

# **ANALYSIS OF THE NON-PROFIT SECTOR IN THE CZECH REPUBLIC FROM THE PERSPECTIVE OF TERRORIST FINANCING RISKS**

**2025**

**Disclaimer: The following text is based on machine translation from the Czech original with manual corrections applied.**

# CONTENTS

INTRODUCTION .....	3
DESCRIPTION OF THE NON-PROFIT SECTOR IN THE CZECH REPUBLIC.....	4
Data sources on the non-profit sector .....	6
THE DIFFERENT LEGAL FORMS OF NPOs AND THEIR RISKINESS .....	7
Association (including the branch association) .....	8
Foundation .....	9
Endowment fund.....	10
General benefit corporation.....	11
Institute .....	12
Churches and Religious Societies .....	12
UMBRELLA AND NETWORK ORGANISATIONS IN THE NON-PROFIT SECTOR.....	14
SOURCES OF NPO FUNDING .....	15
Grant titles.....	16
Donations from individuals .....	17
Donations from legal persons .....	19
NPO'S STATUTORY OBLIGATIONS AND RELATED OVERSIGHT POWERS .....	20
Creating NPOs.....	20
Accounting.....	22
Obligations under the AML Act .....	23
Public collections.....	23
Humanitarian aid and development cooperation.....	24
RISK OF ABUSE OF CZECH NPOS FOR TERRORIST FINANCING .....	25
Terrorism in the Czech Republic.....	25
Possible methods of abuse of NPOs for terrorist financing .....	27
Possible forms of abuse of NPO funds and resources to support terrorism .....	29
AREAS OF NPO ACTIVITY WITH A HIGHER RISK OF TERRORIST FINANCING ABUSE.....	30
Risks associated with public collections .....	31
Risks associated with humanitarian aid and foreign development cooperation.....	32
RECOMMENDATIONS TO REDUCE THE RISK OF AN ABUSE OF NPOS FOR TERRORIST FINANCING .....	34
CONCLUSION .....	34
OVERVIEW OF ABBREVIATIONS.....	35

## INTRODUCTION

This document was created in 2025 as part of the work of the Working Group on the Risk of Abuse of Non-State Non-Profit Organisations (hereinafter referred to as "NPOs"), coordinated by the Ministry of the Interior, as a supplement to two previously developed materials, **The Risk of an NPO Abuse for the Purposes of Terrorism Financing and Money Laundering**<sup>1</sup> and **Awareness Raising for the NPO Sector Regarding the Fight Against Terrorism Financing**.<sup>2</sup> Representatives of the Ministry of Justice, the Ministry of Finance, the Ministry of Culture, the Ministry of Foreign Affairs, Government Office, the Financial Analytical Office, the Police of the Czech Republic, Financial Administration of the Czech Republic, the National Sports Agency and intelligence services participated in its preparation. Representatives of the Czech National Bank and the non-profit sector were also consulted.

This document aims to assess the available information on the non-profit sector in the Czech Republic in terms of the risks of its abuse for terrorist financing. Thanks to the information obtained in this way, it will be possible to better target the control and awareness-raising activities of individual state entities on non-profit organisations that are more vulnerable to the risk of abuse for terrorist financing. Another objective of this material is to raise awareness of the risks of abuse of NPOs for terrorist financing among both NPOs themselves and relevant state actors. The material also contributes to the proper implementation of FATF Recommendation No. 8<sup>3</sup> in the Czech context, including the implementation of related methodological recommendations.<sup>4</sup> Last but not least, this material also aims to serve as a basis for the implementation of good practice among NPOs and to contribute to the reduction of their risk in areas where this is possible. The material will be published on the website of the Ministry of the Interior. This material also serves as a source of information on the non-profit sector and, where possible, always refers to other available data sources.

The material contains chapters that describe the NPO sector based on available data, distinguish the main legal forms of NPOs in terms of their riskiness, and analyse the main areas of activity of the non-profit sector, including the human and financial resources allocated to them. It also discusses the mechanisms of oversight and cooperation of the non-profit sector, analyses the obligations imposed on NPOs by individual legal provisions in relation to the risk of terrorist financing and focuses on some areas with a higher risk of terrorist financing.

In accordance with the Explanatory Note to FATF Recommendation No.8<sup>5</sup>, non-governmental non-profit organisations are primarily perceived according to the functional definition as entities (which in the Czech environment are usually legal entities) that collect or distribute funds for charitable, religious, cultural, educational, social or other purposes, or for other activities in the public interest. At the same time, however, the material also contains summary information on other NPOs that go beyond this functional definition, as it is necessary to describe to some extent the entire non-profit sector in the Czech Republic in order to define which part of it falls within the FATF functional definition or is exposed to a higher risk.

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1 <https://mv.gov.cz/chh/soubor/the-risk-of-an-npo-abuse-for-the-purposes-of-terrorism-financing-and-money-laundering-pdf.aspx>

2 <https://mv.gov.cz/chh/soubor/awareness-raising-for-the-npo-sector-regarding-the-fight-against-terrorism-financing-eng-final-pdf.aspx>

3 The Financial Action Task Force is an international intergovernmental organisation that sets standards and recommendations in the field of anti-money laundering, counter-terrorist financing and counter-proliferation.

4 <https://www.fatf-gafi.org/en/publications/Financialinclusionandnpoissues/Bpp-combating-abuse-npo.html>

5 <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>

NPOs play a significant role in the Czech Republic in many areas, such as building civil society, providing social and educational services, providing humanitarian aid and development cooperation, developing advocacy and interest activities, supporting volunteering, or other generally beneficial activities, within which NPOs are allowed to do business to a limited extent. More information on the benefits and development of the non-profit sector in the Czech Republic can be found in the material *Strategy of public administration cooperation with NPOs for the years 2021 to 2030*<sup>6</sup> and also in the outputs of the Czech Statistical Office.<sup>7</sup>

NPOs typically raise funds for their own activities from external sources, both public and private, national and international. Some NPOs or entities claiming to be NPOs can thus be used to finance terrorism. Such cases are not common in the Czech Republic at present, but if they occur, they may constitute a significant threat to the internal security of the Czech Republic and therefore adequate attention must be paid to this area. Especially since the abuse of NPOs can occur even without the conscious fault of their representatives. In this text, financing of terrorism is perceived in the broader sense of the term, including material and non-material support of terrorist entities. Where 'persons' are referred to in the text without further specification, they may be either natural persons or legal entities.

## DESCRIPTION OF THE NON-PROFIT SECTOR IN THE CZECH REPUBLIC

The non-profit sector in the Czech Republic can be defined in several different ways. In addition to the FATF functional definition (a legal entity primarily engaged in raising or disbursing funds for charitable, religious, cultural, educational, social or other public benefit purposes), this material also uses a legal forms-based definition to describe the non-profit sector in general terms. **For the purposes of this material, NPOs are primarily associations (including branch associations), foundations, endowment funds, institutes, public benefit corporations, churches and religious societies. This is justified by the fact that these are legal forms of NPOs that fall within the functional definition of the FATF, as they are (also) engaged in the collection and distribution of funds for public benefit.**

Certain other legal forms may also be considered for inclusion in the non-profit sector but are not relevant from the perspective of terrorist financing and will therefore not be described further (trade unions, political parties and movements, professional chambers and hunting associations etc.). These legal forms are generally not involved in the collection and distribution of funds for public benefit and therefore do not fall within the functional definition of the FATF. As of 1 January 2025, the following numbers of entities are registered in the public registers:

Table 1 - Number of individual entities as of 1 January 2025 (data source - MSp and MK)

Number of individual entities on 1 January 2025	
Association	99 323
Branch Association	25 542
Foundation	611

<sup>6</sup> <https://vlada.gov.cz/cz/ppov/rnno/dokumenty/strategie-spoluprace-verejne-spravy-s-nejistymi-organizacemi-na-leta-2021-az-2030-189753/>

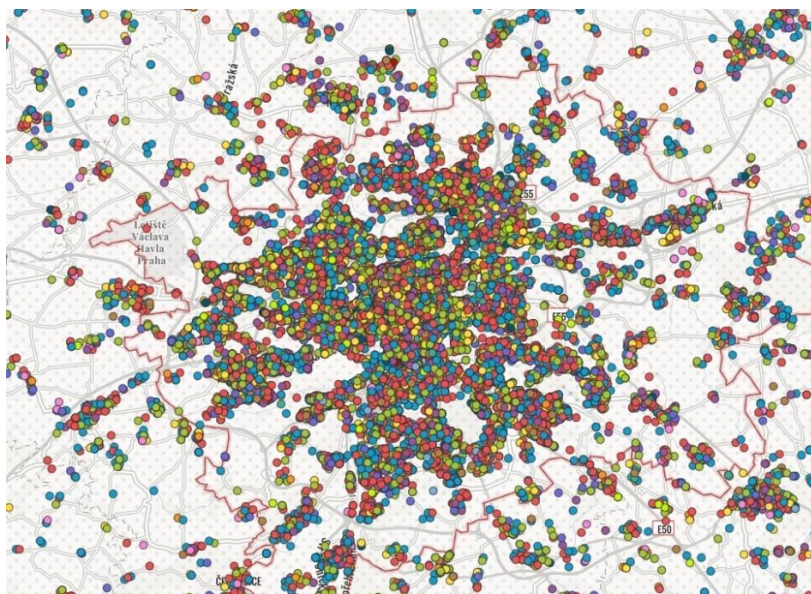
<sup>7</sup> <https://statistikaamy.csu.gov.cz/role-nejistych-instituci-v-roce-2022-vzrostla>

<b>Endowment Fund</b>	<b>2 960</b>
<b>General benefit corporation</b>	<b>2 483</b>
<b>Institute</b>	<b>1 746</b>
<b>Church and religious society</b>	<b>44</b>
<b>Legal person established by churches and religious societies</b>	<b>Approximately 4 000</b>

It is therefore possible to state that the non-profit sector in the Czech Republic, defined according to the above legal forms, includes more than 132 000 entities (without taking into account churches and religious societies and legal entities established by them, and bearing in mind that several tens of thousands of associations are inactive). For comparison, it is worth noting that as of the same date, almost 550 000 limited liability companies were registered and in total more than 830 000 entities were registered in public registers. The NPO sector therefore accounts for a significant share of all registered entities, but not a dominant share. It represents approximately 16% of the entities registered in the public registers.

Furthermore, 44 churches and religious societies were registered as of 1 January 2025.<sup>8</sup> Individual churches and religious societies may establish other legal entities, and the total number of such legal entities established by churches and religious societies is around 4 000.

As regards the focus of the activities of non-profit entities according to the NACE classification<sup>9</sup>, this is always indicated for the individual legal forms. The geographical distribution of NPOs in the Czech Republic can be viewed in the Interactive Map of the Non-profit Sector of Masaryk University.<sup>10</sup> The distribution of NPOs is shown below for illustration on the territory of Prague and its immediate surroundings.



<sup>8</sup> According to data from MK records available here - [https://www-cns.mkcr.cz/cns\\_internet/](https://www-cns.mkcr.cz/cns_internet/).

<sup>9</sup> NACE is the European statistical classification of economic activities - see e.g., [https://csu.gov.cz/klasifikace\\_ekonomickyh\\_cinnosti\\_cz\\_nace](https://csu.gov.cz/klasifikace_ekonomickyh_cinnosti_cz_nace) or <http://www.nace.cz/>

<sup>10</sup> <https://mapaneziskovek.cz/o-projektu/>

The economic importance of NPOs, the sources of funding for NPOs and the various segments in which NPOs operate are analysed in detail in the material Definition of the civil sector and non-governmental non-profit organisations within the national economy (socio-economic importance).<sup>11</sup>

The development trends for the individual legal forms are described in the following chapters.

## Data sources on the non-profit sector

In the Czech Republic, data on the non-profit sector are not uniformly recorded; for example, there is no single central authority that would deal with data on the non-profit sector and their collection. Therefore, the main sources of data can be considered as:

### **Satellite Account for Non-Profit Organisations (hereinafter referred to as "SNI")<sup>12</sup>**

It is a data source of the CZSO, which complements and extends the CZSO national accounts. Its detailed structure and data collection methodology is described on the CZSO website. It is also a frequent source of data for various sub-studies of the non-profit sector (see below). It contains basic statistical data relating mainly to the economic functioning of the non-profit sector.

### **Outputs of the Government Council for Non-Governmental Non-Profit Organisations (hereinafter also referred to as "NPO Council")<sup>13</sup>**

It is a source of analytical, conceptual, and other materials related to the non-profit sector, including regular annual overviews of planned subsidy programmes and subsidies provided to NPOs. It also includes all outputs from the meetings of the NPO Council, its committees, and ad hoc working groups.

### **Individual registers and registers<sup>14</sup>**

They are summarily referenced from the website of the NPO Council. They contain more detailed information about individual NPOs but not aggregate statistical data.

Information on the number of NPO members is not available in any comprehensive form. A certain overview of selected larger Czech NPOs and the number of their members is provided by the Takoví jsme project within the Festival of Freedom.<sup>15</sup> However, the information is based on data provided by the NPOs themselves and cannot be independently verified.

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11 [https://vlada.gov.cz/assets/ppov/rnno/dokumenty/Studie\\_Socioekonom\\_vyznam\\_NNO.pdf](https://vlada.gov.cz/assets/ppov/rnno/dokumenty/Studie_Socioekonom_vyznam_NNO.pdf)

12 [https://apl.czso.cz/pll/rocenka/rocenka.indexnu\\_sat](https://apl.czso.cz/pll/rocenka/rocenka.indexnu_sat)

13 <https://vlada.gov.cz/en/ppov/rnno/basic-information-45510/>

14 <https://vlada.gov.cz/scripts/detail.php?pgid=1405>

15 <https://takovijisme.cz/>

## THE DIFFERENT LEGAL FORMS OF NPOs AND THEIR RISKINESS

This chapter provides a very brief characterization of the main legal forms of NPOs and their basic development trends. The information on legal forms and their riskiness is based on the material Basic Analysis of the Typology of Legal Forms of Legal Entities and Trust Funds with a Focus on their General Risk Level in Terms of Money Laundering and Terrorist Financing Abuse (hereinafter referred to as "MSP Material"), which was an annex to the second round of the National Risk Assessment.<sup>16</sup>

An overview of the riskiness of each legal form is given below. The individual criteria were rated on a scale of 0-5, with 0 corresponding to the lowest risk and 5 to the highest risk. The overall risk is the sum of all the values in the five categories and therefore reaches a maximum of 25 points. **All the legal forms listed below were assessed as medium risk** (the MSP material set a range of 10-18 points for this category). In comparison, the riskiest legal forms analysed - limited liability company and trust fund - scored 21 and 22 respectively. **Thus, in the Czech legal system, there are significantly riskier legal forms of entities in terms of terrorism financing than non-profit organisations.**

Table 2 - Overview of the riskiness of individual legal forms (data source - MSP)

Legal form	Criteria					Total points	RISK
	Difficulty of creation	Area of activities	Oversight	Transparency	Available records		
<b>General benefit corporation</b>	2	2	3	3	1	<b>11</b>	<b>MEDIUM</b>
<b>Foundation</b>	2	3	1	4	1	<b>11</b>	<b>MEDIUM</b>
<b>Institute</b>	4	1	3	4	1	<b>13</b>	<b>MEDIUM</b>
<b>Church and religious society</b>	1	4	4	3	1	<b>13</b>	<b>MEDIUM</b>
<b>Endowment Fund</b>	4	3	2	4	1	<b>14</b>	<b>MEDIUM</b>
<b>Association</b>	5	3	3	1	4	<b>16</b>	<b>MEDIUM</b>

The data on individual legal forms are based on data provided by the MSP (number of registered entities in public registers) and also on data from the CZSO's Satellite Account of Non-Profit Institutions (focus of activities according to individual legal forms). In the case of the use of CZSO data, only data from items marked as S.15 - non-profit organisations serving households are taken into account, which means that non-profit organisations serving primarily legal persons are excluded.

There is no unambiguous definition of an NPO in the Czech legal system. Most often, NPOs are considered to be those legal forms of legal entities that primarily serve purposes other than business, while their mission is to contribute, in accordance with the founding legal act, by their own activities to

<sup>16</sup> <https://fau.gov.cz/files/nra-priloha-c-1.pdf>

the achievement of the general good (Section 146 of Act No. 89/2012 Coll., the Civil Code, hereinafter referred to as the "Civil Code"). This definition corresponds to part of the FATF's functional definition (charitable, religious, cultural, educational, social or other public benefit purposes).

A proposal for a Directive of the European Parliament and of the Council on European Cross-Border Associations (ECBA) is currently under discussion, which aims to facilitate the cross-border activities of non-profit organisations by creating a new legal form of European Cross-Border Association. If adopted, this would be another legal form of NPO that could meet the FATF definition.

## Association (including the branch association)

An association is a self-governing and voluntary association of persons serving to fulfil their common interest. It is based on the membership principle and is therefore a type of corporation. Its operation is governed by the Civil Code and replaces the former civic association. An association may establish a branch association. A branch association is also a legal person, but its legal personality is derived from the main (founding) association. When the main association is dissolved, its branch associations are also dissolved. As of 1 January 2025, 99 323 associations (of which 29 259 are inactive) and 25 542 branch associations (of which 2 828 are inactive) were registered in the association register. The law leaves a high degree of autonomy to associations; the supervisory authority is not obligatory, although it is not an exception. The functioning and organisation tend to be quite simple; ownership structure is not possible. Associations are most often interest-based or public benefit based. Associations cannot run a business as their main activity and therefore do not normally generate profit (although this is possible). The number of associations and the breadth of activities they carry out can make it difficult to navigate the sector. The register of associations is burdened with outdated and incomplete data. According to the MSp Material, the risk of abuse of associations in money laundering and terrorist financing is medium. This assessment is also valid in relation to branch associations.

One of the reasons for the outdated and incomplete data in the association register is the fact that all civic associations were transferred from the register of civic associations (maintained by the Ministry of Interior) to the association register as associations as of 1 January 2014. However, the requirements for keeping previous records were minimal and the transferred files did not contain relevant documents. A large number of the civic associations were also no longer actually active but were not formally dissolved. It is primarily these inactive associations that fail to fulfil their obligations towards the association register. As a consequence of this, as of 1 June 2021, the entry of an 'inactive association' in the association register indicates that a registered association which was previously a civic association has not fulfilled its obligations under the law. Approximately 30 per cent of associations have an inactive status as of 1 January 2025, failing to fulfil their legal obligations, presumably because they are no longer active. For branch associations, the proportion of inactive associations is around 10 per cent.

According to the CSZO data for 2022 and the NACE classification, the activities of associations are primarily focused on the area of so-called other activities (a total of 48 156 registered associations), classified mainly under NACE code 94990 Activities of other organisations bringing together persons for the purpose of promoting common interests<sup>17</sup> - 30 058 entities, and NACE code 94993 Activities of organisations promoting recreational and leisure activities – 7 966 entities. Another group strongly represented is NACE code 9312 Activities of sports clubs, comprising 19 376 entities, NACE code 8425

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<sup>17</sup> <http://www.nace.cz/9499-cinnosti-ost-organizaci-ucelem-prosaz-spolzajmu-i-n>

Activities of fire-fighting services, comprising 7 811 entities (voluntary fire-fighting services). In addition, hunting clubs (over 4 000 entities) and organisations working with children and young people (over 2 800 entities) are also strongly represented.

The evolution of the number of associations over time can be seen in the following table. In recent years, several thousand new associations have been established each year, while the number of branch associations has remained constant. In the case of inactive associations, the number of inactive associations has been decreasing, and the number of active societies has been growing steadily and significantly. Associations have long been the most common form of non-state non-profit organisation and account for around 94% of the legal forms registered in the public register.

Table 3 - Evolution of the number of associations over time (data source - MSp)

<b>Evolution of the number of associations over time (as of January 1)</b>						
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Association</b>	86 714	89 363	91 786	94 320	96 422	99 323
<b>Branch Association</b>	24 930	25 096	25 220	25 328	25 404	25 542
<b>Association including branch a.</b>	111 644	114 459	117 006	119 648	121 826	124 865
<b>Inactive association</b>			40 377	35 601	31 931	29 259
<b>Inactive branch association</b>			3 605	3 359	3 091	2 828
<b>Active associations (including branch associations)</b>			73 024	80 688	86 804	92 778

## Foundation

A foundation is a type of trust, so it is based on the principle of property, not membership as a corporation. It is not a union of persons, but a special-purpose asset. A foundation is established for the permanent service of a socially or economically useful purpose and its operation is also regulated by the Civil Code. As of 1 January 2025, 611 foundations are registered in the public registers.

The formal and material requirements for the establishment and creation of a foundation are high. The foundation charter must be in the form of a public deed, i.e., a deed issued by a public authority within the limits of its powers or a deed declared a public deed by law. The law also imposes higher requirements for the compulsory establishment of controlling bodies and requires a substantial capital contribution in the form of a minimum foundation capital, which must have a total value of at least CZK 500 000. Given the lower number of registered entities, the Foundation Register is clear and contains a high level of quality and up-to-date information. To a considerable extent, the foundation keeps records

of the persons making donations to it. The risk of abuse of the Foundation in terms of money laundering and terrorist financing is medium according to the MSp Material.

Further information on the functioning of foundations and endowments is available on the website of the Donors' Forum.<sup>18</sup>

According to the CZSO data for 2022 and the NACE classification, the activity of foundations is primarily focused on the area of so-called other activities (a total of 453 registered entities), classified mainly under NACE code 94990 Activities of other organisations bringing persons together for the promotion of common interests - 315 entities, and NACE code 94999 Activities of other organisations not elsewhere specified - 78 entities. Another group strongly represented is code 880 Outpatient or field social services for the elderly and disabled - 57 entities.

The evolution of the number of foundations over time can be seen in the following table. In recent years, several dozens of new foundations have been established each year, and the total number of foundations has been steadily increasing. However, these are orders of magnitude lower than the number of associations and constitute the least frequently represented legal form in this material (with the exception of churches and religious societies).

Table 4 - Evolution of the number of foundations over time (data source - MSp)

<b>Evolution of the number of foundations over time (as of January 1)</b>						
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Foundation</b>	521	532	556	576	595	611

## **Endowment fund**

An endowment fund is also a type of trust. An endowment fund is intended to serve a socially or economically useful purpose. The main difference between an endowment fund and a foundation is that it does not have to serve its purpose permanently and that it does not create an endowment principal or endowment capital (the assets of the fund consist of a collection made up of deposits and donations). The functioning of an endowment fund is also regulated by the Civil Code. As of 1 January 2025, 2 960 endowment funds were registered in the public registers.

The legal regulation of an endowment fund is looser than that of a foundation. The founder has relative freedom in setting up the functioning of the endowment fund. There is no obligation to draw up an annual report. Despite the mandatory control body, there are no specific requirements for its members. The risk of abuse of the foundation fund in terms of money laundering and terrorist financing is medium according to the MSp Material.

According to the CZSO data for 2022 and the NACE classification, the activities of endowment funds are primarily focused on the area of so-called other activities (a total of 1 995 registered entities), classified mainly under NACE code 94990 Activities of other organisations bringing together persons for the promotion of common interests - 1 492 entities, followed by NACE code 94999 Activities of other organisations not elsewhere specified - 300 entities and code 94996 Activities of organisations for the protection and improvement of the status of ethnic, minority and other special groups - 129 entities.

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<sup>18</sup> <https://www.donorsforum.cz/>

Another group strongly represented is code 880 Outpatient or field social services for the elderly and disabled - 189 entities.

The evolution of the number of endowment funds over time can be seen in the following table. The number of endowment funds is steadily growing, with approximately 200 more each year. Among the legal forms analysed, endowments are moderately represented.

Table 5 - Evolution of the number of endowment funds over time (data source - MSp)

Evolution of the number of endowment funds over time (as of January 1)						
	2020	2021	2022	2023	2024	2025
<b>Endowment Funds</b>	1 926	2 079	2 263	2 500	2 686	2 960

## General benefit corporation

The general benefit corporation is regulated by Act No. 248/1995 Coll., on Public Benefit Corporations and on Amendments and Supplements to Certain Acts. Since 2014, general benefit corporations can no longer be established, but they still exist and are governed by the original legislation. General benefit corporations can change their legal form to an institute, foundation or endowment fund. A general benefit corporation provides services of general benefit to the public under predetermined and equal conditions for all users. According to data as of 1 January 2025, 2 483 general benefit corporations are registered in the public registers.

At the time when it was possible to establish public benefit corporations, there were increased formal requirements for the legal acts of incorporation. The founders' signatures were required to be notarised on the articles of incorporation, and in the case of a single founder, the articles of incorporation had to be drawn up in the form of a notarial deed. The founder, who may be a legal person, may have a significant influence on the activities even after the establishment (the management and ownership structure may thus branch out). Internal control mechanisms are above standard, and a control body - a minimum three-member supervisory board - has to be established on a mandatory basis. According to the MSp Material, the risk of abuse of a general benefit corporation in terms of money laundering and terrorist financing is medium.

There are 2 483 general benefit corporations registered. Since new general benefit corporations cannot be created, there is no year-on-year increase. However, an interesting fact is that there is no decrease over time. Among the legal forms analysed, general benefit corporations are moderately represented.

According to the CZSO data for 2022 and the NACE classification, the activities of general benefit corporations are primarily focused on the area of so-called other activities (a total of 628 registered entities), classified mainly under NACE code 94990 Activities of other organisations bringing together persons for the purpose of promoting common interests - 376 entities, and NACE code 94999 Activities of other organisations not elsewhere specified - 105 entities. The other group strongly represented is code 85D Other education - 399 entities, code 880 Outpatient or field social services for the elderly and disabled - 387 entities, code M Professional, scientific and technical activities - 267 entities and code 930 Sports activities and other amusement and recreation activities - 142 entities. It can therefore be concluded that the activities of general benefit corporations take place in many different sectors, none of which is significantly dominant.

## Institute

The institute is established for the purpose of carrying out activities useful socially or economically using its personal and property component (its property component, however, prevails). It differs from foundations and endowment funds in that it has a narrowly defined purpose and a relatively significant position of the founder. As of 1 January 2025, 1 746 institutes are registered in the public registers.

The statutory body of the institute is the director. Another obligatory body of the institute is the board of trustees, which elects and dismisses the director, supervises the exercise of his/her powers and, for example, grants prior consent to certain legal actions of the institute. The office of director and member of the board of trustees is incompatible. The supervisory body (Supervisory Board) is not obligatory. The founder of the institute is an important person who can change the founding legal acts even after the institute has been established. The potentially broad powers of the founder may in practice be linked to the fact that the property spheres of the institute and its founder are interconnected (e.g., the founder finances the institute). The form of a public deed is not required for the founder's legal acts. The institute prepares an annual report. According to the MSp Material, the risk of abuse of the institute in terms of terrorist financing is medium.

According to the CZSO data for 2022 and the NACE classification, the activities of the institutes are primarily focused on the area of so-called other activities (a total of 761 registered entities), classified mainly under NACE code 94990 Activities of other organisations bringing together persons for the promotion of common interests - 525 entities and code 94996 Activities of organisations for the protection and improvement of the status of ethnic, minority and other special groups - 93 entities. Another strongly represented group is code 880 Outpatient or outreach social services for the elderly and disabled - 183 entities, code 85D Other education - 164 entities, code M Professional, scientific and technical activities - 88 entities and code 87A Social work activities in residential health care facilities - 69 entities.

The evolution of the number of institutes over time can be seen in the following table. The number of institutes is steadily increasing, with approximately 100 more institutes every year. Among the legal forms analysed, institutes are less frequently represented.

Table 6 - Evolution of the number of institutes over time (data source - MSp)

Evolution of the number of institutes over time (as of January 1)						
	2020	2021	2022	2023	2024	2025
Institute	1 197	1 302	1 399	1 514	1 639	1 746

## Churches and Religious Societies

The legal forms of religious legal entities are regulated by Act No.3/2002 Coll., on Freedom of Religion and the Status of Churches and Religious Societies and on Amendments to Certain Acts, as amended (the Act on Churches and Religious Societies). These are special legal entities governed by private law.

According to the Act on Churches and Religious Societies, a church and a religious society is a voluntary community of persons with its own structure, organs, internal regulations, religious ceremonies and expressions of faith, established for the purpose of practising a particular religious faith, whether publicly or privately, and in particular the associated gathering, worship, teaching, spiritual services and, where appropriate, activities of general interest. The purpose and activities of the legal persons in question are thus limited.

In the course of the registration procedures, a number of conditions are examined to exclude, among other things, the registration of potentially dangerous or illegal groups. The Ministry of Culture cooperates in these proceedings with other authorities (e.g., the Ministry of the Interior, the Security Information Service) and with court-appointed experts. The Ministry of Culture may ultimately cancel a legal entity if it carries out illegal activities (according to Section 22 of the Act on Churches and Religious Societies).

According to data as of 1 January 2025, there were 44 registered churches and religious societies and more than 4 000 registered legal entities established by churches and religious societies. Their database is available on the website of the Ministry of Culture.<sup>19</sup> The registered legal entities are usually parishes, congregations and deaconries, i.e., de facto local branches of mainly large churches. 13 churches and religious societies have no registered legal entities. On the other hand, the Roman Catholic Church has more than a thousand of these registered legal entities.

The requirements for the establishment and formation of churches and religious societies are above standard - these legal entities are only established by registration with the relevant registry, a preparatory committee must be formed, and they need 300 signatures on the proposal. The entire process of establishment and further existence of these legal entities is under increased control of public authorities. In the course of the registration procedures, a number of conditions are examined to ensure, among other things, that potentially dangerous groups or groups carrying out illegal activities are not registered.

The scope of activities is limited, but churches and religious societies may have considerable assets and various groups of persons may operate within them. The amendment to Act No 3/2002 Coll., effective from 1 January 2025, refers to the business of churches and religious societies as a secondary, not just supplementary, activity. The amendment responds to the need to take care of the large assets acquired under Act No. 428/2012 Coll., on Property Settlement with Churches and Religious Societies. The organisation and structure of religious societies is transparent, although it may be complex to an outside observer. The basic document of a church and religious society must contain a wide range of information about the church, in particular about its organisation and statutory bodies (Article 10(3) of the Act on Churches and Religious Societies), all of which is publicly accessible. The relevant public registers are of very high quality as they contain up-to-date data, and the extent of the information published on churches and religious societies is also superior to the information contained in the registers on other legal entities.

Churches and religious societies are generally not risky. Their potential abuse is therefore not so much related to the nature of their legal form, but rather to the specific persons who may associate within the church (or religious society). A particular legal entity may therefore be risky in view of its connection to risky geographical areas or the inclination of some of its members towards religious fundamentalism. Given these practical implications associated with the institutionalisation of religion, the resulting risk can be considered medium.

The number of churches and religious societies has been stable for a long time. The last, 44th, church and religious society registered in 2022 was the Church and Religious Society of the Slavs - Religious Society). In 2020, a total of 41 churches and religious societies were registered. The number of active registered legal entities established by churches and religious societies has a constant variability and oscillates around 4 000. The exact number is not monitored by the Ministry of Culture.

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<sup>19</sup> [https://www-cns.mkcr.cz/cns\\_internet/](https://www-cns.mkcr.cz/cns_internet/)

According to the CZSO data for 2022 and the NACE classification, the activities of legal entities established by churches and religious societies are primarily focused on the area of so-called other activities (a total of 3 801 registered entities), classified entirely under NACE code 9491 Activities of religious organisations – 3 801 entities. The only other significantly represented group is code 880 Outpatient or field social services for the elderly and disabled - 171 entities. It can therefore be concluded that these legal entities are primarily engaged only in a narrowly defined segment of activities that corresponds to the specific conditions of their establishment.

## UMBRELLA AND NETWORK ORGANISATIONS IN THE NON-PROFIT SECTOR

The large number of individual entities in the non-profit sector can make the sector difficult to understand, both for the general public and for public administration bodies. A certain unifying element of the non-profit sector can be the so-called umbrella or network organisations, which bring NPOs together. Due to the diversity of the whole civic sector, there is no one main umbrella organisation, but there are dozens to hundreds of umbrella organisations representing NPOs. These umbrella organisations may operate on a sectoral basis (for example, the Czech Council of Children and Youth<sup>20</sup> or the Consortium of Migrants Assisting Organizations<sup>21</sup> ) or on a general basis, bringing together basically any type of NPO (such as the Association of Non-Governmental Non-Profit Organisations of the Czech Republic<sup>22</sup>). Furthermore, some NPOs are also members of some thematic umbrella organisations where commercial entities are also included. In 2015, the NPO Council adopted a general definition of an umbrella organisation<sup>23</sup> which is currently being revised.

**Umbrella organisations play an important role in the Czech non-profit sector as carriers and disseminators of good practice among NPOs, which can in some cases contribute to reducing the risk of NPOs being used to finance terrorism. At the same time, the very element of integration and interaction with other NPOs and umbrella NPOs reduces the risk of a particular NPO being involved in terrorist financing. This increased interaction and integration improves chances of detecting any potential illegal activities by the NPO or those abusing it.**

Umbrella organisations can also be suitable partners for cooperation with public administration authorities. This fact is reflected, among other things, in the selection of experts who are part of the NPO Council and its committees, and other advisory and working bodies of the government, including bodies established in the context of drawing on EU funds, and individual state entities. The aspects of cooperation of umbrella organisations and other NPOs with state bodies are analysed in detail in the material Analysis of Cooperation between State administration and Umbrella Organisations and Networks of Non-Governmental Non-Profit Organizations.<sup>24</sup>

Similarly, positive significance can be attributed to so-called network organizations that aim to connect individual non-profit organizations and support their efforts. An example of this is Alliance 2015,<sup>25</sup> which brings together NPOs engaged in humanitarian and development activities at an international level

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20 <https://crdm.cz/crdm/co-je-crdm/>

21 <https://migracnikonsorcium.cz/cs/kdo-ismе/#clenske-organizace>

22 <https://annocr.cz/seznam-clenu/>

23 [https://vlada.gov.cz/assets/ppov/rnno/pskmp/DEFINICE\\_Zastresujici\\_NNO.pdf](https://vlada.gov.cz/assets/ppov/rnno/pskmp/DEFINICE_Zastresujici_NNO.pdf)

24 [https://vlada.gov.cz/assets/ppov/rnno/dokumenty/Vyzkumna\\_zprava\\_NNO\\_strechy\\_FIN.pdf](https://vlada.gov.cz/assets/ppov/rnno/dokumenty/Vyzkumna_zprava_NNO_strechy_FIN.pdf)

25 <https://www.alliance2015.org/who-we-are/>

(People in Need is a member). There is also a network structure of religious organisations such as Charity or Diakonie, which are connected with similar entities in other countries based on various organisational principles. Again, their contribution can include not only the exchange of good practices but also a certain preventive function, especially in the area of sharing information about risk factors and unreliable partners in conflict and other high risk areas, with the possibility of direct control over the use of funds even in hard-to-reach locations.

## SOURCES OF NPO FUNDING

Based on CZSO data, the main sources of funding for NPOs include public subsidies, NPOs' own activities, donations from legal entities and donations from individuals. Volunteer activities are not taken into account in this material, as volunteer activities per se can be considered of little relevance or even insignificant from the point of view of the risk of terrorist financing. The main reason is that volunteering does not usually involve financial transactions or significant generation of funds that could potentially be diverted or abused. Furthermore, this material does not deal with funding from the NPOs' own activities (e.g., income from non-market production), as this is an area so broad that it cannot be analysed to the extent necessary given the diversity of the non-profit sector.

The main sources of funding for NPOs are listed in the table below. The most recent data available is for 2022. The historical comparison shows a significant decline in the value of donations from legal entities in 2020 and 2021, caused by the reduction in activities of NPOs that were funded by legal entities and probably also by the precarious financial situation of some legal entities as a result of the covid-19 pandemic. The volume of support for NPOs from the public sector has been steadily increasing and at the same time, it has long accounted for the largest share of recorded income of NPOs.

It is also clear that the value of donations from individuals peaked in 2020 and has not reached that level again. On the contrary, the volume of membership contributions from individuals has been steadily increasing, with the exception of 2020, and reached its highest value in 2022. Support from abroad peaked in 2020 and its volume in 2022 was comparable to 2018. In general, it can be stated that financial support from the non-profit sector in 2018-2022 (but also in the longer term) is steadily increasing in total volume and there are no significant shifts between different sources of funding. However, the EU funds programming period ends in 2027, and the next programming period can be expected to see a reduction in the volume of funds in the cohesion policy, which is one of the important sources of subsidies. The CZSO article provides further insight into the sources of funding as well as the value created by the non-profit sector.<sup>26</sup>

Table 7 - Selected sources of funding for NPOs, amounts in millions of CZK (data source - CZSO)<sup>27</sup>

Source of funding	2018	2019	2020	2021	2022
Donations from legal persons (S.11 and S.12)	6 471	6 240	5 480	4 960	7 220
Public sector support (S.13)	27 738	30 202	33 197	37 942	39 758
Support from individuals - donations	3 278	3 999	4 642	4 432	4 431

<sup>26</sup> <https://statistikaamy.csu.gov.cz/neziskove-institute-v-cesku>

<sup>27</sup> data is based on data from the SÚNI, a more detailed description of the categories is given here - [https://apl.czso.cz/nufile/SEKTORY\\_ESA%202010.pdf](https://apl.czso.cz/nufile/SEKTORY_ESA%202010.pdf)

Support from individuals - membership fees	3 796	4 378	4 225	4 469	6 109
External support (including from EU institutions and EU Member States) (S.2) <sup>28</sup>	4 888	6 018	6 376	5 990	5 056
<b>Total</b>	<b>46 171</b>	<b>50 837</b>	<b>53 920</b>	<b>57 793</b>	<b>62 574</b>

## Grant titles

According to the available information, the main source of financial resources for the activities of NPOs is public subsidies. The most detailed information on total public subsidies provided to NPOs is contained in the material Summary information on subsidies provided within the material Main areas of state subsidy policy towards non-state non-profit organisations for 2020.<sup>29</sup> More recent materials on the Main Areas of State Subsidy Policy do not contain such detailed data. However, this material should be seen in accordance with the methodology of its creation - it analyses subsidy titles only within the framework of the initial material Main areas of state subsidy policy towards non-governmental non-profit organisations for 2020, thus it includes only budgets of ministries and the Government Office and subsidy programmes intended mainly for non-profit organisations. However, it is evident that NPOs may also receive subsidies from other public budgets (e.g., budgets of regions or municipalities) and other subsidy programmes than those listed in the material. At the same time, in the subsidy programmes analysed, legal entities other than NPOs can also receive subsidies. The material shows that in 2020, a total of CZK 7 531 490 403 was paid out in the 91 subsidy programmes analysed to 10 054 beneficiaries (it is likely that some beneficiaries received support from several different programmes and therefore the total number of different supported NPOs is smaller).

The more recent material Main areas of state subsidy policy towards non-state non-profit organisations in support of public benefit activities for 2025<sup>30</sup> assumes a total financial allocation of CZK 8 184 343 498 in 88 programmes, however at the time of preparation of the referenced material the negotiations on the state budget for 2025 had not yet been completed. In terms of the volume of subsidies provided, the largest providers of subsidies in support of public benefit activities are the National Sports Agency, the Ministry of Labour and Social Affairs and the Ministry of Culture. Therefore, in terms of the distribution of funds between the different areas, the areas of physical education and sport, social services and culture have the most significant share.

Detailed information on the individual grant titles, rules for providing grants to non-profit organisations and other related areas is provided in the above-referenced materials. In general, it can be stated that in addition to Act No. 218/2000 Coll., on Budget Rules and on Amendments to Certain Related Acts, Act No. 500/2004 Coll., Administrative Procedure Code, as amended, and Act No. 320/2001 Coll., on Financial Control in Public Administration and on Amendments to Certain Acts, the Government Guidelines for the Provision of Subsidies from the State Budget of the Czech Republic by Central Bodies of State Administration to Non-Governmental Non-Profit Organisations also apply<sup>31</sup> and further specify and unify this procedure across the public administration.

<sup>28</sup> This category also includes EU funds released through national operational programmes

<sup>29</sup> [https://vlada.gov.cz/assets/ppov/rnno/dokumenty/Souhrnna-informace\\_final-material.pdf](https://vlada.gov.cz/assets/ppov/rnno/dokumenty/Souhrnna-informace_final-material.pdf)

<sup>30</sup> <https://vlada.gov.cz/cz/ppov/rnno/dokumenty/hlavni-oblasti-statni-dotacni-politiky-vuci-nejstatnim-nejziskovym-organizacim-pro-rok-2025-214054/>

<sup>31</sup> <https://vlada.gov.cz/assets/ppov/rnno/usneseni-vlady/Zasady.pdf>

A relatively detailed analysis of the funding of NPOs, but based on older data from 2016, is available in the material Analysis of the Funding of Non-Governmental Non-Profit Organisations from Public Budgets in 2016.<sup>32</sup>

Another important source of funding for the non-profit sector is funding from the EU. These resources, which are made available through national operational programmes or direct grant calls, are funds from the EU budget, which, although partly (in the case of programmes) pass through the state budget and are often pre-financed from it, cannot be considered as subsidies from the state budget. Their administration is governed by the regulations set by the EU or by the national institutions approved by the EU. Lists of beneficiaries of subsidies from EU funds, which can be filtered by the legal form of the beneficiary, can be found on the website of the Ministry of Regional Development.<sup>33</sup> All beneficiaries of EU funds are listed, not just NPOs. Individual recipients of public subsidies can also be found in the Register of Subsidies on the website of the Financial Administration.<sup>34</sup> **In terms of the risk of abuse of subsidy funds for terrorist financing, it can be stated that this is a relatively difficult source to abuse, since the recipient of the subsidy not only has to prove many essential facts in the application for the subsidy itself, but also has to properly document the use of subsidy funds. It can thus be concluded that these funds, although their volume may tempt various types of abuse, are under significant public scrutiny and are therefore inherently much less risky than, for example, donations received from individuals in the context of public collections.**

In particular, NPOs operating abroad and NPOs of a network character also receive funding from governments of other countries, international organisations, and possibly other foreign legal entities. These funds do not constitute a large share of the total funding, but they are also more difficult to control, as they do not pass through the state budget or any binding records or control in the Czech Republic. The main source of information on these funds are the annual reports of the recipient NPOs. The conditions for spending and reporting are set by the provider of the funds, and similar control processes to those for Czech public funds can be expected for donor governments and international organisations.

## Donations from individuals

Another source of funding for the non-profit sector is donations from individuals as part of individual giving. Smaller donors dominate here and often do not claim a tax deduction for the value of the donation. This may be due to a lack of awareness of this possibility, the low value of the donation or reluctance to provide information to their employer about which NPOs the donor supports. Donations are most often made to help children, the poor and those affected by natural disasters.<sup>35</sup> Various types of information are available on the volume of individual donations. A partial picture can be built up from the data from the SNI, contained in the D75 report, which, according to the latest published data for 2022, shows donations from individuals totalling CZK 4.4 billion. Data from the Financial Administration, or from income tax return data<sup>36</sup> for 2022 show donations worth CZK 4.1 billion. The difference is due to the fact that the Financial Administration data include only donations of those individuals who have claimed a deduction of the value of the donations from the tax base - i.e., mainly donations of higher

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32 [https://vlada.gov.cz/assets/ppov/rnno/dokumenty/rozbor\\_2016\\_material\\_pro\\_web.pdf](https://vlada.gov.cz/assets/ppov/rnno/dokumenty/rozbor_2016_material_pro_web.pdf)

33 [https://dotaceeu.cz/cs/statistiky-a-analyzy/seznam-operaci-\(to-the-recipient\)](https://dotaceeu.cz/cs/statistiky-a-analyzy/seznam-operaci-(to-the-recipient))

34 <https://red.fs.gov.cz/registr-dotaci/prijemci>

35 [https://vlada.gov.cz/assets/ppov/rnno/dokumenty/studie\\_kalousova\\_darcovstvi\\_pro\\_web.pdf](https://vlada.gov.cz/assets/ppov/rnno/dokumenty/studie_kalousova_darcovstvi_pro_web.pdf)

36 <https://www.financnisprava.cz/cs/dane/analyzy-a-statistiky/udaje-z-danovych-priznani>

financial amounts. A more detailed analysis of individual and corporate donations is presented in the material Giving and philanthropy of companies and individual donors in 2020.<sup>37</sup>

A new perspective on this issue is provided by the current STEM research conducted for the Government Office with the support of the Technology Agency of the Czech Republic.<sup>38</sup> In addition to data from tax returns of individuals and legal entities, the survey is also based on data from the donation platforms Darujme.cz and Donio.cz. According to this research, there is an increase in the volume of donations, with a total of CZK 12.5 billion claimed in tax returns in 2022, with total donations exceeding this amount. According to the data from NPOs themselves, at least CZK 5 billion has been donated to help Ukraine. In 2023, 5.6% of legal entities and 10.2% of individuals reported donations in their tax returns. In 2023, 56% of natural persons and 44% of legal persons made repeated donations. According to the research, both the share of individuals who donate and the share of regular donors among individuals and legal entities continue to grow. Countries with higher economic performance and higher income levels (expressed in terms of household disposable income or wage levels) are more likely to have a higher proportion of donors and a higher average donation. Regional centres, especially Prague, dominate in absolute terms.

In 2022, the volume of donations sent through the Darujme.cz and Donio.cz platforms exceeded CZK 1 billion, and this trend continued in 2023. In 2023, more than 600,000 unique donors, both individuals and legal entities, used both platforms. The average donation amount in 2023 was CZK 1 699.

A specific type of NPO income is **membership fees** from individuals. These are also captured in the CZSO data and amount to CZK 6.1 billion in 2020. Their volume is determined by the relatively large number of non-profit organisations based on the membership principle (associations) and also by the substantial number of their members. Membership fees are typically collected by organisations working with children and young people (various scouting and hiking clubs), youth and adult sports clubs, but can also be a source of income for other associations.

Public collections, analysed below, are also a valuable tool for raising funds from individuals and companies. Another source of information on donations to NPOs is the Donor Map, compiled by the Donors' Forum.<sup>39</sup>

**From the point of view of the risk of abuse for terrorist financing, it can be stated that income from individuals is among the riskiest sources of income for NPOs. With the exception of the area of public collections, this is the area with the lowest level of public control. At the same time, it can be assumed that the control over the use of donated funds by the donors themselves cannot be very high either. In the case of individuals, it is not possible to assume a high level of awareness of the possibilities of abuse of donated funds for financing terrorism or other illegal activities. Contributions from specific groups of individuals who may be close to certain terrorist or other radical movements and may support NPOs affiliated or otherwise linked to them, including foreign NPOs, may also be at risk. Anonymous or partially anonymous donations in the form of, for example, cash donations, are also a highly problematic aspect.**

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37 [https://vlada.gov.cz/assets/ppov/rnno/dokumenty/studie\\_kalousova\\_darcovstvi\\_pro\\_web.pdf](https://vlada.gov.cz/assets/ppov/rnno/dokumenty/studie_kalousova_darcovstvi_pro_web.pdf)

38 <https://vlada.gov.cz/cz/ppov/rnno/aktuality/udaje-z-danovych-priznani-odhaluji-rekordni-rust-darcovstvi-v-cr-217661/>

39 <https://www.donorsforum.cz/o-darcovstvi/mapa-darcovstvi-2024.html>

## Donations from legal persons

Another form of private giving is corporate giving, which is perceived as part of Corporate Social Responsibility (CSR). This is an area that is still developing dynamically. Various approaches are combined - monetary donations, in-kind donations, discounted prices for services or pro bono services, lending employees as volunteers to NPOs, collections among employees, etc. **Direct financial donations to NPOs are the riskiest area in terms of terrorist financing.**

The CZSO data contain the amount of CZK 7.2 billion for corporate donations to NPOs. The Financial Administration data show that for 2022, legal entities donated a total of almost CZK 8.7 billion to NPOs, with the application of this donation in tax returns. The difference between these two items may be due to the fact that some of the donations made by legal persons were directed to other NPOs than those registered by the CZSO as non-profit organisations providing services to households under the code S.15 (which in fact means that these NPOs provide services to the general public and not, for example, exclusively to legal persons).

A more detailed analysis of corporate giving is contained in the material Corporate Giving in the Czech Republic - Development, Current Status and Obstacles to the Development of its Individual Forms<sup>40</sup>, prepared as part of the TITAUVC701 project of the Technology Agency of the Czech Republic in 2018. This material analyses corporate giving in the Czech Republic in an international comparison, deals with its legal regulation, motivation of individual companies to donate financial and in-kind resources and also obstacles that hinder the development of corporate giving in the Czech Republic.

According to the STEM research referenced above, legal entities with a tax base above CZK 5 million donated CZK 7.6 billion, which represents 90% of the total volume of donations claimed in corporate tax returns in 2022. In this group, 42% of entities donated, with 55% of those donating repeatedly.

**In terms of the risk of abuse for terrorist financing, it can be concluded that income from legal persons represents a medium level of risk. A lower level of control is still present compared to e.g., grant titles. However, it can be assumed that, especially on the part of large corporate donors providing large financial donations, efforts are already made to control the use of these donations by NPOs. At the same time, legal entities, again especially larger entities or entities that are themselves subject to some form of AML regulation, can be expected to have a higher level of awareness of the risks of abuse of donated funds for terrorist financing or other illegal activities, and thus a related higher level of caution when donating. Again, to some extent, donations from specific groups controlling legal entities that may be close to certain terrorist or other radical movements and may support related or otherwise affiliated NPOs, including foreign NPOs, may be at risk. However, this risk is lower than for natural persons, as it requires control of the legal person in question by these natural persons.**

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40 [https://vlada.gov.cz/assets/ppov/rnno/dokumenty/filantropie\\_finalni\\_zprava\\_pro\\_web.pdf](https://vlada.gov.cz/assets/ppov/rnno/dokumenty/filantropie_finalni_zprava_pro_web.pdf)

## NPO'S STATUTORY OBLIGATIONS AND RELATED OVERSIGHT POWERS

In the Czech Republic, there is a large amount of legislation that affects the activities of NPOs in relation to their possible abuse to support terrorism. The following obligations apply to entities falling under the definition of an NPO and can be divided into several main areas:

- 1) **Creating NPOs**
- 2) **Accounting**
- 3) **Obligations under the AML Act**
- 4) **Public collections**
- 5) **Humanitarian aid and development cooperation**

The first two areas apply to almost all NPOs according to the FATF functional definition. The other three areas of regulation apply to NPOs in specific situations (if they become an obliged person under the AML law, organise a public collection or engage in humanitarian aid and development cooperation). In general, NPOs are not subject to specific regulation (beyond the regulation depending on their legal form),<sup>41</sup> which would apply to them because of their non-profit nature but are subject to all the obligations imposed on other legal persons. For each regulation, the related oversight activity towards NPOs by public entities is also indicated. Other areas of regulation that are not relevant to the area of terrorist financing are not considered in the material, although of course they also affect the ordinary activities of NPOs.

## Creating NPOs

Beyond the information provided for the individual legal forms of NPOs, it can be stated that NPOs always have obligations towards the public registers in which they are registered. These obligations are linked to the establishment of the NPO, to changes in the registered data that occur during its existence, and finally to its dissolution and deletion from the register. Below are the basic conditions for the establishment of the various forms of NPOs that can currently be established.

**An association** is established by the founders agreeing on the content of the statutes (or by a resolution of the constituent meeting). The articles of association must contain at least the name and registered office of the association, the purpose of the association, the rights and obligations of the members towards the association, if applicable, the manner in which the rights and obligations will accrue to them, and the designation of the statutory body (Art. 218 CC). The articles of association must be deposited in full at the registered office of the association (Art. 221 CC). An association may also be established by a resolution of the constituent meeting of the association being formed.

**A foundation** is established by a foundation deed, which may be both a founding charter and a testamentary disposition. The form of a public deed is required for a foundation deed. Each foundation has a statute, which is a basic legal and organisational document that regulates both its internal relations and certain aspects of the foundation's relations with third parties, in particular the conditions for making foundation contributions. Unlike the founding legal act, it is relatively easy to change the statutes. The statutes are deposited in the collection of documents in the public register.

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<sup>41</sup> see MSp text

**An endowment fund** is also established by a founding charter or by a testamentary disposition, and a form of public deed is also required.

**General benefit corporations** can no longer be established. All have to be registered in the public register in order to come into existence (Art.126(1) CC). Registration in the public register is necessary for the formation of a legal person of various forms so that it can enter into legal transactions and acquire rights and obligations.

**The Institute** is established by a founding charter or by testamentary disposition. The instrument of incorporation shall contain at least the name of the institute, its registered office and its purpose, specifying the object of its business or activities. It is also required to state the amount of the contribution or, where applicable, its contribution in kind. Furthermore, information on the members of the board of directors and other information on the internal structure of the institute is required (unless the structure is reserved for the statutes of the institute, which are also published in the public register). The purpose of the institute must pursue a social or economic benefit, and the results of its activities must be equally accessible to all under predetermined conditions. The Institute must draw up an annual report.

The registrar courts are regional courts (except for the Regional Court in Prague, for whose district the Municipal Court in Prague acts as the registrar court) and the Municipal Court in Prague. The court in whose district the registered office of the person to be registered is located has local jurisdiction to hear the application for registration.

#### **Registration of religious societies and churches**

Pursuant to Act No.3/2002 Coll., on Churches and Religious Societies, it is only possible to register with the Ministry of Culture such a community of persons that fulfils the characteristics according to the statutory definition. The law also stipulates that a church and religious society whose teachings or activities pursue a violation of the law or pursue the achievement of an objective in an unlawful manner cannot be established and carry out its activities.

#### **Possibilities of control of NPOs by registrar courts**

**The obligations of NPOs in relation to the establishment and registration of NPOs (except for churches and religious societies) are controlled by the competent registrar courts** (although some legal forms of NPOs may be entered directly into the public register by a notary in accordance with the procedure under section 108 et seq. of the Public Registers Act). In general, all information that is proposed to be entered into the public register must be supported by a document that the applicant attaches to the application for registration. Without it, the proposed registration cannot be completed. The scope of the documents to be attached varies according to the form of the legal entity and the information that is to be entered into the public register.

The law also imposes an obligation on registered persons to bring the information entered in the public registers in line with the actual and current status. Given the principle of material publicity of public registers, it is important that the information entered in the public register corresponds to the reality. The court may require the registered person to remedy the situation so that the registered information is brought in line with the legal requirements (see Article 9(1) of Act No 304/2013 Coll., on the Public Registers of Legal and Natural Persons and on the Registration of Trusts).

If the registry court finds any irregularity with a particular legal entity, it will give the registered person sufficient time to remedy it. However, if the time limit expires in vain, the court may, even without a petition, decide to dissolve the registered person with liquidation if this is in the interest of the

protection of third parties (Section 9(1) RejZ). Such a qualified legal interest may be held, for example, by the owner of premises that are falsely listed in the public register as the registered office of the entity. The court may also impose repeated fines of up to CZK 100,000 to enforce statutory obligations (Section 104 of the Act on public registers).

### **Control powers over churches and religious societies**

**Control powers over churches and religious societies are vested in the Ministry of Culture.** The competence and the resulting powers of the Ministry of Culture are laid down in Act No.3/2002 Coll. The Ministry of Culture decides in administrative proceedings on the registration of churches and religious societies and makes registry entries in the register of registered legal entities established by churches and religious societies (charities, religious orders, parishes, congregations, etc.), and in doing so ascertains compliance with the statutory conditions. The Act also provides for when it is possible to cancel the registration of these legal entities ex officio and thus prohibit their activities (§ 22, § 26 of this Act). In the event of a violation in the area of abuse of funds for terrorist financing, the Ministry of Culture would receive information from the relevant competent authority to initiate administrative proceedings for the cancellation of registration.

## **Accounting**

The obligations of NPOs in the area of accounting are set out in Act No. 563/1991 Coll., on accounting, as amended (hereinafter referred to as the "Accounting Act"). In general terms, it can be stated that the obligations of NPOs in this area are the same as those of other accounting units and their detailed analysis is beyond the scope of this material.

In general, all accounting entities, including NPOs, are obliged to keep accounts so that the financial statements are drawn up on the basis of the accounts in a comprehensible manner and give a true and fair view of the subject matter of the accounts and the financial position of the entity so that the person using the information can make economic decisions on the basis of the accounts (see Section 7(1) of the Accounting Act).

Offences under this Act shall be dealt with by the tax authority unless a special regulation provides otherwise (§ 37ab).

In addition to the accounting requirements in connection with the receipt of a subsidy from the state budget, NPOs (but also providers) are subject to additional requirements in the area of budgeting and especially control. These requirements are set out in Act No. 218/2000 Coll., on Budgetary Rules and on Amendments to Certain Related acts (Act on budgetary rules), as amended, Act No. 320/2001 Coll., on Financial Control in Public Administration and on Amendments to Certain Related acts, as amended, Decree No. 416/2004 Coll, 320/2001 Coll., as amended, and Decree No. 367/2015 Coll., on the Principles and Deadlines for Financial Settlement of Relations with the State Budget, State Financial Assets and the National Fund. These requirements increase transparency and reduce the risk of abuse of funds from the grant.

## Obligations under the AML Act

In relation to Act No. 253/2008 Coll., on Certain Measures against the Legalization of Proceeds from Crime and Terrorist Financing (hereinafter also referred to as "AMLZ"), there are two basic situations for NPOs. The first is where obliged persons, in the course of their activities, come across the abuse of an NPO for terrorist financing (hereinafter referred to as 'FT'). In such a situation, the AMLZ imposes an obligation on obliged persons to report a suspicious transaction (e.g., a bank suspects that an NPO, which is its client, wants to send funds to the account of a terrorist organisation). This is a general obligation that is not specific in relation to the abuse of an NPO for FT.

The second level is represented by situations where the NPO itself becomes an obliged person within the meaning of the AMLZ and thus incurs certain obligations under the AMLZ. This can happen in two cases, based on the provisions of Section 2(2)(d) of the AMLZ:

- if it is authorised to provide any of the activities referred to in paragraph 1
- for cash transactions of €10 000 or more.

If an NPO becomes obliged to provide an activity on the basis of an authorisation, it must subsequently fulfil all obligations under the AMLZ in relation to that activity.

On the other hand, if an NPO becomes an obligor on the basis of a cash transaction, it becomes only an ad hoc obligor in relation to that transaction. Such an NPO only has to comply with the obligations set out in Section 28 of the AMLZ. Thus, the obligations of an NPO always relate only to the cash transaction in question.

In relation to the second case, it is then necessary to draw attention to the definition of trade in Section 4(1) of the AMLZ and to the provision of Section 54(4) of the AMLZ: "If a trade is divided into several separate transactions which are related, the value of the trade is the sum of the value of these transactions." When determining the total value of the transaction, it is therefore always necessary to add up the related transactions (e.g., individual instalments).

If neither of the above cases occurs, the NPO does not become an obliged person and thus does not incur any obligations under the AMLZ. It follows that AMLZ does not contain any specific legal regulation in relation to the abuse of an NPO for FT, however, the general rules applicable to all legal entities apply to NPOs.

### Checks under the AML Act

The Financial Analytical Office (FAÚ) has control powers under Section 35 of the AMLZ with respect to those NPOs that become obliged persons under Section 2(2)(d) of the AMLZ. The scope of the audit powers is the same as for other legal entities and is based on the audit regulations.

## Public collections

Supervision of public collections is regulated by Act No. 117/2001 Coll., on Public Collections and on Amendments to Certain Related Acts (Act on Public Collections). Supervision applies to all types of public collections, with the exception described below, the organisers of which are obliged, in particular, to notify the competent administrative authority, i.e., the regional authority and, in the capital city of Prague, the municipality, in advance of the collection, to set up a special bank account for the collection of contributions and to submit the collection accounts to the said administrative authority for inspection. Failure to comply with these obligations may result in a fine of up to CZK 500 000 (Sections 24 and 25a

of the Act). The approval of the Ministry of Foreign Affairs is required for a collection whose proceeds are to be used abroad (Article 5(3) of the Act). In the case of public collections whose proceeds are to be used abroad, the Ministry of Foreign Affairs verifies the declared purpose and the partner in the target country and consults the Ministry of the Interior if in doubt.

The purpose of the Act on Public Collections is to ensure transparency in the collection of contributions and to ensure that they are used for their declared purpose. The risk of abuse is particularly high for collections made by accepting cash, therefore, as of 1 January 2025, the amendment exempts from the compulsory regime of the Act on Public Collections such collections held exclusively in a non-cash manner by collecting contributions in a bank account, for which other control instruments in the area of tax and accounting can be sufficiently applied.

### **Inspections of public collections**

Under the Act on Public Collections, the competent administrative authority (the regional office, in the capital city of Prague the municipality) is vested with control authority in the area of public collections, and may use without limitation all control powers under the general procedural regulation, Act No. 255/2012 Coll., on Control (Control Code), as amended. This control may be carried out at any time during the collection (Section 24(1) of the Act), and the collection accounts are also audited and approved after the collection is completed. The Ministry of the Interior may further review the aforementioned control activities.

## **Humanitarian aid and development cooperation**

The regulation of humanitarian aid and development cooperation is governed by Act No. 151/2010 Coll., on Foreign Development Cooperation and Humanitarian Aid Provided Abroad and on Amendments to Related Acts. This Act establishes the conditions for the implementation of foreign development cooperation and the provision of humanitarian aid abroad paid from the state budget and the competence of state administration bodies and the Czech Development Agency in this area. The Ministry of Foreign Affairs is responsible for most of the tasks under this Act. This Act does not regulate the conditions for the functioning of NPOs in a different way; the general rules apply to NPOs in this case.

### **Checks on humanitarian aid and development cooperation**

Within the framework of subsidies provided for humanitarian aid abroad or for foreign development cooperation, financial controls are carried out by the Ministry of Foreign Affairs or the Czech Development Agency (CDA) within the framework of the relevant subsidy procedure on the basis of the Act on Budgetary Rules and the Control Code. Checks on proper implementation in accordance with the approved project, including verification of the involvement of local partners and beneficiaries, are carried out by the relevant Czech Embassy abroad or the CDA on the basis of the annual monitoring plan. Selected projects and entire grant programmes may also be subject to independent evaluation.

## RISK OF ABUSE OF CZECH NPOS FOR TERRORIST FINANCING

In general, it can be stated that the most risky NPOs in terms of abuse for terrorist financing, in accordance with the FATF methodology, are those organisations that operate in conflict or highly unstable areas, whose activities, management and personnel structure and financing are not transparent, and at the same time do not have functional control mechanisms in place, do not fulfil their legal obligations, do not inform the public or supervisory authorities about their activities, do not communicate with the public administration and operate with large amounts of funds mainly in cash.

Similarly, it is possible to state that NPOs of local character, which operate only in the territory of the Czech Republic, do not work or work only to a minimal extent with cash funds and own no or only negligible assets, are less exposed to risks in this respect. However, the risk of abuse of their facilities for the promotion of terrorism may also concern organisations operating exclusively in the Czech Republic.

Individual risk factors and the possibilities of their detection are described in detail in the material The risk of an NPO abuse for the purposes of terrorism financing and money laundering.<sup>42</sup> The possibilities for NPOs to counter these risks and minimise their impact are described in the material Awareness raising for the NPO sector regarding the fight against terrorism financing.<sup>43</sup>

## Terrorism in the Czech Republic

For many years, the first terrorism threat level was in force in the Czech Republic, which indicated a general threat resulting from the international situation, without detecting a specific threat of a terrorist attack on the territory of the Czech Republic. **In 2024, the measures associated with this terrorism threat level were updated in view of major sporting events held in the Czech Republic and its vicinity and the deteriorating security situation in the world. At the beginning of 2025, the designation of the terrorism tiers was changed, however, the currently valid tier B corresponds to the original tier 1.** No terrorist attack has been carried out on the territory of the Czech Republic for many years and the level of risk of a terrorist attack in the Czech Republic can be assessed as relatively low, especially in comparison with other European countries. The main challenge in this area remains the online dimension of terrorism and related topics such as radicalisation and hate speech, algorithmic amplification and gamification.<sup>44</sup> For a long time, it has been the case that none of the cases recorded in recent years have led directly to actions aimed at preparing a terrorist attack or other violent act on the territory of the Czech Republic. In most cases, the actions were in the sense of promotion and support of terrorist organisations.

According to statistics from the Ministry of Justice, a total of 5 persons (4 men and one woman) were convicted of the crime of financing terrorism under Section 312d of the Criminal Code in 2020-2023. For support and promotion of terrorism under Section 312e of the Criminal Code, a total of 30 persons (28

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42 <https://mv.gov.cz/chh/soubor/the-risk-of-an-npo-abuse-for-the-purposes-of-terrorism-financing-and-money-laundering-pdf.aspx>

43 <https://mv.gov.cz/chh/soubor/awareness-raising-for-the-npo-sector-regarding-the-fight-against-terrorism-financing-eng-final-pdf.aspx>

44 Algorithmic amplification means that some content (including undesirable content) may be shown more frequently to users based on opaque algorithms that control the functioning of social networks. Gamification is the use of game principles and mechanisms in non-game environments, such as marketing or other interactions with users.

men and two women) were convicted in the same period.<sup>45</sup> These numbers also correspond to the number of registered crimes in the statistics of the Police of the Czech Republic.<sup>46</sup>

**In the area of terrorist crimes, the situation appears to be stable.** At the end of the calendar year 2023, 25 cases were being prosecuted (compared to 26 cases in 2022), which are usually verbal crimes, either threatening with a terrorist attack (Section 312f of the Criminal Code) or promoting it (Section 312e of the Criminal Code).

According to all publicly available information on individual cases, there was no abuse of non-profit organizations for financing or otherwise supporting terrorism. In probably the most well-known case in this area, the case of Samer Shehadeh, which resulted in a sentence of 14,5 years imprisonment following an agreed plea bargain, although it involved fundraising in a Muslim community setting (and the term "fundraising" is also used in the judgment), according to available information it was not fundraising through a public collection described in the chapter above.<sup>47</sup>

The situation partially changed in 2024, when an incident occurred in Prague that is being investigated as an attempted terrorist attack. However, rather than a case of an attack by a terrorist organisation that may profit from the activities of NPOs, this is a case of state terrorism, according to publicly available information.

The threat of Islamist terrorism in the Czech Republic remains at a low level. Several potentially high-risk individuals have been screened in recent years, but no immediate threat to the Czech Republic has been demonstrated in any of the cases. These individuals are most often only present on Czech territory for a short period of time and their movements are screened in close cooperation with foreign partners.

In Europe, on the other hand, the threat of Islamist terrorism is still very high. However, thanks to the work of the security forces, there have been very few successful attacks. There was no direct link to the Czech Republic in these incidents. The most frequent perpetrators are lone actors who act under the influence of internet propaganda and often suffer from psychological problems. In general, the importance of specific terrorist organisations or ideologies has been declining in the long term, and attackers are creating their own ideologies and worldviews.

In late 2023, the Hamas terrorist attack on Israel significantly impacted global events, followed by a wider conflict in the Middle East. In the Czech Republic, as in other European countries, a number of events in support of Palestine took place. These demonstrations occurred without major disturbances of public order, but there was an increase in anti-Semitic speech. Despite the tense situation, the Muslim community remains moderate in its attitudes. Muslim official organisations have also been relatively passive since the end of the covid-19 pandemic and the risk of radicalisation of the Muslim community is generally low.

In recent years, Islamist propaganda has spread mainly in online space, especially on social media and communication platforms, and has been quick to respond to current events. This trend has global validity. Both jihadist propaganda and contacts to radicals can be found on the Internet. In the Czech environment, however, there has been no widespread or programmatic dissemination of radical religious ideologies in recent years.

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<sup>45</sup> <https://msp.gov.cz/web/msp/statisticke-udaje-z-oblasti-justice>

<sup>46</sup> <https://policie.gov.cz/statistiky-kriminalita.aspx>

<sup>47</sup> See [https://msp.gov.cz/documents/14569/1865916/46T\\_12\\_2019/5803b418-92c5-46fe-8fdc-9c8656e24dd9](https://msp.gov.cz/documents/14569/1865916/46T_12_2019/5803b418-92c5-46fe-8fdc-9c8656e24dd9) and [https://msp.gov.cz/documents/14569/1865916/43T\\_1\\_2021\\_14/06622502-4dc4-4c1c-9697-bfe7f0373ab8](https://msp.gov.cz/documents/14569/1865916/43T_1_2021_14/06622502-4dc4-4c1c-9697-bfe7f0373ab8)

Based on the above facts and in accordance with the outputs of the National Risk Assessment<sup>48</sup>, the actual risk of abuse of NPOs for terrorist financing in the Czech Republic is considered low. No cases of such abuse have been documented in the past in the Czech Republic. In the past, only individuals have ever been convicted for this criminal activity.

The reason for the low relevance of this threat in the Czech Republic is, among other things, the fact that the Czech Republic does not have a geographic, historical, or other close relationship with terrorist groups operating abroad. Domestic terrorist organisations do not exist in the Czech Republic. Ethnic minorities from conflict countries or countries with terrorist organisations are relatively well integrated in the Czech society and do not commit crime to any significant extent. With the exception of citizens of Ukraine, their numbers do not reach a very high proportion of the Czech population compared to other EU countries.

## Possible methods of abuse of NPOs for terrorist financing

Although the threat of abuse of NPOs for terrorist financing is low in the Czech Republic, it is appropriate to list possible methods of abuse of NPOs (or the status of NPOs themselves) for terrorist financing in the broader sense of the term, including illustrative examples. This description is based on the Ministry of Interior's awareness-raising material for NPOs and is based on FATF guidance materials and cases of similar conduct abroad. The examples below are fictitious and are intended to illustrate possible methods of abuse by NPOs.

### 1. A fictitious NPO

A terrorist entity founds an NPO in order to get funds or to cover its real activities.

*A terrorist organization needs to legalize proceeds gained through criminal activities and, at the same time, wants to gain access to potential new members. Under the guise of providing humanitarian aid, it establishes an NPO, the purpose of which, however, is to launder the proceeds of criminal activity and cover the organization's real agenda.*

### 2. Affiliation of an NPO to a terrorist entity

An NPO supports a terrorist entity, provides it with information, is interlinked with it via its staff, legitimizes its activities, provides cover-ups, etc. It can also be a result of inadvertent affiliation, as the terrorist entity might present itself as a suitable partner in a conflict zone.

*An NPO operates in an area, where it is not possible to earn the trust and contacts that are needed in order to fulfil its mission without having a local intermediary. However, due to imperfect, or non-existent, verification when selecting such an intermediary, the NPO unknowingly hires a person who sympathizes with a terrorist entity. This person will then use their position not only to divert parts of the aid, but also to promote the ideology of the terrorist group under the auspices of the NPO.*

### 3. Abuse of the reputation or results of an NPO

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48 <https://fau.gov.cz/informace-o-druhem-kole-narodniho-hodnoceni-rizik>

A terrorist entity takes ownership of the success of an NPO and abuses it for recruitment or for gathering support from locals, or it pretends that it represents the NPO locally, while “collecting” funds for it. Abuse of programmes is also possible with the legitimate activities of NPOs being manipulated to support terrorism.

*A terrorist organization knows that an NPO has been regularly active in an area currently controlled by this terrorist organization, and that the NPO's assistance has been appreciated by the local population. The organization, therefore, pretends to raise funds, which should allegedly enable this NPO to keep carrying out its activities, for this NPO. In reality, however, the finances were never intended for said NPO, but for the terrorist organization and its activities.*

#### **4. An NPO take-over and its subsequent abuse for the support of a terrorist entity**

Abuse of the good name and history of an NPO. This can manifest e.g., as a personnel take-over based on a membership principle – a larger number of new members sign up and they, in the voting procedures, succeed in diverting the course of the NPO’s activities; this can also manifest as taking over social media profiles that are managed by a particular NPO and their subsequent abuse.

*An NPO providing assistance in a risk area has been successful with its activities and has earned a good reputation thanks to its work; owing to this, it has access to the population and local administration. However, this access would also be useful to a terrorist entity, which would thus gain both access and information useful for the dissemination of its agenda. The terrorist organization thus starts to gradually infiltrate its members into the NPO, with these members gaining voting and decision-making rights; over time, they will achieve membership prevalence. An already established organization with a good reputation can suddenly end up in the hands of a terrorist organization that will abuse the acquired platform for its agenda.*

#### **5. Financial benefit from NPO activities**

This can be achieved by a direct diversion of NPO funds for TF purposes, caused by an unreliable employee who provides part of the funds to a terrorist entity, by a direct collection of funds from an NPO as a fee for enabling activities in the area controlled by a terrorist entity, or via local NPO suppliers who are connected to a terrorist entity, or have to pay taxes, fees, or other charges (e.g., protection racket) to such an entity.

*An NPO provides assistance in a territory that is otherwise controlled by a terrorist organization. As the local civilian population suffers from the consequences of the conflict, assistance needs to be provided on the ground. However, the terrorist organization denies access to the village and provision of assistance unless provided with protection racket in the form of bribes or portions of the humanitarian aid intended for the local population.*

*There is also evidence from abroad that a direct diversion of funds can take place when an NPO sends funds intended for a conflict zone via a non-cash transfer to the nearest third country. There, however, the NPO has to rely on cash withdrawals (and transfers) by a co-worker / contractor who abuses the situation and embezzles part of the funds for TF purposes.*

#### **6. Abuse of an NPO’s facilities and recruitment support**

Abuse of NPO premises, equipment, finances, or activities takes place in order to provide a base for recruitment for terrorism, meetings of terrorist entities, or preparation of materials propagating terrorist acts. This method may also apply to NPOs operating exclusively in the Czech Republic.

*An NPO decides, in order to decrease its rent costs, to share its premises and equipment with another NPO or a group of people. However, this NPO or group of people support terrorism with their activities, e.g., by using common areas for indoctrination, preparation of explosives, or use the office equipment for printing and distribution of leaflets with propaganda, etc.*

## Possible forms of abuse of NPO funds and resources to support terrorism

In general, it can be stated that the abuse of funds and resources of an NPO can be carried out in the following three ways, which differ in the degree of cooperation of the NPO with the terrorist entity:

- 1. Deliberate abuse of NPO resources** – an NPO, or its staff member, abuses the NPO's resources – financial or other – in order to directly support a terrorist entity or its infrastructure; the resources may also be laundered through the NPO. The NPO's training or education programmes can also be abused.

*An NPO employee sympathizes with a terrorist entity and knowingly provides its members with financial or material assistance from the resources of the NPO s/he works for. Alternatively, s/he facilitates, for example, the use of the communal spaces and technical facilities of this NPO to recruit new members of a terrorist group.*

- 2. Inadvertent abuse of NPO funds and outputs** – NPO assistance and/or the infrastructure built by NPOs (hospitals, schools, energy, and water sources, etc.) are abused by a terrorist entity without the NPO's knowledge. NPO training or education programmes can be abused as well. This category can also include theft or embezzlement of NPO funds.

According to Czech criminal law, those cases in which the abuse is not a result of deliberate actions of NPO staff, will not usually be considered a criminal offense, as criminal offenses related to terrorism require intention. Nevertheless, insufficiently prudent behaviour of the NPO staff can still have serious consequences.

*An NPO helps to build a local school. However, the school premises can also be abused by a terrorist organization for radicalization and training.*

*An NPO develops a programme to improve agriculture in a developing country (e.g., by building drinking water wells, supplying ploughing tools, fertilizers, etc.). The program is a success and further funding, and long-term support are needed to maintain its continuity. A terrorist organization operating in the area is aware that by providing social and other securities, it might win over at least a part of the population. In order to be able to sway the activities in the area to its advantage, its member or a supporter gets themselves hired as a coordinator or a collaborator for the given programme and, thanks to the position s/he now holds, begins to spread the ideas of the terrorist organization among the population.*

- 3. Coerced abuse of NPO funds and outputs** – especially in areas with an ongoing conflict. Protection racket or sharing parts of the outputs are required of the NPO to get access to the area. It can also create a conflict between the fundamental principles of assistance, namely in the case of the provision of emergency health care.

*An NPO wants to distribute food aid in an area with high malnutrition, which is located on the border of several hostile tribes. Negotiated consent to have safe access to the area is either directly conditioned by the inclusion of pre-selected recipients of assistance, or, during distribution, under threat of physical violence, the NPO is forced to hand over material assistance and possible cash in exchange for safe departure.*

The FATF report on the risks of abuse of the non-profit sector for terrorist purposes<sup>49</sup> states that abuse may also occur at **various stages of the NPO work cycle**:

- 1. Collection of resources** – this can be any activity undertaken by an NPO to acquire resources, either directly or through third parties (e.g., corporate volunteering).
- 2. Retention of resources** – refers to the storage or maintenance of resources by an NPO. Retention includes activities ranging from the maintenance of funds within bank accounts to the management of property or facilities.
- 3. Transfer of resources** – this can occur in multiple instances during NPO operations and refers to any point in which the NPO's resources are transferred between different actors.
- 4. Expenditure of resources** – refers to any point in which the NPO's resources are exchanged for goods or services.
- 5. Delivery of programs** – refers to the point in which an NPO is carrying out programme activities. This could include activities such as the distribution of aid, the provision of medical treatment, holding fundraising events, or hosting guest speakers.

## AREAS OF NPO ACTIVITY WITH A HIGHER RISK OF TERRORIST FINANCING ABUSE

On the basis of the above information, the areas of higher risk that will receive further attention in this material are considered to be the activities of NPOs related to the organisation of public collections and activities related to humanitarian aid and foreign development cooperation. A general summary of risk factors, including their severity and their possible detection, is provided in the material The risk of an NPO abuse for the purposes of terrorism financing and money laundering.<sup>50</sup>

At the same time, it should be noted that for some NPOs, specific risk factors are their defining characteristics (for example, activities in a specific geographic area), which the NPO cannot get rid of without abandoning its core mission. The NPO should perceive these factors in its activities and actively mitigate them through appropriate preventive measures. Some of these factors may be caused, for example, not only by the conscious actions of persons within the NPO, but also by mere ignorance of legal norms and legally imposed obligations, other unintentional acts or omissions.

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<sup>49</sup> <https://www.fatf-gafi.org/documents/documents/risk-terrorist-abuse-non-profits.html>

<sup>50</sup> <https://www.mvcr.cz/chh/soubor/riziko-zneuziti-nejstatnich-neziskovych-organizaci-pro-ucely-financovani-terorismu-ci-prani-penez-verejna-verze-2020.aspx>

## Risks associated with public collections

Income from public collections is an important source of income for many NPOs. It is a type of donation by natural and legal persons, subject to the regime of Act No. 117/2001 Coll., on Public Collections and on Amendments to Certain Acts (Act on Public Collections), as amended. According to the Act, a public collection is the solicitation and collection of voluntary monetary contributions from an undetermined number of contributors for a predetermined public benefit purpose, in particular humanitarian or charitable purposes, the development of education, physical education or sport, or the protection of cultural monuments, traditions or the environment. Only legal persons may hold public collections.

Statistics at the level of public administration showing the volumes of monetary contributions (donations) received through public collections are not kept in the Czech Republic. The Ministry of the Interior, on the basis of Section 26(2) of the Act on Public Collections, maintains a central register of collections, but is not currently legally obliged to keep statistics on the volumes of monetary contributions (donations) received by public collections. However, each individual collection can be traced in the database. The database is publicly available on the website of the Ministry of the Interior.<sup>51</sup>

As of 3 September 2024, there were a total of 2 394 ongoing public collections, most of them for an indefinite period. Analysis of the available data revealed that NPOs are the organisers of more than 80% of all public collections. Virtually all the legal forms of NPOs analysed in the text are represented. Another important organiser of public collections are cities and municipalities, while collections organised by other legal entities are relatively rare. A significant part of the collections run long-term (over several years).

A detailed analysis of the entire database of public collections as of 3 September 2024 has revealed several useful pieces of information that show a more accurate picture of the functioning of public collections in the Czech Republic. The data in the database contain complete records from 2001 to September 2024, however, the database also contains public collections with an earlier start date (several collections started in 1992-1997, dozens of collections started in 1998-2000). In total, the database contains 11 126 public collections. Several hundred new collections are launched each year (413 collections in 2023, with 2022 being the record year in recent years with 616 collections launched). Several hundred collections are also closed each year (369 collections in 2023), but the number of ongoing collections is steadily increasing. The oldest running collections have been running for more than 15 years.

In terms of the territorial distribution of collections, 6 793 collections took place on the entire territory of the Czech Republic, 535 collections on the territory of a region, 141 on the territory of a district and 3 576 on the territory of a municipality. According to the seat of the legal entity, the largest number of collections was established by legal entities based in Prague (2 055 collections), the Central Bohemia Region (1 232) and the South Moravia Region (1 203).

With regard to the organisers of the collections, it can be stated that the largest number of collections were carried out by the Diocesan Charity of Brno (53 collections), the AveVia charity (43 collections) and the Statutory City of Frýdek-Místek (35 collections). Among the NPOs, People in Need, o.p.s. (28 collections), Slezská diakonie (26 collections), ADRA o.p.s. (23 collections) and the association FOR JANE (20 collections) are also frequent organizers of collections. A total of 69 different legal entities organised

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<sup>51</sup> <https://aplikace.mvcr.cz/seznam-verejnych-sbirek/>

10 or more collections and a total of 341 legal entities organised 5 or more collections. In total, 6 209 different legal entities organised collections.

In terms of the method of fundraising, most collections were made through bank accounts (8 687 collections), cash boxes (6 946 collections) and the sale of items (2 826 collections). Collections can be made in several ways simultaneously, so the sum of the number of these methods of collection is higher than the total number of all collections in the database. Among the collection purposes, humanitarian and charitable purposes predominated (7 277 collections), followed by other purposes (2 275 collections) and the preservation of cultural monuments and traditions (1 106 collections).

**The risks associated with public collections lie in the fact that these collections allow NPOs to accept essentially unlimited amounts of funds (including potential proceeds of crime) from an undetermined number of entities, which may include persons sympathetic to terrorist organisations. This is particularly true for cash collections. Although the Act on Public Collections imposes an obligation on the organiser of the collection to prove how the proceeds of the collection were used to fulfil the declared purpose of the collection, factual control of the accuracy of this accounting may be very problematic or even impossible, especially in the case of projects whose purpose is directed outside the Czech Republic. Collections intended for conflict areas or areas with increased activity of terrorist groups are therefore particularly risky. This is also why the approval of the Ministry of Foreign Affairs is required for the organisation of a collection whose proceeds are to be used abroad.**

On the basis of the MFA documents, it can be stated that there are usually two types of foreign collections. In the first case, the collections are to help Czech children with disabilities, and their proceeds are used in developed countries for medical purposes. These cases are not inherently risky. The second case is collections to support countries affected by humanitarian disaster or poverty, usually through direct bilateral aid or support for international programmes.

The process of assessing these collections at the MFA is as follows - the application is assessed by the Development Cooperation Department and the relevant territorial department (the purpose of the collection, the target country and the applicant and possible partner in the target country are assessed). In case of doubt, the applicant is asked for additional information, in particular on how to control the spending of the proceeds abroad. In most cases, the MFA gives a positive opinion. A negative opinion is usually given if there is a suspicion of an unfair intention or an intention that is contrary to the foreign policy interests of the Czech Republic.

**However, it should be noted that the above risks are also applicable in their entirety to any funding of NPOs by individuals (where, moreover, the control mechanisms contained in the Act on Public Collections are completely lacking) and to some extent also to funding of NPOs by legal entities, i.e., individual or corporate donations.**

## **Risks associated with humanitarian aid and foreign development cooperation**

**Humanitarian aid and foreign development cooperation represent an area of higher risk in terms of terrorist financing, particularly because of the destinations to which such aid is directed. Although humanitarian aid is occasionally provided to EU Member States (especially after natural disasters), most of the funds are directed to countries that can be considered problematic in terms of potential abuse of funds for terrorist financing. This can range from countries with lower standards of**

supervision and regulation (e.g., lower levels of implementation of the FATF recommendations) to explicit conflict zones where armed conflicts are taking place. Many of these destinations are also either source or destination countries for the activities of terrorist groups and some parts of their territory may be directly under terrorist control.

**From the point of view of terrorist financing, activities financed from private sources outside the regime of the Public Collections Act are particularly risky, as the Czech Republic cannot actually exercise consistent control over them in the target destination.** As regards publicly funded activities, the Ministry of Foreign Affairs has a key role to play here, as it also publishes annual summaries of humanitarian aid and foreign development cooperation projects. These summaries are available on the MFA website.<sup>52</sup> A financial plan for humanitarian aid and foreign development cooperation is also approved each year by the Government.<sup>53</sup>

As regards the scope of humanitarian aid, in 2024 the MFA managed the sum of CZK 165 million. Humanitarian aid often involves projects responding to natural disasters and emerging conflicts and related forced displacement of civilians. A total of CZK 687,32 million had been allocated for foreign development cooperation in 2024 in accordance with the Annual Plan. The foreign development cooperation projects include a really wide group of activities ranging from the development activities of the Czech Development Agency in six priority countries of bilateral development cooperation (Bosnia and Herzegovina, Ethiopia, Georgia, Cambodia, Moldova, Zambia), through bilateral activities of the Ministry of Foreign Affairs in developing countries and with selected international organisations, government scholarships under the Ministry of Education and Science and projects implemented by other ministries. Another CZK 90 million was allocated for transformation cooperation. In this context, it should also be noted that not all humanitarian aid and foreign development cooperation projects are implemented by NPOs. Some of them are implemented through public institutions, universities, business legal entities or international organisations.

Several umbrella NPOs are also active in this area, acting as partners for public administration and disseminators of good practice. These are in particular the platforms of the Czech Forum for Development Cooperation (FoRS)<sup>54</sup> and DEMAS - Association for the Promotion of Democracy and Human Rights.<sup>55</sup> The involvement of NPOs in the activities of these platforms reduces the risk of their abuse for terrorist financing.

According to the available information, the majority of especially large Czech NPOs that operate in conflict areas have sufficient awareness of the risks of terrorist financing and also have fairly robust risk management systems. A positive influence on the reduction of risk, especially for large NPOs operating in multiple countries, is also the consistent control by international and state donors (EU and US grant schemes, etc.) and, last but not least, the efforts of the NPOs themselves in risk management - in particular the transparent functioning of the organisation itself, including its management and staff structure.

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52

[https://mzv.gov.cz/jnp/cz/zahranicni\\_vztahy/rozvojova\\_spoluprace/koncepce\\_publickace/vyrocní\\_přehledy/informace\\_a\\_zahranicni\\_rozvojove\\_1.html](https://mzv.gov.cz/jnp/cz/zahranicni_vztahy/rozvojova_spoluprace/koncepce_publickace/vyrocní_přehledy/informace_a_zahranicni_rozvojove_1.html)

[https://mzv.gov.cz/jnp/cz/zahranicni\\_vztahy/rozvojova\\_spoluprace/humanitarni\\_pomoc/humanitarni\\_pomoc\\_v\\_prubehu\\_roku\\_2024.html](https://mzv.gov.cz/jnp/cz/zahranicni_vztahy/rozvojova_spoluprace/humanitarni_pomoc/humanitarni_pomoc_v_prubehu_roku_2024.html)

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[https://mzv.gov.cz/jnp/cz/zahranicni\\_vztahy/rozvojova\\_spoluprace/koncepce\\_publickace/roční\\_plany/plan\\_zahranicni\\_rozvojove\\_spoluprace\\_na\\_2.html](https://mzv.gov.cz/jnp/cz/zahranicni_vztahy/rozvojova_spoluprace/koncepce_publickace/roční_plany/plan_zahranicni_rozvojove_spoluprace_na_2.html)

54 <https://fors.cz/>

55 <https://www.demas.cz/>

## **RECOMMENDATIONS TO REDUCE THE RISK OF AN ABUSE OF NPOS FOR TERRORIST FINANCING**

1. Application of risk-based supervision in the control of NPOs - both in the area of financial and tax control, as well as in the control of public collections and other control activities.
2. Continued intensive monitoring of NPOs' compliance with their obligations by the registration courts, focusing in particular on inactive entities.
3. Continued awareness-raising activities on the risk of abuse of NPOs for terrorist financing by all actors involved.
4. Distribution of this material to the NPOs through the NPO Council and its publication on the website of the Ministry of the Interior after its completion.
5. Completion of the update of the material on risk factors and its publication on the website and sharing with NPOs

## **CONCLUSION**

From the point of view of the possibility of abuse of NPOs for the purposes of terrorist financing, it is important to perceive all the specifics of the non-profit sector in the Czech Republic, which are listed in this material. Consistent attention should be paid in particular to the riskier legal forms of NPOs, to work with NPOs in the area of education and dissemination of good practice, and to the risk-oriented approach in the area of supervision and control over NPOs. A deeper understanding of the risk of abuse of NPOs, not only for terrorist financing, would also benefit from an expansion of available data on the non-profit sector and further analysis. The recommendations formulated in the previous chapter also have the potential to contribute to improving the awareness of both the actors involved and the general public of the risks of abuse of NPOs for terrorist financing.

This material has been approved by the leadership of the Ministry of the Interior and will be regularly updated as part of the work of the relevant working group as necessary, but at least once every four years.

## OVERVIEW OF ABBREVIATIONS

AML	Anti-money laundering measures
AMLZ	Act No. 253/2008 Coll., on Certain Measures against the Legalization of Proceeds of Crime and the Financing of Terrorism
CDA	Czech Development Agency
CZSO	Czech Statistical Office
EU	European Union
FATF	Financial Action Task Force
FT	Financing terrorism
MK	Ministry of Culture
MSp	Ministry of Justice
MFA	Ministry of Foreign Affairs
NACE	European statistical classification of economic activities
NPO	Non-governmental non-profit organisation
NPO Council	Government Council for Non-Governmental Non-Profit Organisations

ANALYSIS OF THE NON-PROFIT SECTOR IN THE CZECH REPUBLIC FROM THE PERSPECTIVE OF  
TERRORISM FINANCING RISKS

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Prague, 2025

