

STCU 47th GOVERNING BOARD MEETING

Kyiv, Ukraine
6 December, 2018

Wednesday the 5th of December

Arrival of Delegates

Thursday the 6th of December

STCU 47th Governing Board Meeting

Venue:

Tactic 3 Room, 2nd floor

Aloft Hotel Kyiv

17, Esplanadna St, Kyiv, Ukraine

Tel.: +380-44-222-2727

<https://www.marriott.com/hotels/travel/ieval-aloft-kiev?program=spg>

- 10:00 – 10:30** Welcome Coffee
- 10:30 – 12:30** Start 47th STCU Governing Board
- 12:30 – 13:30** Lunch
- 13:30 – 15:00** Continuation of 47th STCU Governing Board
- 15:00 – 15:15** Coffee Break
- 15:15 – 17:00** Continuation of 47th STCU Governing Board

18:00 20:30 Reception hosted by ISTC and STCU at restaurant SHO (18 Mechnikova Street)

Friday the 7th of December

Departure of delegates that are not attending the ISTC Governing Board (ISTC GB to be held on 7th of December)

**STCU Governing Board 47
6 December 2018
List of Participants**

CHAIR: Mr. Eddie MAIER, European Commission

Azerbaijan

Gulam Babayev Azerbaijan Information Officer
Science and Technology Center in Ukraine

European Union

Sorin POPA Programme Manager
European Commission

Georgia

Nino GACHECILADZE Deputy Director General
Shota Rustaveli National Science Foundation

Moldova

Vasili PUSCAS Head of Department of Research Projects
National Agency for Research and Development
Vadim IATCHEVICI Head of Department of Innovation Projects
National Agency for Research and Development

Norway

Tamara ZHUNUSSOVA Senior Adviser
International Nuclear Safety Section
Norwegian Radiation Protection Authority
Taras BOBROVSKYI Senior Adviser
International Nuclear Safety Section
Norwegian Radiation Protection Authority

Ukraine

Maksym STRIKHA Board Member
Deputy Minister
Ministry of Education and Science of Ukraine
Anna TORGONENKO State Expert on Planning of Interaction with
Stakeholders of the Directorate of Strategic
Planning and European Integration
Ministry of Education and Science of Ukraine
Sofiia ZHEREBCHUK Chief specialist of the Development of S&T
Infrastructure
Department of S&T Development
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
Regina CARTER	National Nuclear Security Administration U.S. Department of Energy
Don HATCH	National Nuclear Security Administration U.S. Department of Energy
Randolph LONG	Deputy Director Cooperative Threat Reduction Defense Threat Reduction Agency U.S. Department of Defense
Joanna WINTROL	Chief, Defense Threat Reduction Office U.S. Embassy Kyiv, Ukraine

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
Iryna TOMASHEVSKA
Peter MUTOVKIN
Olga PANCHENKO

AGENDA
47th Meeting of the STCU Governing Board
December 6th, 2018
Kyiv, Ukraine

1. Opening Session

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| 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

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|------|---|---------------------------------------|
| 3.1. | Review and Approval of minutes of 46th GB teleconference conducted on August 20th, 2018 | (GB Members) Tab 2 |
| 3.2. | Review of 47th 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 2018 AOB/SB Expenditures | (Anthony Nichol) Tab 7 |
| 3.5. | 2019 AOB and SB Budget Request | (Anthony Nichol) Tab 8 |
| 3.6. | Update on 2018 Financial Audit Tender | (Anthony Nichol) Tab 9 |
| 3.7. | Approve 1 year Contract Extension of STCU ED | (GB Members) |

Lunch

4. Afternoon Session

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| 4.1 | Project Agreement Modifications | (U.S. Party) |
| 4.2 | Presentation of 2017 Annual Report | (Curtis "B.J." Bjelajac) Tab 10 |
| 4.3 | Presentation of STCU Financial Forecasts | (Curtis "B.J." Bjelajac) Tab 11 |
| 4.4 | Discuss/Approve 48 th & 49 th GB schedules | (Curtis "B.J." Bjelajac) |
| 4.5 | Sign 47th GB Record of Decisions and Funding Sheets | (GB Members) |

5. Closing Session

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| 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

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|-----|--|------------------------|
| 6.1 | Types of Projects, Timing, Budgets, etc. | (EU and GUAM Partners) |
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Summary of the STCU 46th GOVERNING BOARD MEETING Teleconference August 20th, 2018

CHAIR: Mr. Eddie MAIER, Deputy Head of Unit, Head of Sector CBRN, International Cooperation and Development (DG DEVCO), Directorate B – People and Peace, Unit B/5 Security, Nuclear Safety, European Commission

European Union:

Mr. Sorin POPA, Programme Manager, International Cooperation and Development (DG DEVCO), Directorate B – People and Peace, Unit B/5 Security, Nuclear Safety, 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:

Ms. Sarah BANERJEE, Acting Board Member, Office of Cooperative Threat Reduction, U.S. Department of State
Mrs. Regina CARTER, Senior Advisor, Office of Nonproliferation and Arms Control, National Nuclear Security Administration, U.S. Department of Energy

Secretariat STCU

Curtis “B.J.” BJELAJAC
Mykola LUBIV
Anthony NICHOL

1. Opening Remarks

Deputy Minister Strikha welcomed all to the 46th Governing Board Meeting teleconference from Kyiv on behalf of Government of Ukraine and Ukrainian scientific community. He also went on to express his gratitude to the EU and the US Parties for the good cooperation and stable support of the STCU activities in various initiatives since the last GBM. Furthermore, he recognized the work of our respective STCU Secretariat here in Kyiv for strong efforts to achieve progress in further support for the Ukrainian scientific community and the scientists from the GUAM countries.

Mr. Strikha was informed about the STCU's fruitful cooperation with the Secretariat of the Center of Excellence of the SEEE region and the successful conduct of the regional radiological field exercise LIONSHIELD 2018 in Tbilisi this past June. He also mentioned that he was informed that the representative Unit from Ukraine showed a great professional result at the highest level during the field exercise. Finally, Mr. Strikha requested his EU Partners to consider the possibility of conducting the next field exercise within the framework of the EU CBRN CoE Initiative here in Ukraine next year.

Mr. Strikha welcomes the STCU's recent activities in the framework of the EU Research and Innovation Program “Horizon 2020”. Mr. Strikha pointed out that the Center was successfully validated in the Horizon 2020 Portal, which affords the STCU the possibility to act as a Coordinator and implement big projects, such as the 1.7M Euro project within the Clean Sky 2 Joint Undertaking funded by the EU's Horizon 2020 Program. Mr. Strikha encouraged the STCU Secretariat to continue its activities in this direction and hoped that Chairman Maier will continue his support for this initiative.

Mr. Strikha continued by confirming Ukraine's commitment to fulfill its international obligations within the framework of the STCU Agreement, especially its responsibility of providing premises for the STCU, and will look into the appropriate steps to extend the temporary placement of the STCU headquarter in its current location (7a Metalistiv Street) until 2025.

Mr. Strikha continued by requesting that the STCU Secretariat provide Ukrainian translations of the Record of Decision and STCU Annual Report. Mr. Strikha pointed out that the request is coming from the Accounting Chamber of Ukraine (the body responsible for auditing Ukrainian government entities) and the translated documents will be distributed to the relevant Committees of the Parliament of Ukraine in the future.

Mr. Strikha addressed his fellow Board members with the following request. In May 2019, Ukraine will conduct elections of the Members of the Scientific Committee to the National Council of Ukraine for Science and Technology Development. The Government of Ukraine intends to invite three (3) leading scientific experts from the United States and three (3) leading scientific experts from the EU to evaluate the nominees to the Scientific Committee. In this regard, Mr. Strikha requested the STCU to work closely with the Government of Ukraine in order to facilitate the selection of evaluators by the Government of Ukraine from the US and the EU as well as cover their travel and accommodation to Ukraine. Mr. Strikha concluded by stating that he will provide in the nearest future an additional letter to the Board Members with more details about this request.

Finally, Mr. Strikha reminded the Board about the discussions at the last GB Meeting in Frankfurt on the Department of State's financial announcement. He went on to point out that that the US Department of State kindly pledged some funds to the Center to help transition to a new funding model and this effort should help compensate for the change in the Department of State's funding situation, but it was also agreed to continue discussion on this issue in order to ensure the sustainability and continued success of the STCU. Mr. Strikha kindly asked his US partners if they would be able to provide an update to the Governing Board on this issue during this teleconference call. Mr. Strikha concluded by encouraging the US Party to consider further opportunities for additional financial engagement in the STCU AOB Supplemented Budget Activities Lines for 2018-19 (such as Sustainability support, Technical, Collaborator Travel support, Seminars /Workshops etc.).

Mr. Strikha brought his opening remarks to a close by once again reiterating his welcome to all the participants on the phone call, and wished them a fruitful and enjoyable teleconference meeting.

Chairman Maier fully supported the comments of Deputy Minister Strikha, specifically the Government of Ukraine's desire to host Lionshield - part 2. The Chairman stated that there is still some work to be done related to Lionshield – part 2 as a number of other countries and secretariats have expressed a desire to host this event. Finally, the Chairman concluded his remarks by praising Ukraine for looking to obtain external oversight over its evaluation process for staffing of the Scientific Committee.

Ms. Banerjee thanked Deputy Minister Strikha for the very warm welcome, and thanked the other members of the GB for the excellent preparations done for the call. Ms. Banerjee reiterated that the U.S. Department of State (ISN/CTR) does not anticipate providing any additional funds outside of the approximately \$1M already provided in bridge funding. ISN/CTR's position has not changed since the 45th GB meeting in Frankfurt, and at this time there are no plans to revisit this position. However, ISN/CTR will continue to actively support the STCU, despite not providing any new financial support.

2. Review and Approval of minutes of 45th GB held on December 6th, 2017 in Frankfurt, Germany

The Governing Board approved the minutes as presented.

3. Review of 46th Draft Record of Decisions and Funding Sheet

Mr. Bjelajac called the Board's attention to the draft 46th Record of Decisions and Funding Sheet for approval by the GB at the end of the teleconference.

4. Executive Director Report

Mr. Bjelajac submitted his report that covered the period of November 11, 2017 to June 15, 2018. Mr. Bjelajac highlighted the following issues in the report:

1. The ED updated the Governing Board on the situation in Uzbekistan. STCU was originally contacted by Uzbekistan in order to restart relations in February 2017, and per the GB's instructions, the STCU requested an official invitation from the Government of Uzbekistan before traveling there to discuss restarting activities (STCU has not worked there since 2010). As of the 46th GB teleconference, the STCU still had not received the requested invitation.
2. The ED updated the Governing Board on the progress of the PChP project which has recently been hampered by two issues outside of STCU's control:
 - ✓ The site contains a number of buildings and areas of land that are owned by private entities but which need to be included in the control areas for safety and security which are to be constructed, the cooperation of these private entities is required for the successful completion of a number of tasks in the project;
 - ✓ The site operator SE Barrier has not been provided with sufficient funding from the state budget to enable it to operate and some of its funds have been sequestered by the courts. Without Barrier and its workforce being in a stable state, the implementation of the project, which is designed such that the consultants and suppliers work in partnership with the operator to build capacity for the site's management and safe control going forward, is being hindered.

The ED pointed out that these matters are outside of STCU's control and the European Commission is working with the Ukrainian government and the private entities to resolve the two problems.
3. The EC mentioned that the STCU recently worked with the Secretariat of the Center of Excellence of the SEEE region (located in Tbilisi, Georgia) to conduct a regional radiological field exercise LIONSHIELD 2018 in Tbilisi, Georgia on June 5 – 8, 2018. The four-day "hands-on" field exercise provided an opportunity for countries of the South East and Eastern Europe (SEEE) CoE Region to test their capabilities on detection and initial response to radiological and nuclear trafficking incidents with an emphasis on fostering regional cooperation between participating sectors and States. The exercise identified best practices on nuclear detection and initial response, as well as on coordination required to investigate an incident involving radioactive and nuclear materials. The ED proudly informed the Governing Board that in June 2018 at the Annual Meeting of the National Focal Points of the EU CBRN CoEs in Brussels, the South East and Eastern European CoE received the award for "Best Regional Success Story" because of the success surrounding the LIONSHIELD event.
4. The ED informed the Governing Board that DTRA and STCU signed a contract in the amount of \$2,169,839 on May 29th, 2018 to continue the work implemented in Azerbaijan by Black & Veatch after its contract there ended on April 4, 2018. The project started on June 1, 2018 and will last for eighteen (18) months. However, there is an option to extend the project for twelve (12) months at an additional cost of \$1,405,962, thus bringing the potential length of the project to thirty (30) months and cost of the project to \$3,575,801.

Mr. Strikha thanked the ED and STCU Secretariat for their fruitful activities illustrated in this report for the past half year. However, the Deputy Minister went on to point out that the trend at the STCU appears to be set with the drop in the number of active projects a very good indicator. Unfortunately, the Government of Ukraine feels that the Center does not have a clear vision and the Government of Ukraine feels that this places the STCU in a very difficult position. The Government of Ukraine views the STCU as very important tool to mitigate the threats posed in the world, especially the new threats to security facing Ukraine at the moment. Mr. Strikha concluded by requesting his US and EU partners to pay particular attention to the STCU and to assist the Government of Ukraine in providing impetus for the Center's continued development in providing mutual security within our region. Finally, Mr. Strikha

noted that there were two spelling errors related to the PChP project. The Executive Director noted the comment and promised that the spelling errors would be corrected before the document was posted to the STCU website.

Mr. Popa noted that the CleanSky project (Project #P718 which is financed by the European Commission's DG-Research and Innovation) is not in the report, and asked the ED to give an update on this project. The ED agreed and mentioned that the project was signed in late April 2018, and started on May 1st, 2018. Furthermore, the kick-off meeting was held in late May in Kyiv and most recently in July a status meeting was held in Zaporizhia (location of two of the three implementing organizations). Thus, the project was started and is already its initial stages and it is the STCU's understanding that our EU colleagues are happy with the progress to date.

Ms. Banerjee thanked the ED for the comprehensive report and pointed out the many positive trends (i.e. signing of large DTRA project in Azerbaijan, trends in partner projects, etc.) shown in the report. Ms. Banerjee concluded by stating that the ED Report appears to correspond to the financial projections provided by management in Frankfurt this past December and stated that she looks forward to the actual budget report on the financial projections to be provided by management at the upcoming 47th GB in December 2018.

5. Presentation of the Audited Financial Statements as of Dec. 31, '17 and 2017 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 Statement of Revenues and Expenditure for the year ended 31 December 2017 shows that STCU had a successful and busy year with \$8.1M of project income and expenditure. The actual expenditure on AOB was \$821,000 which as a percentage of project expenditure is 10% (in line with the historical STCU benchmark of 10%) showing that STCU had a very busy year and efforts to become more efficient are bearing fruit.
3. The balance sheet shows that the STCU is in a very strong financial position, with \$37M net assets predominately in cash at bank and \$17M in Designated Capital Contributions – Projects. This balance of new projects approved since the year end shows that STCU will average approximately \$8.5M a year in projects over the next two years (2018-19).
4. The Undesignated Capital Contributions of \$17M which will be used to cover AOB, SB and projects in the coming years show that STCU will probably be able to average \$7M a year for 2020 and 2021 and is a strong position to face the challenges ahead. We will discuss this in more detail in December when we present the budget for 2019 and our updated financial forecast.

There were no comments or objections from the parties.

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 2017 Management letter contains some minor accounting matters derived from different reporting demands of the financial statements and our project partners which the STCU will work to resolve so that they are not included in next year's document.

5. Delay in Production of 2017 Annual Report

The ED informed the Governing Board that there was a delay in the production of the 2017 Annual Report. The delay was caused by the confluence of a number of events (Lionshield, launch of DTRA project in Azerbaijan, and launch of Export Control project) occurring all at within a short time frame. The ED informed the Governing Board that he expected a draft of the 2017 Annual Report to be presented to the Governing Board for approval at the 47th Governing Board in December 2018.

6. Approve one-year extensions of Senior DED-UA and CFO/CAO

The one-year extensions of Mr. Mykola Lubiv as Senior DED-UA and Mr. Anthony Nichol as CFO/CAO were approved by the Board.

5. Approve 47th GB schedule.

The Governing Board agreed to conduct the 47th STCU Governing Board meeting “back-to-back” with ISTC’s 67th Governing Board Meeting on December 6th and 7th, 2018, in Kyiv, Ukraine.

7. Any other business and closure

There being no further business to discuss the teleconference was completed.

Executive Director Report

(Reporting Period: June 16 – November 9, 2018)

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 47th Governing Board on December 6, 2018 approve the STCU's stay at its current temporary premises only until December 31, 2019, 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.

Deutsche Bank (STCU's U.S. Bank) informs about pending termination of banking agreement

In early September, both STCU and ISTC were contacted by representatives of our bank located in New York, NY, U.S.A. (Deutsche Bank Trust Company Americas = DBTCA) and were informed DBTCA will no longer be able to provide banking services to the Centers past the end of this year (December 31, 2018). Subsequently, DBTCA extended the deadline to February 28, 2019.

The two Centers have banked with DBTCA (and its predecessor = Bankers Trust) almost since their respective inceptions in the early to mid-90s. DBTCA's stated reason for cancelling its relationships with the two Centers focused on how the two Centers did not align with DBTCA's business interests going forward. However, the Centers believe that dealing with organizations located in Kyiv and Astana requires very unique compliance and risk reporting that DBTCA may not see as being in their best interest moving forward and this may have influenced their decision. In the end, the fact remains that the two Centers now will need to move very quickly to replace DBTCA with another bank, and as per the financial regulations of the two Centers, the Governing Boards will be required to approve the new bank.

On September 19, 2018, the STCU ED and CFO met with the Head of Citibank Ukraine (the only U.S. bank to have operations in Ukraine) to discuss the possibility of the Centers banking with Citi. The meeting was positive and the representatives of Citibank stated that they would investigate their ability to serve as the Center's U.S. commercial bank. As of the writing of this report, the STCU continues to work with Citibank to open bank accounts with that institution.

In parallel, the STCU is working with its bank in Brussels (BNP Paribas Fortis Bank) to investigate the possibility of using them to not only service our EUR accounts, but also our USD accounts. Currently, the STCU only uses BNP Paribas Fortis Bank to service its EUR accounts.

Finally, the STCU is working closely with ISTC who has also contacted potential banking alternatives (i.e. HSBC, ING Bank, etc.).

Contact from Uzbekistan

In late January/early February 2017 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.

In April 2018 the ISTC met with the Uzbek Ambassador to Kazakhstan and at the meeting the ISTC Executive Director requested the Ambassador's assistance with obtaining a formal letter from the Government of Uzbekistan in order to reestablish relations.

In early October 2018, the Government of Uzbekistan reached out to the ISTC (it did not contact the STCU) and as a result the ISTC visited Tashkent in mid-October. During the ISTC visit, a Memorandum of Understanding was signed and it appears that the Government of Uzbekistan is



considering joining the ISTC in the near future. It is not immediately clear to the STCU how/if this will impact Uzbekistan's membership in the STCU.

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 has been delivered and in late October 2018 the STCU filed the final report with the EU for its consideration and acceptance, which would allow the project to be formally closed.

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 middle stage with the specific equipment and vendor already identified.

This project is operating in conjunction with another CBRN CoE project (Project 57) conducted by SCK.CEN which has detailed 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 contract for the supply of the mobile laboratories and the ancillary equipment has been signed. All equipment is from one supplier and will be either fitted into the vehicles or consigned with the vehicles (except dual-use goods which will be shipped directly from the manufacturer) so that most of the equipment arrives together ready for use.

The modified vehicles have been designed and the design has been accepted by the recipient countries. The recipients are in the process of providing end user certificates for any items of equipment that are subject to export control on the grounds of dual use technologies as well as import clearance documents and the necessary approvals for tax exemption. The supplier has purchased some of the vehicles and is modifying them for field use, these will be supplied to the countries that have already furnished their end user certificates. Work will start on the other vehicles when the documents have been completed. A separate contract is to be prepared for training of the recipient's staff in the use of the equipment. This training will take place in two groups - one for the Balkans and one for the GUAM countries once the first equipment deliveries have been made. Staff trained will then be able to train their colleagues back in their respective countries.

New Emergency Implementation Measures for Pridniprovskiy Chemical Plant (PCHP) at Kamianske (formerly Dniprodzerzhynsk) 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 2018).

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.

The contracts for the technical services and the regulatory framework have been signed and are being implemented. Under the contract for the first area an additional task was identified to assist the site operator SE Barrier to obtain a new license from the SNRIU. This has been achieved however there are conditions that still need to be fulfilled by Barrier to maintain the license. Some of the equipment under task 4 has been supplied as a consequence of this additional task in preparing Barrier of their license.

There are a number of the deliverables for the design and construction work that have been prepared in draft but cannot as of now be finalized and therefore STCU has not yet contracted task 3. The completion of these deliverables has been hampered by two issues outside of STCU's control:

- ✓ The site contains a number of buildings and areas of land that are owned by private entities but which need to be included in the control areas for safety and security which are to be constructed, the cooperation of these private entities is required for the successful completion of this part of task 1 and for task 3;
- ✓ The site operator SE Barrier has not been provided with sufficient funding from the state budget to enable it to operate and some of its funds have been sequestered by the courts.

Without Barrier and its workforce being in a stable state, the implementation of the project, which is designed such that the consultants and suppliers work in partnership with the operator to build capacity for the site's management and safe control going forward, is being hindered.

These matters are outside STCU's control and the European Commission is working with the Ukrainian government and the private entities to resolve the two problems. In a letter sent by the European Commission to the Ministry of Energy and Coal at the end of October 2018, the EC requested that issues related to the second point (SE Barrier) be resolved by Nov. 12th, as any further delay would put the future of the project in jeopardy.

2nd seminar held under the Export Control Targeted Initiative funded by the European Union,

The STCU hosted a seminar entitled "Challenges of the Scientific and Technological Evolution for the Export Control Systems" on October, 15-16, 2018, in Tbilisi, Georgia. This 2nd seminar was held under the Targeted Initiative funded by the European Union that aims to raise awareness in member countries of the STCU, and enhance the effectiveness of export control systems for dual-use items and related materials, equipment and technologies through the provision of necessary trainings and educational programs.

Over 80 participants from the GUAM countries' government, scientific institutions, academics and industry, as well as representatives from the European Commission, EU Joint Research Center, and the EXBS office of the US Embassy in Tbilisi attended the seminar.

Government, scientific institutions, and industry shared their perspectives on the specific areas of common interest such as the setup of appropriate legal frameworks and institutional mechanisms; new trends in the policies of identification, authorizing and licensing of export; the role of higher education specialized courses for successful capacity-building; and the ways by which manufacturers may ensure internal compliance procedures and apply control measures during the production process.

Outcomes of the seminar were as follows:

- ✓ *Handbooks on export control:* progress achieved by all the partner countries;
- ✓ *Master course in Ukraine:* test of modules in spring; starting in 2019;
- ✓ *Georgia and Moldova:* will be the next countries to implement the master courses;
- ✓ *PhD:* topics of interest for industry, services and administrations may stimulate funding of more grants by the private sector;
- ✓ *Network of scientists:* contact the prospective participants and organize the 1st CONDENSE* gathering during the second half of 2019. (* = CONference on Nonproliferation and Dual-use awareness)

USDoE/NNSA/SCP Seismic Targeted Initiative Kick-off Meeting for Project entitled " Seismic Network Expansion in the Caucasus and Central Asia."

The STCU jointly with the Institute of Earth Sciences/National Seismic Monitoring Center of the Illia University hosted a kickoff meeting of the new project, "Seismic Network Expansion in the Caucasus



and Central Asia.” The meeting was held on September 25-27, 2018; in the Marriott Tbilisi Hotel, Tbilisi, Georgia under the Seismic Targeted Research Program of the STCU and the Seismic Targeted Initiative of the ISTC. The meeting was supported by the U.S. Department of Energy/National Nuclear Security Administration.

The purpose of the kickoff meeting was to develop coordinated approaches on improving both regional earthquake monitoring and national analytical and response capabilities in the Caucasus and Central Asia. Regional participants and international collaborators discussed current network status and best practices in seismic network development and management. Network/data center managers, institutional directors and decision makers for the earthquake monitoring centers from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan participated in the event.

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

DTRA and STCU signed a contract in the amount of \$2,169,839 on May 29, 2018 to continue the work implemented in Azerbaijan by Black & Veatch after its contract there ended 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 project started on June 1, 2018 and will last for eighteen (18) months. However, there is an option to extend the project for twelve (12) months at an additional cost of \$1,405,962, thus bringing the potential length of the project to thirty (30) months and cost of the project to \$3,575,801.

Finally, the STCU is currently in the proposal preparation stage for two additional projects with DTRA: (1) an amendment to the aforementioned project in Azerbaijan which would add additional tasks (i.e. to implement science mentorship workshops, assist with the coordinator of CRL remediation activities, provide support for full operational capability operational demonstration of the Threat Agent Detection and Response (TADR) system in Azerbaijan; and six (6) regional workshops between Azerbaijan and either Turkey, Kazakhstan, Uzbekistan or Georgia) with a draft budget of ~\$1.9M, and (2) a similar but smaller scoped project to that which the STCU is currently implementing in Azerbaijan (sustainable mentorship program) in Georgia with a draft budget of ~\$750K.

Project #P718 (CleanSky project – part of EU’s Horizon 2020 program)

The CleanSky project (Project #P718 which is lead by the National Aerospace University, Kharkiv Aviation Institute and is financed by the European Commission’s DG-Research and Innovation in the amount of ~1.7M EUR) was signed on April 23, 2018, and started on May 1, 2018. The Kick-Off Meeting was held in late May in Kyiv and most recently in July a status meeting was held in Zaporizhia (location of two of the three implementing organizations).

In addition, the STCU is included on another CleanSky project (also with the National Aerospace University, Kharkiv Aviation Institute) in the amount of 997,500 EUR that is scheduled to be signed in the 1st quarter of 2019.

Current Secretariat Activities

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

The 2017 co-financing with national S&T Authorities of GUAM resulted in the following numbers of proposals funded for each country:

Azerbaijan	= 6 proposals funded in the amount of €145,878
Georgia	= 7 proposals funded in the amount of €199,154
Moldova	= 6 proposals funded in the amount of €121,731
Ukraine	= 8 proposals funded in the amount of €195,082

Total # of 2017 proposals funded = 27 proposals funded in the amount of €661,845

All of the aforementioned twenty-seven (27) proposals were signed and started by the summer of 2018.

As discussed after the 45th STCU Governing Board in Frankfurt, the STCU is continuing to work with the National S&T Authorities of GUAM and the European Union in order to identify regional thematic areas in order to continue a revised co-financing program. More discussions will be held at the conclusion of the upcoming 47th STCU Governing Board in Kyiv.

Partner Program/Sustainability Activity

The 46th GB approved a total of sixteen (16) new partner projects totaling roughly \$5.83M (\$3,423,696 and €2,023,439), as well as fourteen (14) new partner project extensions totaling roughly \$739K (\$153,337 and €492,137). Couple this with the partner projects expected to be approved at the 47th GB in December 2018 (~\$2.98M) and 2018 should see approximately \$9.6 million of new partner project funding received. Partner project funding in 2017 was \$7.54M, so 2018 saw an 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 \$6M - \$8M per year. Contrast this with a few years ago, when the band was approximately \$8M - \$12M.

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 130 active projects in November 2018).

2018 will prove to be close to \$13M - \$14M in total project funding, due in large part to the large DTRA project in Azerbaijan described earlier in this report, as well as the good year in partner projects mentioned in the section above.

	2011	2012	2013	2014	2015	2016	2017	Nov 2018
Avg # of Active Projects	227	228	179	125	120	110	135	130
Board Approved Project Funding (USD)	\$18.2M	\$17.7M	\$12.7M	\$14.1M	\$4.72M	\$11.2M	\$15.6M	\$13.4M*

* \$13.4M is the amount of funding approved for the period of Jan. 2018 – Nov, 2018

Important Visitors/Meetings/Events

Attendance of EU CBRN Centres of Excellence (CoE) Fifth Meeting of the National Focal Points (19-21 June, Brussels)

The STCU ED traveled to Brussels to attend this meeting and work with the National Focal Points to bring them up to speed on the capabilities of the STCU, as well as inform the attendees of the results of the LIONSHIELD Table Top and Field Exercises conducted in the first week of June 2018 in Tbilisi.

Attendance of Kick-off Meeting of DTRA project in Azerbaijan (25 and 26 June 2018, Baku). The STCU ED traveled to Baku to attend the formal DTRA Kick-Off meeting of the DTRA project (to implement a sustainable mentorship program) in Azerbaijan.

ED Attendance of ISTC 66th GB meeting (10 and 11 of July, 2018, Astana). The STCU ED attended the ISTC 66th GB meeting in Astana.

Attendance of 2nd Second Dialogue on Export Control Governance (4 and 5 October, 2018, Brussels). The STCU ED attended the second dialogue on Export Control Governance held in Brussels. The dialogue allowed the STCU to network with professionals in the field of export control and present more information about the STCU's own work in the area.

Attendance of Global Partnership Working Group Meetings (17 to 19 October, 2018, Quebec City, Canada). The STCU ED traveled to Quebec City and met with representatives of global partnership programs (i.e. Germany, U.S., Norway, etc.) to discuss ways the STCU may act as an implementing organization for their activities in the GUAM region. Furthermore, the STCU and ISTC



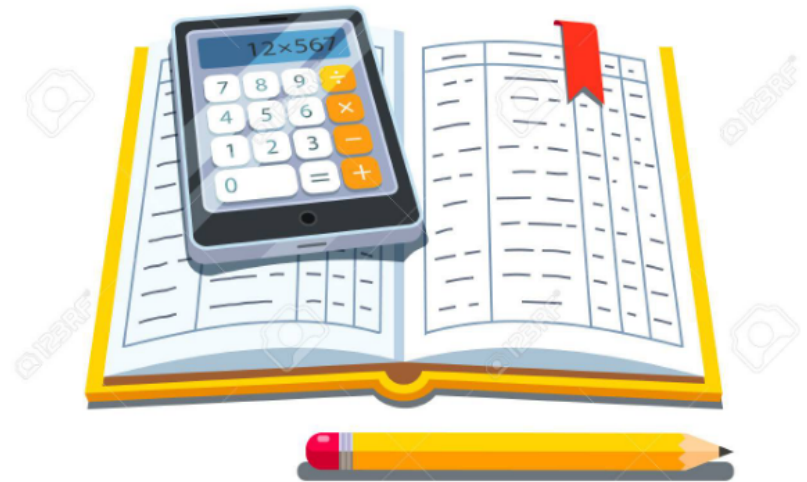
were asked to present on the Centers experience in redirecting former weapons scientists (of interest because of GP discussions about the DPRK).

Attendance of EU CBRN Centres of Excellence (CoE) Sixth Meeting of the Heads of Regional Secretariats (23 – 25, October, 2018, 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 follow-up on the success of the LIONSHIELD Tabletop and Field Exercises conducted in June 2018. As a result of discussions at this meeting, a second LIONSHIELD workshop is planned to be conducted in 2020 in Serbia.

Curtis "B.J." Bjelajac
Executive Director

STCU 2018 AOB

Actual to Budget

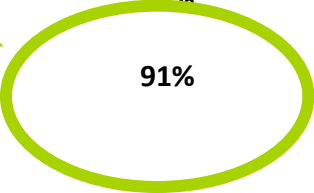
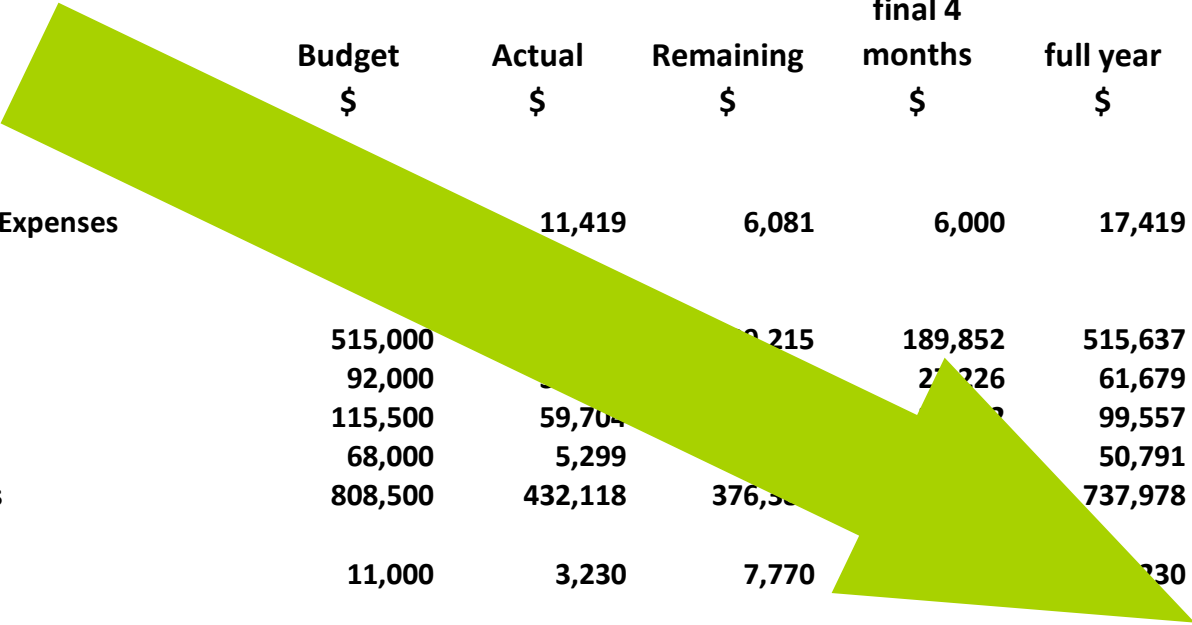


Overall Budget



Science and Technology Center in Ukraine Actual to Budget for 2018 - AOB

Administrative Operating Expenses	2018					
	8 Months to 31 August 2018			Forecast	Forecast	Percentage
	Budget	Actual	Remaining	final 4 months	full year	
	\$	\$	\$	\$	\$	Utilised %
Non-Recurring Expenses						
Subtotal Non-Recurring Expenses		11,419	6,081	6,000	17,419	100%
Recurring Expenses						
Personnel	515,000	515,000	0,215	189,852	515,637	100%
Travel	92,000	62,774	29,226	29,226	61,679	67%
Office Operations	115,500	59,704	55,796	55,796	99,557	86%
Contracted Services	68,000	5,299	62,701	62,701	50,791	75%
Subtotal Recurring Costs	808,500	432,118	376,382	376,382	737,978	91%
Contingency - Recurring	11,000	3,230	7,770	7,770	7,770	70%
Total Administrative Expenses	837,000	446,766	390,234	311,860	758,626	91%



Personnel Costs



Science and Technology Center in Ukraine Actual to Budget for 2018 - AOB

Administrative Operating Expenses	2018					
	8 Months to 31 August 2018			Forecast final 4 months	Forecast full year	Percentage Utilised
	Budget \$	Actual \$	Remaining \$	\$	\$	%
Recurring Expenses						
Personnel	515,000	325,785	189,215	189,852	515,637	100%
Local Grant Payments	411,000	276,818	134,182	138,409	415,227	101%
Staff Education & Training	39,000	7,881	31,119	30,900	38,781	99%
Employee Morale & welfare	22,000	12,269	9,731	6,135	18,404	84%
Medical Plan	43,000	28,817	14,183	14,408	43,225	101%



Office Operations



Administrative Operating Expenses	2018					
	8 Months to 31 August 2018			Forecast	Forecast	Percentage
	Budget	Actual	Remaining	final 4	full year	Utilised
	\$	\$	\$	months	\$	%
	\$	\$	\$	\$	\$	%
Office Operations	115,500	59,704	55,796	39,852	99,557	86%
Representation	3,000	630	2,370	1,315	1,945	65%
Postage & Delivery	5,000	1,172	3,828	586	1,758	35%
Customs Facilitations	500	42	458	21	63	13%
General Office Supplies	7,500	2,773	4,727	1,386	4,159	55%
Office Equipment Repair & Maintenance	3,000	84	2,923	42	127	4%
Printing & Reproduction	4,000	0	4,000	4,000	4,000	100%
Telecommunications Services	11,000	3,236	7,764	1,618	4,854	44%
Business Meetings	6,000	0	6,000	5,000	5,000	83%
Subscriptions & Publications	2,000	826	1,174	413	1,240	62%
Building Supplies	5,000	2,902	2,098	1,451	4,352	87%
Insurance	7,500	1,426	6,074	713	2,139	29%
Bank Fees - Offshore	41,000	36,979	4,021	18,490	55,469	135%
Bank Fees - Onshore	20,000	9,633	10,367	4,817	14,450	72%
Branch Offices	18,000	6,876	11,124	3,438	10,314	57%

Bank Charges



- Increase in bank charges
- Doubling of charges related to FIDC
- Deutsche Bank have asked STCU to close account
 - Unrelated reasons
 - Will lead to changes in bank charges for 2019
- GB need to approve this overspend on the budget for 2018

Contingency



Administrative Operating Expenses	2018					
	8 Months to 31 August 2018			Forecast	Forecast	Percentage
	Budget	Actual	Remaining	final 4	full year	Utilised
	\$	\$	\$	months	\$	%
				\$		
Non-Recurring Expenses						
Subtotal Non-Recurring Expenses	17,500	11,419	6,081	6,000	17,419	100%
Recurring Expenses						
Subtotal Recurring Costs	808,500	432,118	376,382	305,860	737,978	91%
Contingency - Recurring	11,000	3,230	7,770	0	3,230	29%
Total Administrative Expenses	837,000	446,766	390,234	311,860	758,626	91%



STCU has needed to use its Contingency budget line for the first time

Contingency

- National Guards moved to rotating surveillance of STCU office
- Enhancements made to physical security



AOB actual to budget full comparison

Science and Technology Center in Ukraine						
Actual to Budget for 2018 - AOB						
Administrative Operating Expenses	2018					
	8 Months to 31 August 2018			Forecast	Forecast	Percentage
	Budget	Actual	Remaining	final 4	full year	Utilised
	\$	\$	\$	\$	\$	%
Non-Recurring Expenses						
Facility Improvements	2,000	177	1,823	1,800	1,977	99%
Office Equipment	2,000	0	2,000	2,000	2,000	100%
Computer Hardware	2,000	861	1,139	1,100	1,961	98%
Computer Software	11,500	10,380	1,120	1,100	11,480	100%
Subtotal Non-Recurring Expenses	17,500	11,419	6,081	6,000	17,419	100%
Recurring Expenses						
Personnel	515,000	325,785	189,215	189,852	515,637	100%
Local Grant Payments	411,000	276,818	134,182	138,409	415,227	101%
Staff Education & Training	39,000	7,881	31,119	30,900	38,781	99%
Staff Education & Training - ED	4,000	711	3,289	3,200	3,911	98%
Staff Education & Training - CFO	20,000	7,146	12,854	12,800	19,946	100%
Staff Education & Training - DED UA	15,000	24	14,976	14,900	14,924	99%
Employee Morale & Welfare	22,000	12,269	9,731	6,135	18,404	84%
Medical Plan	43,000	28,817	14,183	14,408	43,225	101%
Travel	92,000	34,453	57,547	27,226	61,679	67%
International Travel	30,000	6,123	23,877	13,061	19,184	64%
Travel withing the CIS	51,000	24,391	26,609	12,195	36,586	72%
Travel withing the CIS - Monitoring	26,000	18,125	6,375	9,063	27,188	105%
Travel withing the CIS - ED	25,000	6,265	20,235	3,133	9,398	38%
Local Travel	11,000	3,939	7,061	1,969	5,908	54%
Office Operations	115,500	59,704	55,796	39,852	99,557	86%
Representation	3,000	630	2,370	1,315	1,945	65%
Postage & Delivery	5,000	1,172	3,828	586	1,758	35%
Customs Facilitations	500	42	458	21	63	13%
General Office Supplies	7,500	2,773	4,727	1,386	4,159	55%
Office Equipment Repair & Maintenance	3,000	84	2,923	42	127	4%
Printing & Reproduction	4,000	0	4,000	4,000	4,000	100%
Telecommunications Services	11,000	3,236	7,764	1,618	4,854	44%
Business Meetings	6,000	0	6,000	5,000	5,000	83%
Subscriptions & Publications	2,000	826	1,174	413	1,240	62%
Building Supplies	5,000	2,902	2,098	1,451	4,352	87%
Insurance	7,500	1,426	6,074	713	2,139	29%
Bank Fees - Offshore	41,000	36,979	4,021	18,490	55,469	135%
Bank Fees - Onshore	20,000	9,633	10,367	4,817	14,450	72%
Branch Offices	18,000	6,876	11,124	3,438	10,314	57%
Branch Offices - Kharkiv	2,000	711	1,289	355	1,066	53%
Branch Offices - Baku	6,500	2,177	4,323	1,088	3,265	50%
Branch Offices - Chisinau	5,000	1,982	3,018	991	2,973	59%
Branch Offices - Tbilisi	4,500	2,007	2,493	1,003	3,010	67%
Contracted Services	68,000	5,299	62,701	45,491	50,791	75%
Legal Services	5,000	414	4,586	207	620	12%
Accounting & Auditing	43,000	243	42,757	42,963	43,206	100%
Other Professional Services	20,000	4,643	15,357	2,322	6,965	35%

STCU 2019 Budget

Annual Operating
Budget
&
Supplementary
Budget



Projected Capital



	UCC \$m	DCC Projects \$m
Balance at 1 January 2018	17.4	17.4
New projects signed	(4.1)	7.3
Funds received	3.0	-
Project expenditure	-	(8.0)
AOB and SB 2019	(1.8)	-
Balance at 31 December 2018	14.5	16.7

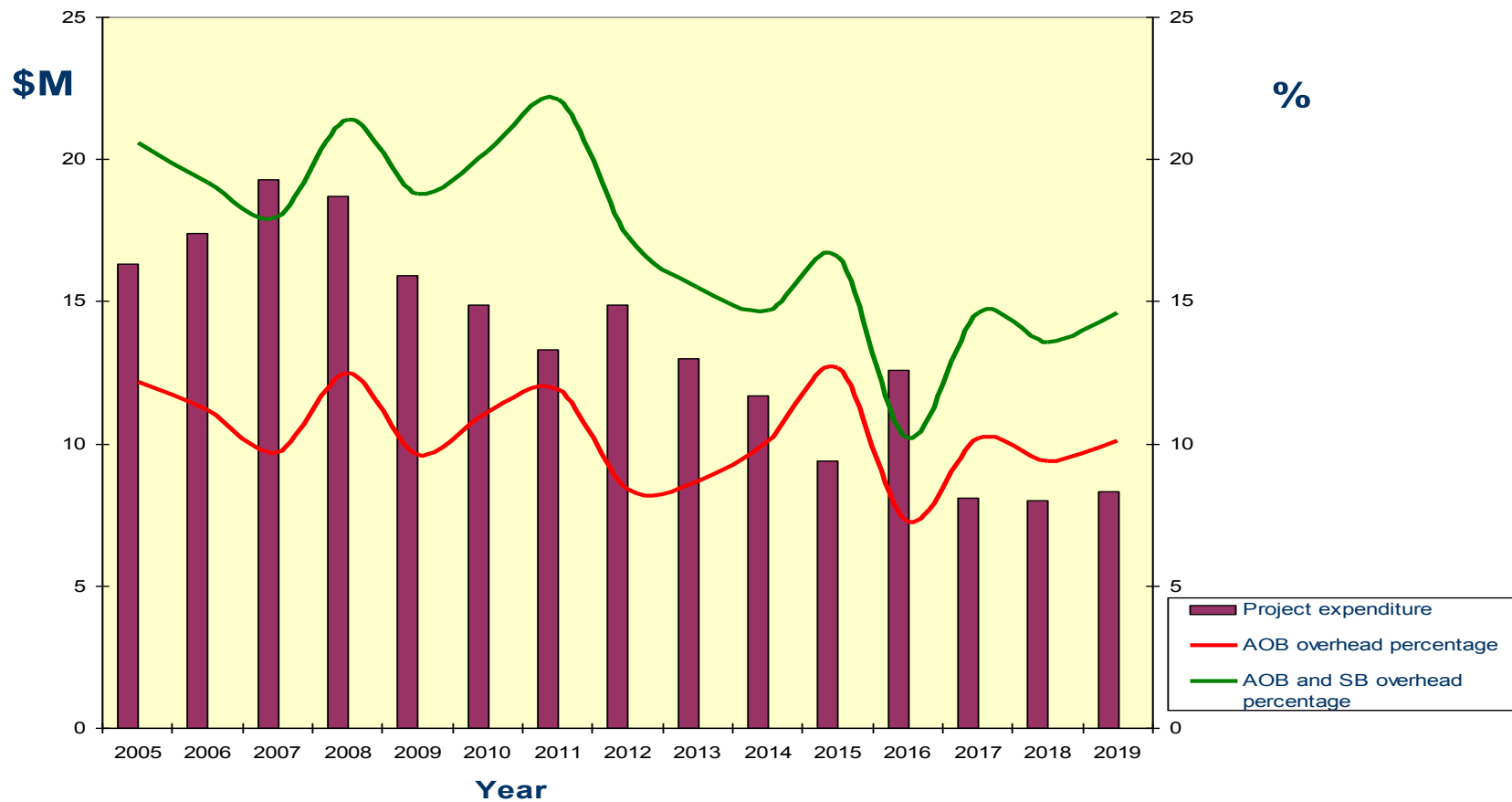
Future Activity



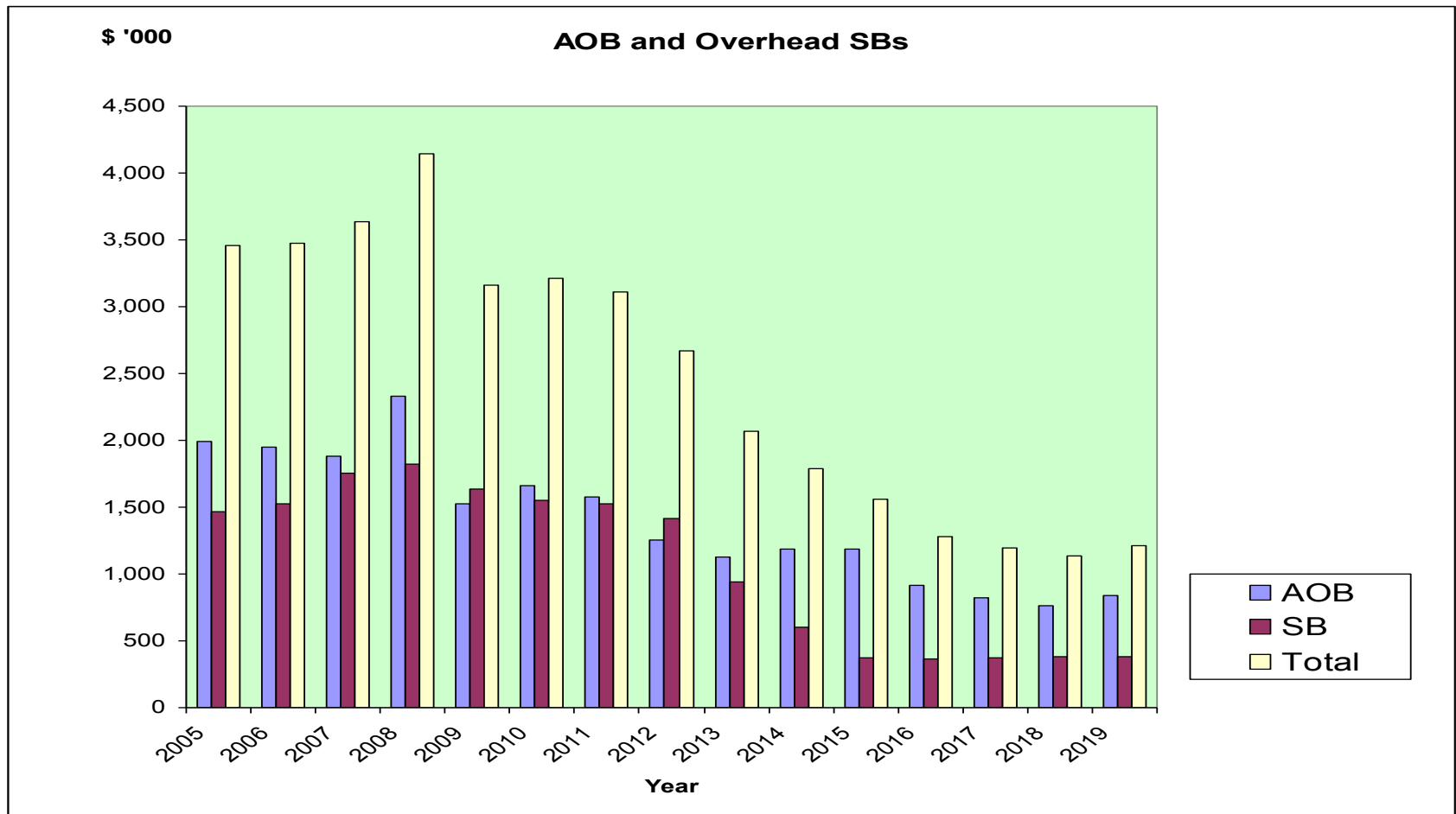
- 2019 Estimated project expenditure \$ 8.3m
 - \$16.7 m DCC Projects at 1 January
 - Average project is two years
- SB activity similar to 2018, main action is € 500,000 for Export Control
- DCC projects balance and \$14.5m in UCC we can forecast project expenditure to be around \$8-10m for 2019 to 2021

STCU Operations

Project volumes and overhead percentages



Resources required



2019 AOB Request



	2018 \$' 000	2019 \$' 000	Decrease %
Recurring	820	818	0.24
Non recurring	17	17	-
Total	837	835	0.24

Significant Changes



	2018 \$	2019 \$	Change \$
• Local grant payments			
– Georgia regional officer to be shared with ISTC	411,000	395,000	(16,000)
• Branch offices Tbilisi			
– Branch office costs now include outsourced regional officer	4,500	18,000	13,500
• Bank fees offshore			
– Change enforced by increased charges by US bank	41,000	55,000	14,000
– May be alleviated by enforced change of banks			

AOB Sharing Formula



- In December 2000 the Funding Parties agreed to the following:
 - Parties would equally share 20% of the Administrative Operating Budget;
 - Currently this is 10% each for the EU and US;
 - The remaining 80% will be allocated according to the projected next year's expenditure for the Party's projects.
- From 2017 include SB expenditures of a program nature in with project expenditure

Sharing Ratios



	US \$	EU \$	Total \$
Estimated project & SB expenditure	800,003	6,255,717	7,055,720
	%	%	%
% share of project & SB expenditure	11.34	88.66	100
Distribution of variable portion	9.07	70.93	80
Distribution of fixed portion	10	10	20
Calculated sharing ratio	19.07	80.93	100

US Government Project Expenditure



\$

Department of State (completion of TI projects all expected to end in 2019)	96,541
European Office of Aerospace Research and Development (ongoing projects, no new projects since change in partner fee structure)	150,000
Oak Ridge National Laboratory (isotope laboratory)	140,847
ISN/WMDT (transport containers and vehicles)	412,615
Total	<hr/> 800,003 <hr/>

How much do you pay?



US

EU

Total

Share of AOB **\$ 159,235** **\$ 675,765** **\$ 835,000**

(in Euros)

€ 494,179

%

%

%

Sharing ratio

19.07

80.93

100

Supplementary Budget 2019

- No SBs of programme / activity nature for the US
- EU SBs maintained at 2018 levels
- **€ 500,000 for Export Control – Year 2**
- Expert reviewers are not expected to be used in 2019



SB Request for 2019

Funding Parties		US		EU		US	EU
		2018 Approved	2018 Forecast Spent	2018 Approved	2018 Forecast Spent	2019 Requested	2019 Requested
BUDGET ITEM		\$	\$	€	€	\$	€
1.02	Technic., Collabor., Cont. Travel Supp. - EU			9,000	0		9,000
5.03	Patent Support - EU			17,000	4,836		17,000
6.03	Travel and Mobility Support - EU			6,000	0		6,000
08.01	Expert Review & Advisors - EU			9,000	8,000		0
9.02	Seminars/Workshops - EU			728,000	670,466		500,000
10.01	Service Contracts - US	225,000	219,000			225,000	
16.01	Partner Promotion Support - EU			18,000	0		18,000
TOTAL CONTRIBUTION		225,000	219,000	787,000	683,302	225,000	550,000

For the EU these costs are associated with the Contribution Agreement Annex III - Projects and Supplemental, with the exception of € 500,000 for Export Control (2018 - € 727,000; € 500,000 for Export Control, € 227,000 for LionShield) for 9.02 Seminars and workshops which is from Undesignated Capital Contributions

10.02	Service Contracts - EU			134,000	130,000		134,000
TOTAL CONTRIBUTION				134,000	130,000	0	134,000

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

TOTAL CONTRIBUTION		225,000	219,000	921,000	813,302	225,000	684,000
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Annual Operating Budget in full

Science and Technology Center in Ukraine Budget for 2019 AOB



Administrative Operating Expenses	Budget \$	2018 Forecast full year \$	Percentage Utilised %	2019 Budget \$
Non-Recurring Expenses				
Facility Improvements	2,000	1,977	99%	2,000
Office Equipment	2,000	2,000	100%	2,000
Computer Hardware	2,000	1,961	98%	2,000
Computer Software	11,500	11,480	100%	11,500
Subtotal Non-Recurring Expenses	17,500	17,419	100%	17,500
Recurring Expenses				
Personnel	515,000	515,637	100%	495,000
Local Grant Payments	411,000	415,227	101%	395,000
Staff Education & Training	39,000	38,781	99%	37,000
Staff Education & Training - ED	4,000	3,911	98%	8,000
Staff Education & Training - CFO	20,000	19,946	100%	20,000
Staff Education & Training - DED UA	15,000	14,924	99%	9,000
Employee Morale & Welfare	22,000	18,404	84%	22,000
Medical Plan	43,000	43,225	101%	41,000
Travel	92,000	61,679	67%	89,000
International Travel	30,000	19,184	64%	29,000
Travel withing the CIS	51,000	36,586	72%	50,000
Travel withing the CIS - Monitoring	26,000	27,188	105%	26,000
Travel withing the CIS - ED	25,000	9,398	38%	24,000
Local Travel	11,000	5,908	54%	10,000
Office Operations	115,500	99,557	86%	123,500
Representation	3,000	1,945	65%	3,000
Postage & Delivery	5,000	1,758	35%	4,000
Customs Facilitations	500	63	13%	500
General Office Supplies	7,500	4,159	55%	7,000
Office Equipment Repair & Maintenance	3,000	127	4%	3,000
Printing & Reproduction	4,000	4,000	100%	3,000
Telecommunications Services	11,000	4,854	44%	11,000
Business Meetings	6,000	5,000	83%	6,000
Subscriptions & Publications	2,000	1,240	62%	2,000
Building Supplies	5,000	4,352	87%	5,000
Insurance	7,500	2,139	29%	4,000
Bank Fees - Offshore	41,000	55,469	135%	55,000
Bank Fees - Onshore	20,000	14,450	72%	20,000
Branch Offices	18,000	10,314	57%	31,000
Branch Offices - Kharkiv	2,000	1,066	53%	2,000
Branch Offices - Baku	6,500	3,265	50%	6,000
Branch Offices - Chisinau	5,000	2,973	59%	5,000
Branch Offices - Tbilisi	4,500	3,010	67%	18,000
Contracted Services	68,000	50,791	75%	68,000
Legal Services	5,000	620	12%	5,000
Accounting & Auditing	43,000	43,206	100%	43,000
Other Professional Services	20,000	6,965	35%	20,000
Subtotal Recurring Costs	808,500	737,978	91%	806,500
Contingency - Recurring	11,000	3,230	29%	11,000
Total Administrative Expenses	837,000	758,626	91%	835,000

2018/2020 Financial Audit Tender

Request for approval by the ISTC and STCU Governing Boards

Version as of October 11, 2018

Statutory Requirements

In accordance with ARTICLE XV Financial Procedures of the ISTC Statute and with Article XVI (C) of the STCU Statute both of which read:

“An annual audit by an auditor approved by the Board shall be conducted of the Center’s expenditures and related financial activities. Results of the audit shall be reported to the Board within 30 days after completion.”

The audit has the following objectives:

- (a) report to the Governing Board whether the financial statements present fairly the financial position of the ISTC and whether the financial statements are in conformity with the accounting principles recognized by the International Accounting Standards Committee;
- (b) conduct the annual audit in accordance with the International Standards on Auditing (ISA). The ISA require that the audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misrepresentations.

Tender

In accordance with the ISTC’s and STCU’s financial regulations we carried out a joint open call for tender. The request for proposals was advertised on the ISTC’s and STCU’s websites (procurement opportunities) and 44 accounting firms were contacted directly.

We received 2 proposals from the following firms:

KPMG, Riga, Latvia
PKF Consult, Warsaw, Poland

Out of two proposals, the tender that was compliant with the eligibility requirements was a tender received from KPMG.

PKF Consult didn’t meet the eligibility requirement by proposing to use their staff in Ukraine and Russia to perform the audits.

Evaluation Criteria and Technique

The compliant tender was evaluated for technical merit on the following criteria:

- C1 Project team:
 - expertise and profiles of proposed project personnel, specifically qualifications related to the functional and technical expertise in auditing enterprises similar in nature to the ISTC/ STCU,
 - recent pertinent continuing education,
 - appropriateness of assigned staff levels.
- C2 Office’s experience:
includes resources to be applied, depth and breadth of technical expertise and experience and demonstrated results attained in similar engagements.

2018/2020 Financial Audit Tender Request for approval by the ISTC and STCU Governing Boards

C3 Audit plan and work-plan:
proposers will be expected to submit a representative audit plan and workplan for the scope of services identified in Section III Point A. The audit plan and workplan must address the proposed work methodology and tools to be used in providing ISTC/ STCU services and identify the resources, tasks and schedules associated with delivery, and implementation of the audit. The timeliness of the projected completion dates, as well as the track record of meeting agreed upon delivery dates will also be considered.

These criteria were weighted (C1 x 50% + C2 x 30% + C3 x 20%) to give an overall technical score, any firm not achieving a minimum of 80 as a technical score was eliminated.

The successful firms financial offers were then compared using the formula:

$$P_e = P_o / (C_1 \times 50\% + C_2 \times 30\% + C_3 \times 20\%) \times 100, \text{ where:}$$

P_e is evaluated price,

P_o is price offered,

Evaluation and Comparison

The proposal from KPMG was determined to be compliant with the minimum tender requirements. Only one proposal was evaluated. Prices proposed by KPMG are in US\$ and for three year audits.

STCU

Supplier's Name	Offered Price	Evaluated Price	Rank
KPMG	\$128,889	\$144,819	1

ISTC

Supplier's Name	Offered Price	Evaluated Price	Rank
KPMG	\$159,255	\$178,938	1

Conclusion

Out of 44 solicited accounting firms, only two firms submitted audit proposals. One proposal, from PKF Consult, was noncompliant with the minimum tender requirements and therefore technical evaluation wasn't performed. The second firm, KPMG, submitted a proposal with 10% reduction from evaluated to offered price. As evaluated in previous years, KPMG's proposal is the best value for fees option for both Centers.

It should be noted that there is no reduction in the offered fees from the 2016/2017 audit engagement because both ISTC and STCU are reaching a core minimum level. However by working together, the Centers have achieved a significant saving over the nine years from 2012 to 2020.

Award Recommendation

Management of both Centers, recommended to the Governing Boards that the Boards approve the award of the contract to KPMG as an out of cycle Board approval so the contracts can be finalised and the audits commenced at the earliest dates. The Board members approved the award and the decision has been included in the Record of Decisions for the 47th STCU Board meeting.

STCU Forward planning

2017
to
2022



Recap on Frankfurt (Dec. '17)

- In June 2017, US Department of State ISN/CTR notifies STCU that they will not provide any new funding going forward for projects nor operations
- DOS/ISN/CTR instructs STCU to utilize all of their remaining funds on hand (~\$1M) to make transition
- Secretariat draws up forecast on how the Center will be funded while the DOS/ISN/CTR funds are drawn down and presents to 45th GBM (Dec '17)
- Today is a recap and update on the forecast as presented at the 45th GBM with actuals included where known

Recap of Assumptions Made at 45th GB



- DoS funds no further projects after co-financed projects at GB 43 amendment (May 2017)
- DoE utilises all UCC on hand to fund projects up to the minimum of the \$ 10.3 million currently held by STCU
- DoD funds \$ 500,000 per year in projects for 5 years (= to 25% of total BOA of \$ 10 m)
- US SBs are cut to zero from 2018
- EU SBs remain at current usage levels
- ED and CFO continue to be expat positions funded by the US and EU respectively
- 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
- 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
- EU (and US) new style projects funded from new money (ie PChP, etc)
- Interest rates will remain low and partner fees will remain in line with current level

Actuals for Last Year



- DoE funds being turned into projects slightly behind schedule
 - Seismic project (\$4M-5M) expected to be signed in near future (1st half of '19)
- DoD projects funded ahead of schedule
 - One large project signed in April '18, with two new proposals in pipeline (i.e. extension of Azerbaijan project and new Georgia project)
- **Result = No material change to date DOS/ISN CTR funding ends as presented at 45th GBM (funding thru 1st qtr 2022)**

Questions and discussion



Performance to date



	US	EU
	Share	Share
	UCC	UCC
	\$	€
2017	35%	65%
Balance at 1 January 2017	1,259,983	4,607,289
Funds used for projects	(486,494)	(813,437)
Funds returned	354,253	176,805
AOB and SB for 2018	<u>(518,452)</u>	<u>(727,000)</u>
Balance at 1 January 2018	\$609,290	3,243,657
2018	35%	65%
Funds used for projects	0	(1,785,109)
Funds received	0	353,910
Funds returned	<u>246,295</u>	<u>130,216</u>
	855,585	1,942,674

Modifications to forecasts



- Only actual DoD projects signed/to be signed that are funded under BoA included
- DoE funds on hand still assumed to be turned into projects, but later than originally scheduled
- DoS, ISN/WMDT and Oak Ridge National Laboratory projects all to be completed in 2019
- Ongoing projects with EOARD to have minimal effect on AOB sharing ratio in 2020
- Future EOARD projects to carry partner fees as with other US Government partners

Revised forward projection – page 1



	US	EU
	Share	Share
	UCC	UCC
	\$	€
2019	19%	81%
Budgets to be approved at GB 47		
Funds used for projects	0	(350,000)
AOB and SB for 2019	(384,521)	(500,000)
Funds returned	<u>121,744</u>	<u>445,396</u>
	592,808	1,538,070
2020	10%	90%
Funds used for projects	0	(350,000)
AOB and SB for 2020	(308,000)	0
Funds returned	<u>56,855</u>	<u>441,113</u>
	341,663	1,629,183

Revised forward projection – page 2



	US	EU
	Share	Share
	UCC	UCC
	\$	€
2021	10%	90%
Funds used for projects	\$0	(350,000)
AOB and SB for 2021	(308,000)	0
Funds returned	33,000	256,034
	<u>66,663</u>	<u>1,535,217</u>
2022	10%	90%
Funds used for projects	\$0	(350,000)
AOB and SB for 2022	(308,000)	0
Funds returned	16,783	130,213
	<u>(224,554)</u>	<u>1,315,430</u>

STCU Forward planning

2017 to 2022

Annexes

Full projection – page 1



	STCU		US		EU		New money required from EU €	Comments
	Total \$	Share	UCC \$	Share	UCC \$	UCC €		
Balance at 1 January 2017			\$1,259,983		\$5,539,343	€4,607,289		Number as per BFA reconciliation dated April 2017
2017								Number as per STCU 31 December 2016 Financial Statements (note 12, page 25)
Funds received in 2016 not allocated			0			68,350		
Unused SBs 2017			170,770			46,931		
GB 42 projects (Apr '16)			(174,997)			0		
GB 43 projects (Dec '16)			(311,497)			(813,437)		Co-Funded projects to be approved at GB 44 in July 2017
Closed projects			602			132		
			944,861			3,909,265		Number as per BFA reconciliation dated April 2018
Surplus 2017	\$225,078	35%	\$69,089	65%	\$155,989	€129,742		
Budgets approved at GB 45								Surplus comprises unused AOB, interest and partner fees
2018 AOB	\$837,000	35%	(\$293,452)	65%	(\$543,548)	(€ 452,090)		
SBs used 2018			0			(60,000)		
Service contracts 2018			(\$225,000)			(134,000)		
SB activities for periods over 1 year:								
Export control - Year 1			0			(500,000)		
Lionshield TT & FE			0			(227,000)		
Transfers to UCC from:	DoE		113,792			0		
Balance at 1 January 2018			\$609,290			€3,312,007		Number as per STCU 31 December 2017 Financial Statements (note 12, page 25)
2018								
GB 44 projects (Jul '17)			0			(523,709)		EU approval of LAL project
GB 45 projects (Dec. '17)			0			(661,845)		Co-funded projects with Academies
GB 46 projects (Aug. '18)			0			(599,555)		4 Nuclear Forensics projects
Balance of contribution agreement 2018 for future projects			0			353,910	(353,910)	Future possible projects from new money
							(€ 1,000,000)	Contribution Agreement for 2018 (signed in 2nd half of 2017)
Surplus 2018	\$150,000		52,500		97,500	€84,052		
Unused SBs 2018			6,000			46,164		
Transfers to UCC from:	DoE		98,170			0		
	DoD		89,625			0		Change of accounting for US government partner fees
			\$855,585			€2,011,024		

Full projection – page 2



2019													
Budgets to be approved at GB 47													
2019 AOB	\$836,500	19%	(\$159,521)	81%	(\$676,979)		(€ 583,603)						
Export control - Year 2			0			(500,000)			←	Export Control (€ 0.5 m)			
Service contracts 2019			(225,000)				(134,000)						
SBs used 2019			0				(50,000)						
Unused AOB, interest and partner fees	\$120,000												
US Government partner fees	\$518,403												
Surplus 2019	\$638,403	19%	121,744	81%	516,660	€445,396							
GB 49 projects (Dec. '19)			0			(350,000)			←	Future possible projects from UCC on hand			
			\$592,808			1,606,420	(€ 767,603)		←	Contribution Agreement for 2019 (to be signed in 2nd half of 2018)			
													DoS projects expected to be completed around here and their share of AOB becomes half of the 20% portion
2020													
2020 AOB	\$830,000	10%	(\$83,000)	90%	(747,000)		(€ 643,966)						
Service contracts 2020			(225,000)				(134,000)						
SBs used 2020			0				(40,000)						
Unused AOB, interest and partner fees	\$100,000												
US Government partner fees	\$468,545												
Surplus 2020	\$568,545	10%	56,855	90%	511,691	€441,113							
GB 51 projects (Dec. '20)			0			(350,000)			←	Future possible projects from UCC on hand			
			\$341,663			1,697,533	(€ 817,966)		←	Contribution Agreement for 2020 (to be signed in 2nd half of 2019)			
2021													
2021 AOB	\$830,000	10%	(\$83,000)	90%	(747,000)		(€ 643,966)						
Service contracts 2021			(225,000)				(134,000)						
SBs used 2021			0				(40,000)						
Unused AOB, interest and partner fees	\$80,000												
US Government partner fees	\$250,000												
Surplus 2021	\$330,000	10%	33,000	90%	297,000	€256,034							
GB 53 projects (Dec. '21)			0			(350,000)			←	Future possible projects from UCC on hand			
			\$66,663			1,603,567	(€ 817,966)		←	Contribution Agreement for 2021 (to be signed in 2nd half of 2020)			
2022													
2022 AOB	\$830,000	10%	(\$83,000)	90%	(747,000)		(€ 643,966)						
Service contracts 2022			(225,000)				(134,000)						
SBs used 2022			0				(40,000)						
Unused AOB, interest and partner fees	\$80,000												
US Government partner fees	\$87,830												
Surplus 2022	\$167,830	10%	16,783	90%	151,047	€130,213							
GB 55 projects (Dec. '22)			0			(350,000)			←	Future possible projects from UCC on hand			
			(\$224,554)			1,383,780	(€ 817,966)		←	Contribution Agreement for 2022 (to be signed in 2nd half of 2021)			
Exchange rate € : \$													
as of 29 August 2017	1.2023												
as of 24 September 2018	1.16												