

Annex 2 - Financial Provisions

Article 1 - Allowable Costs

1.1 Costs shall include actual costs incurred for the Project after the operative commencement date which are necessary for the performance of the project. Allowable costs may only include the cost categories defined in Articles 2 and 3 of this annex.

1.2 The original estimates of expenditures set forth in Annex I may be adjusted by the project manager between categories in consultation with the Center and Partner, and provided that the transfers do not fundamentally alter the scope or content of the project.

Article 2 - Direct Costs

2.1 Personnel

2.1.1 Personnel costs may be charged to the project as direct costs.

2.1.2 The institution and the project manager are responsible for certifying the times devoted to the Project by the individual participants, as reflected in project time cards prepared by individual participants. Personnel costs charged to the Project shall be in increments of one hour.

2.1.3 The project manager may increase the time commitments of personnel by up to 10 percent during one quarter of any individual without approval of the Center but may not change the daily rate without approval of the Center. The project manager may request more significant changes in personnel commitments, including changes in the names of personnel, at the beginning of each quarter. Such significant changes must be fully justified in writing. Changes in scientific personnel must provide for the new individual participants to have technical credentials and previous weapons experience comparable to those of the individual participants they replace. The Center, in consultation with the Partner, will respond promptly to such requests.

2.1.4 The Center will not pay personnel costs associated with holidays, vacations, overtime, or sick leave. Such additional costs, if any, are the responsibility of the Recipient(s).

2.1.5 Since the individual participants will remain employees of the institution, the Center's act of direct grant payments to the individual participants will not transfer from the Recipient(s) to the Center any liability for damages caused by the individual participants during execution of the projects or any liability for damages to the individual participants during execution of the Project.

2.1.6 The Recipient(s) is responsible for any medical expenses or compensation claims for injuries or other losses for personnel working on the project which are directly or indirectly related to the project.

2.1.7 Individual participants must personally record the hours worked on STCU projects on time cards according to the following procedures:

Project Manager and Participating Institution Manager Responsibilities

Project managers and Participating Institution Managers are required to do the following:

- i. Provide project participants with a separate time card for each STCU project that they will work on. Each time card must contain a project number.
- ii. Ensure that project participants understand which time card must be used to record hours worked on each project.
- iii. Ensure that all project participants correctly record the hours worked on STCU projects according to the procedure described in the project participant responsibilities section below.
- iv. Transmit completed time cards to the STCU no later than the 10th of each month.
- v. Control blank time cards provided by the STCU.
- vi. Certify that the hours recorded on the time cards are true and accurate by signing them.
- vii. Obtain signatures of two other project participants on their own (project managers' and participating institution managers') time cards in addition to their own signature.

Project Participant Responsibilities

Project participants are required to do the following:

- i. Complete a separate time card for each STCU project that they work on. Time cards are for a period of one month.
- ii. Personally complete their time cards **each working day and in ink**.

- iii. Correct time cards by crossing out mistakes and inserting the correct information on the next line; no erasures may be made to time cards. Project workers must initial the corrections.
- iv. Sign their own time cards at the end of each month.
- v. Certify, on an as needed basis, that the hours recorded on the time cards of the project manager or participating institution manager are true and accurate by signing their cards.

2.1.8 Payments to individual participants will be based on properly completed time cards as described in Section 2.1.7 above

2.1.9 The Center will provide blank time cards for use on this project. Such time cards will be printed on card stock and will be serially numbered. Only time cards provided by the Center may be used to record hours worked on STCU projects; photocopied time cards are not acceptable.

2.1.10 Project participation is limited as described in the STCU Standard Operating Procedure XXIV – Project Participation in STCU Projects: A copy of the this procedure may be obtained on the STCU's website at the following address: <http://www.stcu.int/documents/reports/financial/>.

2.2 Equipment

2.2.1 The cost of equipment used in the project which is purchased, fabricated, or leased may be charged to the Project as a direct cost. The total lease costs may not exceed the purchase price of the equipment.

2.2.2 Equipment purchased in accordance with Article 3.3 of the Agreement will be preserved, accounted for, and maintained throughout the term of the Project by the Recipient(s).

2.2.3 . Equipment purchased for the project should be identified as described in the STCU Standard Operating Procedure XXIII - Identification Of Equipment Purchased For Stcu Projects. A copy of the this procedure may be obtained on the STCU's website at the following address: <http://www.stcu.int/documents/reports/financial/>.

2.3 Materials

The costs of materials required for the Project shall be allowable costs.

2.4 Services and Other direct costs

2.4.1 Costs associated with (1) testing facilities, (2) computer services, (3) communication, (4) security services, (5) repairing/maintenance of equipment, (6) laboratory tests outside, (7) publications, and (8) patenting, but excluding items covered by Article 4 of Annex 2, may be charged as direct costs to the project through cost allocation formulas approved by the Center, provided such facilities and services contribute to the project and are accessible for monitoring and auditing in accordance with Article 9 of this agreement.

2.5 Travel and per diem

The following travel costs may be charged to the project:

- i. Airline Tickets. Reimbursement is limited to the cost of coach or economy class airfare by the most direct, cost-effective routing.
- ii. Train Tickets. Reimbursement for first class rail fare is authorized.
- iii. Lodging.
 - A. Within Country of Residence, reimbursement is limited to the lower of the actual cost or \$100.00 (taxes not included) per day.
 - B. Outside Country of Residence, reimbursement is limited to the lower of the actual cost or the maximum amount allowed in the U.S. Joint Travel Regulations (taxes not included). If lodging is pre-arranged for the traveler because of conference participation funded by the STCU, then the maximum amount allowed in the U.S. Joint Travel Regulations may be exceeded by up to 25% (taxes not included). In those exceptional cases where there are no accommodations available within the maximum amount allowed or accommodations are unacceptable, then the most cost-effective accommodation is authorized with prior approval of the responsible Deputy Executive Director. Maximum lodging rates outside of a country of residence may be obtained from the STCU treasurer or at [¹http://www.state.gov/m/a/als/prdm/xxxx](http://www.state.gov/m/a/als/prdm/xxxx)

¹ Where "xxxx" is the year the travel will begin. For example: 2004.

- C. Lodging without receipt is not compensated.
- iv. Meals and Incidental Expenses (M&IE).
 - 1. Within Country of Residence, the M&IE is \$35.00 per day.
 - 2. Outside Country of Residence, the M&IE is \$50.00 per day.
- v. Other Costs. Actual cost of passports, visa, or conference registration is authorized with receipt. Withdrawal fees accepted by the STCU.
- vi. Use of Privately Owned Vehicle. Reimbursement for the use of a privately owned vehicle to perform travel is authorized at the rate of \$.10 per kilometer. Records must be kept for this activity, including destination and kilometers traveled, and odometer readings. Documents must be signed and approved by project manager.
- vii. Local Travel. Reimbursement for the actual cost of local travel (taxi, bus, etc.) is authorized. Receipts must be obtained.

2.5.1 Additional Travel and per diem information is contained in STCU Standard Operating Procedure V – Project Participants Travel. A copy of the this procedure may be obtained on the STCU's website at the following address: <http://www.stcu.int/documents/reports/financial/>.

Article 3 - Overhead

3.1 A fixed amount may be charged for project overhead to cover the cost of such items as general administration, institutional management, depreciation of buildings and equipment, maintenance, utilities, staff training or any other cost at discretion of the institute management.

3.2 One half of the direct overhead costs will be retained by the Center until project completion.

.Article 4 - Costs not Allowed

4.1 Allowable costs shall not include: profit; contributions to pension, medical, or other social funds; provisions for possible future losses or liabilities; taxes, including profit tax, value added tax, personal income tax, local taxes, tariffs, dues, customs duties, import duties, or others; and costs allocable to another project.

Article 5 - Cash Payments by the Center

5.1 Within Ukraine, all cash payments will be made in the national currency of Ukraine. Conversion of US dollars or Euro to the national currency of Ukraine will be according to the exchange rate of the Interbank of Ukraine. Within Azerbaijan, Georgia, Uzbekistan, and Moldova all cash payment will be made in U.S. Dollars or Euros where possible. The Center shall pay its financial contribution through special bank accounts established.

5.2 The Center shall pay the following financial contribution:

- (a) An advance payment, which is one third of the first quarter grant payment to the project grantees, as soon as possible following the operative commencement date;
- (b) Quarterly grant payments after approval by the Center of the cost statement for the last completed quarter and, upon Partner's request, after approval by the Partner the quarterly progress report.
- (c) Pursuant to Article 3.4, the Center shall make payments of overhead to the participating institutions represented by their respective directors as a fixed payment. One half of the allowable overhead will be paid to the Recipient(s) represented by its director after approval of progress and cost reports. Retention shall be made by the Center of 50% of the allowable overhead for the Recipient(s). The retention shall be released to the Recipient(s) represented by its director within one month following the approval by the Center of the last technical or financial document or other deliverable required by the Agreement.
- (d) Current payments directly to vendors in amounts, which are estimated in Annex 1. Such payments shall be based on vendor invoices and other documents delivered to the Center with written requests from the project manager.

5.3 The Center shall make grant payments directly to private bank accounts of the project grantees in accordance (1) with Letters of agreement between the Center and with each project grantee and (2) payment level rates set forth in Annex 1 and the amount of time devoted to the project by each grantee as certified by the project manager.

5.4 If the Center considers that the work has not effectively been commenced within three months of the payment of the first advance, the Center may require the reimbursement of the advance, together with any interest earned on the advance.

5.5 If on completion or termination of the work, the payments made by the Center exceed the actual allowable costs, the Recipient(s) shall promptly reimburse the difference to the Center. Interest may be added to this amount at the prevailing market rate as determined by the Center one month after the reimbursement date specified by the Center. Any reimbursements and the unspent portion of the Total Cost of the Project will be returned to the Partner account.

5.6 When the suspension becomes effective, the Center shall pay grants to the individual participants for the period they were engaged in the Project before the Center's declaration of suspension becomes effective. Any other payments to the Recipient(s) shall in principle be suspended as long as the suspension remains in effect.

5.7 If the Project is terminated, costs shall be limited to the allowable costs incurred by the Recipient(s) prior to the suspension and other costs which the Center considers to be fair and reasonable having regard to commitments which have been reasonably entered into and which cannot be canceled or avoided.

Article 6 - Project Accounting

The Recipient(s) shall maintain financial documentation, such as invoices, shipping documents and copies of time cards to support and justify the costs reported.

Article 7 - Timing of Financing

7.1 Funds will be disbursed when the partner has deposited the specified amount of its funding commitment to the partner activity, including the STCU fee. Funds are to be deposited in US dollars or Euro in the following account:

Commitment in USD:
Deutsche Bank Trust Company Americas, New York
Partner Contribution Account #04-406-956
Fedwire ABA #021001033
SWIFT BIC: BKTRUS33

Commitment in Euro:
Fortis Bank, Montagne du Park 3, B-1000 Brussels, Belgium
Account No. 210-0777641-44
IBAN: BE55 2100 7776 4144
SWIFT: GEBABEBB

7.2 Interest earned on partner funds will be retained by the STCU.

7.3 Partner will deposit its commitment in accordance with the following schedule

Payment	Due Date	Commitment to the total cost of the project	STCU fee	Total commitment
First payment	Before the Operative Commencement Date			
Second Payment				