaboration with foreign SME agencies and institutions;
- Analysis of the entrepreneurial environment and SME development in the Czech Republic;
- Organizing seminars and courses on SME development.

The degree of coherence and cooperation between departments

There appears to be a general recognition that there could be more cooperation between government departments and, in certain cases, more coherence between programmes. Several points were made relating to current concerns with the level of cooperation and coherence:

- In several key ministries, such as the Ministry of Finance, responsibility for SMEs is spread between individuals. In these ministries, there is no single contact person with overall responsibility for SMEs;

- Communication between ministries tends to be vertical rather than horizontal. The vertical nature of interaction reflects the funding process. Ministries submit annual budgets to the Ministry of Finance which then passes them on to the Government for subsequent debate and approval by Parliament;

- Within the Ministry of Economy, the subdepartments of the Business Promotion Department liaise regularly. However, there is little clear integration between the activities of the Department (which reports to the Minister), the Czech-Moravian Guarantee and Development Bank (which has the First Deputy Minister as president), and ARP (which reports to a steering committee with representation from the Business Promotion Department);

- Overall, financial and non-financial assistance is separated. The Czech-Moravian Guarantee and Development Bank provides the majority of the Ministry of Economy's financial assistance programmes whereas other, non-affiliated organizations like the RPICs and the National Training Foundation provide non-financial programmes;
Within the Ministry of Finance, which is responsible for submitting budget proposals to Parliament, there is no single individual or office that manages funding for SME support programmes. Instead, responsibility is spread among individuals in different departments.

Regional development policy

There is a degree of recognition of regional variations within the Ministry of Economy that is reflected in the provision of a targeted support programme called REGION. Following is the general rationale presented by the Ministry for a regional approach to business development.

Levels of economic activity and health of business stock vary between regions of the Czech Republic, often as a result of their historical economic structure and the transition to a market economy. In regions which were heavily industrialized, this transition has often been difficult and has led to higher levels of unemployment and lower levels of entrepreneurial activity. These regions share the following general characteristics:

- Decline in key sectors has led to employment decreases in fuel and energy, mining, metallurgy and machinery, particularly in highly industrialized regions;
- Job losses in inefficient enterprises;
- Decrease in employment in agriculture;
- Development of the service sector and concentration in urban areas.

Evaluations of the economic prosperity of individual regions can be based on conditions in regional labour markets. There are two major regions with high degrees of unemployment in the Czech Republic: North Moravia and North Bohemia.

The REGION programme uses the following characteristics to determine the level of disadvantage and hence eligibility of a candidate region:

- High share of output held by declining industrial sectors;
- Weak industrial base;
- Under-developed infrastructure;
- Low levels of business initiation and development;
- High unemployment.
In regions with these characteristics, SME support is available. According to the 1995 Government report on enterprise assistance, the following 'areas' are eligible for support from the REGION programme: Frýdek-Místek, Karviná, Most, Bruntal, Svitavy, Nový Jicín, Teplice, Znojmo, Prerov, Opava, Chomutov, Kladno, Ostrava-msto, Brno, Louny, Sumperk, Vsetín, Zdár nad Sázavou.

**Overall statement of SME policy**

The Ministry of Economy clearly identifies itself as responsible for SMEs, and publishes an overview of SME support each year titled 'State Policy of SME Assistance.' This publication outlines existing support to SMEs and is approved by Government each year. It is focused on the operational aspects of programme definition and description, rather than on developing a policy vision of SME support in the Czech Republic.

A vision of the development of the country's SME population is stated in the Act of 'State Support to Small and Medium-Sized Businesses' of 28 April 1992. Specifically, the law recognized SMEs as a key economic sector and justified support in terms of market failures and discontinuities that needed to be addressed.

'It is the aim of this Act to facilitate the establishment and to strengthen the economic position of small and medium-sized businesses that are active and have their seat in the territory of the Czech Republic.... The supporting measures adopted here under shall promote the efficiency and competitiveness of small and medium businesses, thus counter-balancing their drawbacks due to low economic strength, assist the businesses in adapting to economic and technological changes, and guide them towards self-sufficiency.'

A clear and agreed vision of the desired character of the SME sector in the Czech Republic was communicated by several individuals in the ministries and agencies. This vision was of an SME sector that was the same as that in a 'benchmarked' European Union country, and so stems from the general political desire to join the Union. Belgium and the Netherlands were most frequently cited as the economies that the Czech Republic should aim towards, because they have similar populations and geographical areas.

There was, therefore, a strong emphasis on harmonization with European Union standards, and with joining the European Union in the near future. One example is the focus on establishing the same array of databases and other information systems for SMEs that is available in the EU.
The process by which policy and SME development goals are set

The Ministry of Economy and the Ministry of Finance play central roles in the development of policy and strategic goals, with input from other ministries and organizations. Specifically, the policy and strategy development activity has the following characteristics:

- Ministries apply to Government and Parliament for a share of the annual state budget, a process that is coordinated by the Ministry of Finance;

- There is significant autonomy for each Ministry. None is required to report directly to the Ministry of Economy and funding is passed from Government to each Ministry via the Ministry of Finance;

- Within the Ministry of Economy, there is a close relationship with the Czech-Moravian Guarantee and Development Bank; the Ministry submits a budget for itself and for the Bank;

- The Ministry also receives SME support funds, which are either used for research and feasibility studies (generally undertaken by the Bank) or are provided to SMEs for feasibility studies and attendance at conventions and trade fairs;

- A suite of programmes has been developed in anticipation of needs, but some have not yet been used because the business base is too 'young';

- The Ministry of Economy has several departments and sections with responsibilities relating to SMEs:

  The Business Section is responsible for SME policy and business promotion. The Business Promotion Department is responsible for managing support programmes; the Small Business Department for laws and business registration; the Privatization Department for privatization, especially smaller businesses and restructuring of large companies.

  The Czech-Moravian Guarantee and Development Bank and ARP report to the First Deputy Minister of Economy;
• There is some confusion in terms of responsibility and reporting channels:

The Business Promotion Department and the Small Business Department report to the Deputy Minister responsible for the Business Section of the Ministry of Economy;

ARP has a steering committee which has the Business Section Deputy Minister as a member;

The Czech-Moravian Guarantee and Development Bank’s steering committee has the First Deputy Minister of the Ministry of Economy as its president.

Even though the Ministry of Economy has been appointed as responsible for SME policy, there appears to be a degree of fragmentation in the funding and delivery of assistance by government ministries:

• The Czech-Moravian Guarantee and Development Bank is the delivery mechanism for the Ministry of Economy’s major programmes;

• Other ministries - Agriculture, Industry and Trade (through the Czech Energy Agency), Labour and Social Affairs, Health - manage and deliver their own programmes, which are focused on the areas of responsibility of each ministry;

• All ministries provide financial information, and some monitoring of expenditure, to the Ministry of Finance;

• Overall, reporting of business support activities concentrates on describing how the money was spent, rather than on how it was used by businesses. The reporting system appears to reflect the tracking of internal resource allocation within the Czech government, rather than the effects of assistance on SMEs and the economy.
Information on the health of the SME population

There are several primary sources of monitoring information regarding the business population, some of which are available to policy makers in form of databases and reports. This information covers the entire business population of the Czech Republic rather than focusing specifically on SMEs. Four principal databases exist:

1. Business Register, which lists all businesses (active and inactive) in the Czech Republic;
2. Sole Practitioners' Register;
3. Company Identification Number Register;
4. VAT Registration database, based on a minimum revenue threshold.

There is also a Trade Register which serves as a unified point for access to much of the data held in the above sources. There is, however, no apparent attempt to identify the SME contents of these data, nor does there appear to be sectoral analysis of registered businesses.

The Government's information gathering and analysis activities are focused in the National Information Centre of the Czech Republic (INS). This organization offers four key services, each of which can be considered relevant to the policy making process.

1. Providing an on-line database host system, providing Western and domestic databases in hard copy form and through the internet. There are databases on the following aspects of the Czech business scene:
   - Debtors and defaulters reports;
   - All laws in the Czech Republic since 1945 (PALLS);
   - Daily transactions and exchange rates from the Prague Stock Exchange;
   - Foreign firms represented in the Czech Republic;
   - Register of legal operating units (including businesses, subsidized organizations, foundations, associations, political parties and societies);

2. Production of periodical and non-periodical studies and reports, primarily focused on the Czech Republic;

3. Management of background documentation for the state information system, which involves providing inputs into national information issues. INS holds the major national database sets on population, industry, and others;
4. Gathering data on the Czech Republic, including the development and ongoing improvement of government databases.

Several other organizations also provide information and analysis as an input into the policy-making process, suggesting that the policy-making process involves some consultation with non-governmental bodies:

- The Agency for Enterprise Development (ARP), for example, has produced an assessment of the Ministry of Economy's Technos programme to encourage technological development and innovation;

- The Association of Innovative Enterprising has worked as a consultant for several ministries with interests in the development of innovative SMEs;

- The Ministry of Economy also noted that the Czech-Moravian Guarantee and Development Bank has been involved in the production of feasibility studies.

Overall therefore, the structure of information provision appears to exist in the Czech Republic, in terms of:

- Primary data on businesses;
- Analysis of this data and dissemination by a government information agency;
- A supporting network of non-government agencies that are able to undertake research and analysis commissioned by government departments.

However, there are still several weaknesses relating to the current information system:

- Primary data is insufficiently analysed, e.g. sectoral analyses and separate information on SMEs are not available;

- There was no indication that research was being undertaken at a strategic level to develop underpinning concepts for SME support and to identify future trends and issues of relevance to SME development.
The needs of SMEs perceived by policy makers

The following table summarizes the needs of SME identified by participants in a policy discussion and workshop held at the Ministry of Economy on 15 December 1995 as part of the project:

### SME needs identified by key Czech Government departments and support organizations:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Identified need(s)/areas for support</th>
</tr>
</thead>
</table>
| Regional Counselling and Information Centre (RPIC)     | • Promoting entrepreneurial skills and culture  
• Encouraging start-ups  
• Helping new firms to survive                                                                         |
| Agency for Enterprise Development (ARP)                 | • Developing a legal framework that encourages entrepreneurial activities  
• Improving the quality of information and analysis of SMEs  
• Building a base of competent private sector business advisers                                         |
| Association of Innovative Enterprising                 | • Lack of strategy in SME policy, including no long-term vision  
• Ground rules for business activity unclear                                                             |
| National Information Centre (INS)                       | • Obtaining and using information  
• Encouraging research and development  
• Tailoring of support to business needs and characteristics                                              |
| Czech-Moravian Guarantee and Development Bank           | • Improved commercial ability, especially in the areas of product development and improvement, quality control, market development and contracts  
• Lower taxes to encourage business start-ups  
• Low-cost financing, especially loans                                                                     |
| Ministry of Economy                                    | • Development of independent organizations that represent businesses and analyse their development    |
| Czech Energy Agency                                    | • Need to encourage SMEs to use alternative energy sources                                              |
| Ministry of Industry and Trade                          | • Support for research and development that is time-sensitive and technology-sensitive                 |
The vision of the long-term sustainability

In terms of the vision for future SME support, the template provided by many of the government departments and other institutions involved was the SME support structure in a benchmarked western European nation. Most commonly cited as benchmarks for the Czech Republic, in terms of SME population and the SME support structure, were Belgium and the Netherlands, because of their generally comparable populations and sizes.

The discussion of sustainability, however, tended to focus on specific issues and concerns. Overall, there were two major streams of discussion around future sustainability:

- How will institutions that have developed as a result of the provision of external funding, e.g. PHARE and Know-How Fund, sustain themselves if this funding is reduced or withdrawn? This concern was raised by several organizations including the Agency for Enterprise Development (in relation to PHARE) and the Industry Confederation of the Czech Republic (in relation to the United Nations Industrial Development Organization's Investment Promotion Programme);

- How will the current support structure sustain itself if SME development activities and conditions change in the near future? Several organizations argued that current levels of business formation and development are not sustainable over the longer term. Instead, these organizations suggest that formation and development rates will fall as the extent of opportunities declines (inevitability, as the transition to a competitive mixed economy becomes more complete and the gaps in production and supply are filled). Not surprisingly, such a decline may have a significant impact on business support, not least because the number of available potential customers may decrease and the quality of those customers may increase.
REGULATORY POLICY

Priorities in the regulatory environment

The first few years of the Czech economic transformation have also been the period when the necessary legal and institutional base has been constructed for a functioning market economy. A law on restitution was the starting point for the reform of the legal structure, and could be considered a 'legal anchor' for subsequent reforms. The restitution law will clarify the status of property claims resulting from waves of nationalization in 1955, 1959 and 1961. In addition, laws on commercialization will facilitate transformation of state-owned enterprises into joint stock companies and subsequent privatization, and legal restrictions that institutionalized monopolisation of various industries have been relaxed.

A new legal framework is at various stages of preparation. It addresses the following:
- Entry and exit (bankruptcy law);
- Contract (dispute resolution);
- Competition (anti-trust);
- International and domestic trade;
- Labour (unemployment regulation);
- Company status (particularly the role of the manager).

In order to attract foreign investment, laws need to be prepared on the following:
- Corporate taxation;
- Repatriation of profit;
- Foreign ownership of capital and land;
- Foreign exchange restrictions;
- Limitations on hiring and firing workers.

The government also feels that the Czech economy should avoid tax incentive schemes as a measure to attract foreign investment.

New institutions need to be created for tax collection and implementation of anti-monopoly legislation. There has been some progress in the development of a social safety net administration based on the creation of labour bureaux and other activities, e.g. re-training programmes, but more work is required.
The entrepreneurial (business) activities are mainly regulated by:


The provisions on civil law relations, such as the rights and obligations of individuals and entities, the conclusion of contracts, ownership and co-ownership are stipulated by the Civil Code. This code thus represents the basic law, whereas the Commercial Code contains provisions on entrepreneurial activities and business contracts, and the Trade Licensing Act stipulates the conditions applying to individuals and entities engaging in a trade.

The Commercial Code outlines five general types of legal business entity:

- General commercial partnership;
- Limited partnership;
- Limited liability company;
- Joint stock company;
- Cooperatives.

There is some recognition of the specific needs of SMEs in the formulation of national legislation through the Small Business Department of the Business Section of the Ministry of Economy. This Department has, as one of its prime responsibilities, the role of consulting with SMEs and SME membership associations during the preparation of new legislation and regulations. Consequently, informal discussions are held with business membership associations when new laws are considered (apparently on an ad hoc and contingent basis).

**SME advocacy and communication with small business**

The Small Business Department of the Business Section in the Ministry of Economy is responsible for the preparation of legislation concerning small businesses, as well as acting as an appeal body. As noted in the Sphere of Jurisdiction and Structure of the Ministry of Economy of the Czech Republic: ‘Small Business Department cooperates with other central state administration bodies in the formulation of drafts of generally binding regulations related to small business and trade.’
According to the Ministry of Economy and business membership organizations like the Economic Chamber and the Entrepreneurs' Association, there is regular discussion and input into the development of legislation. In principle, therefore, the following summary of this consultation process ensures SME input into the creation of applicable laws:

'In process of any legislative regulation creation, a broad base of referred bodies is consulted. The whole SME sphere represented by associations, unions and chambers has a possibility of drafts approving and proposing of its own versions. The final negotiated document is approved by the Czech Government. This procedure secures the effectiveness of its function.'

Major problems with regulations

Overall, the pace of change in the regulatory environment, as the government develops a framework that is comparable with those in the European Union, presents a key challenge to SMEs. The legal requirement to conform with regulation is especially costly and difficult because of the high number of new laws being passed and refined.

The Entrepreneurs' Association of the Czech Republic identified two areas where smaller firms have difficulty conforming with regulations: taxation and health insurance. At present, new regulations in this area and unfamiliarity with the responsibilities and requirements present a potential problem for SMEs. The Association argued that a greater level of sensitivity to the needs and concerns of SMEs would help overcome this potential problem and future difficulties in adhering to regulations.
SPECIFIC SUPPORT POLICIES FOR SME DEVELOPMENT AND THEIR RATIONALE

The definition of SMEs

According to the basic law governing SMEs (Czech National Council Act No. 229/1992, State Support to Small and Medium-Sized Business), an SME has no more than 500 employees. In addition, a 'micro-business' has fewer than 10 employees, a small enterprise has 10 to 100 employees, and a medium enterprise 101 to 500 employees.

Specific policies and programmes focused upon SMEs

The following financial and non-financial business support services are being provided:

- Financial assistance by: Agricultural Fund (Ministry of Agriculture); Czech-Moravian Guarantee and Development Bank; Ministry of Economy; Czech-American Enterprise Fund;

- Mixed financial/non-financial assistance by the Czech Energy Agency (EKIS A and EKIS B).

There are no special fiscal tax incentives apart from a lower rate for SMEs. Other incentives were discontinued in 1992.

Venture capital appears to be lacking in the Czech Republic. The Czech-Moravian Guarantee and Development Bank could not identify any significant venture capital activity in the SME sector. Possibly the only organization involved in a form of venture capital on a significant scale is the Czech-American Enterprise Fund, which supports the development of American commercial activity in the Czech Republic.

Science Parks and Innovation Centres have been supported by the Ministry of Economy through its Park financing support programme (not to be continued in 1996) and through the establishment of Science and Technology Parks, including Business Innovations Centres in the EBN network. There are 10 accredited Science and
Technology Parks in the Czech Republic, 4 non-accredited Science and Technology Parks and up to 9 in preparation.

Several organizations provide advice and information schemes for SMEs, including:

- Agency for Enterprise Development (ARP);
- Regional Counselling and Information Centres (RPICs);
- Association of Innovative Enterprising;
- Economic Chamber;
- Entrepreneurs Association of the Czech Republic;
- National Information Service.

Organizations identified as training providers include:

- Ministry of Labour and Social Affairs (school-leavers/young people);
- Business Innovation Centres;
- Society of Science and Technology Parks;
- Economic Chamber;
- Transfer Foundation (Switzerland);
- Agency for Enterprise Development (ARP);
- Czech Association of Women in Business and Management;
- Various universities, including Brno Technical University Support Centre.

Promotion services tend to fall into the export promotion area in the Czech Republic, and include services offered by:

- Export Guarantee and Insurance Corporation;
- UNIDO Investment Promotion Programme through the Industry Confederation of the Czech Republic;
- Entrepreneur's Association of the Czech Republic;
- Economic Chamber of the Czech Republic;
- National Information Service (INS).

In 1993, a lump sum of CK 11.3 billion (approximately US$ 400 million) from the State budget was provided for the above purposes as follows:
State assistance to SMEs in the Czech Republic, 1991-1995
(in billions of Czech koruna)

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<td>1.4</td>
<td>1.3</td>
<td>0.5</td>
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<td>-</td>
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<td>1.3</td>
<td>1.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Ministry of Agriculture</td>
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<td>3.0</td>
<td>4.5</td>
<td>4.4</td>
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</tr>
<tr>
<td>Ministry of Labour and Social Affairs</td>
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<td>0.9</td>
<td>0.2</td>
<td>0.5</td>
<td>0.3</td>
</tr>
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<td>12.2</td>
<td>13.7</td>
<td>11.3</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance.

Resources and powers of regional and local authorities

The most common characteristic of locally represented institutions, in contrast to the central assistance provided by government departments, is that support is mostly non-financial.

The following organizations have a strong local network:

- Ministry of Labour and Social Affairs District Offices. There are 76 offices, one in each district, responsible for local assistance to businesses and individuals. Unlike other Ministries, which appear very centralized, strategies are developed locally based on local conditions and needs - and then synthesized into a national strategy. The focus of a great deal of work appears to be on targeting resources to local concerns;

- The business membership organizations, namely Economic Chamber, Entrepreneurs Association, Association of Innovative Enterprises have extensive local office networks, many of which work with local authorities and governments;

- Regional Counselling and Information Centres (RPICs).
Policy focus on particular stages of SME development

To date, the primary legislation relating to SME support has been the Czech National Council Act of 28 April 1992, titled State Support to Small and Medium-Sized Businesses. This Act identified ten key areas where support for SMEs is justified, but focused on themes such as under-capitalization and cooperation between business, rather than on the SME's stage of development.

Current policy foci on SME development stages can, however, be identified from the types of assistance provided. In the following table, for example, some of the key financial and non-financial forms of support are outlined for different stages of development.

Financial and non-financial assistance to SMEs according to stage of development

<table>
<thead>
<tr>
<th>Stage of Development</th>
<th>Financial Assistance</th>
<th>Non-Financial Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up</td>
<td>START</td>
<td>RPIC counselling</td>
</tr>
<tr>
<td>Survival</td>
<td></td>
<td>RPIC counselling</td>
</tr>
<tr>
<td>Growth</td>
<td>DEVELOPMENT</td>
<td></td>
</tr>
<tr>
<td>Innovation and Technology</td>
<td>PARK TRANSFER</td>
<td>Association of Innovative Enterprising advice, information and brokering</td>
</tr>
<tr>
<td>Exporting</td>
<td></td>
<td>UNIDO Investment Promotion Programme; Economic Chamber services; Association of Innovative Enterprising services; INS services</td>
</tr>
</tbody>
</table>
INSTITUTIONS

The key institutions and types of assistance involved in a national framework are shown in the matrix in Annex I.

Major variations by region

The Ministry of Economy has developed a regionally focused SME assistance strategy that is delivered by the Czech-Moravian Guarantee and Development Bank. Within nominated districts, located within regions that are identified as facing economic problems, SMEs can apply for a 4% contribution to their interest rates on repayment.

In terms of other support organizations, there appears to be little regional variation in support:

- The Ministry of Labour and Social Affairs has offices in every district;
- The Economic Chamber and the Entrepreneurs' Association have offices in almost every district;
- The RPICs are active throughout the Czech Republic.

The key SME associations

The Economic Chamber of the Czech Republic was launched under the provisions of Law No. 301/1992 Coll., which established its status and activity. The Economic Chamber is an association of entrepreneurs that is represented by district chambers and associated trade confederations which function as independent legal subjects. Membership of the Economic Chamber is optional for members of the district chambers and trade confederations. In 1994, the Chamber had almost 20,000 members employing more than 1 million workers. It is represented by 88 district chambers and 131 associated trade confederations.
Main activity areas are the following:
• Legal and legislation sphere;
• Consulting and advisory services;
• Foreign contacts;
• Tariffs and certification;
• Information collection and provision;
• Professional training;
• Management of World Trade Centre Prague;
• Operation of Chamber's Club (representation, conferences, meeting with foreign partners).

The Association of Industry and Transport of the Czech Republic was set up under the provisions of Law No. 83/1990 Coll. and Law No. 300/1990 Coll. Its aim is to create the conditions for dynamic industry development and to protect the individual interests of its members. The Association includes entrepreneurs operating in the Czech Republic. A member can even be a person having common interests with industry. Foreign members have the status of an observer.

The Association performs the following main activities:
• Protection of industry interests in dialogue with government, political parties, trade unions and other policy making bodies;
• Provision of information to members;
• Education, professional training, consulting;
• Representation of members overseas;
• Cooperation with similar foreign associations.

The Entrepreneurs' Association of the Czech Republic has a membership of more than 200,000 individuals and enterprises, almost all of whom have fewer than 50 employees. It has 72 regional branch offices, which are mostly district-based, as well as 110 professional guilds which relate to specific business and sectors. Members can be affiliated to either a branch or a guild.

The Association has four principal activities:
• Representing the interests of its membership group, as a lobbying group in the formulation of legislation;
• Finding foreign contacts for members;
• Helping members raise financing;
• Advising members on legislation and foreign trade.
Major areas of foreign donor involvement

According to the report 'System of Enterprise Assistance in the Czech Republic in 1995', the following foreign assistance organizations are active:

- PHARE funding provides credit to entrepreneurs. It also supports the provision of consulting, information and training by the Regional Counselling and Information Centres (RPICs);

- Business Innovation Centres in the Czech Republic are members of the European Business Network and receive support from this organization;

- The Czech-American Enterprise Fund makes equity investments in SMEs and, in cooperation with the Czech Commercial Bank, offers credits to start-ups and young businesses;

- International Executive Service Corps (United States of America) provides technical assistance and business development services to SMEs and state and former state businesses undergoing restructuring and the transition to private ownership;

- Citizens Democracy Corps (also the United States of America) provides US volunteers to assist Czech businesses and entrepreneurs;

- The US Peace Corps supports the start-up and development of SMEs, and provides post-university volunteers to work in private and non-private organizations in the Czech Republic.

Integration, coherence and sustainability

There appears to be a low level of integration between different services:

- The focus of the Ministry of Economy's support is on financial assistance;
- Financial and non-financial assistance tend not to be provided together to SMEs;
- Ministries do not integrate their own support programmes with other ministries' programmes;
- The National Training Federation was not known to the Ministry of Economy as a provider of assistance to SMEs;
- The activities of the RPICs appear to be independent of other support activities.
The Czech-Moravian Guarantee and Development Bank is the provider of support funded by the Ministry of Economy. These two institutions therefore have a central role in determining the level and quality of assistance provided to SMEs. In terms of the assistance provided by the Bank and the Ministry, the sustainability of their SME support is dependent upon the annual state budget negotiations. At present, there appears to be no suggestion that this funding may be reduced or halted.

The sustainability of ARP, the Agency for Enterprise Development is, however, less clear. Currently, the Agency is dependent upon PHARE funding for a significant portion of its income, but there is no guarantee that this funding will remain over the longer term. There is also an intention that the Ministry of Economy will work with ARP to deliver assistance to SME support organizations and their clients. To date, however, this intention does not appear to have been translated into a substantial degree of support for ARP from the Ministry. There is, therefore, a need to resolve the future funding streams for ARP if it is to become an effective component of the Czech Republic's SME support system.

**Key future players in SME support**

The current network of support organizations appears to cover most aspects of SME support, and should reflect the general structure over the coming years. Specific roles of institutions may, however, change and in certain cases there appears to be a need to resolve current issues. Overall, the following observations can be made:

- There are several business membership organizations (Economic Chamber, Entrepreneurs' Association, Industry Confederation, Association of Innovative Enterprising) which undertake similar activities and have comparable goals. There is, therefore, a degree of overlap and duplication, for example, in representation at the local level, that needs to be resolved. There is even a scenario for the rationalization of these associations. Overall, the Association of Innovative Enterprising appeared to have particular strengths in terms of its leadership, international networks, proactive attitude, degree of independence and a voice in the assessment and design of legislation;
- There are two key issues relating to the SME support activities of government ministries. Firstly, there is no real coordinating role within the government. Even though the Ministry of Economy is responsible for SME support and policy, other Ministries are not accountable to it, and their only reporting responsibility is to the Ministry of Finance in terms of monitoring expenditure of funds. Issues relating to responsibility and accountability need to be resolved. Secondly, there appears to be an opportunity to develop closer cooperation and understanding by increasing communication between the ministries. This appears to happen infrequently and on an informal level at the moment, but could be developed into more formal channels;

- The Czech-Moravian Guarantee and Development Bank seems to be an effective institution with a clear vision and capable staff. It is, however, focused solely on providing financial support to SMEs, and is not involved in other aspects of SME assistance. There may, therefore, be an opportunity to integrate the provision of non-financial assistance, especially counselling and training, with the financial programmes provided by the Bank.

Central support for local development

The Agency for Enterprise Development is the designated key player in central support for the network of SME development organizations in the Czech Republic. It is a new institution that has several opportunities and possible directions, but the following key question needs to be addressed: How can ARP position itself so that it supports existing activities and makes them more effective in supporting SMEs?

The Regional Counselling and Information Centres (RPICs) may also face some challenges in their future development and sustainability. The RPICs are currently PHARE funded, suggesting possible concerns over their long-term financial support (in that PHARE support is unlikely after a certain level of development). Moreover, there appears to be a need to develop an effective central support agency for the RPICs that can offer promotion and resources at the national level. Several RPICs have left the official network and are exploring the possibility of developing a national membership organization.

According to a preliminary study of small business training support, four RPICs identified 'lack of central support, lack of public awareness and promotional activities on a national level, lack of further training for their employees and consultants, slow funding repayments, and an overall unclear long-term strategy' as a critical challenge to their future development.
Monitoring and evaluation

Evaluation and monitoring tends to be based on the reporting of information to the Ministry of Finance, and so focuses on where and how the money was spent. Typical formats for monitoring and evaluation reports provide value of expenditure by programme over a certain period (typically a year or a quarter year), as well as figures on application and approval rates. In some cases, such as the Agriculture and Forestry Support Fund (Ministry of Agriculture) and the Ministry of Labour and Social Affairs, there is extensive additional information on expenditure, for example, by region/locality, by type of firm and by type of assistance.

Overall, however, the monitoring and evaluation systems adopted did not appear to provide insight into SMEs and their development needs. There is therefore a clear opportunity to develop a monitoring and evaluation system that could be used to better understand the SME sector and identify interventions that respond to business needs.

Future shape of the institutional environment

Current support for SMEs tends to be focused in the public sector. Even agencies like the RPICs and ARP, which are intended to be self-supporting, rely on government and donor support to fund their activities.

There is, however, a general agreement among ministries, agencies and other organizations that there is a need to develop an effective private sector support to SMEs in certain fields which are now under-represented in the Czech economy. Specifically, several organizations identified the potential to build the size and capability of the key advice and support sectors such as business consultants, accountants and trainers.
ASSISTANCE

With regard to the training needs and competency of those who deal with small business such as trainers, counsellors, bankers and the regulatory authorities and the provision of training programmes on a national level, the following can be stated.

There are no national formal activities (other than those funded by donors) designed to develop the competencies of government and public business support organizations. The Ministry of Economy has not considered whether this type of long-term 'training of trainers' support would be suitable for government agencies, but suggested that this could be a possible area of future activity and development.

Some training and development has occurred within other parts of the support network. The RPICs, for example, have received assistance from several overseas institutions, including Durham University Business School, United Kingdom.

Evaluation of assistance programmes

Apart from the evaluation by ARP of the Ministry of Economy's Technos Programme, the visiting research mission did not locate comprehensive evaluations of existing assistance programmes and initiatives.

The ARP evaluation of Technos focused on a financial assessment of the programme, and concluded that it generated sufficient employment and wealth to be of benefit to the Czech economy. The positive multiplier effect of the programme was specifically identified as an important component of its effectiveness.
ANNEX I

SME Support Systems and Institutions in the Czech Republic: Matrix
## SME Support Systems and Institutions in the Czech Republic: Matrix

<table>
<thead>
<tr>
<th>Organization</th>
<th>Information</th>
<th>Counselling</th>
<th>Training</th>
<th>Finance</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency for Energy</td>
<td>☑</td>
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<tr>
<td>Association of Entrepreneurs of Czech Republic</td>
<td>☑</td>
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<td>☑</td>
<td>☑</td>
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<tr>
<td>Association of Innovation/Enterprise</td>
<td>☑</td>
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<tr>
<td>Association of Science and Technology Parks</td>
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<tr>
<td>Business Support Centre Technical University Brno</td>
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<tr>
<td>Centre for SME Support</td>
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<tr>
<td>Chamber of Economy</td>
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<tr>
<td>Czech American Enterprise Fund</td>
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<tr>
<td>Czech Association of Women in Business and Management</td>
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<tr>
<td>Czech Centre of Tourism</td>
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<tr>
<td>Czech Moravian Guarantee and Development Bank</td>
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<tr>
<td>EGAP-Export Guarantee and Insurance Corporation</td>
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<tr>
<td>Euro Information Centre</td>
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<tr>
<td>Farmers and Forest Consumers Support and Guarantee Fund</td>
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<tr>
<td>Fund of National Property</td>
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<tr>
<td>Ministry of Agriculture</td>
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<tr>
<td>Ministry of Finance</td>
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<tr>
<td>Ministry of Labour and Social Affairs</td>
<td>☑</td>
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<tr>
<td>National Information Centre</td>
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<tr>
<td>Palmif Fund</td>
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<tr>
<td>Regional Advisory and Information Centres</td>
<td>☑</td>
<td>☑</td>
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<td></td>
<td></td>
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<tr>
<td>State Fund for Environmental Protection</td>
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<tr>
<td>Transfer Foundation</td>
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<td>☑</td>
</tr>
</tbody>
</table>
ANNEX II

System of enterprise assistance in the Czech Republic in 1995
System of enterprise assistance in the Czech Republic in 1995

Contents

Programmes to assist small and medium-sized enterprises in the Czech republic in 1995

- GENERAL CONDITION OF THE PROGRAMME ASSISTANCE
- PROGRAMMES OF ASSISTANCE

* START
* DEVELOPMENT
* ASCLEPIUS
* CONSULT
* PARK
* TRANSFER
* REGION
* REGENERATION
* SPECIAL

Labour market
Information and consulting services

- NATIONAL INFORMATION CENTRE OF THE CZECH REPUBLIC
- ENTERPRISE DEVELOPMENT AGENCY
- ECONOMIC CHAMBER OF THE CZECH REPUBLIC
- BUSINESS INNOVATION CENTRE
- DESIGN CENTRE OF THE CZECH REPUBLIC
- CZECHINVEST
- UNDP/ UNIDO PROGRAMME

Regional assistance

- AGENCY FOR REGIONAL DEVELOPMENT OSTRAVA
- REGIONAL ENTREPRENEURIAL FUND OSTRAVA

Innovative Enterprising

Special assistance

- AGRICULTURE AND FORESTRY
- ENERGETICS
- HEALTH
- ENVIRONMENT

Foreign sources of enterprise assistance
Programmes to assist small and medium-sized enterprises
in the Czech Republic in 1995

On November 30, 1994 the Government of the Czech Republic approved the conditions for granting state subsidies to small and medium-sized enterprises in the Czech Republic for 1995 within the GUARANTEE (ZÁRUKA), START (STAR), DEVELOPMENT (ROZVOJ), ASCLEPIUS (AESKULAP), CONSULT (KONZULT), REGION (REGION), REGENERATION (REGENERACE) and SPECIAL (SPECIAL) programmes.

Furthermore the Ministry of Economy has set up the PARK and the TRANSFER programmes.

The purpose of the above programmes is to support the process of establishing and developing small and medium-sized enterprises in the Czech Republic, to consolidate their economic position and to enable their easier orientation in the market environment. The basic principle of the assistance is facilitating the access to capital and the sharing of entrepreneurial risks by the state.

GENERAL CONDITIONS OF THE PROGRAMME ASSISTANCE

The programmes launched on February 2, 1995.

The party ordering the above programmes is the Ministry of Economy of the Czech Republic and the Czech-Moravian Guarantee and Development Bank, Joint-Stock Company (hereinafter only CMGDB) being entrusted with their realization.

The realization of programmes in the course of the fiscal year will be delimited by the volume of disposable financial means.

The termination of programmes or modifications of their conditions will always be communicated in due time.

Characteristics of programmes and kinds of the assistance

The programmes approved for realization are conceived as

* basic ones: GUARANTEE, START, DEVELOPMENT, ASCLEPIUS.

* supplementary ones: CONSULT, REGION, REGENERATION and SPECIAL. The participation in supplementary programmes is subject to the granting of a subsidy within some of the
basic programmes according to the specification referred to in the respective supplementary programme.

* ME programmes: PARK, TRANSFER

The assistance are granted subject to the fulfilment of the specified general conditions as well as of conditions and criteria of the respective programme.

The programmes focus

* on **facilitating conditions of entrepreneurs' access to obtaining**

  **credits** from banking houses for the realization of projects making possible the establishment and development of small and medium-sized enterprises in the Czech Republic,

  **consulting, information and educational services** in connection with the preparation of projects

  **technologies and technical know-how** and the acceleration of their purchase,

* on **improving the employment of citizens from the problem groups of the population.**

The programmes are realized through the following kinds of assistance:

a) the **price-supported guarantee - the GUARANTEE**

The programmes enable the granting of a price-supported guarantee of the bank credit earmarked for the realization of an entrepreneurial project.

A price-supported guarantee can be granted only to a credit for a project fulfilling the conditions and criteria of the GUARANTEE programme.

The CMGDB decides on the granting of the guarantee, its amount, duration and other terms subject to the risk of the project, the possibilities of securing the credit and the applicant's securities.

In case of simultaneous fulfilling of the GUARANTEE and another programme conditions, it is possible to combine both forms of support.

b) **financial contributions**

* contributions to interest payments - the START, DEVELOPMENT, ASCLEPIUS, REGION and REGENERATION programmes.
The programmes makes it possible to provide entrepreneurial entities with a financial contribution to reimburse interest on the bank credit earmarked for the realization of the entrepreneurial project.

The contribution is paid gradually in connection with the repayment of the credit. The decisive date for the determination of the contribution is the date of the submission of the application for the subsidy. The contribution is not provided for that part of the credit which was already paid up at the time of the submission of the application.

The concrete amount of the contribution and its duration will be specified by the conditions of the respective programme.

If the entrepreneurial project fulfils the specified conditions for combining contributions to interest payments from several programmes, it is possible to provide the applicant with such a contribution up to the sum of the maximum amounts specified in individual programmes, however, maximally at the level of 100% of the specified interest rate of the respective credit at the time of the conclusion of the credit contract.

* contribution for the reimbursement of services of a consulting company

The assistance is provided within the CONSULT 2 programme to entrepreneurial entities which utilised the services of a consulting company when preparing an entrepreneurial project.

* contribution for jobs created for citizens from the problem groups of the population

The contribution is furnished within the SPECIAL programme to entrepreneurial entities creating new job opportunities for citizens from the problem groups of population by the realization of the entrepreneurial project.

The contribution is paid back in annual installments on condition that the applicant presents at the latest within two months after every calendar year reliable evidence of the period of employing individual persons from problematic groups of population. The total of the paid contribution is not allowed to exceed the sum set by contract by providing the contribution.

The CMGDB decides on the furnishing of the financial contribution subject to the fulfilment of programme conditions and criteria.

c) interest-free loan

The interest-free loan will be granted to entrepreneurial entities within the TRANSFER programme for covering the expenses made in connection with the creation of conditions for the technology transfer and within the PARK programme for covering the total expenses of project realization.
The Ministry of Economy will decide on the granting of a loan on the basis of a recommendation of the Association for Innovative Enterprising of the Czech Republic that consider the fulfilment of the programme conditions and criteria by the project.

**Purpose of assistance**

Programmes are earmarked for entrepreneurial entities (natural and juristic persons) having their seats on the territory of the Czech Republic.

The participation in programmes is limited by the size of the entrepreneurial entity given by the number of its employees at the time of the submission of the application for the subsidy. The upper limit of the size of the entrepreneurial entity is included in specific terms of individual programmes. If the purchase of another already existing operational unit constitutes a part of the entrepreneurial project, its employees will be included in the number of employees of the assistance applicant.

The assistance is granted for the realization of a concrete clearly formulated entrepreneurial project which is delimited unequivocally from the financial and material viewpoints. The definition of the material character of projects which may be assist within individual programmes is a part of terms and criteria of the respective programme.

Only a project realized on the territory of the Czech Republic may be assist.

The assistance relates to investment-oriented credits which are not older than six months at the time of the submission of the application. The date of the maturity of the credit is not a limiting condition for the granting of a programme assistance.

In case of credits earmarked for a simple change in the ownership of the operational unit the subsidy can be granted only for a part of the credit not exceeding 10 million CZK (the DEVELOPMENT, REGION and REGENERATION programmes).

Each applicant can be granted an assistance within one programme only for one entrepreneurial project in the current calendar year except of GUARANTEE programme.

**Assistance will not be granted**

for separate credits serving the acquisition of raw materials, materials, goods and for credits bridging a temporary lack of funds. Those expenses can be included in the financing of the project only in indispensable cases and to a reasonable extent (approximately up to 20% of the value of the credit, unless the respective programme stipulates otherwise),

for privatisation projects in the field of health services,

for projects in the field of agricultural and forestry primary production, banking and insurance, betting agencies, casinos
and gambling clubs, mediating services, selling in stalls, house-to-house selling, production and sale of erotic goods, services of erotic character, rental companies and pawnshops, forwarding business and real estate agencies.

Selection of subsidised projects

The proposal of an entrepreneurial project is considered from the viewpoint of its realistic character and envisaged yields in relation with the specified criteria of the respective programme.

The CMGDB reserves itself the right to request additional information concerning the entrepreneurial project either directly or through entrusted workplaces.

Common programme conditions and criteria

The basic criterion for granting assistance is the profitability of the entrepreneurial project.

All proprietary relationships connected with the realization of the project have to be clarified unequivocally to enable enterprise in conformity with the project at least until the time of the assistance (unless specified otherwise in the respective programme).

Granting of assistance

The parties interested in the participation in the programmes submit an application along with the elaborated project on a prescribed CMGDB form - see Part C Organisational Instructions.

In case of a positive consideration of the application the assistance will be granted on a contractual basis. The contract will contain the kind and extent of the assistance linked to the yields arising from the realization of the project. The sanctions for the non-observance of the programme conditions and criteria constitute also a part of the contract.

Programmes are of selective character and there is no title to the granting of a assistance. The CMGDB decides on the granting of the assistance to an entrepreneurial entity for the realization of its project subject to the fulfilment of conditions and criteria of the respective programme submitted within the entrepreneurial project. However, the granting of a assistance does not follow automatically from the fulfilment of the programme conditions and criteria but it is also subject to the quantity and quality of other projects and financial possibilities of the programme.
For the CMGDB's services connected with the intermediating of the assistance the applicant will pay the fees according to the CMGDB's tariff.

DATA ON THE PROGRAMMES

GUARANTEE
Programme of price-supported guarantees for small and medium-sized entrepreneurs

Subject-matter and purpose of the assistance
The purpose of the programme is to facilitate the realization of promising entrepreneurial schemes in the field of small and medium-sized enterprises by virtue of more advantageous conditions of the access to the bank credit.

Access to the programme
The programme is earmarked in particular for weak, small and medium-sized entrepreneurs. Any entrepreneurial entity having its seat on the territory of the Czech Republic and having up to 500 employees at the time of the submission of the application can apply for the inclusion in the programme.

Criteria of the programme
The entrepreneurial project shall have the character of industrial, building or handicraft production, services, including health services, trade and mass passenger transportation of regional significance (excepting taxi-cab services).

The guarantee can be given for credits in domestic and foreign currencies by banking houses having their seat in the Czech Republic. The guarantee can cover only the principal of the credit and the payment arising from the guarantee can be effected only in the Czech currency.
The price-supported guarantee can be given only to an entrepreneurial project with a provable returnability and with the securitization of the guarantee corresponding to the risk of the project.

The CMGDB decides on the granting of the guarantee, its amount and duration.

Other conditions

The assistance is granted only for credits earmarked for the purchase of intangible assets and landed property connected directly with the realization of the project, with the financing of indispensable building and technical adaptations,

and with providing necessary equipment for the performance of entrepreneurial activities.

In case of need an independent expert's opinion may be used for the consideration of an application for the guarantee. The elaboration of the expert's opinion will be appointed by the CMGDB.

If necessary, credit can be used (generally up to 20% of its total volume and up to 40% for pharmacies) even for providing with raw materials, materials and goods.

In the case of the production of sanitary equipment for handicapped citizens the application has to be accompanied with the standpoint of the State Institute for Medicament Control which the applicant for the subsidy will acquire.

Kind of assistance - price-supported guarantee

The programme makes possible the furnishing of a price-supported guarantee for the bank credit earmarked for the realization of an entrepreneurial project to entrepreneurial entities. The level of the price support may amount up to 6% p.a. for the entire duration of the given guarantee.

Participation in other programmes

The participation in the present programme makes possible the combination with all other programmes of the Ministry of Economy of the Czech Republic assisting small and medium-sized enterprises.
Access to the programme

The programme is earmarked in particular for weak, small and beginning entrepreneurs. Any entrepreneurial entity having its seat on the territory of the Czech Republic and employing up to 24 persons at the time of the submission of the application; in the field of trade up to 10 employees, can ask for the inclusion in the programme.

Programme criteria

The entrepreneurial project shall have the character of industrial, building or handicraft production, services, trade and mass passenger transportation of regional significance (excepting taxi-cab services). The projects have to fulfil at least one of the following criteria:

- creation of new jobs,
- employment of citizens having a reduced capacity to work
- ecological contribution arising from the realization of the project
- increase in the company's exporting capacity
- utilization of advanced technology
- production of sanitary equipment for handicapped citizens

Other conditions

The overall costs shall not exceed 10 million CZK.

The subsidy is granted only for credits earmarked for the purchase of intangible assets and landed property connected directly with the realization of the project, with the financing of indispensable building and technical adaptations, and with providing necessary equipment for the performance of entrepreneurial activities.

In the case of the production of sanitary equipment for handicapped citizens the application has to be accompanied with the standpoint of the State Institute for Medicament Control which the applicant for the subsidy will acquire.

Kind of assistance - contribution to interest payment

The programme will enable entrepreneurial entities to obtain a financial contribution amounting to a four-per-cent interest on the bank credit earmarked for the realization of the entrepreneurial project. The contribution is paid out gradually in connection with the repayment of interest, however, maximally for a period of four years from the submission of the application, irrespective of the date of the maturity of the credit.

The overall amount of the contribution shall not exceed 1.5 million CZK.

Participation in other programmes

The participation in the present programme makes possible a combination with GUARANTEE, REGION, REGENERATION, SPECIAL and CONSULT.
DEVELOPMENT
Programme assisting the development
of small and medium-sized enterprises

Subject-matter and purpose of the assistance

The purpose of the programme is to facilitate and to accelerate the
realization of entrepreneurial plans in the field of small and medium-sized
enterprise and to direct entrepreneurial activities in harmony with the
interests of the state economic policy.

Access to the programme

The programme is earmarked for the development of small and
medium-sized enterprises in 3 districts of the Czech Republic (Nový Jičín,
Bruntál and Karviná) with the highest unemployment rate. Any
entrepreneurial entity having its seat on the territory of the Czech
Republic and employing up to 500 persons at the time of the submission of
the application can apply for the inclusion in the programme.

Programme criteria

The entrepreneurial project shall have the character of industrial,
building or handicraft production, services, trade and mass passenger
transportation of regional significance (excepting taxi-cab services). The
projects have to be realized on the territory of the Czech Republic.

The projects have to fulfil at least one of the following criteria:

- contribution to increasing the exporting capacity of the economy (active foreign-exchange balance)
- ecologically acceptable waste disposal with provable economic effect ensuring the returnability of the subsidized credit
- creation of new jobs
- production of sanitary equipment for handicapped citizens.

Other conditions

The assistance is granted only for credits earmarked for the purchase
of intangible assets and landed property connected directly with the
realization of the project, with the financing of indispensable building and
technical adaptations, and with providing necessary equipment for the
performance of entrepreneurial activities.

In the case of the production of sanitary equipment for handicapped
citizens the application has to be accompanied with the standpoint of the
State Institute for Medicament Control which the applicant for the assistance
will acquire.

Kind of assistance - contribution to interest payment
The programme will enable entrepreneurial entities to obtain a financial contribution amounting to a three-per-cent interest on the bank credit earmarked for the realization of the entrepreneurial project. The contribution is paid out gradually in connection with the repayment of interest, however, maximally for a period of four years from the submission of the application, irrespective of the date of the maturity of the credit.

The overall amount of the subsidy shall not exceed 5 million CZK.

**Participation in other programmes**

The participation in the present programme makes possible a combination with GUARANTEE, GUARANTOR, REGION, REGENERATION, SPECIAL and CONSULT 2 (the part for entrepreneurs using consulting services) programmes assisting small and medium-sized enterprises.

**ASCLEPIUS**

Programme assisting the establishment and development of private health facilities

**Subject-matter and purpose of the assistance**

The purpose of the programme is to contribute, as a follow-up of Act No.160/92 Coll. on health care in non-state health facilities, to the establishment and development of private surgeries and pharmacies.

**Access to the programme**

The programme is earmarked for natural and juristic persons who can produce certificates of professional qualifications in the sense of Act No.160/92 Coll. and an affirmative statement of the respective chamber or body competent for the registration according to the place of operating the non-state health facility in accordance with the submitted plan from the viewpoint of fulfilling the conditions of material and technical equipment and staffing in the sense of Notice of the Ministry of Health of the Czech Republic No.49/1993 Coll., in case of operating pharmacies the statement of the State Institute for Medicament Control.

The assistance is granted for the establishment and further development of private surgeries of general practitioners, paediatricians, dentists, gynaecologists and other specialists for the outpatient treatment, including the complement. The assistance is granted to pharmacies of the basic type and pharmacies with specialized workplaces up to 20 employees. The assistance embraces also special health facilities of one-day-treatment type.

The subsidized realization of approved privatization schemes (i.e. the payment of the purchase price of the acquired property in accordance with the privatization scheme) is not the subject-matter of the present programme.

**Programme criteria**
The assistance is granted for the realization of a concrete and clearly formulated project aimed at establishing a private health facility in order to secure outpatient medical care or pharmacy services operated in harmony with the principles of the state health policy.

All proprietary relationships connected with the project have to be clarified unequivocally in order to ensure its realization at an extent of the submitted plan minimally for the period of ten years.

Other conditions

The assistance is granted only for credits earmarked for the purchase of landed property connected directly with the realization of the project, with the financing of indispensable building and technical adaptations, with providing necessary health equipment, and with the one-shot payment of the rental of premises serving the enterprise. Furthermore, the adequate stock of health materials and medicaments in case of outpatient medical care can be supported maximally up to 20%, in case of pharmacies maximally up to 40% of the project costs.

Kind of assistance - contribution to interest payment

The programme will enable entrepreneurial entities to obtain a financial contribution amounting to a three-per-cent interest on the bank credit earmarked for the realization of the entrepreneurial project. The contribution is paid out gradually in connection with the repayment of interest, however, maximally for a period of six years from the submission of the application, irrespective of the date of the maturity of the credit.

The overall amount of the contribution shall not exceed 5 million CZK.

Participation in other programmes

The participation in the present programme makes possible a combination with GUARANTEE, GUARANTOR, REGION, REGENERATION, SPECIAL and CONSULT 2 (the part for entrepreneurs using consulting services) programmes assisting small and medium-sized enterprises.

CONSULT

Programme assisting the development of consulting and information services for small and medium-sized enterprises

Subject-matter and purpose of the assistance

The objective of the programme is to support the providing of consulting, information and educational services to small and middle-sized enterprises in the Czech Republic.

Access to the programme
The programme is earmarked for small and medium-sized entrepreneurs, having their seats on the territory of the Czech Republic and employing up to 500 persons who, when preparing their entrepreneurial plans and elaborating the application for subsidy within the announced programmes, will utilize the services of a consulting company.

**Programme criteria**

Decisive criteria for assisting the entrepreneur who utilized the services of a consulting company are the following ones:

- fulfilment of conditions and the assistance granted within one of the GUARANTEE, START, DEVELOPMENT or ASCLEPIUS programmes assisting small and medium-sized enterprises
- quality of elaboration of the application and of the consulting services rendered.

**Kind of assistance - subsidy for the payment of services rendered by a consulting company**

The programme makes it possible to pay to small and medium-sized entrepreneurs 40% of costs charged by the consulting company for work provably connected with the preparation of the entrepreneurial plan and the elaboration of the application for the subsidy for its realization within the announced programmes maximally up to 30,000 CZK.

**Participation in other programmes**

The granting of a financial non-returnable subsidy under the present programme is possible within the framework of all other programmes of the Ministry of Economy of the Czech Republic assisting small and medium-sized enterprises.

**Organizational arrangements**

Small and medium-sized entrepreneurs will apply for financial contribution within the CONSULT programme parallel with an application for assistance within some of other programmes on the standard CMGDB form on which the consulting company will confirm its participation in preparing the entrepreneurial project and in elaborating the application. The applicant will enclose an original or a certified copy of the document attesting to the payment of expenses made in connection with the utilization of services of the respective consulting company. The assistance will be provided only for the reimbursement of costs provably connected with the preparation of the project submitted to the CMGDB.
Subject-matter and purpose of the assistance

The subject-matter of the programme is the assistance to the process of foundation and operation of scientific and technical parks creating conditions for the establishment and development of innovational companies focusing on the realization of advanced technical solutions and the technology transfer.

The objective of the programme is to contribute to the realization of structural changes in regions through the creation of the desirable innovational infrastructure.

Access to the programme

The programme is earmarked for entrepreneurial entities on the territory of the Czech Republic submitting a project concerning the establishment and organization of the operation of a scientific and technical park contributing in a concrete manner to the realization of structural changes in the respective region and utilizing suitable premises for organizing purposefully activities of independent or partly linked entrepreneurial entities ensuring research, technology transfer, small industrial manufacture, information, consulting or educational activities of high technical and technological standard.

Programme criteria

The basis criterion is the comprehensives and quality of the submitted project, profitability of the realization of the project emanating from the feasibility study of the entrepreneurial plan and the returnability of the financial means used.

Other conditions

The assistance can be granted in such a way as to grant the support of the implementation of a projekt to set up a scientific and technical park or to grant the support to the development of the present park according to the operating area engaged.

(If establishing a park, a condition is that at least 50 per cent of the operating area should be engaged in the form of an agreement on future contract. If developing the existing park, at least 70 per cent of operating area should be engaged.)

Kind of assistance - an interest-free loan

The programme enables only an interest-free loan to 80 per cent of the total expenditures on the project’s realization that may last up to 2 years. The loan is given as a single payment, in the first year of the
project, up to 5 million CZK and the payback period should be up to 5 years after having completed the project.

**Participation in other programmes**

The participation in the present programme makes possible a combination and concurrence with another programmes assisting small and medium-sized enterprises.

### TRANSFER

**Programme assisting the technology transfer for small and medium-sized enterprises**

**Subject-matter and purpose of the assistance**

The objective of the programme is to create for small and medium-sized enterprises more advantageous conditions of the access to acquiring technologies and technical know-how and to contribute in this manner to accelerating their purchase and practical utilization; to secure hereby the raising of the technical standard of small and medium-size enterprises.

**Access to the programme**

The programme is earmarked for the development of small and medium-sized enterprises. Any entrepreneurial entity employing up to 500 persons at the time of the submission of the application can apply for the inclusion in the programme.

**Programme criteria**

The assistance for the technology transfer will be granted to small and medium-sized enterprises, submitting a project concerning the acquisition of domestic or foreign knowledge or technology from the basic or applied research, modifications of solutions from other technical applications, from big companies to one or more small and medium-sized companies, from international programmes, etc. From the project it should be evident that the applicant will use the acquired source materials in the realization of his/her entrepreneurial plan.

The assistance is granted for the reimbursement of fees preceding the purchase of the licence or patent rights and for financing search, information, consulting services, financial expert's opinions, study visits, congress fees or other expenses connected directly with the preparation of the transfer.

The submitted projects have to fulfil the following criteria:
technology or technical know-how being the object of the transfer have to be of high standard

the transfer will enable a quick attainment of a higher standard of technology in the enterprise

the application of the transfer creates realistic prerequisites for attaining the profitability of the entrepreneurial plan.

The assistance furnished within this programme will be granted for each project only once and only in the case when the applicant submits together with the application also a realistic proposal concerning the securing of financial means for the proper transfer and for the introduction of the technology.

Kind of assistance - an interest-free loan

The programme will make possible to contribution to entrepreneurial entities an interest-free loan amounting to 80% of the costs spent by the applicant on the creation of conditions for the transfer. The maximum amount of the subsidy is 1 million CZK. The term of the maturity of the loan is maximally six years. The terms of the maturity of the loan will be specified individually for each project on the basis of a recommendation by the Programme Council.

The financial means granted in the form of a loan will be supplied as advances with a subsequent accounting for.

The project working time cannot exceed 2 years

* Participation in other programmes

The programme does not rule out the possibility of participation in other programmes for supporting small and medium-sized enterprises.

REGION

Programme assisting small and medium-sized enterprises in selected regions

Subject-matter and purpose of the assistance

The objective of the programme is to increase the attractiveness of small and medium-sized enterprise in selected economically problem regions by vast transformations of the production structure and to contribute to the creation of new perspective jobs.

The programme is conceived as a supplementary one to other programmes assisting small and medium-sized enterprises.

Access to the programme
The programme is earmarked for the development of small and medium-sized enterprises. Any entrepreneurial entity, having its seat on the territory of the Czech Republic and employing up to 500 persons at the time of the submission of the application, which realizes or intends to realize its entrepreneurial plan in some of the selected areas can apply for the inclusion in the programme.

Programme criteria

The only criterion is the regional viewpoint. The programme ensures the assistance for entrepreneurial activities only in selected areas delimited by the territories of the following districts:

- Frýdek-Místek
- Chomutov
- Karviná
- Kladno
- Most
- Ostrava-město
- Bruntál
- Břeclav
- Svitavy
- Louny
- Nový Jičín
- Šumperk
- Třebíč
- Vsetín
- Znojmo
- Žďár nad Sázavou
- Přerov
- Tachov
- Opava:
  the part of the district created by the territorial area of the authorized Vítkov municipal office
  communities: Březová, Budišov nad Budišovkou, Kružberk, Melč, Mikolajice, Moravice, Nové Lublice, Radkov, Staré Těchanovice, Vítkov

The condition for including the applicant in the programme is an assistance granted in some of the following programmes assisting small and medium-sized enterprises: START, DEVELOPMENT or ASCLEPIUS.

Other conditions

The assistance is granted only for credits earmarked for the purchase of intangible assets and landed property connected directly with the realization of the project, with the financing of indispensable building and technical adaptations, and with providing necessary equipment for the performance of entrepreneurial activities and in combination with ASCLEPIUS programme even for credits for the one-shot payment of the rental of premises serving the enterprise.

Kind of assistance - contribution to interest payment

The programme will enable entrepreneurial entities to obtain a financial contribution amounting to a four-per-cent interest on the bank credit
earmarked for the realization of the entrepreneurial project. The contribution is paid out gradually in connection with the repayment of interest, however, maximally for a period of four years from the submission of the application, irrespective of the date of the maturity of the credit.

The overall amount of the contribution shall not exceed 3 million CZK.

Participation in other programmes

The participation in the present programme makes possible a combination with all other programmes of the Ministry of Economy of the Czech Republic assisting small and medium-sized enterprises.

REGENERATION

Programme assisting enterprise in the town monument preserves and town monument zones

Subject-matter and purpose of the assistance

The objective of the programme is the assisting of small and medium-sized enterprises in the town monument preserves (TMP), in town and village monument zones (TMZ) in the Czech Republic, and in edifices included in the Central List of Cultural Monuments of the Czech Republic.

The granted assistance will contribute to the overall revival of the TMPs and TMZs in accordance with the Regeneration Programme of the TMPs and TMZs adopted by the decision of the Government of the Czech Republic No.209/1992. Subsidized will be projects being in conformity with the requirements of the bodies of monument protection and town programmes of the regeneration of the TMPs and TMZs.

The programme is conceived as a supplementary one to other programmes assisting small and middle-sized enterprises.

Access to the programme

Any entrepreneurial entity having its seat on the territory of the Czech Republic and employing up to 500 persons at the time of the submission of the application can apply for the inclusion in the programme.

Programme criteria

The decisive criterion is the conformity of the entrepreneurial plan with the town regeneration programme of the TMPs and TMZs expressed by an approval of the municipal office and signed by a statutory representative of the town (community) or a town district having its independent regeneration programme of TMPs and TMZs.
The entrepreneurial plan has to be realized in some of the TMPs or TMZs specified in the Annex to the programme or in edifices included in the Central List of Cultural Monuments of the Czech Republic. The inclusion of the edifice in the above list will be confirmed by the cultural department of the respective district office.

The condition of including the applicant in the programme is an assistance granted in some of the following programmes subsidizing small and medium-sized enterprise: START, DEVELOPMENT and ASCLEPIUS.

Other conditions

The assistance is granted only for credits earmarked for the purchase of intangible assets and landed property connected directly with the realization of the project, with the financing of indispensable building and technical adaptations, and with providing necessary equipment for the performance of entrepreneurial activities, and for credits for the one-shot payment of the rental of premises serving the enterprise.

The project documentation necessary for the reconstruction of monuments for serving enterprise has to be in conformity with Act No.20/1987 Coll. on the state monument protection. The binding position thereon will be issued by the respective body of the state monument protection.

Kind of assistance - contribution to interest payment

The programme will enable entrepreneurial entities to obtain a financial contribution amounting to a three-per-cent interest on the bank credit earmarked for the realization of the entrepreneurial project. The contribution is paid out gradually in connection with the repayment of interest, however, maximally for a period of four years from the submission of the application, irrespective of the date of the maturity of the credit.

The overall amount of the contribution shall not exceed 3 million CZK.

Participation in other programmes

The participation in the present programme makes possible a combination with all other programmes of the Ministry of Economy of the Czech Republic assisting small and medium-sized enterprises.
SPECIAL
Programme assisting small and medium-sized enterprises creating conditions for employment of citizens from problem groups of the population

Subject-matter and purpose of the subsidy
The objective of the programme is to help improving the employment of problem groups of the population.

The programme is conceived as a supplementary one to other programmes assisting small and medium-sized enterprises.

Access to the programme
Any entrepreneurial entity having its seat on the territory of the Czech Republic and employing up to 500 persons at the time of the submission of the application which realizes its entrepreneurial plan and creates new job opportunities for citizens from the problem groups of the population can apply for the inclusion in the programme. For the purposes of the present programme citizens having changed capacity to work (including invalids) and socially unadaptable citizens (in conformity with § 91 of Act No.100/1988 Coll. on social insurance) are considered to be members of the above groups.

Programme criteria
The decisive criterion is the proved creation of new job opportunities for citizens from the problem groups of the population.

In the submitted project the applicant has to specify a number of persons from the problem groups of the population for whom he/she will create new job opportunities in the next four calendar years.

The condition of including the applicant in the programme is a subsidy granted in some of the following programmes assisting small and medium-sized enterprises: GUARANTEE, START, DEVELOPMENT and ASCLEPIUS.

Kind of assistance - a contribution for created jobs
The programme will enable to provide for the entrepreneurial entities a non-returnable financial contribution - a subsidy amounting to 1,000 Kč per month for each newly recruited employee from the problem groups of the population. The subsidy will be paid for the period of four years from the submission of the application (including the year of the submission) on the basis of the proved employment of individual persons from the problem groups of the population, retroactively for individual years (during first two years at the beginning of each calendar year for the past year).

The overall amount of the contribution shall not exceed 3 million CZK.

Participation in other programmes
The participation in the present programme makes possible a combination with all other programmes of the Ministry of Economy of the Czech Republic assisting small and medium-sized enterprises.

Labour market

The employment support realized by the Ministry of Labour and Social Affairs of the Czech Republic

The Ministry of Labour and Social Affairs of the Czech Republic realized each year tools supporting of programmes for school-leavers, re-qualification programmes for unemployees, programmes of works beneficial to the public and programmes for handicapped persons.

The tools of active employment policy should affect:
- entire employee mobility
- solving of microregional employment
- solving of long-term unemployment of minor group on the labour market.

Further integral part of new jobs creating and re-qualification is realized through PHARE-PALMIF fund. Local labour offices contingently the Ministry of Labour and Social Affairs plays the role of contact points for entrepreneurs.

Information and consulting services

There are several institutions providing assistance to entrepreneurs in this field:

National Information Centre of the Czech Republic (NIS)

National Information Centre provides information services in all branches of national economy, science and technology. Services are directly accessible in on-line way with the help of user’s computer connection to the INFOS system.

NIS displays its databases even in public Videotex and in on-line EOTEL system system.

The "Information Centre for Small and Medium-sized Enterprises", which is operating in a framework of NIS, offers a full information service for entrepreneurs. It particularly contains:
- system of juridical information PALLAS
- databases for entrepreneurs (floppy-discs, CDROM, on-line) as follows:
  * Czech financial institutions and their services
  * auditors and tax-advisors
  * legal regulations for entrepreneurs
  * business representation of foreign firms
  * information about firms
  * other information services demanded by clients.

NIS includes EURO INFO center of correspondence for SME's containing, extensive databases of domestic and foreign producers, central databank with full texts of Collection of laws, material of World Bank, EU, OECD etc.

The whole collection of information about NIS services is accessible on floppy-disc named SLUŽBY NIS (NIS services).

Address: NIS ČR, Havelkova 22, 130 00 Praha 3

Enterprise Development Agency (ARP)

This agency is one of subordinated organization of the Ministry of Economy of the Czech Republic. It provides to small and medium-sized enterprises and beginning businessmen. It organizes seminars and courses for businessmen and mediates cooperative ventures with partners abroad.

ARP services are focused on:

- entrepreneurial consultancy (firm strategies and development, marketing, financial analysis, organization etc.)
- additional education of entrepreneurs
- mediation of cooperative relations among Czech and foreign partners
- consultancy, preparing and estimation of economic projects for bank services applications
- solving of specific problems with help of a broad net of experts.

Address: ARP ČR, Letenská 3, 118 00 Praha 1
Economic Chamber of the Czech Republic (HK)

Economic Chamber provides services assisting to enterprise in following areas:

* Laws and legislation
  - legal consultancy and advising
  - professional statements in accordance with common obligatory legal regulations
  - organizing of lectures and seminars

* Consultancy and advising
  - from advising of economic- organizational character, particularly for SME's
  - export- import advising including international trade procedures
  - information about fairs and exhibitions in the Czech Republic and abroad
  - professional library services and edition in the sphere of entrepreneurial environment.

* International contacts

  - organizing of entrepreneurial missions of the Czech firms to abroad
  - organizing of meetings of foreign and Czech potential business partners
  - organizing of lectures and seminar supporting of economic cooperation development
  - providing of trade information about different territories.

* Tariffs and certification

  - verifying and making out of necessary documents for international trade
  - ensuring of consular legalization and super-legalization
  - consultancy on tariff problems, licensing, import rates etc.
* Professional training and additional education

- providing of information of all kind in this field.

* World Trade Centre (WTC Prague)

- providing of trade-economic information services for WTC members
- ensuring of acces to WTC Network

* Information services

- information service, contact data
- subscribers services
- entrepreneurial bourse
- contact service
- tariffs
- INOPPE video-catalogue
- BC-NET
- BRE (Bureau de Reprochement des Entreprises)
  . Dun + Bradstreet (HK is running a branch of this firm in the Czech Republic)
Address: HK ČR, Argentinská 38, 170 05 Praha 7

Business Support Centre

Business Support Centre (BSC) is an organizational unit of Brno Business school of the Technical university Brno. It is oriented on providing of educational, consultation, advisory and information services, first of all for potential and starting, but also advanced, entrepreneurs in the sphere of SME's. Further BSC pursues applied research at entrepreneurial processes.

BSC is focused on following programmemes:
The Educational programme

It is targeted on broad entrepreneurial public. It concludes collection of 1 - 3 days seminars on economics, managements, marketing and informatics focused on SME's sector.

The consulting programme

It provides direct and indirect consultations for entrepreneurial public. It is focused on:
- taxation and accounting
- finance, credits, investments
- organizing, administration and enterprise management
- computer systems
- managerial psychology and sociology
- solving of special problems of entrepreneurial practice.

The Research programme

It is a programme on applied research and marketing entrepreneurial processes, first of all on SME's sphere.

The Business incubator programme

It is targeted on potential and starting entrepreneurs to develop entrepreneurial skills.

The programme of information assistance

It is based on built internal information databases BSC to support educational, consulting and research activities.

Address: Fakulta podnikatelská
VUT Brno
Brno Business School
Gorkého 13
602 00 Brno
Design Centre of the Czech Republic

Design Centre of the Czech Republic provides information, consulting and educational services focused on applying of design in production, trade and services. Design should be an integral part of living style leading to increasing of competitiveness of the Czech economic production.

Design Centre provides free-of-charge following services:

- collection, elaboration and dissemination of information about design and related branches
- information about designers and products
- ensuring of design expertises, first of all in pre-production stage
- organizing of design competitions, awarding of prestige prizes
- organizing of thematical, author and other design exhibitions, acting on fairs and exhibitions
- education of producers and broader public
- ensuring of international contacts and cooperation

The regional information centres help to create regional policy of Design Centre of the Czech Republic which serves as one of important tools of strategy and entrepreneur’s identity. They stimulate the development and creation of the material culture in the region.

Address: Design Centre of the Czech Republic
Jakubské nám. 5
602 00 Brno

CZECHINVEST
The Czech Agency for Foreign Investment

CZECHINVEST is an agency launched by the Ministry of Industry and Trade of the Czech Republic in 1992. Its aim is to propagate the Czech Republic to abroad with the aim to increase of direct investment into production. The CZECHINVEST activity is focused on investment into built enterprises or joint-ventures.

It provides information for foreign investors, mediates contacts on governmental institutions and private companies and enterprises. By the help of regional advisors network, the agency looks out for suitable lots and buildings for investments projects. For foreign persons showing interest in
joint-ventures, it endeavours for finding of strategic partners in the Czech republic.

CZECHINVEST is a non-profit organization and it provides its services free of charge.

Address: CZECHINVEST
Politických vězňů 20
112 49 Praha 1

UNDP/UNIDO programme to assist foreign investment and enterprise in the Czech Republic

This programme supports:
- direct foreign investment into the Czech industry
- the development of direct industrial cooperation with foreign partners on the enterprise level

The programme is aimed first of all at SME's of all branches of industry. It serves establishing a connection with foreign partner (till launching of joint-venture). Even it is possible to find a Czech partner on demand of foreign firm for economic cooperation. Programme itself does not dispose of any financial means.

Looking out of partners in advanced countries is made through UNIDO international network. Its main part are Investment Promotion Service Office (IPSO) and national centres for investment promotion.

In the Czech Republic, this programme is realized by the Association of Industry and Transport.

Address: Mikulandská 7
113 61 Praha 1
Regional Assistance

Agency for Regional Development Ostrava

This agency was launched in 1993 as a pilot-project supported by EU in the Czech Republic. Its aim is to help the regional industrial development and restructuralization.

Main activities are focused on:
- SME’s development
- infrastructure and logistic
- assistance to local government
- region publicity and informatics.

Strategy of system assistance has two forms:
- to enable the equal conditions for all person showing interest in enterprising in the region
- to support pilot-projects in necessary kinds of enterprising.

Address: Agentura pro regionální rozvoj, a.s.
ul.28. října 168
709 01 Ostrava

The Regional Entrepreneurial Fund Ostrava (RPF)

It is a venture capital fund which functions on commercial basis in a framework of regional economic development.

RFP kinds of assistance:

- venture capital for enterprise development
- partnership in extension of entrepreneurial activities to abroad
- management assistance
- marketing, business planning, financial engineering.

Address: RPF
Žerotínova 1
702 00 Ostrava
Innovative Enterprising

Association for Innovative Enterprising of the Czech republic (AIP ČR)

AIP ČR creates prerequisites for innovative enterprising in the Czech Republic.

Its main aims:
- to create and open up of the innovative infrastructure to innovative firms
- to create conditions for reliable function of innovative market

Its main tasks:
- to provide reliable information flows among subjects participating in innovative enterprising in the Czech Republic
- to assure contact and cooperation with central authorities in problems of innovative enterprising
- to initiate legislative and organizational prerequisites for innovative enterprising development
- to help preparation of specialist for innovative enterprising
- edition of magazine „Inovační podnikání a transfer technologií „ (Innovative Enterprising and Technology Transfer)
- to create of venture capital prerequisites, to realize common projects for creation of innovative infrastructure
- to activate international contacts.

AIP ČR consists of 7 subjects:
- Society for Science and Technology Parcs(SVTP)
- Society for Technology Transfer Support (SPTT)
- Czech Society for New Materials and Technologies (ČSNMT)
- Czech Association of Construction Engineers (ČSSI)
- Faculty of Mechanical Engineering of the Czech Technical University (FS ČVUT)
- Board of Czech Science Societies
- Technical University Brno

Address: AIP ČR
Novotného lávka 5
116 68 Praha 1
Special Assistance

Agriculture and forestry

The Ministry of Agriculture edited the Principles for providing of appropriation and returnable financial aids in the sphere of agro-complex, forest and water economics for 1995. They regulates financial assistance to agricultural and forest enterprises.

Applicant cannot get any other assistance provided by other central authority (e.g. Ministry of Economy) and he must be a Czech citizen or an Czech organizations. Therefore this kind of assistance is not suitable for foreign subjects.

Individual conditions are worked out in a very detailed way and it is not sensible to describe them in this informational material.

Energetics

The Ministry of industry and Trade of the Czech Republic has set up 3 programmes of state assistance to decrease of fuel and energy consumption in buildings and flats of the Czech Republic for 1995:

Programme of state assistance to consulting in the sphere of energy consumption

The aim this assistance is supporting of energetic consultancy network which provides services for population. The form this assistance is nonreturnable financial aid (appropriation). The whole process is organized by Energetic Agency of the Czech Republic.

Programme od state assistance to exploiting of renewable and nontraditional sources of energy

The aim of this programme is to support building up of equipment objected for energy production through exploiting of renewable and nontraditional sources of energy and higher exploiting of gas fuel for combined production of electricity and heat. The advantage conditions should be created for SME’s.

The financial assistance is provided in a form of interest-free loan (2 million CZK maximum). Applicant must be a citizen of the Czech Republic.
Programme of state assistance to technical measures for decreasing of energy consumption in buildings and flats

Aim of this programme is supporting of technical measures leading to decrease of fuel and energy consumption in nonproduction sphere.

Financial assistance is provided in a form of state appropriation. It is organized by Energetic Agency of the Czech Republic.

Tax reliefs providing by the Ministry of Finance of the Czech republic

This special kind of assistance is targeted population. It should support development of small water power plants and utilizing of alternative energy sources (as solar energy, geothermal energy, bio-gas etc.) The form of assistance is tax relief in the sphere of population income tax.

Health

Property Fund means Privatization assistance to health

National Property Fund of the Czech Republic provides contributions to interest payments for privatization of state-owned health equipment. The rate of this contribution is 8% interest for a period of 8 years.

The Ministry of Privatization of the Czech Republic decides about providing of this assistance.

Environment

State Fund of Environment of the Czech Republic (SFŽP)

This fund provides assistance to SME’s for their activities in the sphere of environment improving and protection.

Form of assistance is low-interest loan (about 7%). Applicants pass their applications to the SFŽP which organizes process of selection.

Atmosphere improvement programme

The main aim of this programme is to improve a quality of atmosphere in towns and localities with help of replacement of fuels of low quality for ecologic friendly sources of energy (electricity, gas etc.)
Forms of assistance: state appropriation and interest-free loan. Both of these forms can be combined.

The Ministry of Environment of the Czech republic is responsible for this programme.

Foreign sources of enterprise assistance

SME's assistance through PHARE programme

This assistance is based on Financial Memorandum '93 of PHARE programme. It focused on:
- solving of lack of credits suitable for SME's
- support for system consulting for SME's
- SME's publicity, development projects, new activities.

a) Small loan system

This assistance is aimed to small and starting entrepreneurs. It has a form of favoured credit.

b) Consulting, information professional training for small and medium-sized entrepreneurs

This activity is based on Regional Consulting and Information Centres (RPIC) network. They provide information in entrepreneurial sector, situation on the market, regional demands, professional consulting about enterprise management etc.

Business Innovation Centres (BIC)

Business Innovation Centres are another important part in service systems for SME's. With the exception of standard consulting services, they organize also professional training for entrepreneurs and look out for projects suitable for foreign investors. Specific activity is assistance to firm placed in incubators of these centres.
c) Publicity, development projects and new activities

It means a certain kind of support of SME’s participation on national and international exhibitions, fairs and partneriats, support of innovative enterprising and technology transfer, special education projects and publicity of SME’s development.

d) Czech-American Enterprise Fund (CAEF)

It is private managed financial fund with the aim to support private enterprise in the Czech Republic. Financial means were earmarked by the Congress of the United States of America.

CAEF invests into production enterprises which shows progressive development. It is focused on SME’s. The financial amount is 10 to 60 mil. CZK for each project. SAEF supports launching of joint-ventures and stimulates the American enterprises to invest and to cooperate with the Czech private firms.

Form of assistance is capital participation.

Another CAEF activity is a cooperation with Czech Commercial Bank, Joint-Stock Company. They provide credits to starting and small entrepreneurs in the Czech Republic. Financial assistance presents amount from 600 thousand to 8 million CZK with returnability to 4 years or to 5 million CZK with returnability to 6 years.

Bilateral foreign assistance

International Executive Service Corps (USA)

Programme is focused on:
- restructurization of state enterprises and new SME’s
- preparing of studies for Czech entrepreneurs looking for a foreign partner
- projects helping Czech entrepreneurs to enter the Czech market.

Citizens Democracy Corps (CDC-USA)

CDC association concentrates its activity on looking out of the USA volunteers for cooperation with Czech entrepreneurs on projects solution.
United States Peace Corps (USA)

The programme is affiliated with Regional Consulting Centres launched in a framework of PHARE programme. Its activity is focused on supporting of starting SME's and trade activities development including obtaining of financial means.
ANNEX III

The Czech National Council has passed the following Act:

PART ONE
Fundamental Provisions

§ 1
(1) It is the aim of this Act to facilitate the establishment and to strengthen the economic position of small and medium-sized businesses ("Businesses") that are active and have their seat on the territory of the Czech Republic. For the purposes of this Act such Businesses shall mean enterprises with no more than 500 employees.

(2) This Act shall not apply to businesses active as basic industries in the area of agriculture and forestry.

§ 2
(1) To implement this Act the central administration bodies of the Czech Republic shall adopt supporting measures, in particular provide funds from the state budget of the Czech Republic and establish institutions entrusted with the task of supporting entrepreneurial activities ("Institutions"). The establishment of an Institution shall be approved by the Czech Government.

(2) The supporting measures adopted hereunder shall promote the efficiency and competitiveness of Businesses, thus counter-balancing their drawbacks due to low economic strength, assist the Businesses in adapting to economic and technological changes, and guide them towards self-sufficiency.
PART TWO
Principles of Supporting Activities

§ 3

Financial subsidy from the state budget of the Czech Republic ("Subsidy") shall be provided to entrepreneurs from funds singled out within the framework of Budget Chapters of the individual central administration bodies, or from subsidies given to the dedicated Institutions established for this purpose.

§ 4

(1) The government of the Czech Republic shall decide on the principles and conditions for supporting entrepreneurs by authorizing programmes of financial support offered to business plans ("Subsidy Programmes").

(2) The Subsidy Programmes shall contain in particular:

a) the subject and aim of the Subsidy,

b) definitions of the recipients of the Subsidy,

c) the central administration body of the Czech Republic or the Institution mounting the Programme,

d) the authority responsible for granting the Subsidy and the way in which it shall do so,

e) types of Subsidies and the terms and conditions under which they will be granted,

f) penalties imposed on non-compliance with the terms and conditions under which the Subsidy was granted,

g) specification of the amounts of different types of Subsidy that may be granted in support of a single business plan,

h) essentials of the application for a Subsidy and the method of filing it,

i) the term of the Programme.

§ 5

(1) The Programmes, the method of assessment and selection of the filed applications shall be promulgated by the authorized Institutions or the central administration bodies of the Czech Republic.

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Republic. The Subsidy Programmes shall be published in Commercial Bulletin.

(2) Applications for Subsidy shall be filed with the authorized Institutions or the central administration bodies of the Czech Republic.

(3) A Subsidy shall be granted in the basis of a contract concluded by the applicant and an authorized Institution or a central administration body of the Czech Republic. The contract shall specify the purpose and amount of the Subsidy, the conditions under which it is being granted, its term and the penalties imposed upon non-compliance.

(4) The relevant central supervisory authority shall control whether the budgetary means have been used in accordance with the Subsidy Programmes approved by the Government and the terms and conditions of the contracts concluded under the preceding section 3.

PART THREE
Types of Subsidies
§ 6
Measures Adopted to Promote Capitalization of Businesses
In order to establish new Businesses or to sustain existing ones, in particular in the area of capital goods,¹ the funds singled out for granting the Subsidies may be used to guarantee credit, provide credit at a favourable rate of interest or term, repay a part of granted credit, or as a direct Subsidy ("Financial Contributions").

§ 7
Supporting an Increase of Qualification
(1) Training of apprentices and increasing qualification of grown-up persons - entrepreneurs and employees - may be financially supported.


(2) Subsidies shall be effected in the form of Financial Contributions granted to entrepreneurs or natural/juristic persons providing to Businesses services under favourable conditions, aimed at increasing qualification.

§ 8

Supporting to Consultancy Services
(1) Business and technical consultancy aimed at supporting Businesses may be also subsidized.
(2) Subsidy shall be granted in the form of Financial Contributions to natural and juristic persons that provide to Businesses consultancy services under favourable conditions.

§ 9

Supporting Co-Operation between Businesses
(1) Establishment of joint, in particular non-profit entities providing services to several Businesses or their associations may be subsidized.
(2) Subsidies shall be granted in the form of Financial Contributions to joint facilities of Businesses.

§ 10

Supporting Acquisition, Processing and Mediation of Information
(1) Financial support may be granted to acquisition, processing and mediation of information for the needs of Businesses.
(2) Subsidy shall be granted in the form of Financial Contributions to natural and juristic persons that provide to Businesses information services pursuant to the preceding section 1 under favourable conditions.

§ 11

Supporting Applied Research and Technical Development
(1) Financial support may be extended to applied research, technical development, and testing technical level, provided the results are used by Businesses.
(2) Subsidy shall be granted in the form of Financial Contributions to natural and juristic persons that provide Businesses with the results of their research or developmental activities or the tests of technical level under favoured conditions or free of charge.
§ 12

Supporting Job Creation

(1) Financial support may be granted to creation of jobs in Businesses, in particular jobs for partly incapacitated persons.

(2) Subsidy shall be granted in the form of Financial Contributions to entrepreneurs for covering the costs incurred in connection with job creation.

§ 13

Supporting Regional Economic Development

Financial Contributions may be granted to entrepreneurs in economically weak regions characterized by serious adverse social and environmental impacts.

§ 14

Supporting Cross-Border Co-Operation and Participation in Exhibitions

(1) Financial Contributions or free-of-charge services may be provided in support of new contacts and co-operation with foreign partners and active participation of Businesses in exhibitions and fairs, both domestic or abroad.

§ 15

Supporting Results of Research Devoted to Small and Medium-Sized Businesses

The funds earmarked for the Subsidies may be used to finance the results of research significant for acquisition of facts concerning small and medium-sized businesses, provided such results are made available to the general public.

PART FOUR

Final Provisions

§ 16

Once a year the Czech Government shall submit to the Czech National Council a report on the progress of small and medium-sized businesses, including an assessment of efficiency of the supporting measures and the cost-efficiency of the means singled out from the state budget hereunder, as well as proposals of additional supporting measures.
This Act shall enter into force on the date of its promulgation.

Burešová, in her own hand
Pithart, in his own hand