

**Annual Report
of the Security Information Service (BIS)
for 2008**

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1 Intelligence activities and intelligence information

1.1 Terrorism

One of the priorities that the Security Information Service was devoting a great deal of its attention to in 2008 was the fight against terrorism. In this respect, the mission of the Service was to collect and assess, in cooperation with other Czech security elements, information on potential spreading of Islamic extremism and any potential operations of terrorist groups in the Czech territory, and, in particular, to monitor and keep an eye on everything that may pose a threat of preparations or even the execution of a terrorist attack. There will always be sites and places in the territory of the Czech Republic, which are, according to security services, potential targets of Islamic terrorists. Last year, our Service did not get any confirmed and reliable information to the effect that someone was planning or preparing a terrorist attack in our territory.

Although the Service did register various activities of some individuals, whose behavior, opinions or contacts might be interpreted as posing a risk with respect to the terrorist threat, in 2008, it did not identify any person that could be given an unquestionable label of an Islamic radical or had links to Jihad fighters. Similarly, manifestations of religious radicalism were individual and few and far between. However, the individuals referred to above never posed an imminent risk to interests of the Czech Republic and its allies.

Early in 2008, the Service was checking information on potential motives of aggressive behavior of a person with roots in the Middle East. According to the information, the aggressive conduct of the individual, e.g. assaulting other people, was related to his property- and violence-related criminal activities. The signals to the effect that the criminal behavior was related in any way to Islamic radicals were not confirmed.

There are several foreign imams who have been for some time now preaching the Koran to Muslims living in the Czech Republic, as there is not a graduate of any of the Islamic universities among the Czech Muslim community yet. None of the Islamic priests operating in the Czech Republic behaves radically. However, some foreign mass media, which provide not quite objective or incomplete information on domestic and global affairs, may initiate a radicalization of sorts among the Muslims living in the Czech Republic.

Although there are clubs or interests groups that may become an intelligence-gathering base of sorts for foreign intelligence services, especially from countries of the Middle East, it has not happened yet and the clubs or interests groups referred to above are in fact inactive in this respect.

Financing and logistic support are indispensable prerequisites of the existence and operations of terrorist groups. They continue to be one of the principal priorities of the fight against terrorism. However, no such activities were identified in the territory of the Czech Republic in 2008.

1.2 Protection of vital economic interests of the Czech Republic

State-owned property management

The operation of various groups of businessmen and/or lobbyists is a persistent phenomenon that has a substantial negative impact on the management of state-owned property. These groups employ non-standard techniques and practices, from lobbying on the verge of legality to clientelism and traditional corruption, their objective being to gain unilateral advantages and maximize their profit at the expense of the state. In addition to parasiting on state-owned property, their behavior has also resulted in major deformations of the Czech business environment.

The year 2008 also saw continuing endeavors of interest groups to take hold of important positions in the government by having people loyal to them appointed to the slots. These groups were making efforts, through lobbyists and business entities with government contacts, to exercise influence or control not only over government institutions, but also over strategic enterprises fully or majority-owned by the state. Using a network of government officials, the interest groups had access to sensitive information on public procurement tenders, state subsidies and legislative processes. At the same time, they were influencing strategic decisions pertaining to state-owned property management in their favor.

The most significant examples of the pressure the business environment has been exercising on the government and its institutions are related to the interest the lobbying groups in business operations of Správa státních hmotných rezerv (SSHR – Administration of State Material Reserves), Ministry of Agriculture (MoA) and state-owned Lesy České republiky (LČR – Forestry Enterprise of the Czech Republic). The efforts targeting the Ministry of Agriculture aimed to influence the decision-making processes at the ministry and organizations subordinated to it; as to SSHR, the groups with conflicting interests clashed over issues related to sales of SSHR's stocks, brokering of SSHR's business transactions and purchases of oil. As far as LČR is concerned, the groups were influencing mainly HR- and business-related affairs of the enterprise.

The Service was also interested in preparations of the implementation of some important transportation infrastructure projects (e.g. R52 Motorway) and the situation of the Czech Railway Company and of the railway network in general. The cases in question involved interest groups attempting to influence decision-making processes of organizations subordinated to the Ministry of Transportation (MoT), and sometimes using various methods of coercion.

The Service also focused on potential impacts of an entry of foreign companies into the cargo segment of the Czech railway transport industry on the industry itself and other railway-dependent branches of the Czech economy.

Other fields of state-owned property management

The public tender for a comprehensive remedy of the environmental damage dating back to pre-privatization times, which was launched by the Ministry of Finance, became another juicy target of lobbyists working on behalf of some potential bidders.

The Service also notified the authorities it sends its products to under the law of potential conflicts of interests in the process of selecting an appropriate solution to deal with the environmental damage.

Some owners of the privatized property eligible for state guarantees/subsidies provided for the purpose of remedying pre-privatization environmental damage were also trying to make use of them to the maximum extent possible, even in cases where no remedial measures were actually needed.

As to the allocation of financial resources from EU Structural Funds, there was a case of broken rules of transparency and non-discrimination in the "Environment" Operating Programme, consisting in a non-disclosure of information relevant for the evaluation of submitted projects.

There was not any major and systematic violation of rules in the process of evaluation and approval of projects.

Energy safety and the situation in energy companies

The energy safety of the Czech Republic is affected by continuing efforts of the Russian Federation to strengthen its position in the European energy segment by acquiring a stake in some energy companies. In this respect, Russian activities in Serbia are important, as an oil pipeline independent on Russia is planned to pass through Serbia's territory; if its capacity is high enough, it could also supply the Czech Republic. In 2008, Gazprom was promised a stake in NIS, the Serbian oil company, for a fraction of its real value in exchange for support of Serbia's position over Kosovo. The Russian Federation also proceeds with its efforts to control all reserves of natural gas in the Caspian region, which threatens the implementation of the independent gas line known as Nabucco.

Many European countries, including the Czech Republic, realize the importance of the energy safety and try to reduce their dependence on Russian sources. The energy safety of the Czech Republic can be improved by a higher level of networking of the country's energy grids and systems with those of neighboring countries.

Situation in strategic enterprises with a state-owned stake

The Service also paid attention to companies in respect of which a privatization process is expected to start very soon. In 2008, activities of potential bidders interested in the privatization of České aerolinie (Czech Airlines) and Letiště Praha (Prague Airport) showed a dramatic increase. The interested parties were focusing mainly on developing contacts with relevant government officials and with the companies to be privatized, their objective being to use the contacts to acquire information or to build a better starting position compared to others.

1.3 Counterintelligence

RF intelligence services

The purely counterintelligence efforts of BIS in 2008 were focused mainly on operations of intelligence services of the Russian Federation, which are by far the most active ones in our territory.

The assumption that Russia readopted the Soviet practice of using active measures to promote its foreign policy interests worldwide has thus been confirmed. It must be admitted that, because of the increasing importance of intelligence and security elements within the Russian state and Russian economy, the boundary between activities of intelligence services and other government or private entities cannot be defined accurately.

Insofar as preventive measures against people suspected of potential links to and relations with intelligence services are concerned, it should be noted that, with the Czech Republic now a part of the Schengen Area and the EU-Russia agreement on visa facilitation in place, it is now very difficult for counterintelligence operators to register the entry and subsequent movements of such people in our territory.

In 2008 too the Russian intelligence services made an extensive use of internationalist and civic movements in their work. The movements themselves and an overwhelming majority of their members are not conscientious collaborators of intelligence services of a foreign power, but rather victims who are exploited – under a false-flag approach of noble ideas – for quite different purposes.

The forms and methods the Russian intelligence services use in their work have been, to a considerable degree, inspired by the forms and methods successfully employed by the Soviet espionage in the 1980s to influence the Western peace movement. The efficiency of the Soviet propaganda then and of the Russian propaganda now on individuals or groups of people is comparable, regardless of their cultural, social, economic or political background.

In connection with operations and actions of some of the groups referred to above, BIS focused on a business company operating, inter alia, in the Czech Republic. It is highly likely the Russian intelligence services make an ad hoc use of the company to implement active measures in support of Russian interests in the Czech Republic. However, it is not impossible the company may not be aware of its cooperation with the Russian intelligence services.

In 2008, the Czech Republic also commemorated the 40th anniversary of the occupation of Czechoslovakia by Warsaw Pact armies. The Russian intelligence residents and diplomatic mission thus focused a lot of their efforts on the monitoring of official Czech events related to the anniversary of the Soviet invasion in August 1968, but also to the anniversaries of the Munich Dictate (1938) or the Communist coup (1948).

Practically until September 25th, 2008, the Czech media and social scene was, from the viewpoint of potential active measures, a quiet zone, merely registering outside stimuli and events. Apparently, it was not in Russia's best interests to open any issues that might connect Russia and the term "invasion" in any way in the Czech Republic. As a matter of fact, Russia would have risked a more significant projection of the shadow of the Soviet invasion to Czechoslovakia not just on the Georgian conflict (which was going on at that time), but also on the issue of the construction of a US radar station in the Czech Republic.

It is possible to provide evidence attesting to a permanent interest of Russian intelligence officers operating under a diplomatic cover in contacts with Czech politicians, in particular members of the Parliament, their assistants and members of departments of foreign relations of Czech political parties. This has been a long-standing phenomenon, its beginnings dating back to 1990.

As to economic and scientific-technical espionage, the Service was dealing with specific and current threats posed by Russian intelligence services.

Based on information acquired in 2008, the Service concludes that, since the 1990s, Russia's diplomatic and intelligence services have been consistently strengthening their influence on Czech

economic structures and continuously increasing and enhancing their influence-exerting and information-gathering capabilities and capacities in the field of economy and science in the territory of the Czech Republic.

As to activities of other intelligence services in our territory, the risks they posed for the Czech Republic in 2008 were negligible.

1.4 Extremism

Neo-Nazi scene

The year 2008 was a break-through year for the Czech Neo-Nazi community. Its step-by-step activation, professionalization, politicization, radicalization and relative unification, which had started, due to a variety of reasons, in previous years, brought about its transformation. Several, predominantly qualitative, changes can be detected, which will probably affect its development in the years to come.

The most significant of these was a change in the structure of the Neo-Nazi scene. The existing model of unofficial local groups based on principles of autonomous nationalism and represented by organizations such as Národní odpor (NO – National Resistance) and Autonomní nacionalisté (AN – Autonomous Nationalists) has been retained, but has been supplemented by official political representation – Dělnická strana (DS – Workers' Party).

Since its establishment in January 2003, the Workers' Party has presented itself as a nationalist-oriented, extreme right-wing entity. Being aware of its insignificance, it was trying to cooperate with other extreme right-wing political parties between 2003 and 2006, but without any success.

As a result, representatives of the Workers' Party probably realized that, in order not to remain a marginal political entity just like other extreme right-wing parties, they had to gain support of Neo-Nazis, who could reinforce and strengthen the party quite significantly.

The Workers' Party initially cooperated with Národní korporativismus (NK – National Corporativism), another extreme right-wing entity, and newly constituted AN groups. However, since the summer of 2007, there also were contacts between leaders of the Workers' Party and representatives of the National Resistance. The cooperation was facilitated, inter alia, by the fact that some new members of DS had been recruited from the ranks of NO activists. The Workers' Party did not publicly disclose the cooperation until the spring of 2008, being afraid that it might be directly connected with the Neo-Nazis, and thus compromised.

As soon as the Workers' Party succeeded in expanding and consolidating its membership base, its representatives also started focusing on addressing the electorate prior to regional elections in autumn. In the first half of 2008, the events organized by the Workers' Party did not attract much attention, although attended by quite a sizable audience (in the Czech context), due to the party's relations with the Neo-Nazis. It was quite obvious that, unless the Workers' Party wished to remain in the periphery of interest of the Czech society, it had to captivate the public and make it aware of its name, albeit in a negative context.

To make their party more visible, representatives of the Workers' Party used a well-established issue of problematic coexistence with fellow-citizens of the Romany ethnic group, which had been employed before by, for example, Národní strana (NS – National Party) for its medialization. This was the reason why members of the Workers' Party became involved in handling a situation in the Janov Housing Project in Litvínov, where denizens had had persisting problems with some inadaptable and socially weak families, mainly of the Romany ethnic origin.

With the autumn 2008 events in Janov, the right-wing extremists could experience for the first time what it felt like to have ordinary citizens on their side. The right-wing extremists regarded the assistance, open support or even direct cooperation of the locals as the principal success of the anti-Romany actions in Litvínov. The events also made them assured of their self-styled role of fighters for the Czech nation and order, and increased their pride in what they were doing.

The radicalization and politicization of the Neo-Nazi spectrum were the most significant changes in the second half of 2008. However, there were others as well.

One of them was a change in the tactics and logistics of DS-organized public events, which gradually lost their amateurish character and started having a relatively high standard. For example, the Neo-Nazis adapted themselves to difficulties encountered in the process of announcing public events to authorities in 2008 and, inspired by the German extreme right-wing scene, they organized

several so-called spontaneous events, not announced in advance. They were small events, organized ad hoc, for the purpose of making a statement or presenting a certain position. As the spontaneous demonstration generally took just a few minutes (not more than a few tens of minutes), security elements and relevant authorities were unable to react quickly enough. Although the demonstrations failed to attract much interest of the public, the right-wing extremists were able to present their extreme opinions and attitudes with impunity.

Another new thing were attempts of right-wing extremists to propagate their views outside the circle of their sympathizers. To this end, they were making use of, for example, public exhibitions, seminars or street parties, where just a few right-wing activists were distributing promotional literature. They also initiated public discussions, in which they presented their opinions and views to an unbiased audience in a cultured manner. The approach described above provides an important advantage, namely that the right-wing extremists do not have to announce their event beforehand and face a potential ban. It is quite possible that the abovementioned method of propaganda will become, due to its simplicity, even more popular. Although the extremists attempt to present their views in a more cultured and acceptable form than they have done until now, the ideological base of their actions and their activities within the movement remain unchanged and continue to be dangerous for the society.

Extreme nationalist scene

The situation within the nationalist part of the extreme right-wing spectrum in the Czech Republic has not shown any changes for a long time. In 2008, its most prominent representatives were the Workers' Party (DS) and the National Party (NS).

However, the nationalistic character of the Workers' Party was diminishing during the year because of the party's growing cooperation with Neo-Nazis; this is the reason the Workers' Party has been included in the extreme Neo-Nazi scene in the present report.

The most visible representative of the traditional Czech nationalist movement is the National Party. In 2008, its members continued to pursue their strategy known from previous years – to maintain the interest of the public and media. To this end, they were making use of their National Guard (NG), which they purported to be a functional “unarmed corps organized along military principles”. In fact, the NG project is, and has always been, utterly unrealistic, as the membership of the National Party numbers just a few dozen people. The National Guard can thus be characterized as a virtual organization. Its presentation in the media was based exclusively on information provided by representatives of the National Party, who, using a series of mystifications and disinformation, for several months succeeded in creating a false image of the National Guard as a massive and functional organization. In fact, practically all NG-related statements of the National Party were lies. If there was an appearance of NG members, they invariably were, save for a few exceptions, NS members doubling as National Guardsmen.

In terms of security, activities of other Czech nationalists in 2008 were insignificant and, if compared to those of the Workers' Party and National Party, marginal.

Anarcho-autonomous movement

The year 2008 saw the importance of the anarcho-autonomous movement diminishing again. In general, a typical feature of this segment of the extreme left-wing spectrum is a stagnating level of activities of its followers, especially insofar as “visible” street activities are concerned. There were just two major public events in 2008, but their importance was enhanced by the fact that they also attracted people from outside the extreme left-wing spectrum.

The left-wing extremists are more or less abandoning the concept of large coordinated counter-actions against demonstrations of the ultra-right wing, which usually resulted in clashes. Yet there was a temporary recurrence of violence in the summer of 2008, when small groups of militant

anti-fascists mounted several (usually surprise) attacks against right-wing extremists. The attacks, the aggressive nature and intensity of which were higher than in the past, also targeted moderate nationalists and persons not prepared for them.

The anti-fascists attempt to make themselves more visible and to legitimize their activities. They too are an example of an evolving public attitude toward violence. As a matter of fact, it is just a verbal shift, as the anti-fascists' motto is still "to fight against Neo-Nazism by all means".

Marxist-Leninist groups

In 2008, the Marxist-Leninist scene was characterized by general fragmentation and a continuing and deeper dissension of the Communist youth movement.

Most members of the left-wing spectrum continued, more or less successfully, to manifest their views by becoming involved in campaigns against the establishment of a US military radar station in the Czech Republic. Activists of radical left-wing entities participated especially in events organized by Iniciativa Ne základnám (INZ – "No to Bases" Initiative); however, they were just participants, not organizers. The anti-radar movement was controlled by non-extremist opponents of the radar facility.

In general, the anti-radar movement in the Czech Republic was stagnating in 2008; in the end of the year, we even registered the dissolution of some regional cells of the initiative. Moreover, the issue is no longer in the focus of attention of the media.

Komunistický svaz mládeže (KSM – Communist Union of Youth) continues to be the most significant and active organization of the Marxist-Leninist scene, in spite of having considerable problems. In 2008, the organization was significantly affected by a court order confirming its forced dissolution, but also by interpersonal conflicts among its top leaders; this situation naturally brought about an overall weakening of its activities.

On March 19, 2008, the Municipal Court in Prague rejected KSM's action against and confirmed the decision of the Ministry of Interior of October 2006, ordering the Communist Union of Youth to be dissolved, which was, in the court's opinion, in compliance with Czech laws.

The fact that KSM lost its civic associations status and its activities were officially terminated did not prevent its members from carrying on. In spite of the ban, they continued under the same name as an unregistered organization, which fact they themselves announced at the 8th KSM Congress in March. The nature of KSM's activities did not show any change after the ban, but its members seem to be less active, probably also due to the fact that their main priority until a short time ago was the fight against the decision of the Ministry of Interior to dissolve KSM.

As to other organizations, their activities in 2008 were generally low.

1.5 Proliferation and handling of military materiel

The evaluation of information concerning potential risks related to the proliferation of weapons of mass destruction (WMD) and their carriers and items subject to international control is one of the top priorities of the Service. The intelligence on the former subject the Service was able to get in 2008 confirms a long-standing interest of risk-posing countries, especially Iran, North Korea and Syria, in Czech products subject to international control regimes (ICR). These included dual-use goods, precursors, other chemical substances, machinery and technologies that can be used in the development and production of weapons of mass destruction and their carriers; there also were attempts to illegally transfer or re-export such products.

Information on transactions involving or requirements for dual-use goods has confirmed that it is very difficult to determine whether a particular piece of equipment (and this concerns especially machine tools) is a dual-use article, or whether its parameters suggest it should be included among controlled items. In general, it is possible to confirm permanent and long-standing interest of companies and individuals from risk-posing or proliferating countries in Czech machinery and engineering products, which is also partly based on historical cooperation of Czech enterprises with Iran, North Korea and Syria.

Iranian companies are interested in establishing and developing cooperation with Czech enterprises and attempt to acquire specific machinery. A check of Czech exports to Iran in 2007 performed by the Service has established that one of the Iranian importers was a company subject to sanctions because of its involvement in the Iranian nuclear program. The Iranian company uses a number of aliases to communicate with suppliers.

In addition to Iranian companies, importers from North Korea, Syria, Byelorussia or Pakistan also showed interest in Czech machinery in 2008.

In this respect, Byelorussia is a country with a record of cases of re-exports of arms and weapons to risk-posing countries.

As certain countries were showing interest in supplies of composite materials and export of components that could be made use of in military UAV (Unmanned Aerial Vehicle) programs, the Service notified the authorities it sends its products to under the law of specific agencies or brokering companies with links to Iranian or Pakistani nuclear and missile programs. The identification of such companies is necessary, as it helps track down risky consignments that are not delivered to proliferation entities directly. The knowledge of these practices enables a more efficient implementation of restrictions, sanctions and requirements of control regimes.

Conventional arms and weapons, military materiel and explosives

In 2008, some risk-posing countries showed persistent efforts to acquire arms and military materiel by various means, including, re-export. Insofar as supplies of arms and military materiel are concerned, the risk-posing countries included most Middle Eastern and sub-Saharan countries and some nations of South-East Asia. The EU embargo banning arms exports to China was not lifted in 2008.

The involvement of the Security Information Service in the national control regime of foreign trade in military equipment and materiel was focused mainly on permission- and license-granting proceedings. The Service was providing information on the applicants, its objective being to prevent or reduce operations of non-transparent business entities and to identify individuals wielding a substantial influence in such businesses and not providing a satisfactory guarantee of compliance with security and foreign interest of the Czech Republic.

The Service was dealing with applications for export and import licenses. Some issues were dealt with in so-called simplified license proceedings, where other general questions, in particular specific brokering operations, were discussed as well. In such cases, the Service advocated and

promoted the implementation of additional export terms and conditions that would provide a satisfactory guarantee of full compliance of the Czech Republic's commitments arising from international agreements.

In 2008, the Service also analyzed information concerning potential non-transparent practices of defense companies manufacturing or repairing military equipment for the Czech Armed Forces, and also dealt with some specific defense procurement contracts of the Czech Armed Forces.

1.6 Organized crime

The Service continued to gather information on activities of organized crime groups trying to penetrate the government and public administration system. Russian-speaking groups or groups coming from the Balkans still pose the biggest threat, their leaders striving, more or less successfully, to establish contacts with representatives of state authorities, local government and police, which they subsequently use to further their interests (priority treatment, overlooking of offences, poor and sloppy enforcement of duties stipulated by the law etc.).

Compared to lower structures of organized crime, where violent crime prevails, the “upper stories” are a much tougher nut to crack; identifying specific illegal activities, probing into ownership structures of business companies and revealing money laundering methods, investment objectives and reinvestment priorities is much more difficult there.

Russian-speaking and Caucasian organized crime groups

The Ukrainian organized crime did not make any significant footprint in our territory in 2008, which is perhaps attributable to its weakening due to the arrest of a major leader of Ukrainian organized crime groups in 2007.

Russian organized crime groups operating in North Moravia have transformed their illegal activities into mainly legal businesses not just in the region, but also in Prague. Their typical feature is a high level of autonomy within Russian organized crime structures in the Czech Republic.

Prisons too are within reach of the organized crime groups. The sphere of influence of one of their principal leaders includes prison inmates who either were organized crime members before their conviction, or in whose services the organized crime groups are interested. These people receive money and other valuables, which they use, for example, to bribe prison guards. To coordinate his activities, the abovementioned leader uses his influential government and security contacts in his country of origin and in the Czech Republic, thanks to which he can, for example, influence ongoing criminal or administrative proceedings.

Organized (criminal) groups from the Caucasus pose the most serious threat to security and internal order of the Czech Republic. Some members of the Chechen or Armenian communities pose a potential risk of terrorism and a real threat of armed violence.

The armed conflict between the Chechen and Armenian organized crime groups went on in the year 2008 as well. Following a violent clash in 2007, which peaked in attempts to assassinate one of the leaders of one of the groups, there was a mutual physical attack in 2008 too.

Balkan organized crime

The organized crime groups with roots in the Balkans typically deal in the distribution and sales of drugs, illegal migration, human trafficking, brokering of fictitious marriages (the purpose of which is to obtain, for example, a residence permit), and forging and changing of travel documents, driving licenses etc. However, the Balkan organized crime, first and foremost, poses a potential threat – with the rapid ongoing integration of Balkan countries into European structures, which is fostered by international political interests, the integration of Balkan criminal structures will be facilitated as well. In the near future, a significant increase of manifestations of activities of the Balkan organized crime in the Czech Republic in the field of illegal enterprise, money laundering, infiltration of public authorities and influencing of justice mechanisms may be expected.

Groups focusing on influencing government and public authorities

In 2008, the Security Information Service attempted to verify hypotheses concerning the existence of influence groups that make their earnings by siphoning off public budgets or charging

excessively high profit margins on public procurement contracts, using methods of influencing, manipulation, lobbying, discrediting or direct pressure commonly employed by organized crime.

It is obvious that some of the lobbying groups referred to above employ ex-members of StB (State Secret Police), who can, through their contacts, acquire sensitive information on persons of interest from various sources, including police databases or tapping records. These activities damage the good reputation of security elements and have a substantial, society-wide impact, especially if the information so obtained is used for nefarious purposes and its misinterpretations are provided to the media, the objective being to change views of the general public on some sensitive social issues.

Another important phenomenon is represented by clientelist groups, which make use of their relations with public servants, government officials, police and courts to further their interests. For example, one of the groups can handle various problems through its contacts, from parking tickets and speeding up and approval of a decision in any administrative proceedings to appointments to some positions and offices. The group partly promotes interests of persons belonging to organized crime structures, which increases the risk of organized crime growing into state administration structures.

Influencing of authorities participating in criminal proceedings

In cooperation with relevant inspections and audit departments of the Police of the Czech Republic and some ministries, the Service collected information on how authorities participating in criminal proceedings can be influenced in various ways, which situation may potentially result in their being rendered functionless.

The focus of the Service on information concerning bankruptcy and insolvency proceedings was marginal. Negative phenomena in this segment of business and law had been described in sufficient detail in the past, but they cannot be substantially reduced or eliminated under the existing legislation. The main problem consists in very limited possibilities of verifying and making use of information obtained in the justice system.

1.7 Illegal migration

When the Czech Republic became a part of the Schengen Area, the situation in the field of legal and illegal migration underwent substantial changes. As the Czech Republic is an inner country of the Schengen Area now, the traditional cross-border human trafficking practices (crossing the border in trucks, cars or on foot with the assistance of guides) have receded into the background; on the other hand, others have remained or even expanded. It is true the traditional ways of illegal migration have not disappeared entirely, but are used much less often now than in the past. Migration organizers now use the Czech Republic as a transit country; as the Czech Republic is relatively small, they do not have to organize human trafficking operations from our territory, and preferably use “friendly infrastructure” of people living in the Czech Republic. This is why this particular way of migration is in many cases very difficult to detect without efficient cooperation with security authorities. The interest of migration organizers has currently shifted to legal, or at least more legal, methods, which were used in the past, but much less than now. These include: arranging some types of visa (study, working), obtaining residence permits through fictitious marriages or on the grounds of the person seeking the permit being the father of a citizen of the Czech Republic, arranging letters of invitation from natural persons or legal entities, migration using forged or changed travel documents.

There is a Russian-speaking organized crime group operating in the Czech Republic, which deals, inter alia, in human trafficking and illegal migration from former Soviet Union countries to EU states, in particular Austria, Italy, France, Belgium and Germany. The group uses forged travel documents and visas, for which there is a great demand among immigrants now after the enlargement of the Schengen Area.

In addition to the methods outlined above, the purpose of which is to arrange for immigrants a legal entry to our territory and to legalize their stay, either at the time of the entry or later, traditional methods of illegal migration, i.e. human trafficking across the land border of the Czech Republic, were also used. This practice was used, for example, by a group of Albanians linked to Czech nationals. However, it is possible to say that the traditional illegal migration has been on decline in the territory of the Czech Republic since the beginning of 2008.

One of the greatest problems experienced in 2008 was the economic migration of Vietnamese nationals. The influx of Vietnamese workers and businesses brought about by the demand of Czech employers for cheap labor caused great problems related to visas. The pressure exerted by visa applicants, brokers, work agencies and NGOs at the Czech embassy in Hanoi was growing during the year, suggesting a suspicion to the effect that some of the visas were granted for nefarious purposes and that there was corruption involved.

Although the use of corruption practices at the Czech embassy in Hanoi was not proven, the authorities in charge did implement some preventive and organizational measures to improve the situation. An independent call-center, which was supposed to take care of the administrative side of the visa-related agenda, was established to minimize risky contacts between visa applicants and embassy staff members. At the same time, certain personal measures were taken as well. However, the changes did not result in anticipated effects. The call-center information system was repeatedly disrupted by outside interventions and corruption links among individual persons participating in the visa-granting process were not identified.

While the Service did not identify any specific cases of illegal migration of undesirable (risk-posing) Vietnamese people to the Czech Republic, the fact is that some members of the numerous Vietnamese community do participate in organized crime (production and distribution of drugs and cigarettes, forgeries of brand products, customs and tax fraud, support of illegal migration etc.). The scope of the criminal activities mentioned above is roughly consistent with the size of the Vietnamese community living in the Czech Republic.

The key problem associated with the extensive economic quasi-legal migration of Vietnamese nationals to the Czech Republic, which made itself dramatically felt in the last quarter of 2008 as a result of the global financial crisis, is a surplus of supply in the labour market, whose negative consequences will have to be dealt with by competent authorities in 2009.

Study visas are an increasingly popular way to legalize one's stay in the territory of the Czech Republic. The visas are arranged and supplied by, for example, Uzbek nationals. Some of the brokers maintain contacts with, or work directly for, educational institutions offering programs for foreign students (e.g. Otevřená evropská akademie ekonomiky a politiky – Open European Academy of Economics and Politics).

The great interest in study, work and business visas, which placed an enormous burden on consular departments of some Czech embassies (particularly in Hanoi, Moscow, Kiev, Ulan Bator and elsewhere), prompted the establishment of call-centers to take care of the routine visa-related administration agenda. However, the operation of the call-centers was sometimes accompanied by problems.

Some members of the Muslim community (migration from Egypt) and the community of Cuban asylum seekers also participate in organizing the illegal migration to the Czech Republic. The number of immigrants from these countries (as well as from Iraq, India, Pakistan, Turkey, Syria and some countries of sub-Saharan Africa) dropped in 2008. The Security Information Service does not have any intelligence information indicating that the immigrants from the countries and regions referred to above might pose a direct threat to the Czech Republic.

1.8 Negative phenomena in information and communication systems

The protection of information and communication systems of the Czech Republic becomes increasingly important, which is why the Security Information Service also pays attention to related negative phenomena, such as cyberterrorism, information warfare, information espionage etc.

The number of various risks, which threaten everyone who operates in cyberspace, is directly proportional to the level of usage of information technologies by modern societies. There is a visible trend in the area of electronic attacks, namely an increasing number of thefts and subsequent abuse of electronic identities and economically motivated fraud related thereto. Non-financial services are targeted more and more often as well. The hackers subsequently use the compromised identities for other, often more sophisticated, electronic attacks, which make use, inter alia, of social engineering methods, or for other malevolent activities, e.g. distribution of spam, malware etc.

The virtual environment imitates the real world to such an extent that even some major international corporations and financial institutions create their own cyber branches and offer virtual services very similar to real ones. The virtual world thus becomes another place for bad or even criminal behavior of its “inhabitants”.

According to conclusions of some international organizations, the parallel existence of the virtual and real worlds enables, for example, cross-border transfers of funds between individuals and entities without any control. Such funds can either come from illegal activities, or be subsequently used for such activities. There is a risk that some Islamic extremist groups may also carry out their financial operations in a similar way.

As the opportunities offered by information and communication technologies grow and find an increasingly common place in day-to-day life, perpetrators of electronic attacks expand their field of operations. The attacks, whether real or potential, target users of mobile communication equipment, owners of various electronic cards or documents provided with electronic chips. In this respect, a factor, which facilitates the attacks, is a low level of awareness of both users and manufacturers of potential risks associated with the use of modern advanced technologies.

As to the development and proliferation of harmful software, there is a marked trend showing that malware is better protected against detection and subsequent analyses. The number of newly identified specimens of malware is decreasing. In addition to making a continuous use of weaknesses of computer programs, the perpetrators attempt to employ increasingly sophisticated methods of social engineering.

The programming and distribution of malware may also become a “business” of sorts, which is a disturbing fact. The authors often do not participate in the distribution of their products; in many cases, they just supply “tailor-made” software and provide maintenance and user support.

2 Protection of classified information and security clearance proceedings requested by the National Security Office (NBÚ)

As to the protection of classified information, the Security Information Service performed the tasks stipulated in Act No. 412/2005 Coll., on the protection of classified information and security capacity, as amended.

The Security Information Service is involved in security clearance proceedings together with the National Security Office, other intelligence services of the Czech Republic, government authorities and other relevant organizations. In this respect, its also maintains close international cooperation with partner intelligence services it is allowed to collaborate with pursuant to a government resolution.

In 2008, the Security Information Service participated, upon request of the National Security Office, in security proceedings concerning the issuance or cancellation of security clearance or security capability certificates of natural persons and business entities. Insofar as the latter are concerned, the security check performed by the Security Information Service upon request of the National Security Office also includes an investigation into any changes of the business entity being checked.

In 2008, the Security Information Service received 373 new requests to carry out investigations in the framework of security proceedings concerning the issuance or cancellation of "Secret" and "Top Secret" security clearances of natural persons from the National Security Office, and completed 418 such investigations. The number of completed investigations exceeds that of the requests received in 2008, as it also includes some investigations based upon requests of the National Security Office submitted in 2007. With respect to security proceedings concerning natural persons, the Security Information Service also conducted, upon request of NBÚ, 485 personal checks using information from its databases. As to verifications of security capacity of natural persons, the Service received 143 requests from the National Security Office and completed 135 investigations. In addition, the Security Information Service investigated 101 business entities and checked 437 business entities using information from its databases.

3 Reporting and tasking

The tasks the President and the government give to the Security Information Service are consistent and compliant with legal competencies of the Service.

In addition to direct tasking, the Security Information Service also performs routine tasks stipulated by the law. If it comes across facts or circumstances requiring an immediate action, the Service provides its findings to the authority or institution that is legally competent to take the action or decision within its jurisdiction.

In 2008, the Security Information Service submitted more than 700 documents to the President and members of the government. Additional information was sent to relevant government authorities, Police of the Czech Republic, Office for Foreign Relations and Information and Military Intelligence Service (more than 350).

If asked by relevant authorities, the Security Information Service can also provide its opinion with respect to applications for the Czech citizenship, diplomatic visas, permanent residence in the territory of the Czech Republic, refugee status etc. The Service prepared more than 300 such statements last year. In addition, the Service processed more than 2,000 requests pertaining to licence proceedings concerning the trade in military equipment and materiel and dual-use products.

As to visa granting, the Security Information Service cooperates with the Directorate of Alien Police and other Czech intelligence services; according to a resolution of the government, the Security Information Service is a guarantor responsible for all intelligence services in this respect.

In 2008, the Security Information Service was performing tasks falling into its legal jurisdiction either independently, or in cooperation with other intelligence services and relevant ministries. In addition, it also answered specific questions of the Prime Minister and individual members of the Czech government.

4 Cooperation with Czech intelligence services and other government bodies and authorities

Within its legal jurisdiction, the Security Information Service maintains close and intensive cooperation with other relevant state authorities, in particular Czech intelligence services and Police of the Czech Republic.

The cooperation focuses particularly on international terrorism, extremism, illegal migration and organized crime, proliferation of weapons of mass destruction and their carriers, trade in weapons and arms, and operations of foreign intelligence services.

Cooperation with the Office for Foreign Relations and Information

In addition to routine day-to-day exchange of information, particularly on international terrorism, extremism, illegal migration and operations of foreign intelligence services, mutual discussions and professional consultations were held as necessary.

Cooperation with the Military Intelligence Service

Just like in the previous case, the cooperation between the Military Intelligence Service and the Security Information Service consists mainly in a mutual exchange of information. In 2008, the Security Information Service provided mainly information on the situation in regions of deployment of Czech military missions to their military colleagues.

At to operations of foreign intelligence services, there were several cooperation meetings and exchanges of operational intelligence on issues of interest. The cooperation is good and both parties deal with whatever problems may arise in a flexible and pro-active manner.

Cooperation with the Police of the Czech Republic

The cooperation between the Security Information Service and the Police of the Czech Republic is very broad and covers all areas that the former is active in, but in particular organized crime, economic interests of the Czech Republic and extremism.

The two organizations maintain good cooperation in the areas of illegal migration and organized crime.

As to the protection of vital economic interests of the Czech Republic, there were several meetings where relevant information, mainly on privatization and management of state-owned property and national energy security of the Czech Republic, was exchanged.

There is also good and mutually beneficial cooperation in the field of illegal trade in arms and military equipment.

A very important segment of the cooperation between the Security Information Service and the Police of the Czech Republic is extremism, especially with a view to maintaining of public order during events organized by extremists. Again, the cooperation is very good and mostly frictionless.

Cooperation with other organizations and units

The Security Information Service cooperates with a number of other organizations and units, in practically all areas it is allowed to do so according to the legislation it is governed by.

As to education and training, the Service continues to cooperate with the Unit for the Protection of Constitutional Representatives of the VIP Protection Service and the Presidential Protection Detail. Within this project, the Service's protection personnel also provide methodological

and training assistance to members of the Czech Armed Forces in the Military Training Area of Libavá, which focuses on specific skills needed in deployed missions.

There is an increasing interest of universities in cooperation with the Security Information Service. Based on an agreement with the Police Academy of the Czech Republic, MA-level studies of the subject “Intelligence Services” had been started at the Academy in 2006, which continued in 2008 as well; the whole program is delivered by lecturers provided by the Service. The cooperation with the University of Defense in Brno has been developing quite successfully as well.

The Security Information Service maintained cooperation on specific issues, including information exchange, with other government authorities and institutions, including the State Office for Nuclear Safety, Czech Statistical Office, Czech Mining Office, National Security Office, Ministry of Interior (Department of Asylum and Immigration Policy), General Directorate of Customs etc.

5 Cooperation with foreign intelligence services

Based on a resolution of the Czech government, the Security Information Service is permitted to cooperate with foreign intelligence services. At the moment, the government’s approval covers cooperation with 94 services from 60 countries. The international cooperation is an indispensable part of the Service’s activities.

Terrorism continues to be the main topic of information exchanged among the services, but counter-espionage is being paid ever-increasing attention. Other important areas of ongoing cooperation include proliferation, extremism and organized crime. The importance of the protection of information technologies and critical elements of infrastructure has also been growing in recent years.

The Security Information Service received more than 6,500 information memos from and sent almost 1,500 information messages to services it cooperates with. Representatives of the Service took part in 500 meetings (approximately the same number as in 2007). In addition to the bilateral and multilateral meetings, members of the Service attended many professional conferences and training courses.

As to bilateral cooperation, the most intensive exchange of information was with the Euro-Atlantic countries. The cooperation with neighbouring countries is a logical necessity.

Generally speaking, the international cooperation of the Security Information Service has undergone a step-by-step evolution, starting with the establishment of initial contacts to first steps in multilateral groups and intensification of bilateral cooperation with partner services, and then to a gradual integration into existing structures (NATO’s Special Committee or Counter Terrorist Group - CTG). As to multilateral cooperation, the Security Information Service is now an active and contributing member of all existing groups.

In 2008, the Security Information Service was making intensive preparations focusing on priority areas of international cooperation in 2009, namely the Czech presidency of the Counter Terrorist Group, a further intensification and strengthening of cooperation with partner services, and efficient work in professional multilateral groups.

It is obvious the Security Information Service will organize an increasing number of international conferences, seminars and workshops in the years to come.

5.1 Multilateral cooperation

Counter Terrorist Group – CTG

The Counter Terrorist Group is a special body of EU security services, the mission of which is to combat terrorism. The Security Information Service is a responsible member of the group and participates in meetings of directors of services and heads of counter terrorist departments of services. It also sends its representatives to seminars of experts, if the topic is relevant and if circumstances permit the Service to do so.

In 2008, the Security Information Service was very active in the Counter Terrorist Group, mainly because of the forthcoming Czech presidency of the EU Council.

NATO Special Committee (SC)

Priorities of the Hungarian presidency of the NATO Special Committee followed on those of the previous Greek presidency. The Special Committee continued to be focused on the fulfilment of requirements of NATO's decision-makers, which mainly concerned support of operations and missions of the Alliance. Terrorism and counter-espionage continued to be principal topics of the Special Committee's working program.

The scope of the involvement of the Security Information Service in the work of the Special Committee was comparable to that of 2007. The Service participated in several meetings of experts and seminars, the Committee's plenary session and meetings of its working groups.

6 Internal security

As to physical security, the Service's activities focused mainly on the development and operation of systems of technical protection and physical security of facilities for the purpose of protecting classified information in accordance with requirements stipulated in Act No. 412/2005 Coll. and Ordinance of the National Security Office No. 528/2005 Coll. In addition, mandatory technical documents pertaining to security of building and facilities have been updated. The year 2008 saw a continuing development and audits of technical and organizational measures concerning the handling, processing, use and storage of classified information.

Regular training and educational courses on crisis management, protection of classified information, physical security and security of information systems were taking place throughout the year.

The capacity of communication routes of the Service's information system has been increased and the routes equipped with new types of cryptographic devices; the existing security documentation of cryptographic protection has been reviewed and updated.

The principal objective of the changes made to provide a sufficient capacity of the Service's information system was to ensure the security of classified information being used and processed.

At the end of the year, preparations of the Service's information system for the forthcoming presidency were completed. A brand new information system earmarked to meet international cooperation requirements was built and commissioned.

7 Oversight, audit and inspection

7.1 External oversight

According to Section 12 of Act No. 153/1994 Coll., activities of the Security Information Service are supervised by the Government and the Parliament of the Czech Republic.

The legal act referred to above does not specifically stipulate how and to what extent the Government supervises the Service. However, the oversight is based on the Government's right and entitlement to task the Service within the latter's legal jurisdiction and to evaluate how it fulfills the tasks assigned to it. Similarly, the control is closely related to the fact that the Government is responsible for activities of the Security Information Service, coordinates them, and appoints and recalls the Service's Director. According to Section 8, Paragraph 1, of Act No. 153/1994 Coll., the Security Information Service is obliged to provide reports on its activities to the President and the Government at least once a year, or whenever the President or the Government ask the Service to do so. The oversight exercised by the Government covers all areas of activities of the Security Information Service.

According to Sections 10 et seq. of Act No. 154/1994 Coll., on the Security Information Service, permissions to use intelligence-gathering assets are granted and the use of the assets supervised by the President of the Senate of the High Court of Justice in Prague.

Act. No. 154/1994 Coll. also stipulates how the Parliament should exercise control over and oversee the activities of the Security Information Service. According to its Section 18, the Security Information Service falls into the purview of the House of Deputies of the Parliament, which has established a special body for this purpose (Permanent Commission for Controlling the Activities of the Security Information Service). The powers and responsibilities of the Commission are stipulated in Sections 19 and 20 of Act. No. 154/1994 Coll.

The fulfillment of the Service's tasks in the field of state-owned property management and compliance with budgetary rules is supervised by relevant state authorities, e.g. under Act No. 320/2001 Coll., on financial auditing in public administration and on amendments of some other legal acts (the Financial Auditing Act), as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended.

7.2 Internal audit

Internal audit activities

The Service's internal audit system is examined and evaluated by the Internal Audit Team. The scope of its powers and responsibilities is set forth in the Organizational Rules of the Services and by an internal regulation. In legal terms, the above documents are based on Act No. 320/2001 Coll., on financial auditing in public administration and on amendments of some other legal acts (the Financial Auditing Act), as amended, and its implementing ordinance (416/2004 Coll.). Some internal financial audits are also carried out by specialized departments of the Service.

Protection of classified information

In 2008, administration security audits were performed in organizational units of the Service, which focused on physical security of classified documents and procedures used to handle classified documents within the unit, maintenance of essential administrative tools (especially minutes of meetings) and maintenance of various records. The audits identified minor deficiencies only, mostly those attributable to the latest changes in document-related SOPs.

As to physical security, checks of conditions under which classified information was stored and kept were conducted as part of the process of updating of security projects. Regular functional tests of security elements installed in the Service's buildings and facilities, including storage facilities and components of lock systems, were performed as well.

Activities of the Inspection Department

The activities of the Service's Inspection Department are regulated by the Rules of Internal Governance and an in-house regulation defining the principles of proceedings conducted by members of the Inspection Department as the police body of the Security Information Service.

The Inspection Department's powers and responsibilities cover three principal areas, namely:

- acting as the police body of the Security Information Service, as defined in Section 12, Paragraph 2, of the Code of Criminal Procedure, if a member of the Service is suspected of having perpetrated a criminal offence;
- investigating the Service's members suspected of having committed an administrative infraction or breach of discipline, as well as extraordinary incidents and accidents, according to an in-house regulation;
- handling and investigating complaints, notifications and proposals submitted by members of the Service and individuals and entities outside the Service.

The Inspection Department also handles requests of other law enforcement bodies and authorities (in particular of the Police of the Czech Republic) in accordance with provisions of the Code of Criminal Procedure.

Activities of the Inspection Department as the Service's police body

In 2008, the Investigation Department investigated one member of the Service suspected of having committed a criminal offence. The case was closed in the same year.

Investigation of administrative infractions

This category of activities of the Service's Inspection Department includes mainly traffic accidents involving members of the Service, which are, as a rule, investigated by relevant Czech police bodies. In such cases, the Inspection Department provides supplementary information essential for resolving the matter at hand, which the police cannot obtain themselves. Another important activity of the Inspection Department consists in investigating cases concerning the protection of classified information.

Compared to 2007, the year 2008 saw a slight decline in the number of investigations of suspected disciplinary breaches or behavior suggesting an administrative infraction by members of the Service, including investigations of extraordinary events at the order of the Director of the Security Information Service, which stipulates a standard procedure to be followed if such an extraordinary event occurs.

Investigation of complaints and notifications

In 2008, members of the Service's Inspection Department conducted necessary investigations in matters of complaints, notifications and suggestions submitted by members of the Service and individuals and entities outside the Service. There were altogether 67 submissions, including 63 (94.02 %) notifications and 4 (5.98 %) complaints.

One of the complaints was found unjustified; in the remaining cases, the Inspections Department concluded they fell outside its jurisdiction.

Cooperation with other government authorities and bodies

In this respect, the Service's Inspection Department cooperates with other government and state administration authorities mainly on requests for information, most frequently submitted by Czech Police bodies involved in criminal or administrative infraction proceedings. In 2008, the Inspection Department handled 12 requests submitted by government and state administration authorities, which represented a significant decrease compared to 2007, when 40 requests had been received.

7.3 Legal framework

The activities, status and jurisdiction of the Security Information Service as an intelligence service of a democratic state are stipulated in relevant legal acts, in particular Act No. 153/1994 Coll., on intelligence services of the Czech Republic, as amended, and Act No. 154/1994 Coll., on the Security Information Service, as amended. The work of the Service is also governed by the Constitution of the Czech Republic, Charter of Fundamental Rights and Liberties, international agreements and other legal acts and regulations of the Czech Republic.

According to Section 2 of Act No. 153/1994 Coll., the Security Information Service is a *state authority responsible for the acquisition, collection and evaluation of information (hereinafter "provision of information") essential for the protection of the constitutional system, vital economic interests, security and defense of the Czech Republic.*

The scope of activities and jurisdiction of the Security Information Service is stipulated in Section 5 of Act No. 153/1994 Coll., according to which the Service provides information concerning:

- *any intentions and activities targeted against the democratic system, sovereignty and territorial integrity of the Czech Republic;*
- *foreign intelligence services;*
- *activities posing a threat to state and official secrets;*
- *activities the consequences of which may threaten the security or vital economic interests of the Czech Republic;*
- *organized crime and terrorism.*

According to Section 5, Paragraph 4, of Act No. 153/1994 Coll., the Security Information Service also fulfills other tasks stipulated by a special legal act (e.g. Act No. 412/2005 Coll., on the protection of classified information and security capacity, as amended, or in an international agreement or treaty the Czech Republic is bound by).

Furthermore, Section 7 of Act No. 153/1994 Coll. stipulates that the Czech Government is responsible for, and coordinates, the activities of the Security Information Service. According to Section 8, Paragraph 4, of Act No. 153/1994 Coll., the Government tasks the Service within the latter's legal jurisdiction. The President of the Czech Republic is also entitled to task the Service within its legal jurisdiction, subject to the Government being notified thereof.

To be able to fulfill its assigned tasks, the Security Information Service is entitled to cooperate with other Czech intelligence services. Section 9 of Act No. 153/1994 Coll. stipulates that the cooperation is based on agreements between the intelligence services, which must be approved by the Government.

According to Section 10 of Act No. 153/1994 Coll., any cooperation between the Security Information Service and a foreign intelligence service is subject to the Government's approval and consent.

7.4 Budget

In 2008, the basic framework of the financial management of the Security Information Service, which is one of the chapters of the state budget, was set by Act No. 360/2007 Coll., on the state budget of the Czech Republic for 2008. The revenues and expenditures were set at CZK 118,000,000 and CZK 1,262,753,000, respectively.

The revenue budget amounting to CZK 118,000,000 did not undergo any changes or adjustments during the year. The actual revenues were CZK 197,969,000; after the consolidation (i.e. an allocation to the Reserve Fund), they amounted to CZK 158,976,000. The largest source of revenues consisted of social insurance premiums and contributions to the government employment policy. Other revenues, including capital ones, were similar to those of other government bodies. In 2008, the revenues amounted to 98.7 % of those in 2007.

The approved expenditure budget amounting to CZK 1,262,725,000 underwent some adjustments in the form of budgetary measures imposed by the Ministry of Finance. All in all, the budget of Chapter 305 (Security Information Service) of the state budget was reduced by CZK 3,906,000 and the amount transferred to Chapter 314 (Ministry of Interior). The amount is consistent with the scope and extent of services provided to the Security Information Service by the Ministry of Interior through the Police of the Czech Republic under a long-term implementation agreement on cooperation in some operational and economic areas.

In addition, some budgetary measures falling into the purview of the administrator of Chapter 305 were implemented, which, however, did not cause any change in binding criteria. After all adjustments and changes, the resulting 2008 expenditure budget amounted to CZK 1,258,819,000. The actual expenditures amounted to CZK 1,237,492,000.

Given the persistent threat of international terrorism and other security risks, the tasks that the Security Information Service is legally obliged to perform require the use of appropriate means, which must be adequately funded. This aspect was reflected in the structure of expenditures in 2008.

As usual, payroll and mandatory insurance premiums paid by the employer accounted for a lion's share of total expenditures. Service pensions paid to ex-members of the Service under Act No. 361/2003 Coll. can also be included in this category. The amount allocated to the service pensions is gradually growing, as the number of ex-members entitled to them increases.

The next block of expenditures includes material and technical support, i.e. essential requirements concerning intelligence-gathering, operating, support and IT assets, communications, and other material support categories. Compared to a certain reduction experienced in 2007, the level of material expenditures in 2008 was relatively adequate; in this respect, the possibility to use the Reserve Fund contributed to the improvement.

As to day-to-day expenditures, purchases of services, fuels and energies needed to maintain the Service operational accounted for a substantial portion. Maintenance and repair expenditures were spent on ensuring the operability and adequate condition of the Service's property and buildings.

As to capital investments, more than a third of the funds went into construction, in particular into measures improving the passive security of the Headquarters site and other facilities of the Service. In addition, projects improving technical characteristics and thus reducing operating costs of some building and facilities were implemented as well. Further investments were made into information and communication technologies, security systems, basic reproduction of means of transport and, in a very small amount, to other fixed assets of the Service or their technical improvement.

Requirements concerning the protection of classified information according to Act No. 412/2005 Coll., on the protection of classified information and security capacity, as amended, continued to receive a great deal of attention, particularly in the areas of physical, administration and personal security and security of information and communication systems. The necessity to reflect these requirements across the entire portfolio of the Service's activities results in many expenditures that other government bodies and authorities do not have.