

AGENDA
53rd Meeting of the STCU Governing Board
November 30, 2021
Via Zoom

1. Opening of the Meeting

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

2. Administrative Topics

- 2.1 Adoption of the Agenda

3. Agenda

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| 3.1. | Review and Approval of minutes of 52nd GB Zoom meeting conducted on April 28, 2021 w/ EU Changes | (GB Members) |
| 3.2. | Review of 53rd Draft Record of Decisions & Funding Sheet | (Curtis "B.J." Bjelajac) |
| 3.3. | Executive Director Report | (Curtis "B.J." Bjelajac) |
| 3.4. | Update on 2021 AOB/SB Expenditures | (Anthony Nichol) |
| 3.5. | 2022 AOB and SB Budget Request | (Anthony Nichol) |
| 3.6. | Presentation of December 31, 2020 Audited Financial Statements and Management Letter | (Anthony Nichol) |
| 3.7. | Presentation of 2020 Annual Report | (Curtis "B.J." Bjelajac) |
| 3.8. | Update on 2021 Financial Audit Tender | (Anthony Nichol) |
| 3.9. | Discuss/Approve 54th GB schedule | (Curtis "B.J." Bjelajac) |
| 3.10. | Finalize 53rd GB Record of Decisions and Funding Sheet | (GB Members) |
| 3.11. | AOB (Any Other Business) | (GB Members) |

4. Closing of the Meeting

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| 4.1 | Any Other Business (AOB) | (All) |
| 4.2 | Final Issues/Statements from GB Members | (GB Members) |
| 4.3 | Closing Remarks/Adjournment | (Chairman, Executive Director) |

STCU Governing Board 53
November 30, 2021
List of Participants

Azerbaijan

Gulam BABAYEV Azerbaijan Information Officer
STCU

European Union

Natalie PAUWELS Board Member
Head of Unit
Stability and Peace - Global and Transregional
Threats
Service for Foreign Policy Instruments
European Commission

Sorin POPA Programme Manager
European Commission

Georgia

Rusudan JOBAVA Head of the International Relations and
Fundraising Office
Shota Rustaveli National Science Foundation

Moldova

Vadim IATCHEVICI Head of the Innovative Projects Directorate
National Agency for Research and Development

Ukraine

Oleksiy SHKURATOV Board Member
Deputy Minister for European Integration
Ministry of Education and Science of Ukraine

Grigoriy MOZOLEVYCH Acting Director General
Directorate on Science and Innovation
Ministry of Education and Science of Ukraine

Andriy OSTAPENKO Head
Division of the International Scientific and
Research Programmes and Projects
Ministry of Education and Science of Ukraine

Oksana LASHKOVA Head Technician
Ministry of Education and Science of Ukraine



United States of America

Phillip DOLLIFF	Board Member Deputy Assistant Secretary for Nonproliferation Programs Bureau of International Security and Nonproliferation U.S. Department of State
Kathryn INSLEY	Acting Board Member Director Office of Export Control Cooperation Bureau of International Security and Nonproliferation U.S. Department of State
Barbara HALL	Office of Cooperative Threat Reduction U.S. Department of State
Mark SCHELAND	Acting Team Chief Counterproliferation, Chemical Security, & Nuclear Security Programs Office of Cooperative Threat Reduction U.S. Department of State
Laura DENLINGER	Deputy Team Chief Counterproliferation Programs Office of Cooperative Threat Reduction U.S. Department of State
Randolph LONG	Defense Threat Reduction Agency U.S. Department of Defense
Regina CARTER	National Nuclear Security Administration U.S. Department of Energy
Don HATCH	National Nuclear Security Administration U.S. Department of Energy
Kathleen ELLIS	National Nuclear Security Administration U.S. Department of Energy

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
Elena TABERKO

**Summary of the STCU 52nd GOVERNING BOARD MEETING via ZOOM
April 28th, 2021**

European Union:

Ms. Natalie PAUWELS, Board Member, Head of Unit, Stability and Peace - Global and Transregional Threats (FPI.1), Service for Foreign Policy Instruments, European Commission

Mr. Sorin POPA, Programme Manager – EU Policies, Stability and Peace - Global and Transregional Threats (FPI.1), Service for Foreign Policy Instruments, European Commission

Ukraine:

Ms. Yuliia BEZVERSHENKO, Director General, Directorate on Science and Innovation, Ministry of Education and Science of Ukraine

Mr. Andriy OSTAPENKO, Head, Division of the International Scientific and Research Programmes and Projects, Ministry of Education and Science of Ukraine

Ms. Oksana LASHKOVA, Head Technician, Ministry of Education and Science of Ukraine

United States of America:

Mr. Phillip DOLLIFF, Board Member, Deputy Assistant Secretary for Nonproliferation Programs, Bureau of International Security and Nonproliferation, U.S. Department of State

Ms. Sarah BANERJEE, Office of Cooperative Threat Reduction, U.S. Department of State

Mr. Mark SCHELAND, Acting Team Chief, Counterproliferation, Chemical Security, & Nuclear Security Programs, Office of Cooperative Threat Reduction, U.S. Department of State

Ms. Laura DENLINGER, Deputy Team Chief, Counterproliferation Programs, Office of Cooperative Threat Reduction, U.S. Department of State

Ms. Regina CARTER, Senior Advisor, Office of Nonproliferation and Arms Control, National Nuclear Security Administration, U.S. Department of Energy

Mr. Don HATCH, National Nuclear Security Administration, U.S. Department of Energy

Secretariat ISTC

Mr. Ronald LEHMAN, Chairman of the Governing Board, International Science and Technology Center

Mr. David CLEAVE, Executive Director, International Science and Technology Center

Ms. Sonya VEKSTEIN, Chief Financial Officer, International Science and Technology Center

Secretariat STCU

Curtis "B.J." BJELAJAC

Mykola LUBIV

Anthony NICHOL

Elena TABERKO



1.1 Opening Remarks (where possible, and for accuracy, most remarks are transcribed in their entirety)

Mr. Dolliff opened the meeting with the following remarks “It’s good to be with everybody today. I see some familiar names and faces and some new faces as well. For those of you whom I haven’t had the pleasure to meet, my name is Phil Dolliff. I am Deputy Assistant Secretary of State for International Security and Nonproliferation Programs and the U.S. Party Governing Board Representative to the STCU as well as the ISTC.

The U.S. Party thanks the Secretariat and the wider STCU team for the preparations that went into today’s meeting and expresses gratitude to the Government of Ukraine for hosting the STCU and for its support of important programs that advance global security. Thank you also to the Parties, governments, scientists, and individuals who have collaborated over the 28-year history of the STCU to shape it into the effective intergovernmental organization it is today.

From its initial mandate to redirect former weapons scientists from the former Soviet Union, to today’s mission to advance global peace and prosperity through cooperative CBRN risk mitigation, the STCU has evolved with the global security environment to support innovative science and technology partnerships and advance non-proliferation – while at the same time customizing its offerings to meet individual policy priorities of member States. We are grateful for the capabilities of the STCU – I recall fondly the heroic efforts of the center to buy half the firefighting foam in the world in just days to put out the fires blocking our Iraqi allies from pushing ISIS out of Iraq

This work has been particularly challenging in the context of the COVID-19 pandemic, and I extend my personal well-wishes to everyone for continued good health, full recovery, and safety during this uncertain time.

I join you today is to provide an update on how the U.S. party, and specifically the Department of State is seeking to utilize the STCU going forward.

As the STCU Secretariat announced following the last Governing Board meeting, the U.S. Party decided to cover the cost of the STCU Executive Director service contract for a one-year extension from July 1, 2021 to June 30, 2022. We look forward to working with all parties to the STCU parties to lay the foundation for a non-US funded Executive Director position, and have already had constructive discussions with some key parties.

Moving forward, while the U.S. Department of State has not committed to provide further administrative or operational funding, we will consider targeted programming through the Centers in ways that advance our U.S. national security policy and programmatic objectives, in a cost-effective manner.

We look forward to hearing from the STCU on where or how they can assist the Department of State in meeting our most urgent national security and nonproliferation threats, including countering strategic threats to us all, such as Russia – as well as China -- or other malign actors, such as North Korea, Syria, and Iran, and mitigating chemical, biological radiological and nuclear terrorism.

When cost-effective opportunities and interests align, we look forward to considering potential collaboration with the STCU, and all of you as parties and shared members of the nonproliferation, scientific, and policy communities.

We also look forward to working with the STCU, and all parties, to identify potential cost savings and efficiencies, so that as much funding as possible goes towards implementing projects, rather than administrative expenses. The STCU has made progress toward this objective, but building on the efforts over the last several years, we look forward to making the STCU a competitive, cost-effective tool for scientific and nonproliferation project implementation. We hope to explore this important topic in greater depth and offer specific proposals for consideration at the upcoming STCU Strategic Discussion later this year.

I had a chance to meet with the new EU Board Representative, Ms. Natalie Pauwels recently, and already saw great potential for collaboration and synergies between the U.S. and the EU, and hopefully with all Parties in these areas,



through STCU project work. I look forward to working with the European Union, and other parties as the STCU looks towards its third decade of operations.

As Secretary Blinken has said, America is Back.

The United States is engaging allies and multilateral organizations to address common proliferation and security challenges.

We are strongly committed to our relationship with all STCU Parties and participating states, and to the sovereignty and independence of Ukraine, Georgia, Azerbaijan and Moldova.

It is within this context that the U.S. has reinvigorated its participation in the STCU to make the Centers as valuable to each of us individually and collectively as they can be.

We are interested, in particular, in new engagement with and through the STCU as we seek to counter Russia's efforts to undermine the WMD nonproliferation regime, which I want to underscore, given this important audience of frontline states.

In the last five years, our concern has escalated as we have seen Russia use chemical warfare agents banned under the Chemical Weapons Convention. Russia has a notorious history of using WMD to target adversaries for assassination, including using "Novichok" nerve agents in the attempted assassination of Sergei Skripal in the United Kingdom in 2018 and Aleksey Navalny in Tomsk, Russia in 2020. The United States strongly condemns Mr. Navalny's detention, which is just the latest in a series of attempts to silence his and other opposition figures and independent voices who are critical of Russian authorities.

As we work together in the diplomatic realm to impose consequences on Russia for this illegal and outrageous behavior, the United States is committed to helping STCU partners counter Russia's malign nonproliferation activities. This is an increasing area of effort for the Department of State, and I look forward to working with all parties and partners as we utilize the STCU, and other nonproliferation tools, to address Russia's malign behavior.

To conclude, I would like to reiterate that the U.S. Party looks forward to engaging further through the STCU, to use the Center's unique capabilities to achieve WMD nonproliferation impacts in support of our national interest. Where the Center provides the most efficient, competitive, and cost-effective mechanism to do so, we will be open to implementing program activities through the Center.

The STCU will continue to benefit as well from the long-standing support and funding of U.S. Partners like the NNSA (represented by Regina Carter), and private sector partners that currently fund projects. The United States will remain engaged diplomatically as well; I personally look forward to participating in future Governing Board meetings, to preparing for a thoughtful, effective Strategic Discussion later this year, and to working with all of you to advance cooperation for international security, and nonproliferation, including addressing the threats posed by Russia.

Finally, please join me in thanking Sarah Banerjee, for her extraordinary support of the STCU during her time in ISN – While I regret that her time in ISN is coming to an end, I am personally grateful for her beyond outstanding leadership on the Science Centers, and many other critical nonproliferation priorities – Thank you, Sarah. And, thank you all for your attention and for the valuable cooperation our countries and partners enjoy through the STCU."

Mr. Bjelajac thanked Mr. Dolliff for his extremely helpful, and very direct opening remarks. Mr. Bjelajac informed all that it was clear that the meeting participants would like to circle back to clarify some of Mr. Dolliff's remarks, but that would be done after all opening remarks were completed at which time clarifying questions could be raised by all in response to all opening remarks. Mr. Bjelajac then requested Ukraine to provide their opening remarks.



Ms. Bezvershenko provided the following opening remarks on behalf of Ukraine. “Dear BJ, Dear Board Members, Dear Colleagues, first of all, thank you for this opportunity to address and welcome all of you on 52nd Governing Board teleconference, on behalf of the Government of Ukraine and Ukrainian scientific community.

As you all well know, since the start of the COVID-19, the whole world has been fighting to stop the spread of this devastating disease. More than a year has passed since the World Health Organization declared Covid-19 a pandemic. This difficult time has taught us a new ‘hybrid’ way of working and living, in order to better communicate, connect and create. We want to take this opportunity to thank the STCU management, and especially the Executive Director for the safe organization of STCU activities during this time.

We would also like to thank the Parties for their understanding of the necessity to downsize the STCU office space and the management of the STCU for their quick execution in what turned out to be a very tight timeframe. We are confident that the reduced office size is still very spacious and will fit the STCU’s needs going forward, while at the same time freeing up some much-needed space for the expansion of activities with international students at Kyiv Polytechnic Institute.

Upon reviewing the Governing Board documents, it is clear that the COVID-19 pandemic has affected the STCU’s funding levels, as the funding for the 52nd Governing Board (like with the previous 51st GB) is relatively small in comparison with previous years. However, we are heartened to see in the Executive Director’s report that the STCU foresees a significant increase in project funding during the remainder of 2021. Perhaps it will even be the largest year of project funding in the STCU’s history, which is of course, excellent news.

The Government of Ukraine would like to thank the U.S. Party for their recent decision to support the one-year extension of the Executive Director’s contract. This extension has removed some uncertainty in a year where the Center is facing a wave of uncertainty. The Ukrainian Party would like to express its disappointment that the strategic discussion for the Center needed to be postponed; however, we agree that it is better to have the discussion in the Fall when all Parties have the resources in place to make critical decisions about the STCU’s future. The Government of Ukraine very much looks forward to this strategic discussion.

The Government of Ukraine would like to take this opportunity to request the assistance of our colleagues from the U.S. Department of State. As you may be aware, recently a group of U.S. Senators and ranking members and the Chairman of the Senate Foreign Relations Committee, Rob Portman, Chris Murphy, John Barrasso, and Jeanne Shaheen re-introduced the Ukraine Security Partnership Act to provide security assistance and strategic support to Ukraine. It is our understanding that a Bill (To promote security partnership with Ukraine and for other purposes) will be successfully adopted and approved in the near future. It is our hope that our colleagues from the Department of State could inquire into the possibility of using the STCU to implement any projects that result from the new U.S. legislation. Thank you in advance for looking into this possibility.

Dear Board Members, in conclusion, the Ukrainian Party once again confirms the fulfillment of its international obligations within the framework of the STCU activities and regarding the placement of the STCU and will take the appropriate steps to in providing appropriate assistance in the Center’s activities. Thank you All. And I would like to welcome once again all the Participants and wish fruitful and enjoyable Governing Board Meeting. Thank you.”

Mr. Bjelajac thanked Ms. Bezvershenko for her opening remarks. Mr. Bjelajac then requested Ms. Pauwels to provide the opening remarks on behalf of the European Union.

Ms. Pauwels provided the following opening remarks on behalf of the European Union. “Thank you very much BJ, and good afternoon to all colleagues. I think that I have now had a chance to meet quite a number of you, perhaps not everyone on this call, but I really look forward to having the chance to meet you all in person at some point.

My name is Natalie Pauwels, I am the new STCU and ISTC Board Member representing the European Union and the new Head of Unit for a unit called Stability and Peace - Global and Transnational Threats, which also encompasses all our CBRN related activities, including responsibility for the STCU and the ISTC. I am here on the call with my

colleague Sorin Popa, who I believe all of you know very well, given his longstanding involvement in the work that you are doing and that we are doing together in this regard. I am happy to be joining this community. We are also hoping to be able to renominate Mr. Eddie Maier, my predecessor, as the Chairman of the STCU. My office is still in the process of making Eddie's STCU Chair nomination happen, and we hope to confirm this soon. Other than those changes mentioned, I would like to update you very briefly on the situation on the EU side.

I have mentioned it in calls with some of you already, so apologies if this is all familiar to some. But for the sake of everyone on the call on you, you perhaps know, as I just mentioned, that that the transfer of responsibility for the EU relations with the science centers has moved to the Foreign Policy Instrument Service within the European Commission. This is an administrative reorganization that was completed at the end of last year and entered effect at the beginning of this year. Essentially what this really means is a change of political master in the European Commission, because before we were under the political leadership of the European Commissioner responsible for Development Cooperation, and we are now under the responsibility of the European Union's High Representative for Foreign Affairs and Security Policy Mr. Josep Borrell. So that is the main change. And, of course, it entails a number of other administrative changes. But in terms of what is going to happen in the future, you will be mainly seeing me in these calls, together with Sorin, and his presence will lead to continuity going forward. This leads me to a second point, and that is in relation to the budget of the European Union. You may also be aware that we are at the end of a long negotiating process on the seven-year financial framework for the European Union. As part of that framework there will be certain financial amounts dedicated towards supporting our external policy, including foreign policy. This budgetary process, which is a long negotiation, is concluding now. The results look quite positive as far as our future engagement on all things related to CBRN, which includes the science centers. Thus, we are hoping and expecting to have at least continuity in terms of the level of funding that we will have available for these activities, with the possibility existing of more funding. But another important aspect of the changes that these things imply is that we will really be focusing even more in the future on the global and regional dimension of actions that we are supporting. This is the result of a long discussion internally about geographic versus thematic types of actions that the EU will be supporting in the future. Thus, the EU will be looking ahead to see how in this in the scope of our activities, we can really support activities that are of a transregional nature and also global where that is possible. This is not specific, by the way, to this area. That is just a general orientation for the budget in the future as far as the EU's external actions are concerned.

In terms of the EU's continued support for the STCU, the EU is happy to announce that we are finalizing a new project with the STCU. CBRN CoE Project 88, which provides support to the CBRN Medical Emergency Response within ten (10) different countries in the South East and Eastern Europe region. It is a project worth €5.4M, with a four-year duration, with a focus on equipment purchases, trainings, and exercises. Furthermore, the EU continues its support of CBRN Export Control activities via the ISTC and STCU. The EU is keen to coordinate and cooperate with all the Parties and Partners in this effort. Of course, I look to our friends in the US as well, where we are already quite actively coordinating our Export Control activities with them and where we are hoping we can take that further.

Generally speaking, because of the reorganization and budgeting process already mentioned, the EU is in the process of reflecting on future priorities and orientations in this area. The EU is also looking at how these areas link up with broader, overarching priorities such as climate change. The EU has the new green deal, which is really at the top of the EU agenda and especially important for the European Commission and for the EC President - Ms. von der Leyen. Of course, it goes without saying that public health is also a top priority, specifically the security aspect of public health, within the pandemic, as well as beyond the current pandemic. Looking to the future, what might be other challenges that we may face in the future in this regard. In addition, chemical risks, especially following the Beirut explosion, as well as proliferation risks, as mentioned just now by Deputy Assistant Secretary Dolliff. Of course, there are other priorities, such as cyber and so forth. The EU is looking to see where we can step up activities in these areas in order to see how the EU can make sure that in the future, we are really supporting those type of priorities insofar as they are linked to security related concerns.

The STCU is certainly seen as still an extremely efficient and important partner for the EU. The Center provides a lot of flexibility in order to implement actions that the EU sees as being important as they arise. For example, the STCU on behalf of the EU is implementing a wide variety of different activities such as supporting PhD students, organizing seminars, as well as implementing large multi-million-euro projects like Project 88 that I just mentioned. Thus, the EU really thinks that the center has a lot of added value. Furthermore, the EU is open to discuss possible cooperation, different forms of cooperation, including different funding modalities. I listened carefully to what Deputy Assistant Secretary Dolliff said about the US Party's engagement and reinvigorated participation in the science centers. The EU also very much welcomes the extension of the Executive Director's post for another year. We look forward to exploring new forms of partnership. Of course, I think, and we would need to see a bit, because it goes without saying as well that there is the importance of continuity and of enabling a certain degree of flexibility, which we have had until now and which the current set up in this current framework has allowed. I think that it is important that we make sure that we maintain that in the future, especially when looking ahead at how the science centers will work and how we will work together as Parties to make that happen.

Thus, I may have some other questions for our US Partners coming after the conclusion of the introductory remarks. I will conclude my opening remarks by echoing also what was said by our colleague from Ukraine, when she stated that the Ukrainian Party is looking forward to strategic discussions in the autumn, when we will all be much better prepared to tackle the issues raised.

Thank you very much for the opportunity to provide these opening remarks. And again, nice to meet all of you. And I am looking forward to the rest of the meeting. Thank you."

Mr. Bjelajac thanked Ms. Pauwels for her opening remarks. Mr. Bjelajac mentioned that he also had opening remarks of his own before he would like to ask some clarifying questions in relation to the US Party's opening remarks, and after those clarifications the floor would be opened to all for questions or comments about any remarks to that point.

Mr. Bjelajac provided the following opening remarks. "I would first like to welcome Ms. Pauwels to the STCU. I was fortunate enough to have close to a one-hour introductory phone call with her a couple of weeks back. Given that she is taking on a lot of new responsibility, I would like to thank her again for taking the time to make a personal introduction. It makes a big difference. It is clear that the STCU is in good hands with Natalie and in the transition from DEVCO to FPI. Of course, it's always helpful that we keep Sorin as a main point of contact in order to smooth the transition as well.

Next, I would like to thank the US Party and Deputy Assistant Secretary of State Dolliff for their gracious offer to extend the financing of my contract for an additional year to June 30th, 2022. This gives the Parties and the Secretariat more time to address the enormous challenges both strategic and operational facing the STCU. I look forward to working with all concerned over the course of the next months to address these challenges in time for our next governing board meeting and strategic discussion in the later part of the year.

Finally, I would like to close my opening remarks by thanking the Ministry of Science and Education as well, especially Ms. Bezvershenko. Yulia, you were quite helpful in the transition to our reduced office space, as sometimes the communications with Key Polytechnical Institute were not the best. But with your help, we were able to make the transition as smooth as possible. And I think today, as you mentioned, we still have spacious accommodation. Thus, once again, I want to thank Yulia and the Ministry of Science and Education for their assistance in this matter. And with that, I would conclude my opening remarks."

Mr. Bjelajac then proceeded to ask for some clarifying remarks of Deputy Assistant Secretary Dolliff before turning it over to all Parties to ask any clarifying questions.

Mr. Bjelajac continued by stating, "First, I'd like to thank Phil for personally delivering the opening remarks on behalf of the US Party. I am sure there were some pointed remarks that are not easy to deliver given the US Party's long history with the STCU and how long we've both personally known each other. But I think it is good to know now that

going forward as of July 1st, 2022, the US will no longer fund the Executive Director's position. This is important for the other Parties to know. Furthermore, it is also an important point that the US Party confirmed in its opening remarks that it had no plans to provide any additional administrative or operational funding beyond January 1, 2022.

Thus, my clarifying question involves the 2022 STCU administrative overhead. Historically, those costs were shared or at least assumed to be shared on a project throughput basis by the EU and US Parties. I think in your comments, if I wrote my notes correctly, you mentioned that the US Party funding would be considered on a programmatic basis. Does this mean that the fees that are paid for by the US government partners that put projects through the STCU, would that be the contribution of the US Party towards the overhead of the STCU going forward?"

Mr. Dolliff thanked BJ for the question and responded as follows, "I think I understand your question, and there are several pieces in play here. One is the question on the operating budget and the other is fees and how as a general framework the STCU covers its costs. As you correctly note, the US Party wants to put the discussion about beyond the end of 2021 and what the US Party's contribution will be to the annual operating budget in the context of the planned strategic discussion. Between now and November/ December, the US Party would like to engage actively with the Parties to explore innovative ways that the STCU can evolve and try to find a different cost basis that will allocate costs more proportionate to how much the center is used.

BJ as you point out, one of the ideas that we have in that regard does revolve around fees, and the US Party would like to explore that possibility. The US Party would like to explore the possibility of making the center's funding and the framework for the funding to be largely dependent on fees on all of those who use the center. At this point, that is how the US Party is leaning, in terms of trying to work to improve the cost sharing at the Center. That said, the US Party is open minded and if there is an alternative approach that would similarly address the US Party's concerns, then the US Party is open to alternative approaches and we want to do this through a dialogue with the other Parties. The US Party recognizes that this is a complex issue, but the US Party wants to work closely with both the Center and with our partners to find a good resolution, beginning in the months leading up to the strategic discussion and then try to reach consensus at the strategic discussion. Hopefully, then we can move forward with a new approach.

The US Party would note one further thing that is in the medium to long run, it is also important to have a dialogue about the future of the Center. Ms. Pauwels touched on this in her opening remarks as well. From the US Party's perspective, we think that the dialog that the ISTC had was extremely useful. It was productive in that it allowed the Parties to recast the ISTC in new directions, as well as to explore new partners. The US Party wants to explore with our partners how to grow the STCU, how to increase its financial base as well, and how to make it even more relevant to the Parties. I hope that is a useful answer to your excellent question."

BJ thanked Mr. Dolliff for his helpful comments and asked if he had any comments or questions in relation to the opening remarks of Ukraine or the European Union.

Mr. Dolliff responded with the following remarks. "I would like to thank our Ukrainian colleagues for their opening remarks. The United States strongly supports the independence and sovereignty of Ukraine. Ms. Bezvershenko made excellent points about the legislation that our Senators have recently introduced, reintroduced, I'd point out, and that legislation is a clear statement of the US support for Ukraine, which is all the more so in the circumstances Ukraine recently found itself in. Within my offices (DOS/ISN), and the Department of State, will work tirelessly to support the sovereignty and independence of Ukraine and improve its capability to resist Russian aggression. The US Party believes the Center is a very important part of that support. Ms. Bezvershenko, I just looked at the legislation and we will explore with our colleagues how to use that legislation and our cooperation with the Center to reinforce our cooperation with Ukraine, which is very important to the United States.

With regard to the remarks from the European Union. I think that they build on the excellent discussion that Ms. Pauwels and I had the other day. The US party welcomes the European Union's partnership with the Center. We appreciate the leadership that the European Union has always had at the center and the US Party looks forward to continuing to explore in very close partnership all of the issues that we've discussed today with the European Union.

Mr. Bjelajac thanked the Deputy Assistant Secretary for his comments. He then called upon Ms. Pauwels for any comments that the European Union might have in relation to the opening remarks of the other Parties.

Ms. Pauwels responded with the following remarks, “Thank you B.J.. As I listen to the discussion, taking into consideration that I am fairly new to all of this, only plunging into the details myself since the 1st of February, I'm personally still sort of trying to understand all the background and how we arrived at where we are now. However, I think irrespective of where I am in my own personal process, it seems to me listening to the discussion now and also the previous discussions I've also had in in the past with Mr. Dolliff, is that it is clear that we do need to have a few additional discussions amongst the Parties before a meeting in the Fall, especially if that meeting is supposed to arrive at a certain number of conclusions. My own experience with such discussions and other contexts in the past, has shown that these decisions do not happen overnight.

Certainly, a one-year extension for example, of the STCU Executive Director post is great, but one year goes very quickly and any process to replace such a position can take quite a while. For example, there may be the need to launch a call for candidates and any contract issues on the EU side can also really take quite a long time. Thus, in my opinion the issue of the funding of the Executive Director position is something that all Parties would need to come to an understanding fairly quickly.

Of course, whilst the EU would be happy to explore, and are very willing to explore how the Parties might look at other ways of funding the Centers, in terms of additional funding, I think that the EU does have a concern about, as I mentioned in my opening remarks, about continuity. As the EU sees it, there are always fixed costs that need to be met and that we need to be sure that through whatever means we might find to carry on with the work, the Parties need to ensure that there will always be enough funds available to cover those costs.

Up until now, the US and EU have been providing core operational funding to the Center, which is extremely important. I am personally concerned about how any changes to that core funding will impact the Center's future. Thus, I welcome discussions sooner rather than later, so that we can get into the details to see what it will mean for the EU, in terms of our future contribution, given where we are, as I said, in our own internal reflections and in our budgetary cycle.

Thus, I would conclude by saying that it is very important to understand a bit better what the United States has in mind in terms of its future engagement. However, this is more of a comment than a question. Thank you.”

Mr. Bjelajac thanked Ms. Pauwels for her comments. He then called upon Ms. Bezvershenko for any comments that Ukraine might have in relation to the opening remarks of the other Parties.

Ms. Bezvershenko responded with the following remarks, “Thank you, BJ, I only have a short comment. Again, I want to say thank you to the US Party for their support and I hope that we will succeed in our common goals. Also, Ukraine shares the concern of the EU Party about continuity. It is very important to Ukraine to have these discussions that we are having now, in order to understand how we can provide continuity and sustainable development of the Center. It is very important for Ukraine to be sure to build upon the long-term history of the Center, in order to ensure a bright future for Ukrainian participants.

I would like to conclude my remarks by reinforcing that the Ukrainian Party is ready be an active participant in the upcoming discussions during the remainder of this year. I hope that together we will find the best approach for the center to evolve into a tool that is even more useful to all the Parties. Thank you very much for your time.”

Mr. Bjelajac thanked Ms. Bezvershenko for her comments. There being no additional opening remarks or comments, the meeting moved on to its next agenda point.

2. Review and Approval of the 52nd GB Agenda

The Governing Board approved the agenda as presented.

3.1 Review and Approval of minutes of 51st GB held via WebEx on November 17, 2020

The Governing Board approved the minutes as presented with the U.S. Parties requested changes.

3.2 Review of 52nd Draft Record of Decisions and Funding Sheet

Mr. Bjelajac called the Board's attention to the draft 52nd Record of Decisions and asked if there were any comments or questions related to the document as presented. There being no comments, Mr. Bjelajac continued by calling the Board's attention to the Funding Sheets (projects and supplemental budgets) for approval by the GB at the end of the Zoom meeting. He pointed out that the STCU had a modest amount of funding for the first three (3) months as reflected in the project funding sheet which shows funding of approximately \$2.3M. Mr. Bjelajac pointed out that in his upcoming Executive Director report, that despite the modest start to 2021, the STCU is looking at signing a number of projects that might bring total funding to a record amount (~\$20M) for the Center.

3.3 Executive Director Report

Mr. Bjelajac submitted his report that covered the period of October 29, 2020 to March 17, 2021. Mr. Bjelajac highlighted the following issues in the report:

- A. **COVID-19:** The ED opened by briefing the Governing Board on the status of the COVID-19 pandemic in Ukraine with the following high-level points:
 - 1. Since end of March until April 30th Kyiv in red zone (full lockdown = schools closed, restaurants take out only, etc.)
 - 2. Vaccine rollout starting slowly (8K-10K vaccinations per day). At the current pace, some estimates are that it would take almost ten years to vaccinate 80% of the population in Ukraine.
 - 3. COVID-19 may have long-term effects on STCU operations, especially in person events such as conferences, field exercises (LIONSHIELD2), etc..
- B. **Russian Federation:** The ED informed the Governing Board that with the recent military buildup of the Russian Federation on the border of Ukraine, it was possible that the STCU would see an increase in the amount of disinformation about STCU activities soon, similar to the disinformation circulated about STCU in May 2020. The ED reminded the Governing Board that in May 2020 the STCU was accused along with U.S. DOD/DTRA of constructing American biological laboratories in Ukraine that may have leaked COVID-19 into the Ukrainian population. At that time, the STCU worked with the U.S. Embassy to dismiss these accusations.
- C. **NuScale Power Proposal to Work with STCU:** The ED informed the Governing Board that NuScale Power, an American company that recently developed and licensed Small Modular Reactor Technology within the U.S., was currently in the beginning stages of submitting a proposal to the U.S. Trade and Development Agency to perform a gap analysis to determine if their technology could be utilized in Ukraine. In the proposal, the STCU is tasked to provide oversight for the project.
- D. **Good News on Horizon (\$20.2M of possible new projects to be signed in 2021).** The ED informed the Governing Board that the STCU was scheduled to sign the following list of new projects in 2021, which could lead to STCU having a record year in new funding approved. The potential projects are as follows:
 - 1. 5.4M Euros (~\$6.5M) for a new project with DG – Foreign Policy Instruments entitled, “Project 088: “Strengthening of CBRN Medical Preparedness and Response Capabilities in SEE countries “

2. 5.7M Euros (~\$6.8M) for Continuation of Emergency Implementation Measures for PChP with DG – International Partnerships (formerly DG DEVCO)
3. 3.4M Euros (~\$4.1M) for a new project with DG – International Partnerships (formerly DG DEVCO) entitled, “Modernisation of the “Dosimetric Control System at the “Vektor” Complex and the “Buriakivka” Disposal Facility”
4. \$1.5M for a new project with U.S. Department of State/International Security & Nonproliferation/Weapons of Mass Destruction Terrorism entitled, “Institutional capacity building for sound management of chemicals in Georgia”
5. Additional \$1.3M for Continuation of Nuclear Forensics projects (EU & U.S. DOE)

The Executive Director concluded his ED Report by stating that if all the above projects were signed, 2021 would be the largest year in funding in the history of the Center.

3.4 Presentation of Reduction of STCU’s Office Space

Mr. Bjelajac submitted his report discussed the reduction the STCU’s office space. Particular events and dates of note were as follows:

- **July 10, 2019** – Resolution of the Cabinet of Ministers of Ukraine #609 decreed that STCU may stay until December 31, 2030 in the premises located at 5 Metalistiv Str. = 86 m² (Storage) and 7a Metalistiv Str, = 746 m² (on the campus of National Technical University of Ukraine “Igor Sikorsky Kyiv Polytechnic Institute (KPI)”) for a total area of 832 m².
- **August 30, 2020** –KPI sends Letter # 0114/189-m to the Ministry of Science and Education of Ukraine (MESU) regarding the necessity to review the extension of the rental agreement between KPI and MESU concerning STCU’s premises.
- **December 16, 2020** – Senior Deputy Minister of MESU Mr. Kyzym, Senior Pro-Rector of KPI Mr. Yakymenko visit the STCU premises to discuss possibilities to reduce the size of STCU’s footprint.
- **February 4, 2021** – All Parties agreed to start actions ASAP regarding downsizing the STCU’s office footprint down to 535 m² (as suggested by KPI)
- **March 9, 2021** – STCU Executive Director informs KPI and MESU in a written letter that the STCU has materially completed the downsizing of its offices to the agreed upon revised footprint.

Mr. Bjelajac concluded his report by stating that the reduction in the footprint of the STCU offices was not a problem for the Secretariat and that the STCU still had ample space to conduct operations, including workspace, a conference room, and a storage facility. Mr. Bjelajac thanked the Governing Board, especially the Ukrainian Party, for their support during this transition.:

3.5 Approve 1-year Contract Extension of STCU ED

The Governing Board approved the one-year extension of the Executive Director for the period of July 1, 2021 to June 30, 2022.

3.6 Approve 1-year Contract Extension of STCU Sr. DED

The Governing Board approved the one-year extension of the Sr. Deputy Executive Director for the period of January 1, 2022 to December 31, 2022.

3.7 Approve 2-year Contract Extension of STCU CFO/CAO

The Governing Board approved the two-year extension of the Chief Financial Officer/Chief Administrative Officer for the period of September 15, 2021 to September 14, 2023.

3.8 Discuss/Approve 53rd GB Schedule

The Governing Board confirmed that the 53rd Governing Board and strategic discussion would occur in November/December of 2021 and that dates would be confirmed in the upcoming months.

3.9 Finalize 52nd GB Record of Decisions and Funding Sheets

The Governing Board approved the 52nd Governing Board Record of Decisions and Funding Sheets as presented and instructed the Executive Director to start the signature process.

3.10. Any Other Business (AOB)

There was no other business raised by the meeting participants.

13. Closing Remarks (where possible, and for accuracy, most remarks are transcribed in their entirety)

Mr. Bjelajac asked if Ms. Pauwels had any closing remarks of behalf of the EU. Ms. Pauwels responded with the following remarks, “Thank you, BJ. First, congratulations on your extension. The EU welcomes this decision. Of course, the EU extends our appreciation to the United States for the decision enabling the extension of the EDs contract for an additional year. Once again, thank you very much to our American partners. The EU would also like to congratulate the Sr. DED and CFO with the extensions of their contracts.

The EU expresses its full support and looks forward to the end of the year meeting of the Governing Board. As previously mentioned, the EU welcomes additional discussions before the next Governing Board meeting. The EU is unsure how these meetings would best be organized and suggest that they would be more productive if some options papers or some ideas are already put on paper. I don't know if I can put our colleagues from the United States a bit on the spot here, but since in a sense the initiative is coming from their side, perhaps the U.S. Party could come with some details. I don't know whether that would be possible, but some thoughts on paper that we could then reflect on in our corners and then come back to discuss perhaps in blocks, which might be one way to approach this problem.

I don't really know what is best, but as mentioned already, from the EU's perspective, these issues do take quite a lot of time administratively on the EU side and there is quite a lot of bureaucracy to go through. Thus, we would really appreciate very much to have these discussions started fairly early on.

One additional brief comment. I did not want to interrupt the ED Report, but when the ED was providing an overview of the projects that are coming on stream now, you mentioned that some of the projects are funded by the Service for Foreign Policy Instruments (FPI). This is the service within which myself, Sorin and some of our colleagues from the former DG DEVCO (now referred to as INTPA - DG International Partnerships) now work. I would like to highlight that this is a point that I was making in my opening remarks, about the nuances in the division of responsibilities now for programming of funding as the EU moves forward in the next funding period. This is an excellent example of how our colleagues in DG INTPA are going to be funding more actions linked to one particular country, for example, Ukraine, whereas FPI is looking at actions that are covering a number of countries or a region more broadly or perhaps a general theme. Thus, I wanted to highlight that point as it may help our colleagues in this meeting to better understand how the EU will be doing things in the future. In closing, I wanted to thank you very much for a very well-organized meeting and also to our colleagues for their comments and the positive things that we have heard in this meeting and I very much look forward to further cooperation as we move ahead. Thank you.”

Mr. Bjelajac thanked Ms. Pauwels for her closing remarks. He then called upon Ms. Bezvershenko for any closing remarks that she might have on behalf of the Government of Ukraine.

Ms. Bezvershenko responded with the following closing remarks, “Thank you, BJ. I just want to again express my appreciation to our partners, the U.S. and EU parties, and to the Executive Director and to your team for this meeting and for all its continued support. Ukraine is very much looking forward to the discussion about the future of the STCU, as it is clear that we have to invent a better approach to the future of the funding model of the STCU. I believe that the half a year before the meeting in November and December is enough time for us to seriously think about this issue. Also, I hope that we will deepen our cooperation within the STCU instrument and with the other instruments such as the work Ukraine is doing now, together with our European partners in order to again to make Ukraine an associate country in Horizon Europe. Ukraine expresses its thanks to the US party for their continued support of Ukrainian independence. All of these initiatives together will work to strengthen our cooperation and friendship. Finally, I would like to thank all of the participants again for this meeting, and I hope we will be able to organize the future discussions in order to be ready to have a strategic discussion together to develop a common vision by the end of the year. Thank you.”

Mr. Bjelajac thanked Ms. Bezvershenko for her closing remarks. He then called upon Mr. Dolliff for any closing remarks that he might have on behalf of the US party.

Mr. Dolliff responded with the following closing remarks, “I may actually extend the discussion here a little bit because Ms. Pauwels had some good suggestions here that I want to follow up on. But the first thing I want to do is I want to thank again, Sarah, for her outstanding work on behalf of the Centers. And with the chair’s permission, I’d like to call on Sarah to see if she’d like to make a couple of short remarks.”

Ms. Banerjee responded with the following remarks, “Thank you very much. Thank you to everyone. As DAS Dolliff mentioned, I will be wrapping up four years acting on DAS Dolliff’s behalf overseeing both of the science centers, which has been quite an interesting four year period to take on this role. I cannot over emphasize what a wonderful team within CTR (Cooperative Threat Reduction), within the Department of State, within the US inter-agency, within the Secretariat, at the STCU and all of the Parties and Partners that we’ve been able to work with. I personally have appreciated everyone’s support, understanding and patience during this period. I am sad to be leaving, but I am also very happy at the positive sign of having the Deputy Assistant Secretary reengaging and reinvigorating the US Party’s participation and support of the Centers.

I would like to note that I am not going too far away. I’m going to Geneva, Switzerland where I will be at the U.S. mission to the United Nations there for the next three years. So, I will still be in the neighborhood. And with that, I will say thank you and I’ll be here through mid-July. Thus, I look forward to working with all of you for the next few months. Until then, thanks very much.”

Mr. Dolliff continued with the following closing remarks, “Thanks, Sarah. Let me offer some thoughts on how to move our dialog forward, building on the remarks that Ms. Pauwels made. So first, I think her suggestion that the US Party make a formal proposal or put our thoughts down on paper is an excellent one. I would propose that the US Party do so in the next month or so, and that we get that out to folks, so that we can have a meeting, not necessarily a governing board meeting, where we can table that proposal.

Subsequent to that, I think it would be good to have a follow-on meeting. One of the advantages of using these remote engagement meetings is we that don’t have to have big, huge governing board meetings. With new technology we can have remote discussions about how to move things forward. Thus, without prejudice to format, my suggestion is that we continue to have a dialogue. The US Party accepts Ms. Pauwels’ proposal that the US Party make a specific proposal regarding our thoughts about financing, and we look forward to discussing them with our partners in order to find a resolution. I note that both my Ukrainian and EU colleagues expressed concern about making sure that the Centers have continued, and sufficient funding and that continuity was very important to both Parties. I take those points. Those are very important points. The US Party entirely agrees. And so, the US Party wants to provide continuity and predictability to our partners and we think the best way to do that is through a dialogue that extends from here forward.



Those are my suggestions and I'd be interested if my colleagues from the EU and Ukraine find those to be a useful way to move forward.”

Mr. Bjelajac thanked Mr. Dolliff for his closing remarks and after looking at his EU and Ukrainian colleagues, it was clear that Mr. Dolliff's suggested way forward was acceptable to all.

Mr. Bjelajac then provided the following closing remarks, “First, I'd like to thank Deputy Assistant Secretary Dolliff for his presence. I also would like to thank him for his directness. I know that change can often be scary, but I think change is progress. I can say that myself personally, as well as the STCU very much wants to make progress, and if we have to break some break some eggs on the way to do that, then the STCU is ready to do that.

The Deputy Assistant Secretary's directness is welcome because it allows us to clarify the issues, and once the issues are clarified, it makes it easier to address them. Once again, Mr Deputy Assistant Secretary, thank you for your remarks, we will take them and do what we can to address them, and I promise to help your team in any way possible to address the initial discussion paper.

I would also like to take a moment to thank Ms. Banerjee, for her four years of service to the science centers. Sarah, I think of my many years at the STCU, you, without a doubt, have had the most difficult seat to sit in the last four years. Despite the challenges faced by Sarah, she was always enthusiastic, positive and extremely professional. Thus, on behalf of the entire STCU Secretariat, I want to say thank you to Sarah for these past four years and from myself as Executive Director as well. Thank you, and I sincerely hope that in the future our paths will cross.

Finally, I would like to close by saying that the STCU still faces some difficult decisions in the next six to eight months. But as I mentioned in the in the Executive Director report, despite a tough last year (2020) in funding the STCU could be looking at a record year in funding the remainder of 2021. Thus, there is still a demand for the STCU's services. We are confident that together we will determine a path forward that allows the Center to meet this demand and service the Parties going forward. With that I think we can bring this meeting to a close. Thank you once again to all for your participation.”

There being no further business to discuss the Zoom meeting was concluded.



Executive Director Report

(Reporting Period: March 18, 2021 – November 5, 2021)

Party Issues

COVID-19

The STCU continues to closely follow the instructions of both the Government of Ukraine and the Kyiv City Administration in relation to the COVID-19 pandemic. Unfortunately, after a continued reduction in the number of cases over the summer, the data for September/October has been much worse, with fears that the delta variant is circulating in Ukraine causing the rise in cases. At the beginning of September, Ukraine's daily number of cases was ~2,000 new cases/day, but by end of October the number of cases rose steadily to about ~26,000 new cases/day (more cases than seen in Ukraine at the same time in 2020). Kyiv city was categorized as a red zone by the Ukrainian authorities on October 28, 2021, meaning from November 1, 2021 all schools switched to remote learning and access to certain services required proof of vaccination (use of public transport, dining in restaurants, etc.).

Given the difficult situation outlined above, the STCU continues with a "work from home first" policy (as we have done on and off from March 2020) and barring a change for the better (which looks unlikely until the spring of 2022), the STCU will continue to work from home as much as possible for the foreseeable future. As of the publishing of this report, thankfully, the Secretariat is healthy and no members of the STCU are exhibiting any long-term health issues as a result of COVID-19 infection.

The COVID-19 pandemic continues to have different levels of impact on the STCU operations ranging from "very little" to "a complete stop". Ongoing projects have had very little disruption with no projects cancelled, and only a handful of projects suspended because of the pandemic. Events were ongoing within borders (i.e. trainings in Ukraine for Ukrainians, etc.), but in-person cross-border events are still on hold until there is further clarity with the COVID-19 situation. The STCU will continue to monitor this situation going forward.

STCU included in proposal with U.S. Trade and Development Agency (USTDA), NuScale Power, SSTC, and SNRIU

In the autumn of 2020, the STCU was contacted by the USTDA to act as a facilitator for a proposal with NuScale Power (USA) and the State Scientific and Technical Center for Nuclear and Radiation Safety of the State Nuclear Regulatory Committee of Ukraine (SSTC) to perform a gap analysis of Ukrainian regulatory requirements for nuclear reactor technology and NuScale's Small Modular Reactor (SMR) technology.

The STCU worked closely with the State Nuclear Regulatory Inspectorate of Ukraine to facilitate their input into the NuScale/SSTC proposal which was submitted to USTDA for technical review in late April 2021. In the summer of 2021, technical review was performed by USTDA and as of today, USTDA is making a final decision on whether or not to move forward with the proposal. The hope is that the



proposal is selected for funding by USTDA, with the project starting in the 1st half of 2022. If selected for funding by USTDA, it will be the first project to be implemented in Ukraine by USTDA in the past decade.

STCU completes large project funded by USDOS/ISN/WMDT to improve cyber security at the State Nuclear Regulatory Inspectorate of Ukraine (SNRIU)

DOS/ISN/WMDT funded via the STCU a project to significantly improve cyber security at SNRIU through the upgrade of the Information and Telecommunication System (ITS), as well as through the development of a Comprehensive Information Protection System (CIPS). The project involved the procurement of new equipment, deployment of subsystems, setup of active network equipment (including information security), development of a program for testing, and provision of pilot testing of the ITS.

The newly installed CIPS for SNRIU will protect the information that is processed, transferred, accumulated, published and stored within the Information and Telecommunication System against unauthorized access, modification and destruction and will support continuous access to information for authorized users in compliance with the requirements of the national regulations.

The STCU completed the project with a savings against the budget of ~\$83K (Budget was equal to \$616K, Actual amount spent was equal to ~\$533K). On July 6, 2021, the Head of SNRIU sent a letter of thanks addressed to the U.S. Department of State and The Norwegian Radiation and Nuclear Safety Authority (the Norwegians provided partial funding to this project via USDOS/ISN/WMDT). Please see thank you letter and unofficial translation amended to the end of this report.

New EU Project to Strengthen CBRN Medical Preparedness and Response Capabilities in SEEE Countries

On May 17, 2021 the STCU signed a contribution agreement (Agreement # IFS/2021/424-037) with the EU which provides ~€5.4M of funding with the following goals in the South East and Eastern Europe (SEEE) region of the EU CBRN Centres of Excellence initiative:

- ✓ Enhance the capacity of selected CBRN Emergency Medical Training Centres through the provision of CBRN equipment.
- ✓ Train SEEE Master Trainers in CBRN Emergency Medical Preparedness and Response
- ✓ Support the Master Trainers when they run training courses in their own countries.
- ✓ Standardise SEEE procedures for CBRN Emergency Medical Preparedness and Response
- ✓ Run workshops, seminars and exercises to test capabilities.
- ✓ And finally, explore regional opportunities to work together to strengthen and empower CBRN Emergency Medical Preparedness and Response in SEEE.

Table Top and Field Exercise in Ukraine in 2022/2023 (follow on to LIONSHIELD)

The EU has asked the STCU to work with the National Focal Point of Ukraine to conduct a table top (TT) and field exercises (FE) related to Biological Security in Ukraine in 2022/2023. This exercise is a follow-on to the successful LIONSHIELD exercise conducted in Tbilisi, Georgia in June 2018.

The STCU is still currently in the very beginning stages of the planning for this event with the identification of the exercise site and scenarios still under consideration.

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 considering funding via the STCU in the amount of €5M).

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.

Currently, this project (Phase II) is wrapping up, with all Priority 1 equipment purchased and all construction works completed (with the exception of some work that will be pushed to Phase III of the project). The new Law on the 'safe management of uranium legacy sites' has been drafted and registered at the Verkhovna Rada (parliament) and posted for comment by the relative Ministries and other Authorities. Given the time required for comments, it is anticipated that this part of the project will also be completed during Phase III of the project.

Phase III of the project was signed on September 27, 2021 (contribution agreement #INSC/2021/427-030) with the EU which provides €5.7M of funding for continued implementation of emergency

measures at the PChP. Thus, those efforts mentioned above that were not finished during Phase II, will be completed during Phase III of the project. Phase III of the project is scheduled for forty-seven (47) months, beginning at the end of Sept. 2021 and running until the end of August 2025.

There are some problems to report, as the project has run into several different investigations by the Ukrainian authorities:

Intervention by SBU

The SBU requested information about the contracts in the project from STCU. STCU explained that as an intergovernmental organization with diplomatic status in Ukraine the SBU should formalize this through the correct protocol channels. SBU have since not communicated with STCU. SBU then investigated the works contractor and Barrier (responsible for site management) and having obtained an opinion about the categorization of the construction work claimed the correct permits were not in place and certain standards not followed in the designs. Following a receipt of a letter from the SBU, the Ministry of Energy requested work be stopped until these matters were resolved. Work was stopped, some redesigns were made, controlled areas were redrawn to exclude certain parts of the territory of DZMU (private company that was objecting to the works and thought to be behind the SBU intervention) and in the case of the laydown area a new design sought. Work resumed and will be completed on schedule. The SBU appears to have ceased their investigation.

Intervention by Prosecutors Office of Dnipropetrovsk Oblast

The Prosecutors' Office of the Dnipropetrovsk Oblast has opened a criminal investigation in relation to the project, but it is not clear as to who or what organization they are investigating, the crime appears to be two potentially unrelated events. First is the removal of materials (in particular Phosphogypsum) from the PChP site. STCU and the EU are aware of the removal of materials from the site and it is one of the reasons for the project in the first place. This has nothing to do with STCU and it is unlikely that our contractors are involved, although that is their problem unless it interferes with the completion of the works. The second alleged offence is regarding misuse of EU funds. This would be of concern to the STCU as implementers of the project and the EU the funding party of the STCU and of this project. However, we are firmly of the opinion that there is no case to answer and await further developments.

STCU was requested by a court decision to allow the Prosecutors' office to enter STCU premises and take copies of documents. We believe this court decision to have been made incorrectly without reference to the Agreement to Establish the STCU in which the Ukrainian Government is not to take legal proceedings against the STCU. After consultation with the Ministry of Education (the Ukrainian Government Ministry responsible for the STCU) we agreed to a compromise where we provided the Prosecutors with copies of documents requested in the interests of transparency and to show cooperation with any investigation of third parties. The STCU provided relevant requested documents to the prosecutors office on September 15, 2021 and subsequent to the provision of docs has not been contacted by the Prosecutors Office of Dnipropetrovsk Oblast.

Intervention by National Police



On September 29, 2021 the STCU received a letter from the National Police within which they requested documentation related to the PChP project, as they are investigating the unauthorized removal of radioactive material from the site. The STCU sent a written response to the National Police within which we explained that on September 15, 2021 the STCU already provided all requested documentation to the Prosecutors Office of Dnipropetrovsk Oblast (see above) and kindly requested that the National Police coordinate with the Prosecutors Office of Dnipropetrovsk Oblast to obtain the requested documents. On October 19, 2021, the STCU learned that the National Police inquiry is more than likely related to an ongoing project with the University of Bristol which is not related to the STCU's project with the EU. Thus, the STCU hopes that this ongoing investigation is not related to our project.

The STCU is currently working with both the European Commission and the European Delegation in Ukraine to monitor the ongoing investigations. As of today, the work at the PChP site has not been disrupted; however, contractors working on the site have reported pressure from the authorities which has made it more difficult for them to complete their tasks.

Current Secretariat Activities

Trends in Projects

The 53rd GB is scheduled to approve via written procedure in November '21, seven (7) new partner projects totaling roughly \$2.16M (\$2,090,250 and €57,000), fourteen (14) new partner project extensions totaling roughly \$6.08M (\$5,436,995 and €552,715), as well as five (5) new EU-funded projects totaling roughly \$13.70M (€11,812,117). The total for all new partner projects, partner project extensions, and EU-funded projects scheduled for approval at the 53rd GB would thus equal roughly \$21.94M.

The 52nd Governing Board in April '21 approved a total six (6) new partner projects totaling roughly \$1.41M (\$99,942 and €1,101,832), as well as five (5) new partner project extensions totaling roughly \$915K (\$331,975 and €490,000). The total for all new partner projects and extensions approved at the 52nd GB equals roughly \$2.3M.

Couple the two 2021 Governing Board Funding Sheets together (\$21.94M plus \$2.3M) and the funding for 2021 will total roughly \$24.2M. This is the single largest year of funding in the STCU's history, and as you can see in the table below is an outlier, especially given the down year of 2020 (\$4.8M). By way of comparison, the largest funding year at the STCU was 2006 when the STCU approved \$19.82M in new project funding.

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 125 active projects in 2014 to 75 active projects in Nov. 2021). The STCU expects to see the number of active projects settle at approximately 60-70 where it should stabilize going forward.



	2014	2015	2016	2017	2018	2019	2020	Nov. 2021
Avg # of Active Projects	125	120	110	135	135	110	80	75
Board Approved Project Funding (USD)	\$14.1M	\$4.72M	\$11.2M	\$15.6M	\$13.5M	\$12.2M	\$4.8M	\$24.2M*

* \$24.2M is the amount of funding approved for the period of Jan. 2021 – November 5, 2021.

Potential Projects (Proposals) will provide a solid base for 2022

Given the exception amount of funding received in 2021, the hope is that we do not have a precipitous fall in funding next year (2022), which would continue the recent roller coaster ride the STCU has experienced over the last three years (2019 → 2020 → 2021).

A quick look at the larger projects in the STCU's pipeline shows that there is a good base for 2022:

- 1). **3.4M Euros (~\$4.1M)** for a new project with DG – International Partnerships (formerly DG DEVCO) entitled, “*Modernisation of the “Dosimetric Control System in the Exclusion Zone and Environmental (Radiation) Monitoring at the “Vektor” Complex and the “Buriakivka” Disposal Facility”*”.
- 2). **\$1.5M** for a new project with U.S. Department of State/International Security & Nonproliferation/Weapons of Mass Destruction Terrorism entitled, “*Institutional capacity building for sound management of chemicals in Georgia*”.
- 3). **\$500K** for a new project with U.S. Department of State/International Security & Nonproliferation/Weapons of Mass Destruction Terrorism entitled, “*Technical Assistance to Production Facility “VECTOR” to maintain safe operation of the Centralized Storage of Spent Sources*”.

Important Visitors/Meetings/Events

STCU ED and Senior Specialist Elena Taberko met with representatives of the US Army (June 14, 2021, Kyiv, Ukraine). The STCU ED and Senior Specialist met with representatives of the US Army (Mark Cumo, Jonathon Brame, and others) to discuss the ongoing project in Kharkiv plus possible additional new projects.

Attendance of GP Plenary’s First, Second, and Third Virtual Meetings (March 24th, June 30th, and October 28th, 2021, via WebEx). The STCU ED and Sr. DED attended via WebEx the plenary sessions of the Global Partnership.

Attendance of GP Chemical Sub-Working Group’s First, Second, Third, and Fourth Virtual Meetings (March 22nd, April 15th, July 21st, and October 20th, 2021). The STCU ED met via WebEx with representatives of chemical sub-working group.



Attendance of GP Nuclear and Radiological Sub-Working Group's First, Second, and Third Virtual Meetings (March 31st, June 29th, and October 26th, 2021). The STCU ED met via WebEx with representatives of the nuclear and radiological sub-working group.

Attendance of GP Biological Sub-Working Group's First, Second, and Third Virtual Meetings (April 14th, June 16th, and September 22nd, 2021). The STCU ED met via WebEx with representatives of biological sub-working group programs.

Attendance of CBRN Sub-Working Group's First, Second, and Third Virtual Meetings (March 23rd, June 24th, and September 28th, 2021, via WebEx). The STCU ED met via WebEx with representatives of CBRN sub-working group.

STCU ED met with UNICRI Regional Coordinator for the SEEE region of the CBRN CoE and OSA Key Expert (October 20, 2021, Kyiv, Ukraine). The STCU ED met with the Regional Coordinator and OSA Key Expert to talk about the next steps for realization of the 2nd SEEE Regional Field Exercise (follow-up to LIONSHIELD).

ED attends DOS/ISN/CTR Implementers Workshop, (November 1-4, 2021, via WebEx). The ED attended this workshop which provides more information on CTR's program lines of effort, its goals and objectives for FY2022, and provides up to date information for its projects.

Curtis "B.J." Bjelajac
Executive Director

SNRIU letter head

Phillip DOLLIFF
Board Member, Science and Technology Center in
Ukraine
Deputy Assistant Secretary for Nonproliferation
Programs
Bureau of International Security and
Nonproliferation
US Department of State

Ingar AMUNDSEN
Acting Director
Department of Research and International Nuclear
Safety and Security
Norwegian Radiation and Nuclear Safety Authority

Dear Sirs,

The State Nuclear Regulatory Inspectorate of Ukraine expresses its respect and is honored to announce full implementation of works under the agreement between the Science and Technology Center in Ukraine and IT SOLUTIONS LLC on the supply of equipment and software, and on the provision of services necessary to create a comprehensive information protection system for information and telecommunication sphere of SNRIU within the framework of technical assistance project P711 "Cybersecurity Improvement at the State Nuclear Regulatory Inspectorate of Ukraine".

Due to the strong financial assistance of the Governments of the United States of America and the Kingdom of Norway, a complete modernization of information and telecommunication system (hereinafter - ITC) of SNRIU has been provided, as well as information security system was created to strengthen cybersecurity of the Regulatory body of Ukraine. Given the speed of digitalization of the modern world, it is now safe to say that the SNRIU has a modern ITC, and information on various aspects of the regulation of nuclear and radiation safety in Ukraine is reliably protected.

We would also like to take this opportunity, by me personally and on behalf of the State Nuclear Regulatory Inspectorate of Ukraine, to once again thank you and your Governments for funding this important project.

I hope for fruitful cooperation in the future.

With deep respect,

Chairman - Chief State Inspector on Nuclear and Radiation Safety of Ukraine

Hryhoriy PLACHKOV

**ДЕРЖАВНА ІНСПЕКЦІЯ
ЯДЕРНОГО РЕГУЛЮВАННЯ УКРАЇНИ**



**STATE NUCLEAR REGULATORY
INSPECTORATE OF UKRAINE**

01011, м. Київ-11, вул. Арсенальна, 9/11
тел.: (044) 277 12 04
факс: (044) 254 33 11
E-mail: pr@hq.snrc.gov.ua
Сайт: snriu.gov.ua
код згідно з ЄДРПОУ 21721086

9/11 Arsenalna street. Kyiv 01011
tel. 38 (044) 277 12 04
fax. 38 (044) 254 33 11
E-mail: pr@hq.snrc.gov.ua
Web: snriu.gov.ua
код згідно з ЄДРПОУ 21721086

Від «06» 07 2021 р. № 12-19/10214

На № _____ «__» _____ 20__ р.

**Члену правління Науково-технологічного
центру в Україні,
Заступнику помічника секретаря з
програм Нерозповсюдження, Бюро
міжнародної безпеки та
нерозповсюдження,
Державний департамент США
Філіпу ДОЛЛІФФУ**

**Виконуючому обов'язки директора
Департаменту досліджень та міжнародної
ядерної безпеки,
Норвезьке агентство з радіаційної та
ядерної безпеки
Інгару АМУНДСЕНУ**

Шановні панове!

Державна інспекція ядерного регулювання України засвідчує свою повагу та має за честь повідомити про повне виконання всіх робіт відповідно до договору між Українським науково-технологічним центром та Товариством з обмеженою відповідальністю «АЙТІ-СОЛЮШНС» про постачання обладнання і програмного забезпечення, надання послуг зі створення комплексної системи захисту інформації в інформаційно-телекомунікаційній системі, укладеному у рамках проєкту технічної допомоги Р711 «Покращення кібербезпеки в Державній інспекції ядерного регулювання України».

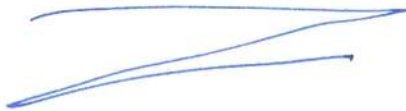
Завдяки фінансовій допомозі Уряду Сполучених Штатів Америки та Королівства Норвегія було здійснено комплексну модернізацію інформаційно-

телекомунікаційної системи (далі – ІТС) Держатомрегулювання та створенню систему захисту інформації в цілях посилення кібербезпеки регулюючого органу України. Враховуючи швидкість цифровізації сучасного звіту зараз можна з впевненістю констатувати, що Держатомрегулювання має сучасну ІТС, а інформація з різних аспектів регулювання ядерної та радіаційної безпеки України надійно захищена.

Користуючись нагодою дозвольте від себе особисто та від імені Державної інспекції ядерного регулювання України ще раз висловити подяку Вам та Вашим урядам за фінансування цього важливого проекту.

Сподіваюсь на плідне співробітництво в майбутньому.

З глибокою повагою,



**Голова – Головний державний інспектор
з ядерної та радіаційної безпеки України**



Григорій ПЛАЧКОВ



STCU Governing Board

Financial Papers

Meeting 30 November 2021

Contents

Budget v Actual year ending 31 December 2021

Budget for year ending 31 December 2022

Supplementary Budget for year ending 31 December 2022

Forecast surplus for year ending 31 December 2021

Calculation of Funding parties' AOB shares for the year ending 31 December 2021

Financial Statements for the year ended 31 December 2020

Auditors' Management Letter for the year ended 31 December 2020

STCU

Budget v Actual year ending 31 December 2021

Administrative Operating Expenses	Budget	Actual	Forecast	Forecast	Percentage utilised
	2021	to 2 September 2021	to 31 December 2021	for the Year	
	\$	\$	\$	\$	%
Non-Recurring Expenses					
Facility Improvements	2,000	729	1,271	2,000	100%
Office Equipment	2,000	121	1,879	2,000	100%
Computer Hardware	5,000	621	4,379	5,000	100%
Computer Software	13,000	11,503	1,497	13,000	100%
Subtotal Non-Recurring Expenses	22,000	12,975	9,025	22,000	
Recurring Expenses					
Personnel	486,000	289,093	178,821	467,914	96%
Local Grant Payments	385,000	258,388	129,194	387,582	101%
Staff Education & Training	33,000	1,251	16,500	17,751	54%
Staff Education & Training - ED	8,000	189	4,000	4,189	52%
Staff Education & Training - CFO	20,000	1,062	10,000	11,062	55%
Staff Education & Training - DED UA	5,000	0	2,500	2,500	50%
Employee Morale & Welfare	22,000	1,052	18,926	19,978	91%
Medical Plan	46,000	28,402	14,201	42,603	93%
Travel	70,000	2,548	11,274	13,822	20%
International Travel	20,000	1,121	561	1,682	8%
Travel withing the CIS	40,000	0	10,000	10,000	25%
Travel withing the CIS - Monitoring	28,000	0	5,000	5,000	18%
Travel withing the CIS - ED	12,000	0	5,000	5,000	42%
Local Travel	10,000	1,427	713	2,140	21%
Office Operations	91,000	29,812	18,406	48,219	53%
Representation	3,000	389	194	583	19%
Postage & Delivery	2,500	850	425	1,276	51%
Customs Facilitations	500	0	500	500	100%
General Office Supplies	5,000	1,963	982	2,945	59%
Office Equipment Repair & Maintenance	2,000	327	163	490	25%
Printing & Reproduction	2,000	0	2,000	2,000	100%
Telecommunications Services	9,000	3,458	1,729	5,187	58%
Business Meetings	6,000	0	1,000	1,000	17%
Subscriptions & Publications	2,000	661	330	991	50%
Building Supplies	5,000	496	248	744	15%
Insurance	4,000	2,012	1,006	3,017	75%
Bank Fees - Offshore	38,000	13,445	6,723	20,168	53%
Bank Fees - Onshore	12,000	6,211	3,106	9,317	78%
Branch Offices	29,000	3,551	21,551	25,102	87%
Branch Offices - Baku	6,000	1,832	1,832	3,665	61%
Branch Offices - Chisinau	5,000	1,719	1,719	3,437	69%
Branch Offices - Tbilisi	18,000	0	18,000	18,000	100%
Contracted Services	65,000	47,927	11,574	59,501	92%
Legal Services	2,000	341	171	512	26%
Accounting & Auditing	43,000	36,183	0	36,183	84%
Other Professional Services	20,000	11,403	11,403	22,807	114%
Subtotal Recurring Costs	741,000	372,931	241,626	614,557	83%
Contingency - Recurring	10,000	6,948	3,474	10,422	104%
Total Administrative Expenses	773,000	392,854	254,125	646,979	84%

STCU

Budget Request for year ending 31 December 2022

Administrative Operating Expenses	Budget 2021	Forecast	Budget 2022
	\$	Actual 2021 \$	\$
Non-Recurring Expenses			
Facility Improvements	2,000	2,000	2,000
Office Equipment	2,000	2,000	2,000
Computer Hardware	5,000	5,000	14,000
Computer Software	13,000	13,000	21,000
Subtotal Non-Recurring Expenses	22,000	22,000	39,000
Recurring Expenses			
Personnel	486,000	467,914	491,000
Local Grant Payments	385,000	387,582	403,000
Staff Education & Training	33,000	17,751	23,000
Staff Education & Training - ED	8,000	4,189	6,000
Staff Education & Training - CFO	20,000	11,062	13,000
Staff Education & Training - DED UA	5,000	2,500	4,000
Employee Morale & Welfare	22,000	19,978	20,000
Medical Plan	46,000	42,603	45,000
Travel	70,000	13,822	52,000
International Travel	20,000	1,682	10,000
Travel within the CIS	40,000	10,000	22,000
Travel within the CIS - Monitoring	28,000	5,000	14,000
Travel within the CIS - ED	12,000	5,000	8,000
Local Travel	10,000	2,140	20,000
Office Operations	91,000	48,219	75,500
Representation	3,000	583	1,000
Postage & Delivery	2,500	1,276	2,000
Customs Facilitations	500	500	500
General Office Supplies	5,000	2,945	4,000
Office Equipment Repair & Maintenance	2,000	490	2,000
Printing & Reproduction	2,000	2,000	2,000
Telecommunications Services	9,000	5,187	9,000
Business Meetings	6,000	1,000	3,000
Subscriptions & Publications	2,000	991	2,000
Building Supplies	5,000	744	4,000
Insurance	4,000	3,017	4,000
Bank Fees - Offshore	38,000	20,168	30,000
Bank Fees - Onshore	12,000	9,317	12,000
Branch Offices	29,000	25,102	29,000
Branch Offices - Baku	6,000	3,665	6,000
Branch Offices - Chisinau	5,000	3,437	5,000
Branch Offices - Tbilisi	18,000	18,000	18,000
Contracted Services	65,000	59,501	70,000
Legal Services	2,000	512	2,000
Accounting & Auditing	43,000	36,183	43,000
Other Professional Services	20,000	22,807	25,000
Subtotal Recurring Costs	741,000	614,557	717,500
Contingency - Recurring	10,000	10,422	10,000
Total Administrative Expenses	773,000	646,979	766,500

STCU

Supplementary Budget for year ending 31 December 2022

Expenditures known and agreed with the parties as of 2 November 2021

Funding Parties		US		EU		US	EU
BUDGET ITEM		2021 Approved	2021 Forecast Spent	2021 Approved	2021 Forecast Spent	2022 Requested	2022 Requested
		\$	\$	€	€	\$	€
1.02	Technic., Collabor., Cont. Travel Supp. - EU			0	0		0
5.03	Patent Support - EU			17,000	11,800		15,000
6.03	Travel and Mobility Support - EU			0	0		0
9.02	Seminars/Workshops - EU			100,000	84,900		250,000
10.01	Service Contracts - US	220,356	215,000			118,544	
16.01	Partner Promotion Support - EU			18,000	15,200		18,000
TOTAL CONTRIBUTION		220,356	215,000	135,000	111,900	118,544	283,000
For the EU these costs are associated with Undesignated Capital Contributions							
10.02	Service Contracts - EU			155,000	147,236		155,000
TOTAL CONTRIBUTION				155,000	147,236	0	155,000
For the EU these costs are associated with the Contribution Agreement Annex III - Administrative							
TOTAL CONTRIBUTION		220,356	215,000	290,000	259,136	118,544	438,000
BUDGET ITEM		US Partners		EU Partners		US Partners	EU Partners
		2021 Approved	2021 Forecast Spent	2021 Approved	2021 Forecast Spent	2022 Approved	2022 Approved
Partners		\$	\$	€	€	\$	€
6.04	Travel and Mobility Support - PA	43,952	43,952	0	0	65,000	0
9.04	Seminars/Workshops - PA	39,711	39,711	0	0	17,141	0
TOTAL CONTRIBUTION		83,663	83,663	0	0	82,141	0
Note: For the purposes of this spreadsheet a € 1 : \$ 1.15979 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							

STCU

Forecast surplus for year ending 31 December 2021

	2021
	\$
Budgeted expenditure	773,000
Forecast actual expenditure	(646,979)
Unutilised budget for the year	126,021
Forecast	
Partner fees	200,000
Interest income	2,500
Exchange losses	(115,000)
Surplus for the year	213,521
Returned to partners in 2021 AOB sharing ratio:	
EU	189,564
88.78%	
US	23,957
11.22%	
	213,521

STCU

Calculation of Funding parties' AOB shares for the year ending 31 December 2021

Based on the existing formula agreed in 2000

Project No	Partner Name if Partner Project	U.S. Amount Funded Total	EU Amount Funded Total	Total Funded by All FPs	Duration Months	Months in 2022	U.S. Amount Budgeted in 2022	EU Amount Budgeted in 2022	Total Amount Budgeted in 2022	
Funding party and fee paying partners										
9601		\$0.00	\$141,494.38	\$141,494.38	48	8	\$0.00	\$23,582.40	\$23,582.40	
9606(A)		\$0.00	\$0.00	\$0.00	24	8	\$0.00	\$0.00	\$0.00	
9607		\$0.00	\$138,183.18	\$138,183.18	48	12	\$0.00	\$34,545.79	\$34,545.79	
9608		\$0.00	\$0.00	\$0.00	24	6	\$0.00	\$0.00	\$0.00	
9609		\$0.00	\$0.00	\$0.00	24	7	\$0.00	\$0.00	\$0.00	
9611		\$0.00	\$0.00	\$0.00	24	12	\$0.00	\$0.00	\$0.00	
9612		\$0.00	\$0.00	\$0.00	24	12	\$0.00	\$0.00	\$0.00	
9700		\$0.00	\$4,059,365.00	\$4,059,365.00	60	-1	\$0.00	\$0.00	\$0.00	
9701		\$0.00	\$6,610,803.00	\$6,610,803.00	48	12	\$0.00	\$1,652,700.75	\$1,652,700.75	
9810		\$0.00	\$2,576,026.97	\$2,576,026.97	60	0	\$0.00	\$0.00	\$0.00	
9812		\$0.00	\$1,739,685.00	\$1,739,685.00	48	8	\$0.00	\$289,947.50	\$289,947.50	
9815		\$0.00	\$579,895.00	\$579,895.00	36	0	\$0.00	\$0.00	\$0.00	
9817		\$0.00	\$6,269,824.74	\$6,269,824.74	49	12	\$0.00	\$1,535,467.28	\$1,535,467.28	
9904		\$64,645.00	\$179,972.73	\$244,617.73	43	0	\$0.00	\$0.00	\$0.00	
9905		\$152,738.00	\$425,226.57	\$577,964.57	44	0	\$0.00	\$0.00	\$0.00	
9914		\$0.00	\$0.00	\$0.00	36	12	\$0.00	\$0.00	\$0.00	
9915		\$0.00	\$0.00	\$0.00	36	12	\$0.00	\$0.00	\$0.00	
9916		\$0.00	\$0.00	\$0.00	36	12	\$0.00	\$0.00	\$0.00	
P633a	UK MINISTRY OF DEFENCE	\$0.00	\$93,682.00	\$93,682.00	24	2	\$0.00	\$7,806.83	\$7,806.83	
P652d	European Office of Aerospace Research and Development (EOARD)	\$30,000.00	\$0.00	\$30,000.00	12	0	\$0.00	\$0.00	\$0.00	
P689	Leibniz-Institute für Festkörper- und Werkstoffforschung	\$0.00	\$78,332.22	\$78,332.22	54	0	\$0.00	\$0.00	\$0.00	
P697	Universidad de Alicante	\$0.00	\$203,891.08	\$203,891.08	60	0	\$0.00	\$0.00	\$0.00	
P699a	TU Dortmund University	\$0.00	\$100,901.73	\$100,901.73	18	11	\$0.00	\$61,662.17	\$61,662.17	
P711a	U.S. Department of State, Bureau of International Security and Nonproliferation / Office of Weapons of Mass Destruction Terrorism (ISN/WMDT)	\$601,000.00	\$0.00	\$601,000.00	30	5	\$0.00	\$0.00	\$0.00	
P719	Loughborough University	\$0.00	\$162,834.52	\$162,834.52	60	12	\$0.00	\$32,566.90	\$32,566.90	
P722	U.S. Department of State, Bureau of International Security and Nonproliferation / Office of Weapons of Mass Destruction Terrorism (ISN/WMDT)	\$500,000.00	\$0.00	\$500,000.00	56	12	\$0.00	\$0.00	\$0.00	
P725b	The Belgian Nuclear Research Centre	\$0.00	\$92,783.20	\$92,783.20	60	12	\$0.00	\$18,556.64	\$18,556.64	
P729	DBE TEC GmbH	\$0.00	\$139,696.71	\$139,696.71	30	-9	\$0.00	-\$41,909.01	-\$41,909.01	
P733	Horizon 2020	\$0.00	\$176,134.99	\$176,134.99	49	12	\$0.00	\$43,135.10	\$43,135.10	
P736	U.S. Department of State, Bureau of International Security and Nonproliferation / Office of the Nonproliferation and Disarmament Fund (ISN/NDF)	\$233,268.00	\$0.00	\$233,268.00	36	5	\$0.00	\$0.00	\$0.00	
P738	Horizon 2020	\$0.00	\$1,156,890.53	\$1,156,890.53	48	12	\$0.00	\$289,222.63	\$289,222.63	
P742	Kaunas University of Technology	\$0.00	\$320,623.95	\$320,623.95	45	12	\$0.00	\$85,499.72	\$85,499.72	
P746	Barcelona Institute for Global Health	\$0.00	\$171,725.76	\$171,725.76	60	12	\$0.00	\$34,345.15	\$34,345.15	
P747	Kaunas University of Technology	\$0.00	\$195,888.53	\$195,888.53	42	12	\$0.00	\$55,968.15	\$55,968.15	
P752	Swedish Radiation Safety Authority	\$0.00	\$40,592.65	\$40,592.65	24	8	\$0.00	\$13,530.88	\$13,530.88	
P753	Nanotechcenter	\$0.00	\$0.00	\$0.00	60	12	\$0.00	\$0.00	\$0.00	
P754	Nanotechcenter	\$0.00	\$0.00	\$0.00	60	12	\$0.00	\$0.00	\$0.00	
P756	Technische Universität Braunschweig	\$0.00	\$115,979.00	\$115,979.00	36	12	\$0.00	\$38,659.67	\$38,659.67	
P757	Horizon 2020	\$0.00	\$527,414.50	\$527,414.50	30	11	\$0.00	\$193,385.32	\$193,385.32	
P759	The University of Granada	\$0.00	\$20,876.22	\$20,876.22	27	6	\$0.00	\$4,639.16	\$4,639.16	
P763	DEPARTMENT OF THE ARMY, U.S. ARMY COMBAT CAPABILITIES DEVELOPMENT COMMAND-ATLANTIC	\$172,270.00	\$0.00	\$172,270.00	37	12	\$57,492.97	\$0.00	\$57,492.97	
P764	The Christian Albrechts University (CAU)	\$0.00	\$87,689.40	\$87,689.40	34	12	\$0.00	\$30,949.20	\$30,949.20	
P770	Konya Technical University	\$0.00	\$0.00	\$0.00	34	12	\$0.00	\$0.00	\$0.00	
P777	Linnaeus University	\$0.00	\$52,190.55	\$52,190.55	17	12	\$0.00	\$36,840.39	\$36,840.39	
Total projects							\$57,492.97	\$4,441,102.63	\$4,498,595.60	
Add estimated SBs programme nature							\$0.00	\$289,947.50	\$289,947.50	
Total workload							\$57,492.97	\$4,731,050.13	\$4,788,543.10	
As a percentage of workload								1.20%	98.80%	100.00%
Share of fixed portion							20	10.00	10.00	
Share of variable portion							80	0.96	79.04	
Total share								10.96	89.04	100.00
AOB							\$ 766,500	\$ 84,012	\$ 682,488	766,500
								€		
European Union share in euros at \$ 1.15979 : € 1									588,458	

STCU Governing Board
 Financial Papers
 Meeting 30 November 2021



Project No	Partner Name if Partner Project	U.S. Amount Funded Total	EU Amount Funded Total	Total Funded by All FPs	Duration Months	Months in 2022	U.S. Amount Budgeted in 2022	EU Amount Budgeted in 2022	Total Amount Budgeted in 2022
Fee paying partners									
P423i	Orbital Sciences Corporation	\$49,957.00	\$0.00	\$49,957.00	12	8	\$33,304.67	\$0.00	\$33,304.67
P507g	CIEMAT (Centro de Investigaciones Energeticas, Medioambientales y Tecnologicas)	\$0.00	\$14,497.38	\$14,497.38	31	0	\$0.00	\$0.00	\$0.00
P516a	Tesseral Technologies Inc.	\$0.00	\$0.00	\$504,126.00	60	0	\$0.00	\$0.00	\$0.00
P516b	Tesseral Technologies Inc.	\$0.00	\$0.00	\$67,662.00	36	12	\$0.00	\$0.00	\$22,554.00
P548b	SETA BioMedicals	\$329,994.00	\$0.00	\$329,994.00	72	12	\$54,999.00	\$0.00	\$54,999.00
P555	Piezo Motion Corp	\$895,545.00	\$0.00	\$895,545.00	144	12	\$74,628.75	\$0.00	\$74,628.75
P555a	Piezo Motion Corp	\$938,574.00	\$0.00	\$938,574.00	60	12	\$187,714.80	\$0.00	\$187,714.80
P557b	Scintmax Inc.	\$1,334,319.00	\$0.00	\$1,334,319.00	36	9	\$333,579.75	\$0.00	\$333,579.75
P572c	Scomix Holland B.V.	\$0.00	\$1,576,394.00	\$1,576,394.00	36	12	\$0.00	\$525,464.67	\$525,464.67
P624c	Oxford Cardiomox Ltd	\$0.00	\$170,489.13	\$170,489.13	46	4	\$0.00	\$14,825.14	\$14,825.14
P635c	GSI Helmholtzzentrum fä#252;r Schwerionenforschung GmbH	\$0.00	\$90,883.46	\$90,883.46	30	12	\$0.00	\$36,353.39	\$36,353.39
P645c	AMERICAN ENERGY TECHNOLOGIES CO.	\$9,945.45	\$0.00	\$9,945.45	12	2	\$1,657.58	\$0.00	\$1,657.58
P651e	METEK	\$0.00	\$405,926.50	\$405,926.50	24	12	\$0.00	\$202,963.25	\$202,963.25
P658c	Somnio Global	\$94,901.00	\$0.00	\$94,901.00	9	1	\$10,544.56	\$0.00	\$10,544.56
P671c	Argonne National Laboratory	\$817,000.00	\$0.00	\$817,000.00	24	-2	-\$68,083.33	\$0.00	-\$68,083.33
P685	Bundeswehr Institute of Radiobiology	\$0.00	\$468,323.20	\$468,323.20	60	12	\$0.00	\$93,664.64	\$93,664.64
P739a	BERLIN SPACE CONSORTIUM GmbH	\$0.00	\$256,670.00	\$256,670.00	21	-2	\$0.00	-\$24,444.76	-\$24,444.76
P743	Centre National De La Recherche Scientifique	\$0.00	\$293,102.13	\$293,102.13	36	6	\$0.00	\$48,850.35	\$48,850.35
P744a	G3C Technologies Corporation	\$259,380.00	\$0.00	\$259,380.00	36	12	\$86,460.00	\$0.00	\$86,460.00
P691	U.S. Department of Energy/ National Nuclear Security Administration	\$52,355.00	\$0.00	\$52,355.00	65	9	\$7,249.15	\$0.00	\$7,249.15
P724	U.S. Department of Energy/ National Nuclear Security Administration	\$1,101,261.00	\$0.00	\$1,101,261.00	48	12	\$275,315.25	\$0.00	\$275,315.25
P748	U.S. Department of Energy/ National Nuclear Security Administration	\$165,000.00	\$0.00	\$165,000.00	36	9	\$41,250.00	\$0.00	\$41,250.00
P750	U.S. Department of Energy/ National Nuclear Security Administration	\$2,225,323.00	\$0.00	\$2,225,323.00	36	9	\$556,330.75	\$0.00	\$556,330.75
P766	WITKO WITZ	\$0.00	\$878,510.77	\$878,510.77	12	1	\$0.00	\$73,209.23	\$73,209.23
P771	Launcher Inc.	\$99,942.00	\$0.00	\$99,942.00	12	2	\$16,657.00	\$0.00	\$16,657.00
P774	Ukrainian Research Institute Harvard University	\$30,250.00	\$0.00	\$30,250.00	6	3	\$15,125.00	\$0.00	\$15,125.00
P776	ABAX SARL	\$0.00	\$13,917.48	\$13,917.48	6	-1	\$0.00	-\$2,319.58	-\$2,319.58



STCU Governing Board
Financial Papers – Addendum
Meeting 30 November 2021

Contents

2021/2023 Financial Audit Tender- Request for approval by the STCU Governing Board

12 November 2021

2021/2023 Financial Audit Tender- Request for approval by the STCU Governing Board

Summary

Following submission to the Governing Board and approval by the Board of a change to the requirements for auditors (see attached paper) an open tender was conducted with the tender opened to firms based in the STCU operating countries. The conclusion of this tender is that the audit for the years 2021 to 2023 should be awarded to Crowe, Ukraine.

By selecting a local member firm of one of the major international accounting firms we can:

- Avoid remote audits in the future (3 out of last 8 STCU audits were remote)
- Improve quality (auditors will better understand language and operating environment)
- Reduce costs (travel expenses were one third of cost of overseas auditors)

Management believes that this appointment will maintain standards, improve efficiency and save costs.

Brief Background to Crowe

In 1915, Hungarian immigrants Ernest and Edmund Horwath founded Horwath & Horwath in New York. The original practice focused on the hospitality industry. The practice later expanded to include accounting, audit and tax offerings. In 1967, it merged with Laventhol Krekstein Griffith & Co. to become Laventhol & Horwath.

Crowe Chizek was established in 1942 in South Bend, Indiana, by Fred P. Crowe Sr. and Cletus F. Chizek. Previously, Crowe had worked in public accounting for many years and also served as the St. Joseph County auditor for eight years. Chizek was head of the accounting department at the University of Notre Dame and also worked part-time in public accounting.

By 1960, the umbrella organization Horwath & Horwath International Associates (HHIA) was established. In 1989, the organization shortened its name to Horwath International and in 1991 Crowe Chizek became a member of the network. Horwath International rebranded in April 2009 as Crowe Horwath International and in June 2018, Crowe Horwath sees a further evolution of their brand with a move to the network name 'Crowe' across their independent member firms globally

Crowe Erfolg Ukraine LLC is a member of Crowe Global network. Crowe Global — is the ninth largest audit network in the world, uniting more than 200 companies, which provides audit and consulting services in 146 countries. With over 42,000 staff worldwide.

Crowe Erfolg Ukraine LLC is Ukrainian legal entity, which has operated for more than 12 years. The company located in Kiev with 4 partners and 70+ professional staff. Crowe Erfolg Ukraine meets all the requirements and conditions for provision of the statutory audit of financial statements and is included in the Register of Audit Entities, with the right to conduct both a statutory audit of financial statements and a statutory audit of financial statements of public-interest entities. Registration number in the Register of Auditors and Audit Entities - 4316.

Details of the Tender Procedure

Statutory Requirements

In accordance with Article XVI (C) of the STCU Statute which reads:

“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 STCU 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 STCU’s financial regulations we carried out an open call for tender. The request for proposals was advertised on the STCU’s website (procurement opportunities) and 20 accounting firms were contacted directly.

Baker Tilly	Grant Thornton	PKF
BDO	HLB	PwC
Crowe	KPMG	RSM
Deloitte Touche Tohmatsu	Kreston	Russell Bedford
ECOVIS	MGI Worldwide with CPAAI	SFAI
Etl global	Moore Stephens	UHY
EY	Nexia	

We received 5 proposals from the following firms:

Crowe, Ukraine	KPMG, Riga, Latvia	PWC, Ukraine
Grant Thornton, Ukraine	Kreston, Ukraine	

All proposals received were considered eligible.

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 ITC/ 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.

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 70 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

Out of five proposals, the tender from Kreston was considered to not score sufficient on the technical evaluation to proceed to the financial evaluation. The other four proposals were evaluated as follows

Auditors’ Name	Offered Price \$*	Evaluated Price \$	Rank
Crowe	42,400	50,476	1
Grant Thornton	70,250	94,932	4
KPMG	58,000	69,048	3
PriceWaterhouseCoopers	49,070	57,058	2

* - for two years 2021 and 2022 for which AOB has been approved by the GB

Conclusion and Award Recommendation

See Summary above for the conclusions drawn as a result of the tender procedure.

Management, recommends to the Governing Board that the Board approves the award of the contract to Crowe for the financial years ending 31 December 2021 and 2022 and subject to AOB being approved for the financial year ending 31 December 2023.

Governing Board Paper Tender for Auditors 2022/24

July 2021

Background

We have just come to the end of the last cycle of audit tender and year end audits. This cycle lasted three years and we are to perform a tender for the next three years. Normally the Centers would go ahead with the tender and present the results to the Boards for approval. However, this time we believe that there would be considerable advantages in having a board decision before the tender process is launched.

Current practice

In previous years at the Boards' request we have had a restriction in the tender documents that the auditor should not be based in or use staff from any of the countries in which the Centers operate. An example of the specific wording used is as follows:

It is required by the Governing Board of the STCU, that the audits are performed by a firm which is established in the United States of America or a Member State of the European Union, being the funding parties of the STCU, and that the audits are performed by an office outside of Ukraine and the Former Soviet Union (with the exception of Estonia, Latvia, and Lithuania), although the Auditor may have an office in Ukraine.

The reason for this restriction was due to the perceived risk of disclosure of personal dataⁱ regarding the former weapons scientists to third parties. This risk was the result of an occurrence in Moscow where data was passed to the tax authorities regarding grant payments to scientists.

Effect of pandemic

In 2020 and 2021 due to the COVID 19 situation and the restrictions on travel our auditors have had to carry out the audit on a remote basis without visiting the Centers. The consequences of this are:

- quality of the audit is reduced;
- time spent by the auditors is increased;
- time spent by Center staff is considerably increased.

Whilst we hope that the pandemic is hopefully over by 2022 this is not certain and another similar situation may arise causing these issues to reappear.

Cost of audit

In addition the situation has highlighted the proportion of the cost of the audit which is travel expenses as opposed to actual professional fees for the audit service. In STCU's case the travel costs are 31% of the total audit cost with the professional fees being 69%. An alternative way of looking at the same numbers is that having an overseas auditor is adding 45% to the audit fee.

Over recent years the parties have been encouraging cost reductions by the Centers which we have implemented such that the Centers are now lean and efficient entities and resources can be concentrated on

International Science and Technology Center

The Square Business Center, Turan 46/1,
Nursultan 010000, Kazakhstan

Science and Technology Center in Ukraine

7a Metalistiv Street, Kyiv 03057, Ukraine

actions of the parties rather than overheads. In 2012 when we switched to a joint audit tender we were able to drive the audit cost down significantly, however this has now flattened out and further reductions are probably not possible. The last tender only received two responses one of which was not eligible.

Approach to the forthcoming tender

We believe that the time has come to lift the restriction on the Centers using local auditors and to open the tender up to auditors based in the STCU and ISTC recipient countries.

It is required by the Governing Board of the STCU, that the audits are performed by a firm which is established in STCU participating countries (Azerbaijan, member states of the European Union, Georgia, Moldova, Ukraine, and the United States).

To ensure quality of service we would include a qualification (without being overly restrictive) that the auditors be part of a worldwide firm, this would include the Big 4 and the second tier audit firms both of which groups have several members now established in STCU and ISTC countries. See Annex 1 - Top 20 International Audit Firms 2020

It should be noted that in the last two tenders for the audit we have had two and three tenders. Of the two tenders received one although based in the EU was proposing to use staff from its local offices in Ukraine and Kazakhstan. Now that the international networks now cover most countries in the world there is a reluctance by individual countries to “poach” work in other countries where the network is represented thereby reducing the competitive nature of the tender procedure.

Advantages

This approach would have the following advantages:

- potential cost savings:
 - no travel;
 - lower rates for locally employed staff;
- avoid the need for remote audits with the increased time and reduced quality of service;
- improved quality of service through the auditors:
 - being better able to understand local language documents and communicate with Center staff
 - better knowledge of the operating environment.

Risk mitigation

The original risk that led to the current restriction should not be ignored, however there are a number of mitigating factors:

- the occurrence that created the situation was in Russia and neither Center now operates in Russia;
- the numbers of research projects have reduced in favour of infrastructure and technical assistance projects with a consequent reduction in the number of former weapons scientists;
- time has seen a reduction in the number of former weapons scientists.

We would further reduce the risk by requiring the auditors to anonymise the former weapons scientists in their working papers (calling them Mr X on project 7856 and Ms Y on project 4391) whilst the Center would retain the ability if required (considered unlikely) to reverse the anonymisation.

Conclusion

We propose that the Boards instruct us to lift the restriction on the locally based auditors and proceed with the tender as proposed above for the next cycle covering 2022 to 2024.

Issues raised at the ISTC Governing Board Meeting

Two issues were raised by the Governing Board:

- Maintaining the standard of the audit service at the appropriate level for the Centers; and
- The effect a change in auditor may have on the 9 Pillar assessments performed for the EU on the Centers.

With regard to the first of these the Secretariats consider that the quality of service in the all top twenty international firms will be maintained at the highest level irrespective of the size of the firms by their internal governance and adherence to standardsⁱ. Restricting to the Big 4 does not raise the standard of service provided.ⁱⁱⁱ

In addition, the tender will be a service tender and will include a technical evaluation of each tenderer and their ability to perform the audit to the standards required by the Centers and their respective Governing Boards, this evaluation will include a minimum threshold below which a tender will be rated as technically inadequate and not evaluated for price comparison and rejected.

We have looked at the Pillar of the 9 Pillar Assessment which relates to External Audit and reviewed the Assessment Questionnaire as if a 9 pillar Assessment were to be performed in 2022 and amended the answers as appropriate. See Annex 2 (text in red are the required changes). The Secretariat is of the opinion that the proposed change would not affect the outcome of the 9 Pillar Assessment.

ⁱ It should be noted that both Centers have now adopted EU GDPR into our procedures both for interaction with persons and entities in the EU as required by law and for interaction with all persons and entities for reasons of best corporate governance

ⁱⁱ In the late 1990s early 2000s KPMG our current auditor expelled two member firms for not keeping up the required standards of the international firm

ⁱⁱⁱ Some of the more disastrous examples of poor audit service and of lack of integrity have been among the leading firms (eg Enron which was audited by Arthur Andersen)

Top 20 International Audit Firms 2020

As per Accountancy Age

Rank	Firm	Revenue \$m	Staff	In Ukraine	In Kazakhstan
1	Deloitte Touche Tohmatsu	47,600	286,000	✓	✓
2	PwC	43,032		✓	✓
3	EY	37,200		✓	✓
4	KPMG International	29,750		✓	✓
5	BDO	9,618		✓	✓
6	RSM	5,739		✓	✓
7	Grant Thornton International	5,720	56,000	✓	✓
8	Nexia International	4,495		✓	✓
9	Crowe Global	4,376			✓
10	Baker Tilly International	3,858		✓	✓
11	Moore Stephens	3,045		✓	✓
12	HLB International	2,933		✓	✓
13	Kreston International	2,305			
14	PKF International	1,454	20,000	✓	✓
15	Etl global	1,294			
16	ECOVIS International	1,157		✓	
17	MGI Worldwide with CPAAI*	945			
18	SFAI	660			✓
19	UHY International	581		✓	✓
20	Russell Bedford International	574			✓
STCU's audit fee		0.042			

Sources: Rank/Firm/Revenue
Staff/In Ukraine/In Kazakhstan

<https://www.accountancyage.com>
firm's own website