

**SCHEDULE AS OF NOVEMBER 10, '17
STCU 45th GOVERNING BOARD MEETING**

Frankfurt, Germany
6 December, 2017

Tuesday the 5th of December

Arrival of Delegates

Wednesday the 6th of December

STCU 45th Governing Board Meeting

Venue:

Nymphenburg Conference Room (2nd Floor)

Intercontinental Frankfurt

Wilhelm-Leuschner-Straße 43

60329 Frankfurt am Main, Germany

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09:30 – 13:00 Morning session of the 45th STCU Governing Board

11:00 – 11:15 Coffee break

13:00 – 14:00 Lunch

14:00 – 17:00 Afternoon session of the 45th STCU Governing Board

18:30 21:00 Reception hosted by ISTC and STCU at restaurant Zum Storch am Dom, 3-5 Saalgasse

Thursday the 7th of December

Departure of delegates that are not attending the ISTC Governing Board

STCU Governing Board 45
6 December 2017
Draft List of Participants

CHAIR: Mr. Eddie MAIER, European Commission

Azerbaijan

Rasim ALIGULIYEV

Academician and Secretary of the Azerbaijan
National Academy of Sciences

European Union

Sorin POPA

Programme Manager
European Commission

Georgia

Manana MIKABERIDZE

Director General
Shota Rustaveli National Science Foundation

Nino GACHECILADZE

Deputy Director General
Shota Rustaveli National Science Foundation

Moldova

Ion TIGHINEANU

Vice President
Academy of Sciences of Moldova

Ukraine

Maksym STRIKHA

Board Member
Deputy Minister

Dmytro CHEBERKUS

Ministry of Education and Science of Ukraine
Head of S&T Department
Ministry of Education and Science of Ukraine



United States of America

Sarah BANERJEE	Acting Board Member Office of Cooperative Threat Reduction U.S. Department of State
Scott BRUCE	Deputy Team Chief, Acting Office of Cooperative Threat Reduction U.S. Department of State
Andrew HOOD	Director, Strategic Planning and Integration Office of Defense Nuclear Nonproliferation National Nuclear Security Administration U.S. Department of Energy
Regina CARTER	National Nuclear Security Administration U.S. Department of Energy
Luke KLUCHKO	Program Manager Defense Threat Reduction Agency U.S. Department of Defense

ISTC

Ronald LEHMAN	Chairman of the Governing Board International Science and Technology Center
David CLEAVE	Executive Director International Science and Technology Center
Sonya VEKSTEIN	Chief Financial Officer International Science and Technology Center

Secretariat STCU

Curtis "B.J." BJELAJAC
Mykola LUBIV
Anthony NICHOL
Olga PANCHENKO



EUROPEAN COMMISSION

Directorate-General for International Cooperation and Development

People and Peace
Security, Nuclear Safety
Deputy Head of Unit - Head of Sector CBRN

Brussels, 30/08/2017
devco.b.5/EM(2017) 4244972

United States Department of State
Mr Dolliff,
Washington, D. C. 20520

Ref: Your letter of 20 June 2017

Dear Mr. Dolliff, *Dear Phil.*

I would like to thank you for your letter of 20 June 2017 to me as Chairman and to the members of the Governing Board of the Science and Technology Centre Ukraine (STCU). I reply to you in my capacity as Chair of the Board.

I would like to express the Board's gratitude to the US party for the good cooperation during many years with respect to STCU. Ukraine, the EU and the USA were among the founders of this Centre during the early nineties. Together with the USA, the Board gradually developed an effective organisation working at the crossroads between science, development and non-proliferation. A new strategy was adopted recently. It was only through close partnership with all the parties that the Board was able to transform the Centre in order to adequately respond to the common challenges in regions of common interest. STCU plays a lead role in the development of partner projects with guaranteed co-financing of the partners. There are close relationships with the respective Academy of Sciences, universities, and industries to support innovation providing jobs and promoting competitiveness.

During recent years, the significance of STCU was once again made clear. The Centre served as an important agency to adequately react to the new challenges as a result of the crisis in and around Ukraine. Together, all parties, were able through STCU to quickly respond to new arisen needs for example to strengthen the capacity of the border guards of Ukraine and Moldova but equally in the area of promoting biosafety and biosecurity being among the first priorities of support of your country to Ukraine. As recent developments shows, further support also is needed in the area of nuclear safety and nuclear security including detection of illegal trafficking of nuclear materials. Only by pooling of resources through STCU adequate measures can be put in place. STCU is the vehicle that is able to quickly and adequately respond to pressing challenges in the region serving our common global interests.

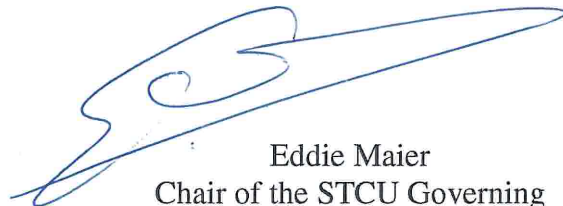
I appreciate your short term financial commitments towards STCU. I agree to work further together with ISTC on obtaining further efficiencies and finding additional funding sources and to discuss alternative funding models. In the meantime, I would like to ask you to seek possibilities within the various US Departments to balance out the potential reductions as mentioned in your letter as well as seize any opportunity to review your intentions as a result of future changes in the US budgetary environment. I think also that finding alternative solutions should be possible given the total volume of the funds at stake. This should be manageable.

Such and similar commitments from your side would be helpful in mitigating the impact of your letter towards the STCU parties but in particular towards STCU's direct partners. We all know that often they have to work under difficult circumstances as a result of the described external developments.

It is in this context, therefore, that I would like to kindly ask you, on behalf of the Board, to look again at the financing issues related to the Department of State based on the suggestions made above. Obviously, I am ready to further discuss this and other issues in person with you during or at the side of Board meetings. Let us be clear, given the current security challenges that the region is facing, the Board seeks to continue to work together with the USA to make the best use of STCU as an unique organisation. I am copying this letter to the STCU Members of the Board.

I remain at your disposal should you have any queries.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Eddie Maier', is written over a horizontal line. The signature is stylized and cursive.

Eddie Maier
Chair of the STCU Governing
Board



United States Department of State
*Bureau of International Security
and Nonproliferation*
Washington, D.C. 20520

September 14, 2017

Letter to Chair of the STCU Governing Board from Acting Deputy Assistant Secretary of State Phillip Dolliff

Cc: Members of the STCU Governing Board

Dear Chairman Maier,

Thank you for your thoughtful response to my letter of June 20, 2017 and your contribution to the ISTC and STCU.

As I noted in my letter, the U.S. State Department remains committed to the STCU and ISTC, and to nonproliferation efforts both regionally and globally. I agree with your assessment of the Science Centers as important and significant in responding to our common challenges, and fully support the ongoing transition of the Centers to institutions that can efficiently and effectively address evolving proliferation challenges.

Like you, we are committed to working with the ISTC and STCU to identify funding efficiencies and alternative funding sources. While we are not able to reconsider our funding of the annual operating budget, supplemental budget, and ISTC and STCU projects, we plan to remain active and committed to the Centers in a number of capacities. I am already working to encourage the State Department's program offices to fund projects through the Centers when and where appropriate. This includes, for example, projects that our offices of Weapons of Mass Destruction and Terrorism (WMDT) and Nonproliferation Disarmament Fund (NDF) are funding via the Science Centers. This is in addition to the millions in undesignated funds that the U.S. Department of State has pledged to the Centers which will be used by the Centers to help transition to a new funding model. We feel that these efforts should help compensate for the changes in the U.S. funding situation.

We look forward to further discussion to ensure the sustainability and continued success of the ISTC and STCU at the ISTC Working Group Meeting in October and the Governing Board Meetings in December.

Best Regards,

A handwritten signature in blue ink, appearing to read "Phillip Dolliff".

Phillip Dolliff
Acting Deputy Assistant Secretary of State
for Nonproliferation Programs
U.S. Department of State

AGENDA
45th Meeting of the STCU Governing Board
December 6th, 2017
Frankfurt, Germany

1. Opening Session

- 1.1 Opening Remarks from the GB Chair (Chairman, Governing Board)
- 1.2 Welcome from the Executive Director (Curtis "B.J." Bjelajac)
- 1.3 Opening Remarks from other GB Members/Invited Guests (GB Members/Other Officials)

2. Administrative Topics

- 2.1 Adoption of the Agenda **Tab 1**

3. Morning Session

- 3.1. Review and Approval of minutes of 44th GB teleconferences conducted on July 11th & 25th, 2017 (GB Members) **Tab 2**
- 3.2. Review of 45th Draft Record of Decisions, Funding Sheets & Press Release (GB Members) **Tab 3, 4, & 5**
- 3.3. Executive Director Report (Curtis "B.J." Bjelajac) **Tab 6**
- 3.4. Update on 2017 AOB/SB Expenditures (Anthony Nichol) **Tab 7**
- 3.5. 2018 AOB and SB Budget Request (Anthony Nichol) **Tab 8**
- 3.6. Change of local bank in Georgia (Anthony Nichol) **Tab 9**
- 3.7. Approve 1 year Contract Extension of STCU ED (GB Members)

Lunch

4. Afternoon Session

- 4.1 Global CBRN Competition (g-CBRN-c) (Chairman Maier)
- 4.2 Discuss/Approve 46th & 47th GB schedules (Curtis "B.J." Bjelajac)
- 4.3 Presentation of STCU Financial Forecasts (Curtis "B.J." Bjelajac) **Tab 10**
- 4.4 Sign 45th GB Record of Decisions and Funding Sheets (GB Members)

5. Closing Session

- 5.1 Final Issues/Statements from GB Members (GB Members)
- 5.2 Closing Remarks/Adjournment (Chairman, Governing Board)

Discussion about future project co-financing with EU and GUAM Partners

- 6.1 Types of Projects, Timing, Budgets, etc. (EU and GUAM Partners)



**Summary of the STCU 44th GOVERNING BOARD MEETING Teleconferences
July 11th and 25th, 2017**

July 11th, 2017 Teleconference held at 16:00 Kyiv/15:00 Brussels/09:00 D.C.

CHAIR: Mr. Eddie MAIER, European Commission

Ukraine:

Mr. Maksym STRIKHA, Board Member, Deputy Minister, Ministry of Education and Science of Ukraine
Mr. Dmytro CHEBERKUS, Head of S&T Department, Ministry of Education and Science of Ukraine

United States of America:

Mr. Scott BRUCE, Acting Deputy Team Chief, Office of Cooperative Threat Reduction, U.S. Department of State
Mrs. Regina CARTER, Program Director, National Nuclear Security Administration, U.S. Department of Energy
Mr. Luke KLUCHKO, Program Manager, Defense Threat Reduction Agency, U.S. Department of Defense

Secretariat STCU

Curtis "B.J." BJELAJAC
Igor LYTVYNOV
Anthony NICHOL

1. Review and Approval of minutes of 43rd GB held on December 7th, 2016 in Tbilisi, Georgia

The Governing Board approved the minutes as presented.

1. Party Issues to be Raised

Mr. Bjelajac started the discussion by asking the US Party if they would like to add to the two letters (dd. June 20th and July 6th, 2017) already sent by the Acting Deputy Assistant Secretary of State Phil Dolliff to the STCU Governing Board. Mr. Bruce stated that he did not want to add to Acting DAS' letter, but would like to highlight the important messages contained within the letters as follows: 1). The US Party is still committed to the success of the STCU; 2). The issue is financial in nature, and not political; 3). The US Party will not leave the STCU "high and dry", which is why the US Party is making approximately \$1M of funds available on hand at the STCU for the Center's overhead going into the future and as a bridge to its long-term sustainability; and 4). Mr. Bruce concluded by stating that the message from the US Party is that this is neither a withdrawal nor a change to its level of commitment to the success of the STCU or any of its Parties. Mr. Bjelajac thanked Mr. Bruce for his comments and asked Mr. Strikha if he had any comments to add to his letter sent to the Governing Board (dd. July 4, 2017).

Deputy Minister Strikha mentioned that he was pleased to hear that the US Party remains committed to the success of the STCU. The Government of Ukraine sees the STCU as an important regional and international tool, and was saddened when it received the first letter from the Acting Deputy Assistant Secretary of State Phil Dolliff (dd. June 20th, 2017). However, the Government of Ukraine is still concerned about the lack of long-term clarity going forward if the US Department of State does not provide any new funding outside of the approximately \$1M of funds already on hand. Mr. Strikha continued by stating that the Government of Ukraine is the only Party that is mandated in the Agreement to Establish the STCU to provide a minimum annual contribution (i.e. premises, utilities, and security) and asked that the Governing Board consider a minimum annual contribution by all Parties in order to ensure STCU's long-term sustainability. Mr. Strikha pointed out that the Government of Ukraine is pursuing diplomatic channels to express its support for the STCU in the United States (i.e. via its Embassy in DC, Congress, etc.) as it firmly believes

that the STCU is a valuable CBRN tool for all Parties, especially Ukraine, the EU, and the United States. Mr. Strikha continued by expressing his disappointment that the July 4, 2017 letter from the US Party means that the US Party will not co-finance any projects in December 2017 with the S&T authorities of the GUAM countries. Mr. Strikha expressed his appreciation to the EU Party for its intention to honor its funding commitment to this same initiative. He emphasized that the Government of Ukraine understands that the EU Party intends to continue to co-finance projects in 2018, and the Ukrainian Party will work with the EU Party to achieve its stated goal of changing the nature of co-financed projects from small, organization-focused projects to bigger, regional-focused projects. Mr. Strikha concluded his remarks by confirming the Government of Ukraine's support of the STCU, as it views the Center as an important regional CBRN tool, and will do what it can to ensure the long-term sustainability of the Center.

Mr. Maier welcomed the comments made by Deputy Minister Strikha and confirmed the EU's support of the co-financing initiatives with the GUAM S&T authorities in 2017, as well as in 2018 and onwards with the changes mentioned (i.e. bigger, more regionally focused). In respect to the June 20th letter from Acting DAS Phil Dolliff, the EU has prepared an answer, which pending approval from the appropriate levels within the Commission, will be sent very soon. The EU acknowledges the comments of the US Party that this is a financial issue and not a political issue; however, the EU disagrees that this is not a political issue and finds this message to be slightly misleading. Mr. Maier continued by stating that the EU is concerned that by not providing any new funds, the US Party is potentially sending a message to the other Parties that at some moment in the future other Parties may find it acceptable to step out of their obligations as well.

Mr. Maier continued by stating that his Director General is reviewing the draft letter and file, and will soon make a determination if the letter will come from Mr. Maier as the Chairman of the Governing Board or if the letter will be slightly more official and come from the EU's European External Action Service (EEAS). Mr. Maier summarized the EU's thoughts on this issue by stating that the EU cannot agree that no additional funding from the US is only a financial issue and not a political issue.

Mr. Maier continued by stating that both DG DEVCO and the EEAS confirm their support for both Centers going forward. The EU will continue to provide large projects such as the Export Control initiatives to both Centers, as well as look for new initiatives "in house" (other aid/development projects within other DGs) that have security aspects and can be administered by the Centers.

Mr. Maier concluded by reiterating that the letters received by both Centers from Acting DAS Phil Dolliff have caused some worries in Brussels.

Deputy Minister Strikha thanked the Chairman for his inspiring words of support for the Center, which shed some positive light on the STCU's future.

Mr. Bruce pointed to a statement by Mr. Maier, which he has discussed with the EU a number of times in the past that the US Party views as incorrect. The US Party disagrees with any characterization that the US DoS is sending a message or setting a standard for other Parties that they do not need to contribute to the Centers. By giving a million dollars for overhead of the STCU, the US DoS is foregoing the opportunity to fund projects, as it deems it critical to ensure the ongoing operations of the STCU during its future transition. The US DoS strongly feels that it is acting in the best interest of the STCU and showing its commitment to the organization by providing this funding, which in conversations with the management of the STCU, will be used over many years in the future to ensure that the organization continues to operate. Therefore, the US DoS strongly feels that the characterization that the US DoS is not contributing to the STCU and therefore encourages others to do the same is factually incorrect.

Mr. Bjelajac wrapped up the discussion by stating that the GB members look forward to the written response from the EU, and informed the Governing Board members of the steps STCU is undertaking in response to the June 20, 2017 letter from Acting DAS Phil Dolliff:

a). The STCU is targeting a reduced 2018 AOB request of approximately \$850K (2017 AOB = \$876K). The STCU will continue to examine ways to further reduce the AOB in the future, including merging the ISTC and STCU Georgian offices (planned for 2018), and eventually moving to one representative there for both Centers (planned for 2019), etc..

b). In the next months the STCU will provide detailed financial plans for the future of the Center, including forecasts of how long US DoS funds on hand will last with the goal of discussing in detail at the upcoming 45th STCU GB meeting tentatively scheduled for December '17.

3. Review of 43rd Draft Record of Decisions, Funding Sheets, and Press Release

Mr. Bjelajac called the Board's attention to the draft Record of Decisions and Funding Sheet for approval by the GB at the end of the second teleconference scheduled for July 25th. Mr. Bjelajac highlighted that there was only one change made in the draft Record of Decisions related to the addition of a bullet point in regards to the nomination of a new Senior DED-UA.

4. Executive Director Report

Mr. Bjelajac submitted his report that covered the period of November 12, 2016 to June 16, 2017. Mr. Bjelajac highlighted the following issues in the report:

1. STCU was contacted by Uzbekistan in order to restart relations, and per the GB's request is awaiting an official invitation from the Government of Uzbekistan before traveling there to discuss restarting activities (STCU has not worked there since 2010).
2. STCU signed a new contract with the EU in the amount of €3.5M for implementing emergency measures at PCHP (a former Uranium processing plant in Kamyansk).
3. STCU signed another project with the EU for work in the SEEE Region (GUAM and Former Yugoslav Republics) of the EU's CBRN Centers of Excellence Initiative in the amount of €1.9M to buy specialized equipment for CBRN forensics in that region.
4. The trend in projects is looking up, with \$12.2M of new projects approved in the first six (6) months of 2017. The STCU forecasts approving new projects in the neighborhood of \$15-18M by the end of 2017. If so, this would represent one of the highest funding years in STCU's history. Thus, despite the disappointing news contained in the July 20th letter from Acting DAS Phil Dolliff, the STCU is seeing a demand from other sources.

Mr. Strikha stated that the upward trend in financing for the first six months of 2017 is good, and bodes well for the STCU's future.

Mr. Maier agreed that this is definitely an encouraging trend. Mr. Bruce echoed the remarks of his colleagues and stated that the increased funding is an encouraging trend.

5. Confirm next scheduled conference call on July 25, 2017

With the exception of Chairman Maier, all GB members confirmed their participation in the next scheduled teleconference call on July 25, 2017. In the Chairman's absence, Mr. Sorin Popa will represent the European Union on that phone call.

6. Any Other Business (AOB)

There being no other business the July 11th, 2017 half of the 44th Governing Board Teleconferences was closed.

July 25th, 2017 Teleconference held at 16:00 Kyiv/15:00 Brussels/09:00

European Union:

Mr. Sorin POPA, Programme Manager, European Commission

Ukraine:

Mr. Maksym STRIKHA, Board Member, Deputy Minister, Ministry of Education and Science of Ukraine

Mr. Dmytro CHEBERKUS, Head of S&T Department, Ministry of Education and Science of Ukraine

Ms. Sofiia ZHEREBCHUK Chief Specialist of the Development of S&T Infrastructure Department of Scientific and Technological Development Ministry of Education and Science of Ukraine

United States of America:

Mr. Scott BRUCE, Acting Deputy Team Chief, Office of Cooperative Threat Reduction, U.S. Department of State

Mr. Luke KLUCHKO, Program Manager, Defense Threat Reduction Agency, U.S. Department of Defense

Mrs. Regina CARTER, Program Director, National Nuclear Security Administration, U.S. Department of Energy

Ms. Julie MIDDLETON, U.S. Department of Energy

Secretariat STCU

Curtis "B.J." BJELAJAC

Igor LYTVYNOV

Anthony NICHOL

1 Presentation of Dec. 31, 2016 Financial Statements and Management Letter

Mr. Anthony Nichol drew the Board's attention to the critical aspects of the Financial Statements:

1. The financial statements are predominately the same as in previous years.
2. The Auditors Report contains a qualification due to the auditors not being able to check the records of the Institutes conducting STCU projects. This has been the case for many years and is a technical issue and not a reason for concern. In line with revised Auditing Standards the order of paragraphs in the report has been changed.
3. The Statement of Revenues and Expenditure for the year ended 31 December 2016 shows that STCU had a successful and busy year with \$12.6M of project income and expenditure. The actual expenditure on AOB was \$915,000 which as a percentage of project expenditure is 7.3% (compared with the usual benchmark of 10%) showing that STCU had a very busy year and efforts to become more efficient are paying off.
4. The balance sheet shows that the STCU is in a very strong financial position, with \$33.8M net assets predominately in cash at bank and \$16M in Designated Capital Contributions – Projects. This balance together with the \$12M in new projects to be approved shows that STCU will average approximately \$10M a year in projects over the next three years (2017-19) and is a strong position to face the challenges ahead.
5. The Undesignated Capital Contributions show US \$1.2M, EU \$ 4.9M and DoE \$9M (in UCC-Partners) which will be used to cover AOB, SB and projects in the coming years. We will discuss this in more detail in December when we present the budget.

No comments or objections from the Ukrainian Party. US expressed their delight with the robust financial situation. EU concurred.

Mr. Nichol continued by presenting the auditor's Management Letter which highlights the auditor's suggestions for improvements that can be made by management in order to improve the processes and controls over its operations. Mr. Nichol pointed out that the 2016 Management letter contains some minor accounting matters which the STCU will work to resolve so that they are not included in next year's document. And that there is also the more significant issue derived from the Iraq foam project that requires a GB resolution to reinforce procedures.

When STCU conducted traditional projects the life cycle of the project was Proposal - GB approval – Implementation and all parties could examine projects and approve them before commencement. Under the new style projects (e.g. the border guards project, etc.) the life cycle has changed as there is no proposal stage, these projects are presented to STCU by the funding parties and so project preparation may commence before formal GB approval, which may also be after the start of implementation. With the Iraq foam project the urgency of the project meant that the project was in fact presented to STCU by the US Party and implemented before the next GB meeting occurred. STCU believes that this sort of project is not likely to happen again, and required the STCU to act quickly in line with the organization's vision and mission, but to be prepared in the event that a similar project arises the auditor's recommend that there should be a new procedure adopted to ensure GB approval before implementation and this procedure should be as follows:

The Governing Board notes Observation #3 in the 2016 Management Letter and instructs the Executive Director to inform, in writing (electronic or hard copy), the Governing Board members immediately of any urgent projects requested by the members of the Governing Board so as to obtain their approval. If the Executive Director is unable to receive direct approval, then negative concurrence is considered to be received after five (5) calendar days from dispatch of the first communication. This instruction is only for Governing Board member requests, as non-Governing Board member (i.e. Partners, etc.) requests (urgent or otherwise) should follow standard approved procedures.

US complemented STCU on the work that they had done on the Iraq foam project and the speed at which they were able to act which almost certainly saved lives. The US reinforced the one off nature of the assignment and that it is unlikely to happen again. Mr Strikha stated it was excellent work by STCU and its staff and a good example of STCU as a dynamic tool in such areas.

All agreed to the suggested change in procedure and that the Parties will make their own arrangements in order to delegate authority in the absence of a Board Member to facilitate these quick decisions.

2. Present revised Statute and Financial Regulations

Mr Nichol explained that the US party had proposed a small change in STCU's Statute and Financial Regulations in order to synchronize with the ISTC. The change was concerned with the use of unspent AOB at the end of the financial year. Currently, unspent AOB is applied to the AOB of the following year and the proposed change is for unspent AOB to be returned to the respective Party's Undesignated Capital Contributions account.

This has two advantages first it increase synergy with ISTC and makes the operations between the two centers easier to compare and understand, and secondly it allows the Funding Parties more flexibility as to use of the unspent funds. The change is more relevant to the EU as the instrument with which they provide their funding to STCU (the PAGoDA) is specific about the rollover of unused funds. Mr Popa confirmed that the change would be in line with the PAGoDA.

Thus, the changes in the Statue and the Financial Regulations were approved.

3. Presentation of 2016 Annual Report

The draft 2016 Annual Report was presented for approval, there were no comments or amendments proposed by Ukraine or the US. Mr Popa asked for additional time to review the 2016 Annual Report. It was agreed to approve the report subject to any changes proposed by the EU.

4. Approve one-year nomination of new Senior DED-UA and one-year Contract Extension of CFO/CAO

The one-year nomination of Mr Mykola Lubiv as a new Senior DED-UA was proposed by the Ukrainian government. Mr Strikha thanked and praised Mr Igor Lytvynov for his almost ten years of service to the STCU during which time STCU has faced many challenges and stated that Mr Lubiv's experience as a Ukrainian diplomat would be useful in the time and challenges ahead for STCU.

Mr Bjelajac also thanked Mr Lytvynov for his support and contribution to STCU.

A one-year contract extension for the current CFO/CAO, Mr. Anthony Nichol, was approved by the Board. Mr. Strikha supported the CFO's re-nomination and highly appreciated his contribution. All agreed with the nomination of Mr. Lubiv and the extension of Mr. Nichol.

5. Approve 45th GB schedule.

The Governing Board tentatively agreed to conduct the 45th STCU Governing Board meeting on December 6, 2017, in a location in the European Union. The meeting would be held "back-to-back" with the ISTC's GB meeting (scheduled for December 7, 2017). The city of Frankfurt was put forward by the EU, with Warsaw and Riga proposed as alternatives. There was a preference for Warsaw and Riga expressed by Deputy Minister Strikha. It was agreed that the final choice of location would be left to the ISTC to confirm with the Japanese and Koreans who have the most arduous journeys to travel to the GB meetings.

6. Sign 44th GB Record of Decision and Funding Sheets.

All agreed that the Governing Board members could sign the 44th Record of Decisions and Funding Sheet as presented. The documents were signed by Mr. Strikha and were to be posted to the US party and then the EU party for further signatures.

7. Any other business and closure

There being no further business to discuss the meeting was adjourned.

Executive Director Report

(Reporting Period: June 17, 2017 – November 10, 2017)

Party Issues

Headquarters Office Building

The 39th STCU Governing Board on December 9, 2014, agreed to extend the user arrangement for the STCU's current, temporary location at 7a Metalistiv Street for an additional year until December 31, 2015. On July 29, 2015, the Cabinet of Ministers approved the extension of the STCU user agreement for the temporary location at 7a Metalistiv Street to December 31, 2020. Given the concerns expressed by the EU and US Governing Board members at the 39th GBM (when the Board approved the STCU staying an additional year at its current premises until December 31, 2015), the STCU will ask that the 45th Governing Board on December 6, '17 approve the STCU's stay at its current temporary premises only until December 31, 2018, and on an annual basis going forward. This will allow future actions by the Parties to find a permanent location for the STCU.

The original text of the Cabinet of Ministers decision can be found at the following link:

<http://www.kmu.gov.ua/control/uk/cardnpd?docid=248378745>

The translation of the decision is as follows:

CABINET OF MINISTERS OF UKRAINE
Resolution № 773-p dated July 29, 2015
Kyiv

On amendments to clause 1 to Resolution of Cabinet of Ministers of Ukraine N915 dated September 28, 2011

Amend clause 1 of Resolution of the Cabinet of Ministers of Ukraine № 915 dated September 28, 2011 "On placement of the Science and Technology Center in Ukraine" - as amended by the Cabinet of Ministers of Ukraine Resolution № 717 dated on July 17, 2014, replacing the year "2015" with the year "2020".

Prime Minister of Ukraine
Yatsenyuk A.

Contact from Uzbekistan

In late January/early February former colleagues from the Republic of Uzbekistan contacted the STCU and ISTC to inquire about the Centers making a visit to Tashkent in the near future to discuss "restoration of collaboration". As you are aware, Uzbekistan is still a member of the STCU (as it never formally withdrew from the STCU agreement), but the STCU has not had contact with Tashkent since mid-2010 (when at the request of the Govt. of Uzbekistan, the STCU closed its regional office in Tashkent). Given that ISTC has a number of regional Central Asia initiatives (i.e. Biosafety &



Biosecurity, Water Management, etc.), the Uzbek authorities requested that both EDs travel to Tashkent to discuss future opportunities for cooperation with both Centers.

Following consultations with the STCU Governing Board, the STCU requested the Government of Uzbekistan to provide a formal letter outlining their intentions to restore collaboration with the Centers. Upon receipt of the requested letter, the Governing Board would then provide further instruction to the two Centers. As of the production of this report, neither the STCU nor ISTC has received the requested letter from the Government of Uzbekistan. Thus, both Centers are currently “on hold” in relation to this matter.

Provision of equipment and materials for first responders in the SEE CoE Region Project

On December 11, 2015 the STCU signed a contribution agreement (Agreement #IFS/2015/365-540) with the EU which provides €1.7M of funding to buy equipment and materials for first responders in the SEE CoE Region. This project is unique in that it will test the STCU's ability to purchase equipment and materials for countries outside of STCU's traditional region (i.e. GUAM). The project foresees purchases for the following countries: Albania, Armenia, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Georgia, Moldova, Montenegro, Serbia, and Ukraine.

All the equipment except for protective suits and masks has now been supplied to all countries, with the exception of Serbia. The protective suits and masks have been packaged and are awaiting consolidation by the freight forwarders. Once this has been done, they will be delivered to all nine countries. The STCU expects that this should occur between the date of writing this report and its presentation at the GB meeting. For Serbia all equipment other than items which are classified, for export control purposes, as being 'dual use' has been delivered and STCU are waiting for the necessary Serbian Import Control permissions to deliver the 'dual use' equipment. On receipt of these permissions this final delivery of equipment will be made. The project has the potential to run to June 2018 and we anticipate that the final equipment will be delivered to Serbia before the formal end of the project.

New Provision of specialized equipment for CBRN forensics in the SEEE CoE Region Project

On December 12, 2016 the STCU signed a contribution agreement (Agreement #IFS/2016/378-224) with the EU which provides €1.9M of funding to buy specialized equipment for CBRN forensics in the SEEE CoE Region. This project is similar to the first responders project (mentioned in the paragraph above) in that it will test the STCU's ability to purchase equipment and materials for countries outside of STCU's traditional region (i.e. GUAM). The project foresees purchases for the same countries as the first responders project. This project is in its very beginning stages with the finalization of specific equipment and identification of vendors currently ongoing.

This project is operating in conjunction with another CBRN CoE project (Project 57) conducted by SCK.CEN and STCU's role will commence after they have completed their initial needs assessment of the requirements of forensic investigators of CBRN incidents in the recipient countries and devised a strategy that will enable STCU to equip the countries with compatible equipment so they can work together across borders when required. The schedule of equipment and the specifications have been prepared and STCU are now agreeing these with the respective agencies who will use the equipment

in the nine countries to ensure that there is no expectation gap before launching the tender procedure. Finally, in conjunction with Project 57 it was determined that budget for this project should be increased by €350K, which is shown in the 45th GB Funding sheet as project 9810.

New Emergency Implementation Measures for Pridniprovskiy Chemical Plant (PCHP) at Kamyanske (formally Dneprodzerzhinsk) in Ukraine Project

On November 30, 2016 the STCU signed a contribution agreement (Agreement #INSC/2016/379-607) with the EU which provides €3.5M of funding for implementing emergency measures at the PCHP. During its operation from 1947 to 1992, PCHP was one of the largest producers of uranium in the former Soviet Union. It processed uranium ores of different geochemical composition from mines located in Ukraine, Central Asia, and Eastern Europe (i.e. the Czech Republic and Germany). As a result of these activities, the site is highly contaminated, with recent radiological surveys (Phase 1 - funded by the European Commission as well and performed as a precursor to this project) showing that the contamination consists predominantly of radio-nuclides from the U-238 decay series with activity concentrations ranging from a few Bq/g over many hundreds of square meters to hundreds of Bq/g over many tens of square meters.

The principal objective of this project (Phase II) is to implement a number of emergency measures that will immediately improve the safety and security of the PCHP site. These measures are also necessary precursors to the long-term remediation of the site (Phase III – which the EC is planning to fund via the STCU in the amount of €5M at the end of 2017).

The PChP project is divided into four parts: 1). a technical services contract: to design and supervise construction of infrastructure improvements to make the site safe and secure; to design and implement (through training) a safe operating system; to determine equipment requirements; and to conduct public awareness, 2). a technical services contract to write laws and regulations to govern the management of legacy radiation sites, 3). a construction contract to build the necessary infrastructure to safeguard the site and reduce the spread of nuclear contamination and chemical poisoning, and 4). an equipment supply contract to provide the equipment, protective clothing, etc to enable the site operator SE Barrier to safely manage the site going forward.

STCU has contracted the first contract and activities have commenced, contract 3 and 4 will be an output of this first contract. Currently we are finalizing the Terms of Reference for contract 2 with the Ministries of Energy and Health and the Nuclear Regulatory Authority (SNRIU) prior to tendering.

Table Top and Field Exercise in Tbilisi, Georgia in June 2018

The EU has asked the STCU to work with the Secretariat of the Center of Excellence of the SEEE region (located in Tbilisi, Georgia) to conduct table top (TT) and field exercises (FE) related to Radiological and Nuclear security in Tbilisi, Georgia in June 2018. The objectives of the event are as follows:

- To raise awareness of regional (former Yugoslavia and Black Sea – SEEE CoE Region) threats



- To provide a “hands on” field exercise where all nine countries of the SEEE CoE Region actively participate – an exercise with only a few actors and lots of observers is not the goal
- To foster regional cooperation between participating sectors and countries
- To raise the visibility of EU CoE activities in the SEEE region

The STCU is currently in the very beginning stages of the planning of this event having completed the draft budget, and now is working with the nine (9) countries of the SEEE region to conduct the first preparatory group on November 14th and 15th to begin in earnest the detailed planning of the event. If all goes according to plan, the event will occur over four days in the first half of June '18.

USDoS/ISN/WMDT Workshop to Raise Awareness of Nuclear Forensics in Support of Prosecutions

The Bureau of International Security and Nonproliferation's Office of Weapons of Mass Destruction (USDoS/ISN/WMDT) requested the STCU to assist with the on-the-ground implementation of a workshop to help GUAM countries strengthen their capacities to utilize nuclear forensics in prosecutions of cases involving R/N materials, including criminal cases of R/N material smuggling. The conference was conducted September 27 – 29, 2017 in Kyiv, Ukraine.

USDoS/ISN/WMDT Vector II Project

USDoS/ISN/WMDT has an ongoing project to support the secure transportation of vulnerable radioactive sources in Ukraine. The secure transportation of these radioactive sources is part of a larger multi-national project, known as VECTOR II. The STCU, in coordination with Oak Ridge National Laboratory (ORNL) as the technical advisor, will procure containers for this project in the amount of \$1.1M (shown as project P704 in the 45th GB Funding Sheet). Furthermore, the STCU will work with ORNL to procure a special radioactive material transportation vehicle (estimated budget of \$500K) in support of the larger VECTOR II project as well.

Project to Upgrade physical Security at South Ukraine Nuclear Power Plant (SUNPP)

USDoE/NNSA/GMS tasked the STCU, in coordination with Pacific Northwest National Laboratory as the technical advisor, to finalize a project to implement \$2.5M worth of physical security upgrades at SUNPP. The STCU is currently working with representatives of USDoE/DNN/GMS to finalize the list of equipment and materials, with the hope that procurement of items can start in the 1st half of 2018.

Project to Provide Continuation of DTRA's Mentorship Program in Azerbaijan

DTRA has contacted the STCU to request that the STCU provide a proposal to continue the work currently implemented in Azerbaijan by Black & Veatch after its contract there ends on April 4, 2018. The goal of the project is to plan, develop, and implement a sustainable mentorship program in Azerbaijan in support of the Threat Agent Detection Response (TADR) system, comprised of a Central Reference Laboratory (CRL), Zonal Veterinary Laboratories (ZVL), and Anti-Plague Division (APD) Laboratories. Upon successful completion of the mentorship program implementation, responsibility for diagnostic and laboratory maintenance sustainment will be transitioned to the Government of Azerbaijan. The plan is for STCU to ramp up activities in the first quarter of 2018, in preparation for full



handover of responsibilities from Black and Veatch in April 2018. The project is expected to last approximately two and a half years and the budget is forecasted to be in the \$1M to \$2M range.

USDoE/NNSA Workshop “Radioactive Well Logging Source Risk Mitigation in ISTC and STCU Member States”

The ISTC and STCU hosted a workshop titled “Radioactive Well Logging Source Risk Mitigation in ISTC and STCU Member States” on September 12th-13th in Atyrau, Kazakhstan. This workshop was held under a Targeted Initiative that aims to raise government and industry awareness in countries belonging to ISTC and STCU of the options for mitigating the risks of using radionuclide-based tools for oil well logging, including possibilities to replace such tools with less vulnerable technologies.

USDoE/NNSA/SCP Seismic Targeted Initiative International Workshop “Training in Network Management Systems and Analytical Tools for Seismology.”

The US Department of Energy’s, National Nuclear Security Administration, Seismic Cooperation Program requested the STCU to assist with the on-the-ground implementation of an international workshop on the theme of "Training in Network Management Systems and Analytical Tools for Seismology" for the dates of October 23 – 27, 2017. The workshop was supported by Lawrence Livermore National Laboratory, U.S. Department of Energy, the Science and Technology Center of Ukraine (STCU) and the Azerbaijan National Academy of Sciences (ANAS). Seismologists and experts from more than 20 countries participated in the workshop.

Current Secretariat Activities

2017 Co-Financing with National S&T Authorities of GUAM (formerly known as the TI program) Activity Update

In late July 2017, as a result of the letter from the U.S. Party dated June 20, 2017 and subsequent 44th Governing Board teleconference call discussions, the STCU Executive Director wrote letters to all of the National S&T Authorities of GUAM who participate in the Co-Financing program in order to inform them that the US Party will be unable to provide financing for the 2017 Co-Financing cycle. The letter went on to explain that the European Union does still plan on funding 2017-Co-Financing projects; however, in subsequent years (2018 and beyond) the EU is hoping to change the program so that co-financing is for bigger projects that address regional needs. The issue is on the Agenda for further discussion at the conclusion of the 45th GB meeting scheduled for December 6, 2017 in Frankfurt, Germany.

The 2017 request for proposals resulted in the following numbers of proposals for each country:

Azerbaijan = 25
Georgia = 25
Moldova = 22
Ukraine = 29

Total # of 2017 proposals = 101



Given that the EU will be the only Party co-financing this year, the STCU suggests selecting projects via e-mail, with a follow-on conference call, if necessary, to clarify any questions.

Partner Program/Sustainability Activity

The 44th GB approved a total of thirteen (13) new partner projects totaling roughly \$3.19M (\$2,131,424 and €975,430), as well as nineteen (19) new partner project extensions totaling roughly \$1.38M (\$1,055,460 and €332,092). Couple this with the partner projects expected to be approved at the 45th GB in December 2017 (~\$3.57M) and 2017 should see approximately \$6.7 million of new partner project funding received. Partner project funding in 2016 was \$5.5, so 2017 saw a slight increase in the amount of partner funding year-on-year. The STCU expects that going forward partner project funding will be in a band of approximately \$4M - \$6M per year. Contrast this with a few years ago, when the band was approximately \$8M - \$12M. The decrease was a result almost exclusively because of a drop in government partner projects (especially DOE/GIPP).

Trends in Projects

As the table below indicates, the STCU has seen the number of active projects drop considerably over the last few years (from an average of 228 active projects in 2012 to 120 active projects in 2015). Furthermore, as you can see in the table below, the average number of active projects for 2016 was approximately 110. To date, the STCU is managing approximately 135 projects, with the rise in projects attributed mostly to the increase in the number of partner projects (even though the USD amount of funding was the same year-on-year, i.e. more projects but for smaller budget amounts as compared with 2016).

The large increase in funding for 2016 to \$11.2M is due in large part to the one-time funding (\$3.0M) of the Mosul, Iraq project. Without this one-time funding, the STCU would have expected a funding year of about \$8.2M for 2016.

2017 will prove to be close to \$16M in total project funding, due in large part to the two newly signed EU projects (PCHP = €3.5M and CBRN Forensics = €2.3M) described earlier in this report, the steady year in partner projects mentioned in the section above, as well as approximately \$2.5M worth of co-financing projects with the GUAM S&T authorities in May and December '17. Finally, if the third phase of the PCHP project (€5M) is signed by the end of this year, the STCU could see a funding year in 2017 close to \$22M (the highest funding year in the history of the STCU). As of the publishing of this report, the third phase of the PCHP project was not signed, so the projected funding for 2017 is shown below as \$17.2M.

	2010	2011	2012	2013	2014	2015	2016	Nov. 2017
Avg # of Active Projects	220	227	228	179	125	120	110	135
Board Approved Project Funding (USD)	\$12.9M	\$18.2M	\$17.7M	\$12.7M	\$14.1M	\$4.72M	\$11.2M	\$17.6M*

* \$17.6M is the amount of funding approved for the period of Jan. '17 – November, '17

Important Visitors/Meetings/Events

Meeting with Alexander Schiller, International Project Manager, DTRA (24th July 2017, Kyiv).

The STCU ED, Chief Financial Officer, and Senior Specialist (Mutovkin) met with Alexander Schiller, International Project Manager, to discuss the STCU as a possible option for the continuation of DTRA's mentorship program in Azerbaijan in 2018 (discussed earlier in this report).

USDoS/ISN/WMDT Workshop to Raise Awareness of Nuclear Forensics in Support of Prosecutions (27th – 29th September, 2017, Kyiv).

The STCU ED and Senior Specialists (Taberko and Tomaskevskya) attended the workshop (which STCU helped to coordinate) to help GUAM countries strengthen their capacities to utilize nuclear forensics in prosecutions of cases involving R/N materials, including criminal cases of R/N material smuggling.

Meeting with Borys Stoliarchuk, Acting Head of the State Nuclear Regulatory Inspectorate of Ukraine (2nd October 2017, Kyiv).

The STCU ED and Kathleen Lowe of WMDT/US Department of State met with Mr. Borys Stoliarchuk to discuss a possible project to implement an e-data management system in the regulator. The project discussions were put on hold until December 2017, as it appears the regulator may be receiving financing from the Ukrainian state budget to implement the project without donor funding.

ED attends Information Sharing Initiative for Nuclear Security in Ukraine, (3rd and 4th October 2017, Kyiv).

The STCU ED attended the international meeting "Nuclear Security in Ukraine – Information Sharing, Lessons Learned and Coordination" which was held in Kyiv on 3-4 October 2017. The event, organized by the Ministry of Energy and Coal Industry of Ukraine with the support of the Ministry of Foreign Affairs of Ukraine, the Swedish Radiation Safety Authority and the Norwegian Radiation Protection Agency, was held in the framework of the Second Meeting of the Team for Exchange of Information on Technical Assistance to Ukraine in the Area of Nuclear Security of the Radiological Safety and Nuclear Security Working Group under the G7 Initiative "Global Partnership against the Spread of Weapons and Materials of Mass Destruction". During the meeting, the Ukrainian side presented information on cooperation with all donors under the Global Partnership Initiative. In addition, the donors reviewed current activities and plans for future cooperation with Ukraine. A number of the activities discussed during the meeting are projects implemented by the STCU on behalf of the donors. The overall goal of the meeting is to ensure better coordination of all donors and Ukraine in the field of radiation and nuclear security.

Interview with Simon Shuster of Time Magazine (18th October, 2017 Kyiv).

At the request of Time Magazine, the STCU ED provided information about the history and evolution of Western efforts via the STCU to help scientists in Ukraine who have expertise in potentially sensitive technology. Furthermore, the ED provided the reporter with useful contacts within the Government of Ukraine officials (Deputy Minister Strikha) to obtain the Government of Ukraine's perspective, as well as for past scientists that worked with STCU in order to get their views on the work of the STCU. At the time of printing this report, the article in Time has not been released. As soon as the article is released the STCU will provide the Governing Board with a copy.



ED travels to Baku to attend DTRA Government to Government (G2G) meetings in Azerbaijan (24th October 2017, Baku). The STCU ED traveled to Baku to attend the formal DTRA government to government meetings in order to meet firsthand the important counterparts from the Government of Azerbaijan involved with the continuation of DTRA’s mentorship program in Azerbaijan in 2018

Meeting with Alexander Schiller, International Project Manager, and Joyce Gamboa, Contracts Specialist, DTRA (24th and 25th October 2017, Kyiv). The STCU ED, Chief Financial Officer, and Senior Specialists (Mutovkin and Pashynska) met with Mr. Schiller and Ms. Gamboa to discuss the STCU as a possible option for the DTRA mentorship program in Azerbaijan in 2018.

Attendance of EU CBRN Centres of Excellence (CoE) Fifth Meeting of the Heads of Regional Secretariats (7th-9th, November, 2017, Brussels). The STCU ED traveled to Brussels to work with the CoE regional secretariats to bring them up to speed on the capabilities of the STCU, as well as inform the attendees of the progress on the LIONSHIELD Tabletop and Field Exercises planned for June 2018.

Curtis “B.J.” Bjelajac
Executive Director

AOB Actual to Budget

for the year ending
31 December 2017



2017 AOB Actual Expenditure

	Budget \$	Actual to date \$	Forecast for year \$	Utilization %
Non-recurring Expenses	18,500	14,348	17,548	95
Recurring Expenses	857,500	569,062	763,158	89
Total	876,000	583,410	780,706	89

Recurring Expenses

	Budget \$	Actual to date \$	Forecast for year \$	Utilization %
Personnel	530,500	444,371	539,367	102
Travel	97,500	40,021	63,521	65
Office Operations	128,000	63,002	90,002	70
Branch Offices	21,500	13,472	17,972	84
Contracted Services	68,000	8,196	52,296	77

Office Operations

	Budget	Actual to date	Forecast for year	Utilization
	\$	\$	\$	%
Bank Fees - Offshore	33,000	30,939	41,239	125

- Although overall expenditure does not exceed the total budget for the year, expenditure on Bank Fees will exceed the budget for this item;
- This overspend is due to increases in fee rates by the bank rather than volumes and is outside the Center's control;
- The actual expenditure for the year will exceed the budget by more than the 10% permitted by the Financial Regulations, and therefore the Secretariat requested Governing Board approval for this overspend (see Record of Decisions).

Questions



AOB Actual to Budget for 2017

Notes and supporting
calculations



Full AOB Actual to Budget for 2017

Administrative Operating Expenses	Budget 2017 \$	Actual to 31 October 2017 \$	Forecast remaining period \$	Forecast year to 31 December 2017 \$	Percentage utilised %
Non-Recurring Expenses					
Facility Improvements	3,000	1,682	200	1,882	63%
Office Equipment	2,000	2,160	0	2,160	108%
Computer Hardware	2,000	251	1,750	2,001	100%
Computer Software	11,500	10,255	1,250	11,505	100%
Subtotal Non-Recurring Expenses	18,500	14,348		17,548	95%
Recurring Expenses					
Personnel	530,500	444,371	95,200	539,367	102%
Local Grant Payments	425,000	371,207	74,000	445,207	105%
Staff Education & Training	40,000	23,158	7,800	30,754	77%
Staff Education & Training - ED	4,000	2,890	1,000	3,890	97%
Staff Education & Training - CFO	18,000	11,848	4,000	15,848	88%
Staff Education & Training - DED UA	18,000	8,217	2,800	11,017	61%
Employee Morale & Welfare	22,500	15,886	6,600	22,486	100%
Medical Plan	43,000	34,120	6,800	40,920	95%
Travel	97,500	40,021	23,500	63,521	65%
International Travel	25,000	9,970	12,900	22,870	91%
Travel withing the CIS	57,500	25,422	9,000	34,422	60%
Travel withing the CIS - Monitoring	32,500	15,493	5,500	20,993	65%
Travel withing the CIS - ED	25,000	9,929	3,500	13,429	54%
Local Travel	15,000	4,629	1,600	6,229	42%
Office Operations	128,000	63,002	27,000	90,002	70%
Representation	5,000	443	1,400	1,843	37%
Postage & Delivery	6,000	1,804	600	2,404	40%
Customs Facilitations	500	0	0	0	0%
General Office Supplies	8,000	4,414	1,500	5,914	74%
Office Equipment Repair & Maintenance	3,000	911	300	1,211	40%
Vehicle Operations	5,000	255	100	355	7%
Printing & Reproduction	8,000	11	500	511	6%
Telecommunications Services	15,000	4,105	1,400	5,505	37%
Business Meetings	7,000	1,622	4,600	6,222	89%
Subscriptions & Publications	2,500	1,444	500	1,944	78%
Building Supplies	6,000	2,091	700	2,791	47%
Insurance	9,000	3,414	1,200	4,614	51%
Bank Fees - Offshore	33,000	30,939	10,300	41,239	125%
Bank Fees - Onshore	20,000	11,549	3,900	15,449	77%
Branch Offices	21,500	13,472	4,500	17,972	84%
Branch Offices - Kharkiv	2,000	1,153	400	1,553	78%
Branch Offices - Baku	7,000	3,269	1,100	4,369	62%
Branch Offices - Chisinau	5,500	3,580	1,200	4,780	87%
Branch Offices - Tbilisi	7,000	5,470	1,800	7,270	104%
Contracted Services	68,000	8,196	44,100	52,296	77%
Legal Services	5,000	248	0	248	5%
Accounting & Auditing	43,000	1,064	41,900	42,964	100%
Other Professional Services	20,000	6,884	2,200	9,084	45%
Subtotal Recurring Costs	845,500	569,062	194,300	763,158	90%
Contingency - Recurring	12,000	0	0	0	0%
Total Administrative Expenses	876,000	583,410	194,300	780,706	89%

Annual Operating Budget Request

for the year ending
31 December 2018

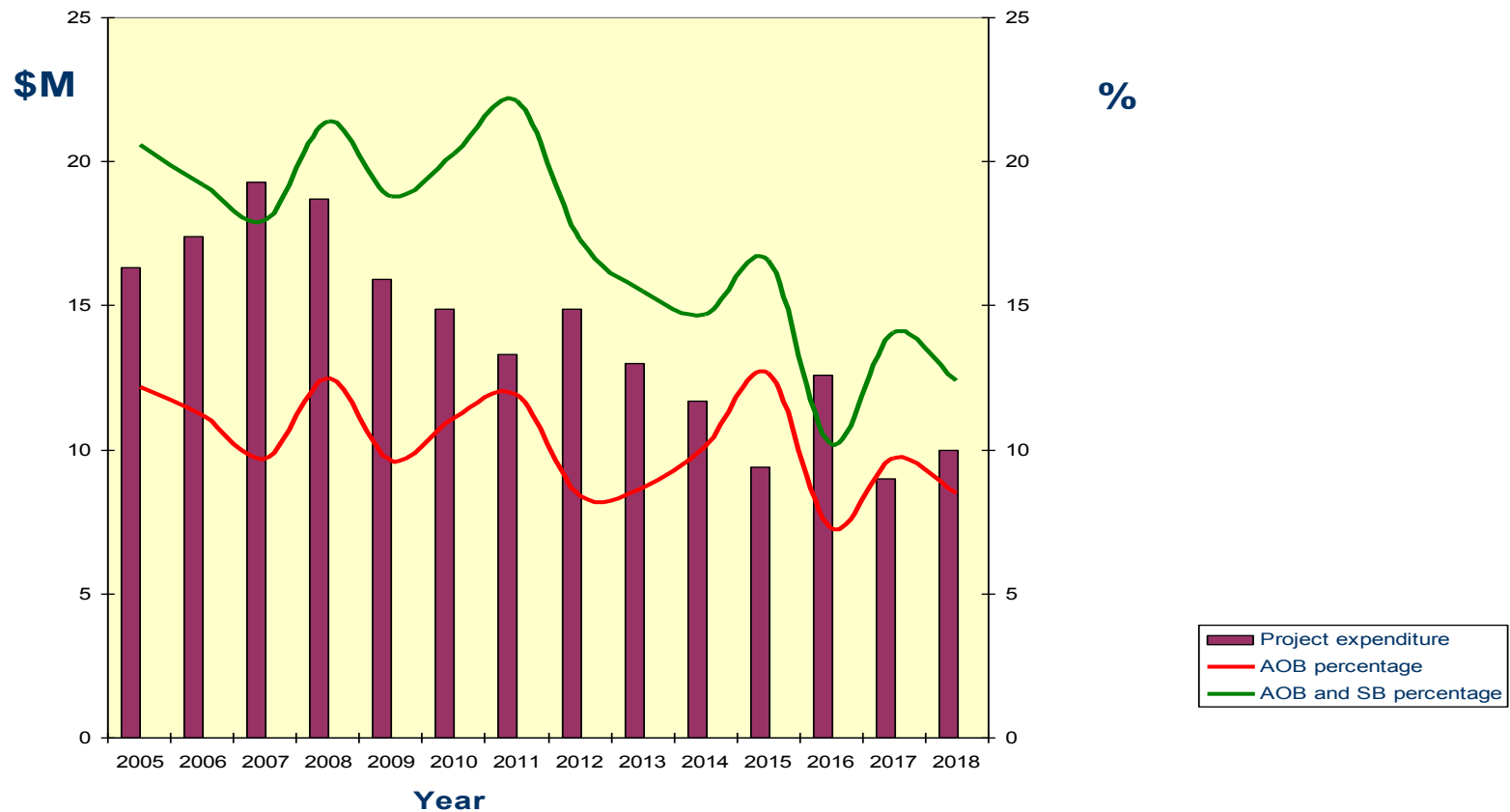


Background

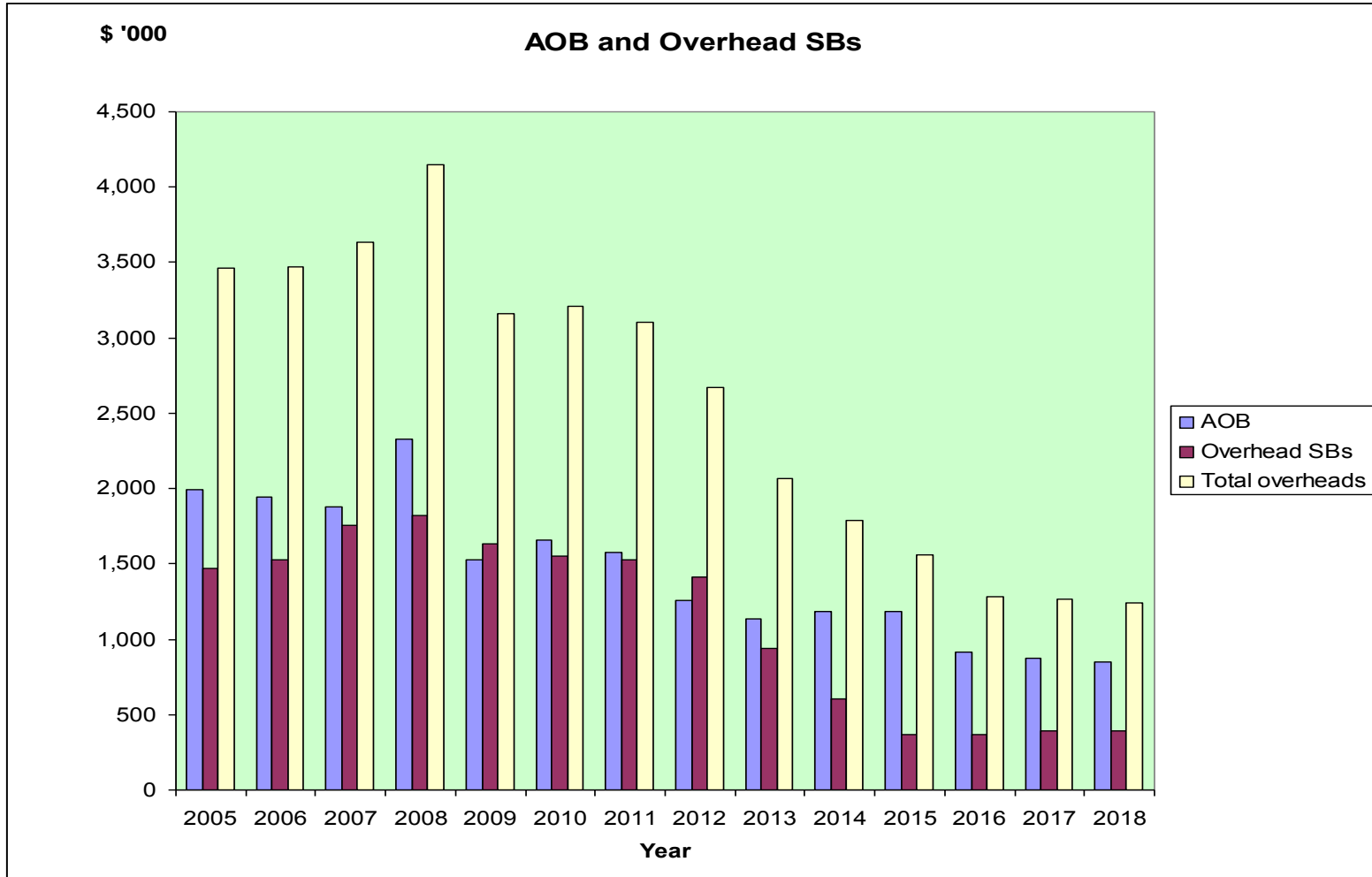
- The budget is determined by our level of activities:
- Activities having declined over recent years have now reached a recurrent level around which they will fluctuate
- Overheads have been reduced and STCU has become more efficient
- Reaching a minimal level

Project Volumes

Project volumes and overhead percentages



Overheads reduced and Center reaching minimum level



Summary of 2018 AOB

	2017 \$' 000	2018 \$' 000	Decrease %
Recurring	858	820	4
Non recurring	18	17	5
Total AOB	876	837	4

AOB Sharing Formula

- In December 2000 the Funding Parties agreed to the following:



In December 2000 the Funding Parties agreed to the following:




Operating Budget:
Parties would equally share 20% of the Administrative projected next year's expenditure for the Party's



- Currently this is 10% each for the EU and US;

program nature in with project expenditure the

AOB Funding Share Calculation

	 US	 EU	 Total
Estimated project / SB expenditure	\$ 1,703,490	\$ 4,004,930	\$ 5,708,420
	%	%	%
% share of project / SB expenditure	29.84	70.16	100
Distribution of variable portion	23.87	56.13	80
Distribution of fixed portion	10	10	20
Calculated sharing ratio	33.87	66.13	100

Who pays what



	US	EU	Total
Share of AOB	\$ 283,520	\$ 553,480	\$ 837,000
(in Euros)		€ 494,179	
	%	%	%
Calculated sharing ratio	33.87	66.13	100

SB Estimates for 2018 - 1

BUDGET ITEM		US		EU		US	EU
		2017 Approved	2017 Forecast Spent	2017 Approved	2017 Forecast Spent	2018 Requested	2018 Requested
Funding Parties		\$	\$	€	€	\$	€
1.01	Technic., Collabor., Cont. Travel Supp. - US	30,000	0			0	
1.02	Technic., Collabor., Cont. Travel Supp. - EU			15,000	0		9,000
4.01	Bus. Training/Sustainability Supp - US	30,000	0			0	
5.02	Patent Support - US	10,000	4,878			0	
5.03	Patent Support - EU			8,000	0		17,000
6.02	Travel and Mobility Support - US	25,000	0			0	
6.03	Travel and Mobility Support - EU			15,000	3,667		6,000
08.01	Expert Review & Advisors - EU			10,000	9,911		9,000
9.02	Seminars/Workshops - EU			2,000	1,674		228,000
9.03	Seminars/Workshops - US	75,000	0			0	
10.01	Service Contracts - US	225,000	219,000			225,000	
16.01	Partner Promotion Support - EU			30,000	0		18,000
18.01	Export Control - EU						500,000
TOTAL CONTRIBUTION		395,000	223,878	80,000	15,252	225,000	787,000

For the EU these costs are associated with the Contribution Agreement Annex III - Projects and Supplemental, with the exception of € 227,000 for 9.02 Seminars and workshops which is from Undesignated Capital Contributions

SB Estimates for 2018 - 2

BUDGET ITEM		US		EU		US	EU
		2017 Approved	2017 Forecast Spent	2017 Approved	2017 Forecast Spent	2018 Requested	2018 Requested
Funding Parties		\$	\$	€	€		€
10.02	Service Contracts - EU			134,000	130,041		134,000
TOTAL CONTRIBUTION		0	0	134,000	130,041	0	134,000

For the EU these costs are associated with the Contribution Agreement Annex III - Administrative

		US		EU		US	EU
		\$	\$	€	€	\$	€
TOTAL CONTRIBUTION		395,000	223,878	214,000	145,293	225,000	421,000

BUDGET ITEM		2017 Approved	2017 Forecast Spent	2017 Approved	2017 Forecast Spent	2018 Requested	2018 Requested
Partners		\$	\$	€	€	\$	€
6.04	Travel and Mobility Support - PA	205,513	205,513	0	0	6,741	0
9.04	Seminars/Workshops - PA	46,443	46,443	0	0		
TOTAL CONTRIBUTION		251,956	251,956	0	0	6,741	0

Note: For the purposes of this spreadsheet a € 1 : \$ 1.12 Euro to Dollar ratio has been used

Note: For the purposes of this spreadsheet SBs of a programme nature are not forecast for the full year and are only amounts spent to date



AOB and SB for 2017

Notes and supporting
calculations



Assumptions

- 2018 figures are all estimates
- 2018 figures are all estimates

2017 figures

Project Expenditures include the latest available Projects for the full year

- Project Expenditures do not include Projects to be approved at upcoming Governing Board Meeting



-
- Paying Government Partners (eg GIPP, UK MoD,

Full AOB

Administrative Operating Expenses	Budget	Actual	2017		Forecast final 6 months	Forecast full year	2018 Budget
			Remaining	Percentage			
	\$	\$	\$	%	\$	\$	\$
Non-Recurring Expenses							
Facility Improvements	3,000	1,221	1,779	59.3	500	1,721	2,000
Furniture & Fixtures	0	0	0	0	0	0	0
Telecommunications Equipment	0	0	0	0	0	0	0
Office Equipment	2,000	1,390	610	30.52	500	1,890	2,000
Vehicle Purchase	0	0	0	0	0	0	0
Computer Hardware	2,000	0	2,000	100	2,000	2,000	2,000
Computer Software	11,500	10,255	1,245	10.83	1,250	11,505	11,500
Subtotal Non-Recurring Expenses	18,500	12,866	5,634	30.46	4,250	17,116	17,500
Recurring Expenses							
Personnel	530,500	259,528	270,972	51.08	292,554	551,879	515,000
Local Grant Payments	425,000	220,227	204,773	48.18	227,427	447,654	411,000
Staff Education & Training	40,000	8,707	31,293	78.23	31,500	40,003	39,000
Staff Education & Training - ED	4,000	15	3,985	99.63	4,000	4,015	4,000
Staff Education & Training - CFO	18,000	8,488	9,512	52.84	9,500	17,988	20,000
Staff Education & Training - DED UA	18,000		18,000	100	18,000	18,000	15,000
Employee Morale & Welfare	22,500	9,367	13,133	58.37	12,400	21,767	22,000
Medical Plan	43,000	21,227	21,773	50.63	21,227	42,454	43,000
Travel	97,500	34,957	62,543	64.15	49,000	77,357	92,000
International Travel	25,000	10,084	8,316	33.26	12,500	22,584	30,000
Travel within the CIS	57,500	15,679	41,821	72.73	29,000	44,679	51,000
Travel within the CIS - Monitoring	32,500	9,235	23,265	71.59	16,500	25,735	26,000
Travel within the CIS - ED	25,000	6,444	18,556	74.22	12,500	18,944	25,000
Local Travel	15,000	2,594	12,406	82.71	7,500	10,094	11,000
Office Operations	128,000	34,987	93,013	72.67	77,550	112,537	115,500
Representation	5,000	259	4,741	94.83	3,000	3,259	3,000
Postage & Delivery	6,000	991	5,009	83.48	1,000	1,991	5,000
Customs Facilitations	500	0	500	100	0	0	500
General Office Supplies	8,000	1,737	6,263	78.29	4,000	5,737	7,500
Office Equipment Repair & Maintenance	3,000	636	2,364	78.8	1,500	2,136	3,000
Vehicle Operations	5,000	186	4,814	96.29	2,500	2,686	0
Printing & Reproduction	8,000	11	7,989	99.86	4,000	4,011	4,000
Telecommunications Services	15,000	2,128	12,872	85.81	7,500	9,628	11,000
Business Meetings	7,000	680	6,320	90.29	6,000	6,680	6,000
Subscriptions & Publications	2,500	393	2,107	84.26	1,250	1,643	2,000
Building Supplies	6,000	935	5,065	84.41	3,000	3,935	5,000
Insurance	9,000	1,656	7,344	81.6	7,400	9,056	7,500
Bank Fees - Offshore	33,000	18,765	14,235	43.13	22,400	41,165	41,000
Bank Fees - Onshore	20,000	6,608	13,392	66.96	14,000	20,608	20,000
Branch Offices	21,500	5,771	15,729	73.16	10,750	16,521	18,000
Branch Offices - Kharkiv	2,000	601	1,399	69.96	1,000	1,601	2,000
Branch Offices - Baku	7,000	1,462	5,538	79.12	3,500	4,962	6,500
Branch Offices - Chisinau	5,500	1,557	3,943	71.69	2,750	4,307	5,000
Branch Offices - Tbilisi	7,000	2,152	4,848	69.26	3,500	5,652	4,500
Contracted Services	68,000	2,904	65,096	95.73	53,000	55,904	68,000
Legal Services	5,000	177	4,823	96.47	0	177	5,000
Accounting & Auditing	43,000	-159	43,159	100.37	43,000	42,841	43,000
Other Professional Services	20,000	2,887	17,113	85.57	10,000	12,887	20,000
Subtotal Recurring Costs	845,500	338,147	507,353	60.01	482,854	814,198	808,500
Contingency - Recurring	12,000		12,000	100	0	0	11,000
Total Administrative Expenses	876,000	351,013	524,987	59.93	487,104	831,313	837,000

Calculation of Parties' Share of AOB

	Total	US	EU	EU*
	\$	\$	\$	€
Workload (= Projects + SBs)				
Projects				
Party Projects	3,456,048	391,810	3,064,238	2,735,927
Government Partner Projects	1,938,772	1,311,680	627,092	559,904
	<u>5,394,820</u>	<u>1,703,490</u>	<u>3,691,330</u>	<u>3,295,830</u>
Supplemental Budget (SB)				
Party SBs	313,600	0	313,600	280,000
Partner SBs	0	0	0	0
	<u>313,600</u>	<u>0</u>	<u>313,600</u>	<u>280,000</u>
Forecasted workload 2018	<u>5,708,420</u>	<u>1,703,490</u>	<u>4,004,930</u>	<u>3,575,830</u>
	%			
	100.00	29.84	70.16	
Annual Operating Budget				
	\$	\$	\$	€
Fixed portion 20%	167,400	83,700	83,700	74,732
<i>Shared equally among Parties</i>				
Variable portion 80%	669,600	199,820	469,780	419,446
<i>Shared among parties according to forecast workload share</i>				
	<u>837,000</u>	<u>283,520</u>	<u>553,480</u>	<u>494,179</u>

* EU figures shown in Euros at (\$1.12 : € 1) for information purposes

Recurring AOB % Calculation Based on Forecasted Project Expenditures by Funding Party for FY2018 – page 1

Project #	Partner Name if Partner Project	U.S. Amount Funded Total	EU Amount Funded Total	Total Funded by All FPs	Duration of Project in Months	# of Months in 2018 project active	U.S. Amount Budgeted in 2018	EU Amount Budgeted in 2018	Total Amount Budgeted in 2018
5982		\$12,500.00	\$11,217.92	\$23,717.92	24	2	\$1,041.67	\$934.83	\$1,976.49
5984		\$12,500.00	\$11,217.92	\$23,717.92	24	3	\$1,562.50	\$1,402.24	\$2,964.74
5985		\$12,500.00	\$11,217.92	\$23,717.92	24	1	\$520.83	\$467.41	\$988.25
5986		\$25,000.00	\$22,435.84	\$47,435.84	24	1	\$1,041.67	\$934.83	\$1,976.49
5988		\$12,500.00	\$11,217.92	\$23,717.92	24	2	\$1,041.67	\$934.83	\$1,976.49
5989		\$0.00	\$44,871.68	\$44,871.68	24	2	\$0.00	\$3,739.31	\$3,739.31
5993		\$12,500.00	\$11,217.92	\$23,717.92	24	1	\$520.83	\$467.41	\$988.25
5998		\$12,500.00	\$11,217.92	\$23,717.92	24	2	\$1,041.67	\$934.83	\$1,976.49
6011		\$50,000.00	\$0.00	\$50,000.00	24	2	\$4,166.67	\$0.00	\$4,166.67
6014		\$50,000.00	\$0.00	\$50,000.00	24	5	\$10,416.67	\$0.00	\$10,416.67
6017		\$25,000.00	\$22,435.84	\$47,435.84	24	5	\$5,208.33	\$4,674.13	\$9,882.47
6023		\$0.00	\$44,871.68	\$44,871.68	24	4	\$0.00	\$7,478.61	\$7,478.61
6024		\$50,000.00	\$0.00	\$50,000.00	24	5	\$10,416.67	\$0.00	\$10,416.67
6027		\$25,000.00	\$22,435.84	\$47,435.84	24	4	\$4,166.67	\$3,739.31	\$7,905.97
6029		\$0.00	\$44,871.68	\$44,871.68	24	5	\$0.00	\$9,348.27	\$9,348.27
6097		\$25,000.00	\$0.00	\$25,000.00	18	1	\$1,388.89	\$0.00	\$1,388.89
6098		\$25,000.00	\$0.00	\$25,000.00	24	8	\$8,333.33	\$0.00	\$8,333.33
6117		\$25,000.00	\$0.00	\$25,000.00	24	11	\$11,458.33	\$0.00	\$11,458.33
6121		\$25,000.00	\$0.00	\$25,000.00	24	12	\$12,500.00	\$0.00	\$12,500.00
6133		\$24,615.00	\$0.00	\$24,615.00	24	11	\$11,281.88	\$0.00	\$11,281.88
6140		\$0.00	\$26,493.60	\$26,493.60	24	7	\$0.00	\$7,727.30	\$7,727.30
6148		\$49,997.00	\$0.00	\$49,997.00	24	12	\$24,998.50	\$0.00	\$24,998.50
6150		\$50,000.00	\$0.00	\$50,000.00	18	6	\$16,666.67	\$0.00	\$16,666.67
6154		\$50,000.00	\$0.00	\$50,000.00	24	8	\$16,666.67	\$0.00	\$16,666.67
6156		\$0.00	\$52,282.80	\$52,282.80	24	6	\$0.00	\$13,070.70	\$13,070.70
6159		\$50,000.00	\$0.00	\$50,000.00	24	8	\$16,666.67	\$0.00	\$16,666.67
6165		\$50,000.00	\$0.00	\$50,000.00	24	12	\$25,000.00	\$0.00	\$25,000.00
6166		\$0.00	\$52,975.20	\$52,975.20	24	6	\$0.00	\$13,243.80	\$13,243.80
6174		\$49,909.00	\$0.00	\$49,909.00	24	12	\$24,954.50	\$0.00	\$24,954.50
6175		\$0.00	\$52,980.00	\$52,980.00	24	8	\$0.00	\$17,660.00	\$17,660.00
6176		\$0.00	\$52,984.80	\$52,984.80	24	6	\$0.00	\$13,246.20	\$13,246.20
6177		\$0.00	\$52,984.80	\$52,984.80	24	5	\$0.00	\$11,038.50	\$11,038.50
6183		\$50,000.00	\$0.00	\$50,000.00	24	12	\$25,000.00	\$0.00	\$25,000.00
6184		\$0.00	\$54,934.80	\$54,934.80	24	12	\$0.00	\$27,467.40	\$27,467.40
6188		\$0.00	\$52,984.80	\$52,984.80	24	7	\$0.00	\$15,453.90	\$15,453.90
6191		\$0.00	\$37,063.20	\$37,063.20	24	5	\$0.00	\$7,721.50	\$7,721.50
6198		\$0.00	\$37,081.20	\$37,081.20	24	5	\$0.00	\$7,725.25	\$7,725.25
6204		\$0.00	\$37,036.80	\$37,036.80	24	5	\$0.00	\$7,716.00	\$7,716.00
6205		\$0.00	\$37,046.40	\$37,046.40	24	5	\$0.00	\$7,718.00	\$7,718.00
6206		\$0.00	\$37,089.60	\$37,089.60	24	5	\$0.00	\$7,727.00	\$7,727.00
6207		\$0.00	\$36,969.60	\$36,969.60	24	5	\$0.00	\$7,702.00	\$7,702.00
6209		\$0.00	\$37,089.60	\$37,089.60	24	5	\$0.00	\$7,727.00	\$7,727.00
6210		\$0.00	\$37,089.60	\$37,089.60	24	5	\$0.00	\$7,727.00	\$7,727.00
6213		\$0.00	\$37,089.60	\$37,089.60	24	5	\$0.00	\$7,727.00	\$7,727.00
6219		\$0.00	\$27,571.20	\$27,571.20	24	12	\$0.00	\$13,785.60	\$13,785.60
6222		\$0.00	\$27,571.20	\$27,571.20	24	12	\$0.00	\$13,785.60	\$13,785.60
6224		\$25,000.00	\$27,571.20	\$52,571.20	24	12	\$12,500.00	\$13,785.60	\$26,285.60
6225		\$0.00	\$27,567.60	\$27,567.60	24	12	\$0.00	\$13,783.80	\$13,783.80
6229		\$25,000.00	\$0.00	\$25,000.00	24	12	\$12,500.00	\$0.00	\$12,500.00
6233		\$0.00	\$27,571.20	\$27,571.20	24	12	\$0.00	\$13,785.60	\$13,785.60
6245		\$0.00	\$27,571.20	\$27,571.20	24	12	\$0.00	\$13,785.60	\$13,785.60
6247		\$25,000.00	\$27,571.20	\$52,571.20	24	12	\$12,500.00	\$13,785.60	\$26,285.60
6250		\$24,997.00	\$27,567.60	\$52,564.60	24	12	\$12,498.50	\$13,783.80	\$26,282.30

Recurring AOB % Calculation Based on Forecasted Project Expenditures by Funding Party for FY2018 - page 2



6256		\$0.00	\$52,708.80	\$52,708.80	24	12	\$0.00	\$26,354.40	\$26,354.40
6258		\$0.00	\$55,142.40	\$55,142.40	24	12	\$0.00	\$27,571.20	\$27,571.20
6261		\$0.00	\$55,142.40	\$55,142.40	24	12	\$0.00	\$27,571.20	\$27,571.20
6262		\$0.00	\$54,069.60	\$54,069.60	24	12	\$0.00	\$27,034.80	\$27,034.80
6274		\$49,000.00	\$0.00	\$49,000.00	24	12	\$24,500.00	\$0.00	\$24,500.00
6282		\$25,000.00	\$27,752.40	\$52,752.40	24	12	\$12,500.00	\$13,876.20	\$26,376.20
6284		\$0.00	\$55,503.60	\$55,503.60	24	12	\$0.00	\$27,751.80	\$27,751.80
6286		\$50,000.00	\$0.00	\$50,000.00	24	12	\$25,000.00	\$0.00	\$25,000.00
6288		\$0.00	\$55,503.60	\$55,503.60	18	12	\$0.00	\$37,002.40	\$37,002.40
6290		\$0.00	\$55,032.00	\$55,032.00	24	12	\$0.00	\$27,516.00	\$27,516.00
6295		\$0.00	\$55,346.40	\$55,346.40	24	12	\$0.00	\$27,673.20	\$27,673.20
6297		\$0.00	\$38,599.20	\$38,599.20	18	12	\$0.00	\$25,732.80	\$25,732.80
6298		\$0.00	\$38,593.20	\$38,593.20	24	12	\$0.00	\$19,296.60	\$19,296.60
6301		\$17,500.00	\$19,299.60	\$36,799.60	24	12	\$8,750.00	\$9,649.80	\$18,399.80
6304		\$0.00	\$38,599.20	\$38,599.20	24	12	\$0.00	\$19,299.60	\$19,299.60
6306		\$35,000.00	\$0.00	\$35,000.00	24	12	\$17,500.00	\$0.00	\$17,500.00
6309		\$0.00	\$38,599.20	\$38,599.20	24	12	\$0.00	\$19,299.60	\$19,299.60
6316		\$35,000.00	\$0.00	\$35,000.00	24	12	\$17,500.00	\$0.00	\$17,500.00
6317		\$0.00	\$38,595.60	\$38,595.60	24	12	\$0.00	\$19,297.80	\$19,297.80
6321		\$0.00	\$38,479.20	\$38,479.20	24	12	\$0.00	\$19,239.60	\$19,239.60
9700		\$0.00	\$4,200,000.00	\$4,200,000.00	48	12	\$0.00	\$1,050,000.00	\$1,050,000.00
9808		\$0.00	\$2,037,076.00	\$2,037,076.00	30	6	\$0.00	\$407,415.20	\$407,415.20
9810		\$0.00	\$2,245,338.00	\$2,245,338.00	18	7	\$0.00	\$873,187.00	\$873,187.00
P438b	European Office of Aerospace Research and Development (EOARD)	\$100,000.00	\$0.00	\$100,000.00	36	12	\$33,333.33	\$0.00	\$33,333.33
P515c	Argonne National Laboratory	\$468,000.00	\$0.00	\$468,000.00	24	7	\$136,500.00	\$0.00	\$136,500.00
P585a	European Office of Aerospace Research and Development (EOARD)	\$125,000.00	\$0.00	\$125,000.00	60	12	\$25,000.00	\$0.00	\$25,000.00
P617	U.S. Department of Energy/ Office of Global Nuclear Material Threat	\$499,654.00	\$0.00	\$499,654.00	36	12	\$166,551.33	\$0.00	\$166,551.33
P649a	European Office of Aerospace Research and Development (EOARD)	\$125,000.00	\$0.00	\$125,000.00	60	12	\$25,000.00	\$0.00	\$25,000.00
P663x	Expertise France Technical Cooperation Agency	\$0.00	\$300,000.00	\$300,000.00	36	12	\$0.00	\$100,000.00	\$100,000.00
P664	Expertise France Technical Cooperation Agency	\$0.00	\$300,000.00	\$300,000.00	36	7	\$0.00	\$58,333.33	\$58,333.33
P667	European Office of Aerospace Research and Development	\$150,000.00	\$0.00	\$150,000.00	36	12	\$50,000.00	\$0.00	\$50,000.00
P671	Argonne National Laboratory	\$817,756.00	\$0.00	\$817,756.00	24	10	\$340,731.67	\$0.00	\$340,731.67
P672	National Technical University of Athens	\$0.00	\$379,314.00	\$379,314.00	42	12	\$0.00	\$108,375.43	\$108,375.43
P674	National Technical University of Athens	\$0.00	\$531,174.00	\$531,174.00	52	12	\$0.00	\$122,578.62	\$122,578.62
P684	Intelligentsia Consultants Sarl	\$0.00	\$160,950.00	\$160,950.00	36	12	\$0.00	\$53,650.00	\$53,650.00
P686	Technische Universitt Braunschweig	\$0.00	\$100,800.00	\$100,800.00	36	12	\$0.00	\$33,600.00	\$33,600.00
P688	Fraunhofer	\$0.00	\$115,016.00	\$115,016.00	36	12	\$0.00	\$38,338.67	\$38,338.67
P689	Leibniz-Institute fur Festkorper-und Werkstofforschung	\$0.00	\$81,048.00	\$81,048.00	36	12	\$0.00	\$27,016.00	\$27,016.00
P691	U.S. Department of Energy/ Office of Global Nuclear Material Threat	\$52,355.00	\$0.00	\$52,355.00	48	12	\$13,088.75	\$0.00	\$13,088.75
P692	U.S. Department of Energy/ Office of Global Nuclear Material Threat	\$146,804.00	\$0.00	\$146,804.00	36	12	\$48,934.67	\$0.00	\$48,934.67
P695	European Office of Aerospace Research and Development (EOARD)	\$150,000.00	\$0.00	\$150,000.00	36	12	\$50,000.00	\$0.00	\$50,000.00
P697	Universidad de Alicante	\$0.00	\$148,800.00	\$148,800.00	48	12	\$0.00	\$37,200.00	\$37,200.00
P699	TU Dortmund University	\$0.00	\$96,000.00	\$96,000.00	24	12	\$0.00	\$48,000.00	\$48,000.00
P703	Oak Ridge National Laboratory	\$845,080.00	\$0.00	\$845,080.00	24	12	\$422,540.00	\$0.00	\$422,540.00
Unsigned and Forecasted as if signed and started on October 1, 2017									
6303		\$0.00	\$38,599.20	\$38,599.20	18	12	\$0.00	\$25,732.80	\$25,732.80
							1,703,469.51	3,691,329.79	5,394,819.31
							31.58%	68.42%	
							80%	80%	
							25.26%	54.74%	
							10%	10%	
							35.26%	64.74%	

Calculated Recurring AOB %

Governing Board Paper

STCU's bank in Georgia

10th November 2017

Background

In accordance with SECTION IV – Management of Funds, paragraph (C) of the STCU Financial Regulations which reads:

The Center shall establish and maintain bank accounts in Ukraine, or other CIS countries that have acceded to the Agreement, as necessary for financing the administrative activities of the Center and for distributing funds to project recipients. The Board shall approve the establishment of each banking relationship.

Management requests Board approval to open bank accounts with Bank of Georgia.

Practicalities

STCU maintained bank accounts in Georgia with Republic Bank, a subsidiary of Soc Gen and had done so since 2010. In 2016 Republic Bank was sold to TBC Bank as a consequence of this TBC Bank merged all of Republic Bank's operations into TBC's operations. TBC Bank then without notice suspended STCU's online banking access and subsequently all banking services. Following lengthy discussions it became apparent that TBC did not wish to continue the relationship with STCU and the Secretariat had to close the accounts.

This has led to some difficulties in managing operations in Georgia with delays to projects and therefore management are of the view that STCU should open bank accounts with a new bank.

In accordance with the STCU's Procurement Rules a change of bank in Georgia does not require a competitive tender procedure and Bank of Georgia has been selected as meeting our requirements. Bank of Georgia is also the bank used by ISTC and in view of close cooperation between the Centers and the planned merger of the two Georgian offices using the same bank is a further synergy.

STCU are currently holding discussions with Bank of Georgia with a view to opening bank accounts with them. Management expect that these discussions will be concluded shortly and on the basis they are successful propose to open bank accounts with Bank of Georgia.

Conclusion

The Governing Board approve the opening of bank accounts at Bank of Georgia by the Secretariat subject to the conclusion of discussions (see Record of Decisions).

Forward Planning

For the years
2018 to 2023



Objectives

- Management developed a possible scenario for the funding of STCU's operations in response to letter from DoS dated June 20, '17
- Assumptions made are critical and need to be understood and followed closely in the future by all Parties
- STCU needs to efficiently utilize current UCC balances and seek new sources of funding
- Scenario/planning is not a static document, but dynamic and needs to be monitored periodically
- Some housekeeping issues may need to be considered (i.e. change to AOB sharing formula)

Definitions

- **Partner Fee**

- ~\$100k pa, currently as per table:
- Partner Fees shared by EU and US according to AOB contribution % (approx 2/3 and 1/3 respectively)

- **UCC to UCC transfer**

- Since 2008, all new DoE projects signed generated a 10% transfer from DoE-UCC to DoS-UCC, 100% of “fee” goes to DoS

Partner	Fee	
Non-EU/US organizations	15%	
All US organizations	10%	Except for UCC transfer
EU Non-Government	10%	
EU Government	0%	Increases EU cost of AOB

Issues and Suggested Course of Action

- **Eliminate UCC to UCC transfers?**
 - Eliminate UCC to UCC transfer as of 1 January 2019 (year from now)
 - All US Government newly signed projects charged 10% partner fee and shared according to AOB contribution
- **Continue charging 0% for EU Gov partners?**
 - Which increases EU AOB cost (↑\$27.8k for 2018)
 - Is EU comfortable with charging 0% for Government Partners?
 - STCU uses it as a selling point (i.e. Swedish Radiation Safety Authority, etc.)

Issues and Suggested Course of Action

- **Due to curtailed US DoS funding, consider changing AOB sharing formula?**
 - **Once DoS funded projects end DoS will pay 10% of AOB ~\$84k pa (as per current calculation)**
 - **Consider moving US DoS to a flat fee (i.e. \$75k) with the EU paying the remainder**
 - **Need to consider political implications (if any) of a flat fee**
 - **Management is comfortable with either approach (staying with current is preferred) and suggests any change effective from 1 January 2019**
- **Synchronize AOB Formula with ISTC?**
 - **As the ISTC membership is larger (increasing complexity), consider keeping STCU simple (non-synchronized)**

How long will DoS funding last?

For the years
2018 to 2022



STCU's Assumptions

- DoS funds no further projects after co-financed projects at GB 43 amendment (May 2017)
- US SBs are cut to zero from 2018
- EU SBs remain at current usage levels (~ €60k)
- DOE utilizes all ~\$10.3m on hand to fund projects, which generates \$1.03M in fees towards STCU AOBs
- DoD funds \$500k per year in projects for 5 years (~ 25% of total BOA of \$10m – conservative est.)

STCU's Assumptions (cont.)

- EU funds projects at the similar levels to prior years, and utilizes the 4.6M EUR on hand as per reconciliation of April 2017 - some of these projects may be co-funded with the Academies according to new req. (regional, larger, etc.)
- ED and CFO continue to be expat positions, funded by the US and EU respectively
- EU (and possibly US) new style projects funded from new money (i.e. Border Guards, Iraqi Foam, etc)
- Interest rates remain low and Partner Fees stay about the same (\$100k pa)
- US Government agencies (i.e. DoD, DoE and ISN/WMDT) pay 10% PA fee from 2019 rather than refund DoS.
 - In other words, no movement from UCC to UCC as in the past

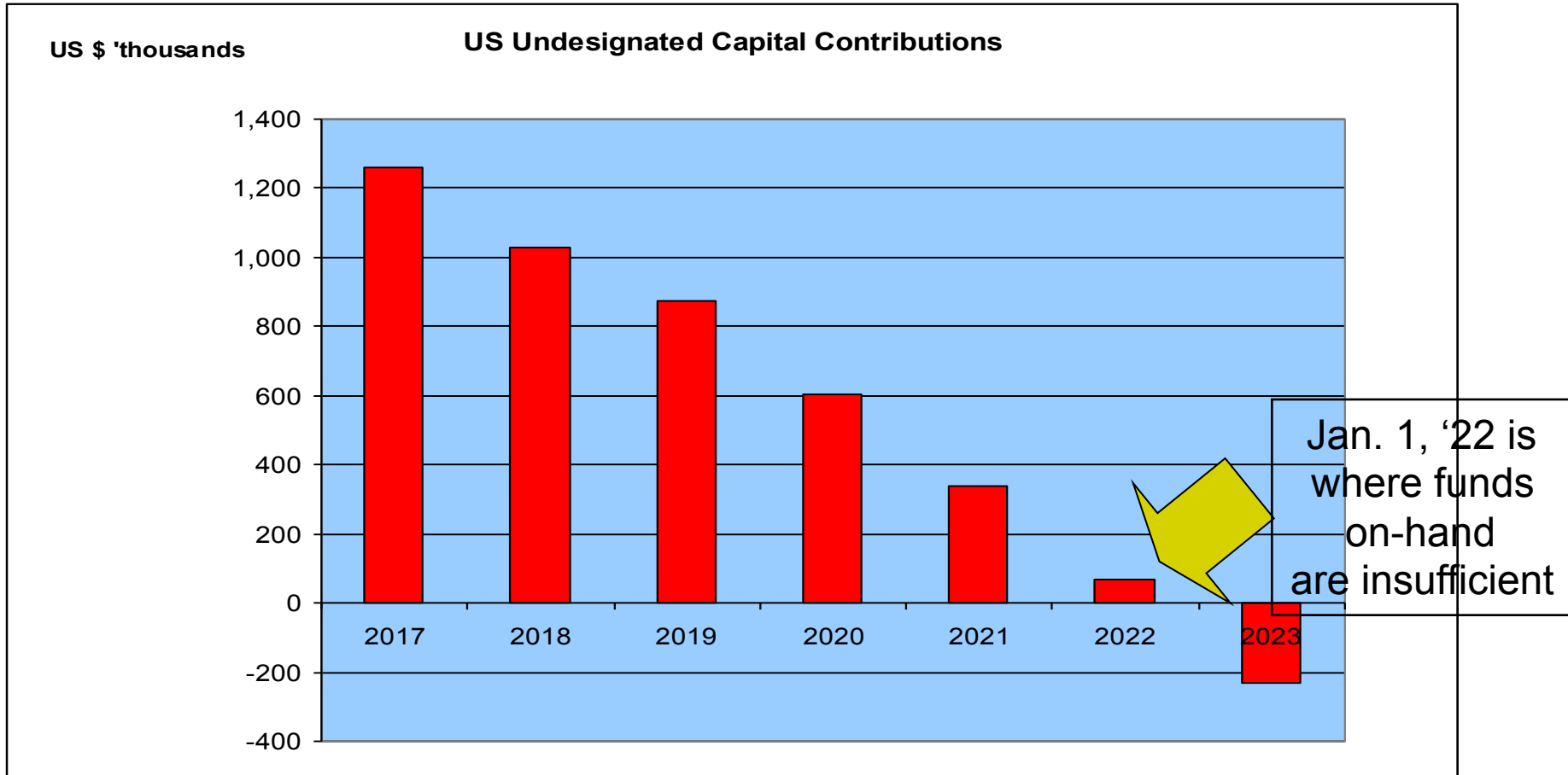
2017 UCC movements

	STCU	US		EU		New money required from EU €
	Total \$	Share	UCC \$	Share	UCC \$ €	
Balance at 1 January 2017			\$1,259,983		\$5,539,343 €4,607,289	
2017						
Surplus 2017	\$200,000	35%	\$70,000	65%	\$130,000 €108,126	
Unused SBs			140,000			40,000
GB 42 projects (Apr '16)			(174,997)			0
GB 43 projects (Dec '16)			(311,497)			(813,440)
GB 44 projects (Jul '17)			0			(523,709)
Lionshield TT & FE			0			(226,144)
GB 45 projects (Dec. '17)			0			(800,000)
GB 45 projects (Dec. '17)			0			(1,100,000)
Transfers to UCC from:			45,000			0
DoE						0
DoD			0			0
			<u>\$1,028,489</u>			<u>€1,292,122</u>

2019 UCC movements

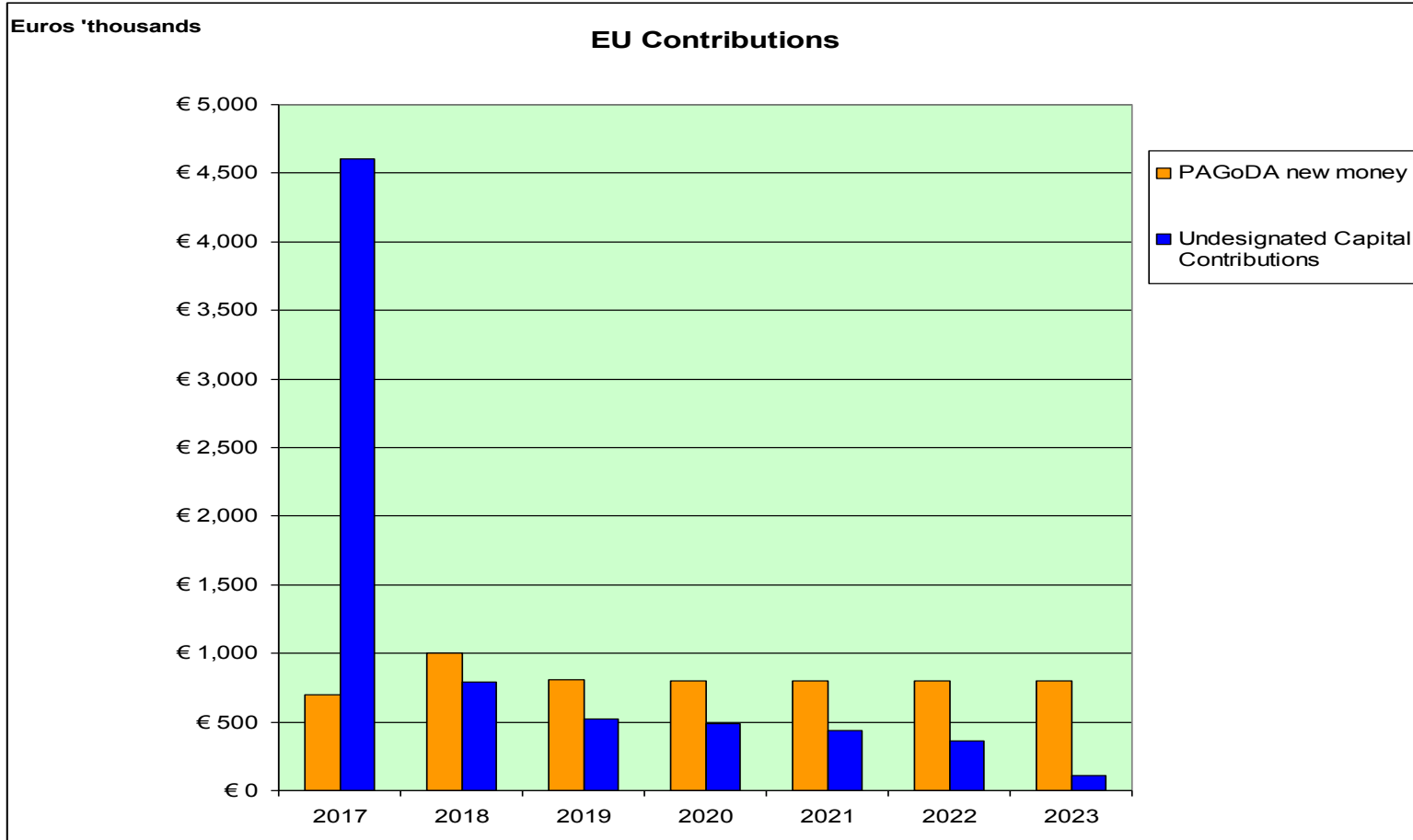
	STCU	US		EU		New money required from EU €
	Total \$	Share	UCC \$	Share	UCC €	
Balance at 1 January 2019			\$872,469		€523,216	
2019						
2019 AOB	\$840,000	10%	(\$84,000)	90%	(\$756,000)	(€ 628,795)
Service contracts 2019			(225,000)			(137,000)
SBs used 2019			0			(40,000)
Unused AOB, interest and partner fees	\$120,000					
US Government partner fees	\$300,000					
Surplus 2019	\$420,000		42,000	378,000	€314,397	
GB 49 projects (Dec. '19)			0		(350,000)	
			\$605,469		487,614	(€ 805,795)

Run down of US UCC balances



As of 1 January

EU's Commitment to Center



As of 1 January and for the year beginning 1 January

Changes from 1 January 2019

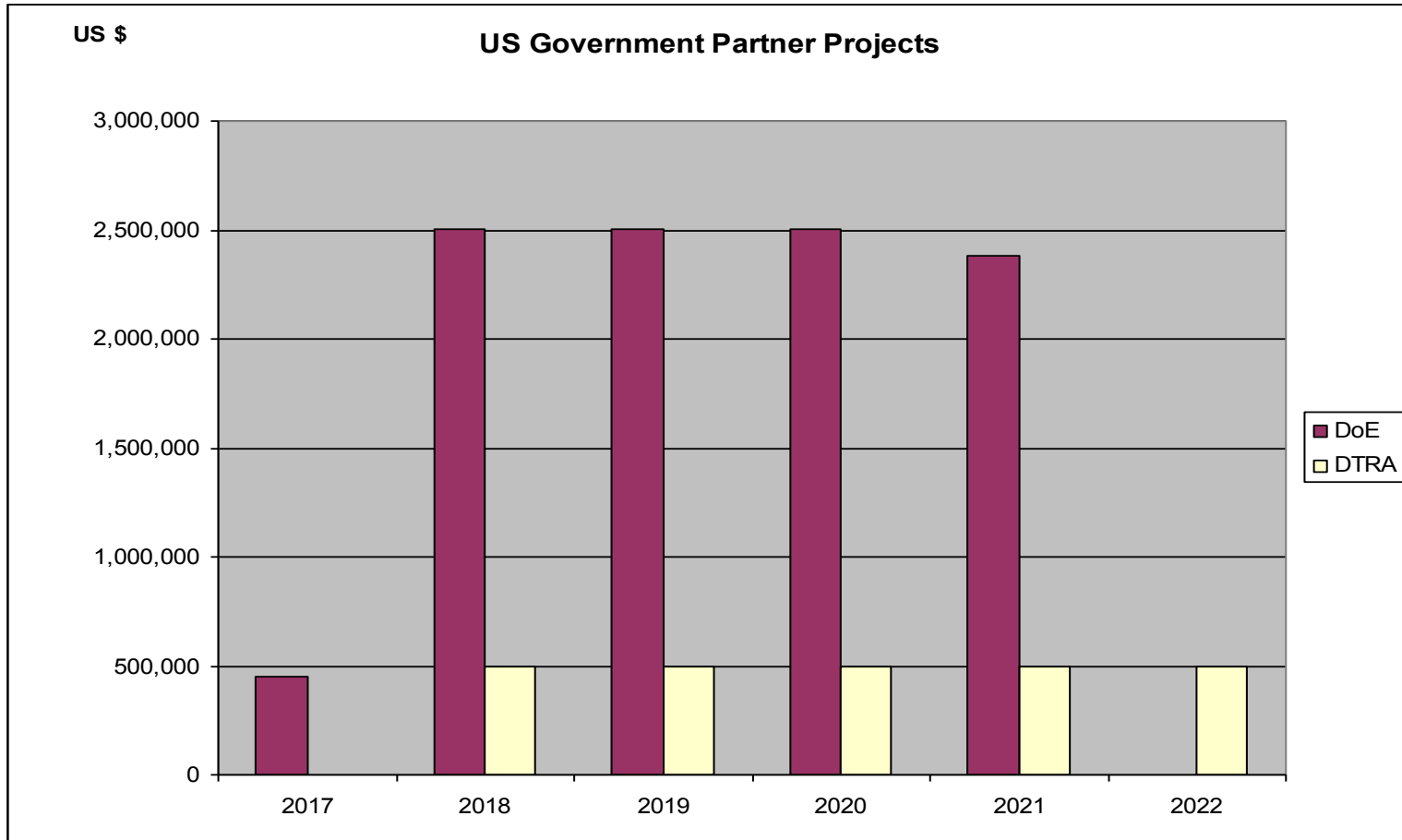
- The sharing agreement remains unchanged in which case the US would pay 10% of AOB ~ approx \$ 84,000
 - US Gov Partners (DoE, DoD, etc.) move to 10% Fee paid towards Gross AOB (no more UCC to UCC)
 - DoS continues to pay for ED Contract
- Alternatively once US DoS projects are completed the AOB sharing changes
 - US DoS moves to fixed payment of \$75K (suggested \$ amt) towards AOB and continues to pay ED Contract or contract paid by other Party

Alternative cost sharing formula

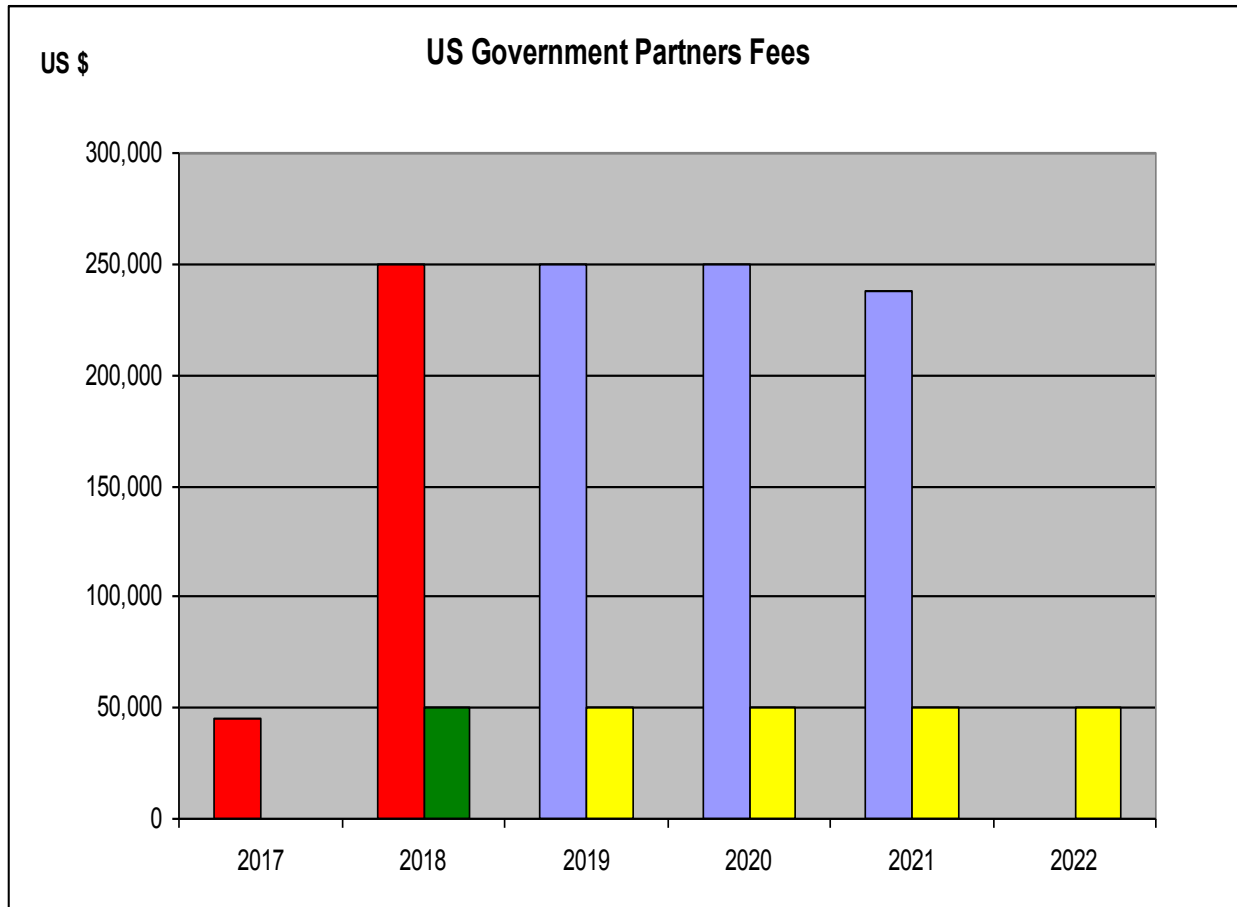
Funding parties contribute to AOB as follows:

- a) Each funding party contributes a fixed amount of \$75,000;
- b) The remaining AOB, after the deduction of \$75,000 for each funding party, will be allocated according to the projected next year's expenditure for the Party's projects;
- c) Any surplus for the year is returned to the funding parties UCC in proportion to their share in (b) above.

US Government Partner Projects



US Government Partner Fees



Transfer of “fees”
from UCC
partners to UCC
US:



US government
partners fees to
STCU:



Questions



STCU
Forecast Outlook as of October 31, 2017



Assumptions

- 1 DoS funds no further projects after co-financed projects at GB 43 amendment (May 2017)
- 2 DoE utilizes all UCC on hand to fund projects up to the minimum of the \$ 10.3 million currently held by STCU
- 3 DoD funds \$ 500,000 per year in projects for 5 years (= to 25% of total BOA of \$ 10 m)
- 4 US SBs are cut to zero from 2018
- 5 EU SBs remain at current usage levels
- 6 ED and CFO continue to be expat positions funded by the US and EU respectively
- 7 EU funds projects at the similar levels to prior years, and utilizes the 4.6M EUR on hand as per reconciliation of April 2017 - some of these projects may be cofunded with the Academies
- 8 US Government agencies pay 10% fee from 2019 rather than refund DoS (ie DoD, DoE and ISN/WMDT). In other words, no movement from UCC to UCC as in the past
- 9 EU (and US) new style projects funded from new money (ie PChP, etc)
- 10 Interest rates will remain low and partner fees will remain in line with current levels

	STCU		US		EU		New money required from EU	Comments
	Total \$	Share	UCC \$	Share	\$	UCC €		
Balance at 1 January 2017			\$1,259,983		\$5,539,343	€4,607,289		Surplus comprises unused AOB, interest and partner fees Number as per BFA reconciliation dated April 2017
2017								Number as per STCU 31 December 2016 Financial Statements (note 12, page 25)
Surplus 2017	\$200,000	35%	\$70,000	65%	\$130,000	€108,126		
Unused SBs			140,000			40,000		
GB 42 projects (Apr '16)			(174,997)			0		
GB 43 projects (Dec '16)			(311,497)			(813,440)		Co-Funded projects approved at GB 44 in July 2017
GB 44 projects (Jul '17)			0			(523,709)		EU approved LAL project
Lionshield TT & FE			0			(226,144)		
GB 45 projects (Dec '17)			0			(800,000)		US will not co-fund projects with Academies. Assumes EU will fund at historic pace.
GB 46 projects (Summer '18)			0			(1,100,000)		Nuclear Forensics (€ 0.6m) and Export Control (€ 500K)
Transfers to UCC from:			45,000			0		
DoE			0			0		
DoD			0			0		
			\$1,028,489			€1,292,122		
2018								
2018 AOB	\$837,000	34%	(\$283,520)	66%	(\$553,480)	€ (460,351)		
Service contracts 2018			(225,000)			(134,000)		
SBs used 2018			0			(60,000)		
Surplus 2018	\$150,000		52,500		97,500	€81,095		
GB 47 projects (Dec '18)			0			(500,000)		Export Control (€ 500K)
GB 47 projects (Dec '18)			0			(350,000)		Future possible projects from UCC on hand
GB 47 projects (Dec '18)			0			0	(345,649)	Future possible projects from new money
Transfers to UCC from:			250,000			0		
DoE			50,000			0		
DoD			0			0		
			\$872,469			€523,216	€ (1,000,000)	Contribution Agreement for 2018 (to be signed in 2nd half of 2017)
2019								
2019 AOB	\$840,000	10%	(\$84,000)	90%	(\$756,000)	€ (628,795)		DoS projects expected to be completed around here and their share of AOB becomes half of the 20% portion
Service contracts 2019			(225,000)			(137,000)		

STCU
Forecast Outlook as of October 31, 2017



	STCU	US		EU		New money required from EU €	Comments
	Total \$	Share	UCC \$	Share	\$		
SBs used 2019			0			(40,000)	
Surplus 2019	\$420,000		42,000	378,000	€314,397		
GB 49 projects (Dec. '19)			0		(350,000)		← Future possible projects from UCC on hand
			\$605,469		487,614	(€ 805,795)	← Contribution Agreement for 2019 (to be signed in 2nd half of 2018)
2020							
2020 AOB	\$830,000	10%	(\$83,000)	90%	(747,000)	(€ 621,309)	
Service contracts 2020			(225,000)			(137,000)	
SBs used 2020			0			(40,000)	
Surplus 2020	\$400,000		40,000	360,000	€299,426		
GB 51 projects (Dec. '20)			0		(350,000)		← Future possible projects from UCC on hand
			\$337,469		437,040	(€ 798,309)	← Contribution Agreement for 2020 (to be signed in 2nd half of 2019)
2021							
2021 AOB	\$830,000	10%	(\$83,000)	90%	(747,000)	(€ 621,309)	
Service contracts 2021			(225,000)			(137,000)	
SBs used 2021			0			(40,000)	
Surplus 2021	\$368,000		36,800	331,200	€275,472		
GB 53 projects (Dec. '21)			0		(350,000)		← Future possible projects from UCC on hand
			\$66,269		362,512	(€ 798,309)	← Contribution Agreement for 2021 (to be signed in 2nd half of 2020)
2022							
2022 AOB	\$830,000	10%	(\$83,000)	90%	(747,000)	(€ 621,309)	
Service contracts 2022			(225,000)			(137,000)	
SBs used 2022			0			(40,000)	
Surplus 2022	\$130,000		13,000	117,000	€97,313		
GB 55 projects (Dec. '22)			0		(350,000)		← Future possible projects from UCC on hand
			(\$228,731)		109,825	(€ 798,309)	← Contribution Agreement for 2022 (to be signed in 2nd half of 2021)

Exchange rate € : \$

1.2023

as of 29 August 2017