HISTORY AND OVERVIEW: CZECH REPUBLIC

- Czech Republic is one of the safest/most peaceful countries
- 1999: Warsaw Pact → NATO Membership
- Army of the Czech Republic (ACR) active with EU forces since 2004
- Rising Threats:
  - Russian expansion into Ukraine
  - Migration Crisis from Africa
  - Terrorism / Organized Crime
  - Cyber Threats
  - Corruption
- Critical Infrastructure:
  - Soft Targets
  - Airports
  - Nuclear Power Plants
  - Dams
  - Pipelines
  - Refineries
GOVERNING BODIES AND INSTITUTIONS

**Defense and Military**
- Ministry of Defense (MoD)
- General Staff of the Army
- Army of the Czech Republic (ACR)
- Air Force
- Ground/Special Forces
- Electronic Warfare Battalion
- CBRN Defense
- Military Police

**Homeland Security**
- Ministry of Interior
- Security Information Service (BIS)
- National Police of the Czech Republic
- Rapid Deployment Unit
- Municipal Police
MILITARY BUDGET AND SPENDING

- NATO Requirements:
  - Defense Expenditure: 2% of GDP
  - Equipment Expenditure: 20% of Defense Budget

- Czech Expenditures:
  - 2017 MoD Budget: USD$2.15 billion; 1% of GDP
  - 2017 Equipment: USD$245.5 million; 12% of MoD budget

- 2016-2025 Action Plan Estimates:
  - MoD: rise up to 1.4% per yr.; reach 2% of GDP by 2025
  - Specific expansion areas: Heavy-armored infantry combat vehicles, helicopters, artillery, light-armored vehicles, radar, UAVs, uniforms

Alternative Funding of Military Procurement

- NATO Funding
- EU Funding
- FMF Program – US Foreign Military Financing
- VOP CZ – Enterprise for G2G contracts. State-owned and controlled by MoD
The MoD declared to spend over USD$6.7 billion by 2026 on army modernization projects. Several key projects have already been announced:

- Heavy armored infantry combat vehicles
  - Expected to be the largest army contract ever
- 12 multirole helicopters
  - The plan is to approach at least 3 suppliers
- 52 new howitzers
  - Replacing the aging Dana howitzers is a priority for the army
- 80 light armored Iveco-based vehicles for anti-chemical units
  - The vehicles will have advanced automatic sensors for combat substances but will also be able to measure industrial pollutants
HOMELAND SECURITY BUDGET

- National Security = 75-80% of MoI budget
  - Spending on the rise due to the migration crisis and to improve terrorism prevention
  - Largest portion of national security spending goes to Police (USD$1.4 billion in 2017)
- BIS – Security and information service
  - Employs 300-500 people
  - Budget: USD$48.5 million
- Police of Czech Republic
  - Budget: USD$909 million on salaries (majority)
  - USD$77.2 million available for modernization/tech
- Municipal Police:
  - Budget of Prague City Police: USD$75 million
DOMESTIC, REGIONAL AND INTERNATIONAL THREATS

Organized Crime
- Most serious non-military threat to national security
- Most dangerous organized criminal groups reached an advanced stage where they use fraud instead of violence

Terrorism
- The MoI dedicates maximum priority to its readiness and prevention of potential terrorist threats

Civil Aviation Safety
- Protection of civil aviation is a priority area for monitoring, primarily because it is a permanent target area for terrorists in the long run

Cyber Threats
- Cyber threats and IT crimes occur in a wide range from cyber espionage, hacking and DDoS attacks to increasingly frequent internet fraud

Extremism
- Due to violence, the Ministry assigned extremism with the highest security priority
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Rise in number of security cameras/surveillance technology across the country

Cyber, CR is forerunner in Central and Eastern Europe
  - IT Security Pioneers, AVAST and AVG Technologies
  - Security required as part of Cyber Security ACT of 2015
  - AND GDPR (general data protection regulation)

Key Public Body: National Cyber and Information Security Agency
  - National Center of Cyber Forces Budget: USD$15 million
PUBLIC PROCUREMENT SYSTEM

General Aim of Legislation:
• Provide conformity with the law of the EU
• Set clear rules to prevent corruption, guarantee effective use of public funds, realization of needed projects, and fair competition of bidders
• Reduce administrative burdens and ensure a sufficient level of transparency

Public Procurement Based on expected size of contract:
1. Small-scale: under CZK 2m / 6m for construction
2. Under-threshold: over CZK 2m / 6m for construction
3. Above-threshold:
   • Over CZK 3.686m for governmental orgs
   • Over CZK 5.706m for non-profits
   • Over CZK 11.413m for state-owned suppliers
   • Over CZK 142.688m for construction

Defense and Security Related Procedures:
1. Simplified Under-threshold Procedure
2. Restricted Procedure
3. Negotiated Procedure with Publishing
4. Negotiated Procedure without Publishing
5. Competitive Dialogue
ENTERING THE CZECH MARKET

- Good opportunities exists in **high-end, advanced technological products** to meet needs of Army, Police, or Private Sector

- Member of EU, WTO, and OECD – group regulations and national regulations apply

- Gain access through following channels:
  - Direct Exports
  - Local distributors (best for SMEs)
  - Local subsidiaries
  - Acquisition of local companies
  - Regional Sales Agent

**Key Considerations:**

- Having a native/Czech speaker is a major advantage
- GDPR – unsolicited emails is no longer allowed
- EasyLink Business Services, the VEDP consultant in Central and Eastern Europe can assist with identifying and contacting potential partners