

**Summary of the STCU 43rd GOVERNING BOARD MEETING
December 7, 2016 Tbilisi, Georgia**

CHAIR: Mr. Eddie MAIER, European Commission

Azerbaijan:

Ms. Esmira ALIRZAYEVA, Head of Department of International Relations, Azerbaijan National Academy of Sciences

European Union:

Mr. Sorin POPA, Programme Manager, European Commission

Georgia:

Ms. Marine CHITASHVILI, Director General, Shota Rustaveli National Science Foundation

Mr. Nikoloz BAKRADZE, Consultant in International Affairs, Shota Rustaveli National Science Foundation

Moldova:

Ms. Viorica BOAGHI, Director of Agency for R&D, Academy of Sciences of Moldova

Ukraine:

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

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

United States of America:

Mr. Simon LIMAGE, Board Member, Head of Delegation, Deputy Assistant Secretary of State for International Security and Nonproliferation, U.S. Department of State

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

Mr. Jeffrey Scott WALDO, Office of Cooperative Threat Reduction, U.S. Department of State

Mr. Andrew HOOD, Director of Strategic Planning and Integration, Office of Defense Nuclear Nonproliferation, National Nuclear Security Administration, U.S. Department of Energy

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

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

ISTC:

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

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

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

Secretariat STCU

Curtis "B.J." BJELAJAC

Igor LYTVYNOV

Anthony NICHOL

Olga PANCHENKO

Akaki PEIKRISHVILI

1. Opening Session

- 1.1 Eddie Maier opened the session of the 43rd STCU GB meeting by welcoming all participants or attendees to Tbilisi and continued by thanking the Georgian government for its hospitality. Mr. Maier emphasized how proud he was to be Chairman of the STCU, especially during the last year where the efficiency and utility of the Center were exhibited in solving a number of issues of importance to the Parties.
- 1.2 On behalf of the Secretariat, the Executive Director Curtis “B.J.” Bjelajac welcomed the GB members and guests, and also thanked the Georgian government for their assistance in hosting the GB meeting. Mr. Bjelajac welcomed colleagues from the ISTC and highlighted the continued close cooperation between the two Centers.
- 1.3 The Chairman opened the floor for opening statements by other Governing Board representatives and invited guests:
 - On behalf of the United States Party, Deputy Assistant Secretary of State for International Security and Nonproliferation, U.S. Department of State, Simon Limage thanked the Chairman and STCU Executive Director for their strong leadership, and the Georgian Party for their initiative in hosting ISTC-STCU back-to-back Governing Boards in Tbilisi. Mr. Limage underlined that there are enormous challenges that the STCU and ISTC are dealing with in the world and echoed the Chairman’s pride that the Centers have found ways to reinvent themselves, and to provide tools for the international community to deal with current international security challenges. Mr. Limage welcomed all the STCU members and mentioned that the U.S Party has very strong relationships with all participating countries and wants to continue to work with STCU stakeholders and partners in each country.
 - Deputy Minister Strikha, on behalf of the Government of Ukraine, welcomed all participants and stressed that the STCU is considered to be a very important and experienced tool by the Government of Ukraine. Mr. Strikha continued by emphasizing the need to continue to focus on the STCU’s new CBRN mission, especially in consideration of the increasing list of potential threats. Mr. Strikha emphasized that all four nations represented at the GB Meeting have faced Russian aggression in the past, and it is important to find common solutions for the existing threats. Mr. Strikha stressed that it is very important to seek new possibilities for increasing the STCU’s budgets, as a lack of financing could decrease the efficiency of the STCU as a tool for further bilateral and multilateral cooperation in this region of the world. Mr. Strikha highlighted that the utility of the STCU is evident and includes: mitigating CBRN threats, continuing to work on traditional non-proliferation issues, and facilitating scientific research. The Deputy Minister underlined his appreciation of the continued cooperation with the ISTC and the new possibilities that result from this collaboration. Mr. Strikha concluded by noting that in 2016 the 1997 Protocol of the Accession of the EU was ratified by Ukrainian parliament and subsequently signed into law by the President of Ukraine, further cementing the Government of Ukraine’s commitment to the successful future of the STCU.
 - Marine Chitashvili warmly welcomed all GB members and guests to Tbilisi and reiterated the Georgian Party’s pleasure and honor to host both ISTC and STCU GB Meetings, and expressed her deepest gratitude to both Centers for their support during the very difficult times and for their investments in Georgian science over the last 20 years. Ms. Chitashvili stressed that it is important to think about new mechanisms for regional cooperation that will have a positive impact on the economies of ISTC and STCU member countries. Ms. Chitashvili expressed her pleasure to be able to participate in the 43rd GBM and stressed that the Georgian government would be happy to enhance cooperation not only with Ukraine, Azerbaijan, and Moldova, but also with western partners in such key topics as biosafety and biosecurity.
 - Esmira Alirzayeva, on behalf of the Azerbaijan National Academy of Sciences, thanked the meeting participants for the opportunity to participate in the GB Meeting and mentioned that Azerbaijan is one of the few former Soviet republics that maintained the Academy of Science system, which is much different than the approach utilized in the U.S. and Western Europe. The Azerbaijan National Academy of Sciences oversees all fields of science and has forty institutions that are especially strong in research. At present, the Azerbaijan National Academy of Science is reforming itself in order to better integrate Azerbaijani science

into the global scientific community, and sees the STCU as an important vehicle for assisting in this reformation.

- Chairman Maier agreed that regional integration and cooperation are very important, especially via the STCU, as the member countries are a small group, that are geographically very close, and where regional cooperation is extremely important. Also, the Chairman mentioned that immediately after the conclusion of this Board meeting, a visit to the EU CBRN Center of Excellence in Tbilisi is scheduled, and will give those in attendance the chance to see an excellent example of regional cooperation. The Chairman continued by highlighting the excellent cooperation and collaboration between the STCU and the EU CBRN CoE in Tbilisi. Mr. Maier concluded by emphasizing the need for the continued collaboration of the EU, United States, and other donors, because it is clear that this leads to a more efficient use of resources of all Parties.

2. Administrative Topics

2.1. Adoption of the Agenda

The Agenda was approved without changes.

3. Morning Session

3.1. Review and Approval of minutes 42nd GB held on April 5/6th

Deputy Minister Strikha asked to adopt the Minutes with one small change, the removal of “Ukraine” in the title of Ms. Zherebchuk. All agreed to this change. No other changes were submitted and the Governing Board approved the minutes with the aforementioned requested change.

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

Mr. Bjelajac called the Board’s attention to the draft Record of Decisions, Funding Sheet, and Press Release that are scheduled for approval by the GB at the end of today’s meeting.

Mr. Bjelajac called the GB’s attention to one change that was made in the draft Funding Sheet related to project 6184 which was originally scheduled to be funded by the United States and now will be co-funded by the European Union and the Academy of Sciences of Ukraine.

Ms. Chitashvili asked if there was an expected date for receiving all of the reviews for the 2016 co-funding of projects (formerly known as the STCU Targeted Initiatives Program).

Mr. Bjelajac mentioned that the EU completed their review, and asked the U.S. Party if they had an estimated completion date for their reviews.

Mr. Limage confirmed that the U.S. expects to complete the review process by the end of January/beginning of February 2017.

3.3. Executive Director Report

Mr. Bjelajac submitted his report that covered the period of March 5, 2016 to November 11, 2016. Mr. Bjelajac highlighted the following issues in the report:

Situation in Ukraine

Mr. Bjelajac mentioned that as expected, shortly after the 42nd Governing Board in April 2016, the Prime Minister and most of the cabinet was changed, with a number of new ministers taking positions that work closely with the STCU. In the case of the Ministry of Education and Science, Minister Kvit was replaced by Minister Hrynevych, and in the case of the Ministry of Health, Minister Kvitashvili was replaced eventually (August 1, 2016) by acting Minister Suprun. The transition to the new Minister of Health was problematic for the STCU and played a role in the decision to not extend the EU-funded Odessa Ukrainian Anti-Plague Research Institute (UAPRI) Biosecurity Improvement project. The transition to the new minister in the case of the Ministry of Education and Science has been seamless as the STCU is still fortunate to have Deputy Minister Strikha as the Governing Board member representing Ukraine. As Minister Strikha mentioned in his opening remarks, on June 15, 2016 the Verkhovna Rada of Ukraine ratified the 1997 Protocol of the accession of the EU to the Science and Technology Center in Ukraine, removing the last outstanding issue to be ratified by the Verkhovna Rada of Ukraine.

Deputy Minister Strikha confirmed that in April 2016 the majority of the Cabinet of Ministers of Ukraine were replaced, but highlighted that this change should not impact the operations of the STCU. Mr. Strikha mentioned how upsetting it was for him to find out that the project with Odessa Ukrainian Anti-Plague Research Institute (UAPRI) was cancelled in the summer of 2016. The Ministry of Education and Science of Ukraine will propose to the EU a new project to build a similar laboratory, but this time to be situated on the campus of the Odessa Mechnikov National University. This university is subordinate to the Ministry of Education and Science of Ukraine, and thus the Ministry can guarantee the availability of land to construct the new laboratory. Mr. Strikha asked his colleagues to support this new proposal.

Final approval of four (4) 2015 co-funded projects with the UA Academy of Science (formerly known as TI projects) funded by the United States

Mr. Bjelajac stressed that STCU is trying to move away from the term TI for co-funded projects with the Academies of Science, Shota Rustaveli National Science Foundation, as well as with the Ministry of Education and Science of Ukraine. The reason for this change in terminology is to better synchronize with the ISTC Targeted Initiatives.

As was discussed at the GB in April 2016, there were delays experienced in relation to the U.S. final approvals. At the time of the writing of the ED Report there were four projects with the Ukrainian Academy of Science that still had not received final approval and subsequent to the writing of this report three of those four projects were approved by the U.S. Party. The fourth project was switched to be funded by the EU instead of the U.S., and thus has already moved forward in preparation for signature of a project agreement.

As was discussed in the opening remarks, the EU has completed its reviews, and the U.S. Party is hoping to complete its final reviews by the end of January/beginning of February 2017. Mr. Bjelajac asked the U.S. Party to clarify if any project selected for funding by the State Department would require additional approval, and if so, how long that might take.

Mr. Scott Bruce stated that the U.S. Party is working to expedite the review process and hopes that occurs by the end of January/beginning of February 2017. The good news is that once the approval is received in early 2017, no additional approval will be required after selection of the projects, and the projects can move forward to project agreement preparation.

Mr. Bjelajac thanked Mr. Bruce and the U.S. Party for the good news, and clarified that once American colleagues on the upcoming teleconference call agree to fund a project, said project can be inserted into the funding sheet for signature approval. Thus, there won't be any additional delays after the teleconference calls.

Mr. Maier commented that in relation to the program of co-funding projects with the Academies, the Parties should try to adhere to the strict and definite milestones where possible, in order to ensure that each Party can work within its

budgetary constraints (i.e. calendar, funding amount, etc.). Mr. Maier hoped that the situation which occurred at the end of 2015/beginning of 2016 does not happen again.

Mr. Limage confirmed that U.S. Party is working to streamline the review process so that a level of clarity and timing can be maintained by all Parties in the program. For the U.S. Party, the U.S. Department of State is the lead agency in terms of funding the projects that are identified; however, the State Department doesn't always have executive control over the amount/timing of attention paid to the review process by the other U.S. Agencies required to review the proposals before a project can be selected for funding. Unfortunately, the demands on the time of the reviewers in the other U.S. agencies are high, and thus it is possible that reviews will be pushed back in order to accommodate other requests that are considered more important/urgent. The U.S. Party understands that it owes the STCU and other Parties more clarity and more predictability during its internal review process, because it realizes that this is not just about the United States when it comes to co-funding projects. Mr. Limage assured his colleagues that the U.S. Party is invested in the positive outcomes of this program. Mr. Limage concluded by stating how pleased the U.S. Party is with the quality of the proposals received, and reiterated the U.S. Party's desire to do its best in the future to meet the goals that the Chairman described.

Mr. Strikha thanked his colleagues around the table for the discussion, as it brought clarity to this year's program and confirmed that the Ministry of Education and Science of Ukraine is comfortable waiting for the proposed teleconference at the end of January/beginning of February 2017.

Mr. Bjelajac thanked his U.S. colleagues for the clarification of the situation and for all the efforts made to date to address the delays in the review process.

Mr. Popa suggested holding a joint meeting with the STCU Executive Director and U.S. colleagues at the beginning of 2017 in order to discuss a number of issues of concern to the EU such as: changing the timing of the project cycle in order to allow more time for experts and agencies to perform their reviews, etc.

Mr. Bjelajac agreed with the suggested meeting and mentioned that one of the reasons why the reviewers had less time in 2016 in order to perform reviews was due to the delay in 2016 of launching the call for proposals (due to the delay in the 2015 cycle).

Marine Chitashvili emphasized that for the Georgian Party there are two critical issues that need to be finalized: (1) the deadlines for the entire process, including, launching of the call for proposals, deadlines for submission to host government agency, deadline for submission to the EU and U.S. experts, etc.; and (2) the need to clarify the terms of co-financing responsibilities between the STCU and SRNSF. Recently, a situation arose on one of the co-funded projects approved in April 2016 that is causing an issue for SRNSF, because of the differences in documents signed by the SRNSF and the STCU.

Ms. Chitashvili went on to describe the issue in more detail with the concerned project, within which occurred a dispute between the Institute Director and Project Manager, resulting in the Project Manager resigning from both the institute and the project. As per STCU procedure, the STCU approved the written request (which included justification) to change the Project Manager by the Institute Director, as the STCU signs an agreement only with the Institute Director who is seen as the legal representative of the Institute conducting the project. However, Ms. Chitashvili pointed out that the SRNSF signs agreements with both the institute director and the project manager, thus the change in the project manager is an issue for SRNSF.

Mr. Bjelajac apologized for any confusion caused and proposed that in the future the STCU could agree all personnel changes with SRNSF. Ms. Chitashvili confirmed that this approach would work in the future for SRNSF.

Mr. Maier stated that the aforementioned issue is important and that for co-funded projects it is imperative that the Center work with all funding providers concerned in order to satisfy their contractual obligations.

Ms. Esmira Alirzayeva agreed with the proposed solution and stressed that the local co-funding Party usually is much better informed about what group of scientists or institutes are more reliable and can be financed. Ms. Alirzayeva requested the STCU to inform the Academy of Sciences of Azerbaijan if a Project Manager is changed on a project co-funded by the Academy as well.

Mr. Bjelajac thanked his colleagues for the fruitful input and wrapped up the discussion by stating that in cases where a change to the Project Manager is requested, the STCU will ensure that this change is agreed with the co-financing Party as well.

Mr. Limage agreed that a notification of changes to the Project Manager sent to the co-funding Party by the STCU is much more transparent and will allow for better governance by all concerned. Having said that, the U.S. Party will continue to rely on the STCU Secretariat to manage the day-to-day operations of the projects as the U.S. Department of State does not have the internal resources to perform these duties. Finally, the U.S. Party reserves the right to not work with a particular institute or to discontinue funding of a particular project if the deliverable promised is impaired by a material change to the project (i.e. change to the project team, etc.).

There were no further comments related to the point raised by the SRNSF about changes to the project manager of co-funded projects.

On a different subject, Ms. Viorica Boaghi requested that the STCU and Academy of Sciences of Moldova perform a joint final project evaluation/audit of co-funded projects.

Mr. Bjelajac stated that the STCU normally performs a close out evaluation/audit and is open to performing such an activity jointly with the co-funding Parties.

All agreed that the STCU should offer to perform the close out evaluation/audit jointly with the co-funding Parties.

STCU Staffing Issues

In August 2016, the Deputy CFO resigned in order to emigrate from Ukraine. The position was filled internally by Anastasia Kulenko, and the vacant position this created was eliminated as part of the 2017 AOB request.

Other Party Issues

Odessa Ukrainian Anti-Plague Research Institute (UAPRI) Biosecurity Improvement Initiative

Mr. Bjelajac informed the Board that in the first half of 2016, the STCU Executive Director worked together with Chairman Maier and the European Commission to extend this project (scheduled for completion in August 2016). Unfortunately as pointed out earlier in the ED report, the Minister of Health of Ukraine (Minister Kvitashvili) was removed from office in mid-April 2016, with a new Acting Minister of Health named only in August 2016. Given the approaching deadline of the project and the significant change in Ministry of Health personnel, the EC advised the STCU on June 15, 2016 that the project would not be extended, and asked the STCU to initiate all steps to close the project. On June 16, 2016, a letter was sent by the STCU to the Acting Minister of Health at the time informing him that the project would not be extended and that funds on hand at the STCU were to be returned to the EU.

Mr. Strikha pointed out that the initial location of the proposed laboratory was Simferopol in the Autonomous Republic of Crimea. However, after the illegal annexation of the Autonomous Republic of Crimea by the Russian Federation, the EU and Ukraine decided that the laboratory would be moved to Odessa. Unfortunately, due to very strict time constraints, the legal nuances of the land owned by UAPRI were not sufficiently investigated and thus the EU and STCU continually ran into problems there. Furthermore, the situation was not at all helped by the continuous turnover in management at the Ministry of Health of Ukraine. In hindsight, maybe consideration should also have been given to utilizing a university premises in Odessa, such as the Odessa Mechnikov National University. Thus,

the Deputy Minister highlighted that the Ministry of Science and Education of Ukraine drafted a project proposal in cooperation with Odessa Mechnikov National University for EU consideration, within which is not only a new laboratory construction envisaged, but also the construction of a new training center, both of which are very important for the region. Mr. Strikha kindly asked his colleagues from the European Commission to consider this proposal.

Mr. Bjelajac thanked Mr. Strikha for his comments.

EU Ukrainian and Moldovan Border Guard Project

On September 30, 2014 the STCU signed a contribution agreement (Agreement # IFS/2014/348-211) with the EU that provided 4.1M EUR of funding to buy equipment and materials for the Ukrainian and Moldovan border guards. The project was scheduled for completion on September 30, 2015, but was extended to May 31, 2016 in early July 2015 in order to accommodate the delivery of additional chemical detection units utilized for training purposes. As of the writing of the ED report, all items were delivered and this project was successfully completed. Mr. Bjelajac thanked Luke Kluchko as well as his DOE colleagues for their support during the early days of the project, as DTRA and the U.S. Department of Energy were consulted by the STCU to ensure compatibility and competitiveness of all items purchased within this project.

Project to assist the U.S. DOS with the extinguishing of fires near Mosul, Iraq

In mid-October, the Islamic State in Iraq and the Levant (ISIL) ignited stockpiles of sulfur to hinder Iraqi and coalition advances near Mosul, Iraq. According to press and diplomatic reporting at the time, the fires and associated smoke killed at least two, hospitalized 80, and negatively affected coalition forces. The Department of State's Global Threat Reduction program contacted the STCU on October 24, 2016 to rapidly procure and freight up to 375,000 of an overall total of 500,000 liters of foam capable of extinguishing the fires as soon as possible. The STCU worked with U.S. DOS and designated vendors to procure and freight the required foam in the amount of \$2,558,688 within ten (10) days of first contact on October 24th.

Mr. Bjelajac thanked the U.S. Department of State for showing such confidence in the STCU and allowing the STCU to participate in such a high profile international CBRN project.

Mr. Limage highlighted that he used this project as an example to illustrate how an organization created in the early 1990's with a particular mission, is still incredibly relevant today. Mr. Limage thanked the STCU for showing the ability to be quick, flexible, and efficient, and mentioned that these are qualities that are not found with some of the other partners working with the U.S. Department of State. Mr. Limage stated that this is a great success story for both the U.S. Party and the STCU. Mr. Limage concluded by thanking the STCU for their great work.

Mr. Popa asked how customs and duties were handled by the STCU in this project.

Anthony Nichol informed that this project was done in coordination with a number of organizations, including the U.S. Department of State, the U.S. Embassy in Iraq, and a very good logistics company who arranged the freight to Iraq. Thus, the STCU relied on the U.S. Embassy in Iraq and the logistics company to handle the duty-free import of the foam.

Mr. Bjelajac mentioned that this approach is similar to the approach taken with the EU First Responders project that has deliveries to countries in the Former Yugoslavia (not members of the STCU). In that project, the STCU is working with the EU Delegations in each country to provide assistance in custom clearance for those countries that are not signatories to the STCU Agreement.



Chairman Maier congratulated the STCU with the excellent work done on this project and asked that the STCU develop a press release for this project, as an example of the Centers' ability to react quickly and efficiently. This is a success story that can be used in the capitals to promote both Centers.

Mr. Bjelajac confirmed that the STCU will draft a press release together with our U.S. colleagues for circulation to the Parties, as well as placement on the STCU website.

New EU Project to test the STCU's ability to work in new regions

On December 11, 2015, the STCU signed a contribution agreement (Agreement # IFS/2015/365-540) with the EU that provides 1.7M EUR of funding to buy equipment and materials for first responders in the SEE CoE Region. This project is unique in that it will continue to test the STCU's ability to purchase equipment and materials for countries outside of STCU's traditional region (i.e. GUAM). The project foresees purchases for the following countries: Albania, Armenia, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Georgia, Moldova, Montenegro, Serbia, and Ukraine. As with the Iraqi foam project discussed earlier, this is another example of a project where the STCU will work in a region outside the STCU's historical focus. Mr. Bjelajac continued by stating that two weeks ago he was in Brussels and was informed by the EU that there will be another approximately 1.7 million EUR in project funding for equipment and materials in support of EU CBRN CoE Project 57 (a project similar to the First Responder project signed in Dec. 2015). Mr. Bjelajac concluded by pointing out to the Governing Board that with the Iraqi Foam project, as well as these two EU projects funded in countries outside of the STCU member states (i.e. former Yugoslavia), the STCU and Ukraine continue to become bigger regional CBRN players.

Signed BOA (Basic Ordering Agreement) with U.S. DoD-DTRA

On July 14, 2016 the STCU signed a basic ordering agreement (BOA) with the U.S. DoD-DTRA that has an ordering period of five (5) years and a maximum ceiling of \$10M. The ISTC signed a similar BOA with the U.S. DoD-DTRA as well in July. The agreement allows DTRA to possibly use the Centers to manage its Cooperative Threat Reduction (CTR) program within the countries that the two Centers operate. Next steps are for both the ISTC and STCU to investigate projects that may be suitable for DTRA to put through the Centers utilizing the BOA mechanism. Mr. Bjelajac asked Mr. Kluchko for his comments on how DTRA see the utilization of this new BOA in the future.

Mr. Kluchko pointed out that the BOA is already in use with the ISTC, and highlighted for the Governing Board that DTRA's contract officer has just issued a task order to utilize the ISTC for a specialized training program in Armenia. Furthermore, DTRA has a team going to Kyiv next week, to speak to the STCU about creating a process by which DTRA and STCU could together manage research grants in the sphere of bio-safety/bio-security. Mr. Kluchko wrapped up his comments about the BOA by stating that the scope of work included is very broad and will allow DTRA to consider a number of projects and activities to be put through both Centers.

Mr. Kluchko added that recently as a test case, DTRA requested the STCU to perform an audit of DTRA funding provided years earlier for equipment and materials at the Kharkiv Institute of Experimental Clinical and Veterinary Medicine. The STCU worked with DTRA to develop an audit program (steps that would be taken during the audit), as well as to develop the format of the final report. Mr. Kluchko pointed out to the Governing Board that the final report generated by the STCU was very professional, and was subsequently submitted to authorities in Washington D.C. that require periodic DTRA program reviews. This is another example of where the Centers are useful to DTRA.

Mr. Bjelajac thanked Mr. Kluchko for his comments and stressed that with the signature of the BOA Agreement, the Center hopes to do much more work with DTRA in the future.

Important Visitors/Meetings/Events

Mr. Bjelajac called the Governing Board's attention to the May 2016 visit to Pridniproviskiy Chemical Plant (PCHP). On the 23rd and 24th of May, 2016 the STCU ED, SDED, CFO, and Senior Specialist traveled to Kamyanske to view the PCHP site and hold initial consultations about the proposed 3.5M EUR project to implement emergency measures for securing the site. Mr. Nichol pointed out that the STCU is in the final stages of signing a contribution agreement that will see the STCU act as the lead in providing emergency measures for securing the facility of the former uranium processing plant.

Mr. Kluchko asked if the STCU could provide additional information to DTRA about this project. Mr. Bjelajac proposed to send the project statement of work to DTRA if the EU had not objections.

Chairman Maier had no objections to this suggestion and welcomed all interested Parties to consider jointly funding this project, as the stated 3.5M EUR is only for the minimum amount of security measures. Mr. Maier concluded by stating that the final price tag to completely clean up the facility will rise into the tens of millions of euros.

3.4. Presentation of 2015 Annual Report

The approval of the draft 2015 Annual Report was delayed in order to inquire about possible changes from the Government of Japan in relation to the Fukushima project content contained in the document. Any changes will be incorporated and the new version of the 2015 Annual Report circulated for review and approval by the Governing Board at a later date.

4. Late Morning Session

4.1 Presentation of Dec. 31, 2015 Financial Statements and Management Letter

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

1. The Auditors Report contains two items of importance: (1) STCU was qualified and, (2) the report contains an emphasis of matter that from the auditor's point of view is significant, but does not affect their opinion related to qualification.
2. The Statement of Revenues and Expenditure for the year ended 31 December 2015 shows that project revenue decreased year-on-year. This trend could be seen in the past years and the GB discussed this issue during the last meeting in April 2016. The balance sheet shows that the STCU is in a very strong financial position.

Mr. Kluchko asked what the amount will be for the STCU's 2017 administrative operating budget.

Mr. Nichol answered that it will be about \$900,000.

Deputy Minister Strikha called the Board's attention to the wording of the statement on page 3 of the audited financial statements. Mr. Strikha stressed that in March 2014, it was not various events (as indicated in the financial statements) that led to the illegal accession of the Autonomous Republic of Crimea to the Russian Federation, but was due to the direct military intervention of the Russian Federation. Mr. Strikha pointed to the multiple declarations made not only by the General Assembly of the United Nations, but also the European Parliament and the Council of Europe related to this matter. Mr. Strikha continued by stating that he believes that this is the official position of all Parties on the Governing Board as well. Mr. Strikha concluded by asking the STCU to adjust the wording of the mentioned text in order to incorporate the points that he raised.

Mr. Bjelajac stated that in the future the STCU will forward to the Ministry of Education and Science of Ukraine the text in the report pertaining to the Political and Economic Situation in Ukraine for its consideration, and will work to ensure that the wording is acceptable to not only the Government of Ukraine, but also all other Parties.

Mr. Nichol continued by presenting the auditor's Management Letter which highlights the auditor's suggestions for improvements that can be made by management in order to improve the processes and controls over its operations. Mr. Nichol pointed out that the 2015 Management letter contains three immaterial observations related to accounting matters which the STCU will work to resolve so that they are not included in next year's document.

4.2 Update on 2016 AOB/SB Expenditures

Mr. Nichol presented an update on the actual to budget expenditures for the 2016 AOB and SBs to the Board.

Mr. Limage asked if the costs for maintenance, repairs, and capital improvements are included in the budgets of the branch offices or if these costs are the responsibility of the host countries.

Mr. Nichol stated that in general these costs are handled by the host country. However, having said that, from time to time some small improvements (i.e. refresh the paint in offices, etc.) have been paid for by STCU in the past. But any major expenditure is considered to be the responsibility of the host country. For example, Mr. Nichol pointed out that the STCU recently refurbished (i.e. painted, etc.) the meeting room on the first floor of its Kyiv premises and these costs were charged to the Facility Improvements line of the AOB as they were considered immaterial (the total budget for Facility Improvements in 2016 is \$6K).

Mr. Strikha reminded the Board that several years ago the decision was taken to temporarily host the STCU in the premises of the Kyiv Polytechnic Institute at Metalistiv Street 7a. Mr. Strikha highlighted that the building is not old, and the only serious disadvantage of the premises is the lack of an elevator. Mr. Strikha stressed that the Ukrainian Party intends to return to the issue of a permanent location for the STCU, and it is still the intention of Kyiv Polytechnic Institute to improve their campus and provide space for the STCU in one of the new buildings. Mr. Strikha concluded by stating that unfortunately the plans of Kyiv Polytechnic Institute are delayed due to the financial turmoil facing Ukraine today.

Mr. Bjelajac thanked Mr. Strikha for his comments and confirmed that in the Agreement to Establish the STCU, all significant capital improvements are the responsibility of the host government, and that the STCU only has budget for immaterial items such as refreshing paint, etc.

4.3 2017 AOB and SB Budget Request

Mr. Nichol presented the 2017 STCU Annual Operating Budget request and stressed that it is built based upon a number of assumptions. Overall, the budget is driven by the STCU's forecasted project activities in the upcoming year, which management sees as the primary driver of staff required. These project activities include the following: the co-financing of projects with the Academies of Science (AZ, MO, and UA), Shota Rustaveli National Science Foundation, and Ministry of Education and Science of Ukraine projects (formerly known at the STCU as TI projects), partner projects, and the new style CBRN projects such as the projects with the Ukrainian Border Guards, and more recently the fire-retardant foam project in Iraq. Mr. Nichol continued by describing that supplemental budget activities are those activities that are supplementary to project activity (i.e. travel support, EU expert review, etc.). As mentioned earlier, the level of project activities at the STCU has been steadily declining over recent years. Given this decline in project activity, the management of the STCU has worked very hard to shape the organization to match not only this decrease in project activity, but also the shift away from traditional non-proliferation projects to CBRN security projects. Despite the decrease in Center staff, the STCU management feels that the remaining staff have the experience and skill sets required to handle these new projects. Mr. Nichol continued by stating that as the STCU becomes smaller, it requires staff that are multi-skilled and can play more than one role at the Center.

Mr. Nichol continued his presentation of the 2017 AOB request by pointing out that with the use of new technologies and electronic forms of communication, the STCU and the Parties hope to cut down on the number of physical meetings, allowing the STCU to reduce the budgets required for travel expenditures. Furthermore, the increased cooperation with the ISTC in the areas of IT, accounting (i.e. co-calls for proposals for auditors), etc. has allowed further cost reductions as well.

Mr. Nichol pointed out that the reduction in staff and other efficiencies described earlier (less travel, etc.) have allowed the STCU to reduce its 2017 AOB request to \$876,000, which represents a seven percent overall decrease from the approved 2016 AOB. Mr. Nichol pointed out that the significant reduction in budgeted non-recurring items is mainly due to the elimination of the non-recurring contingency item. Mr. Nichol explained that over the years the STCU has maintained two contingency budget items: a recurring item and a non-recurring item, and during the 20 years of STCU history the non-recurring contingency has only been charged once. Thus, the STCU decided to eliminate the non-recurring contingency budget line in the 2017 request, which led to a forty-five percent decrease in the total non-recurring budget line items compared with 2016. Going forward, the STCU will only have one contingency budget item (recurring contingency) which has a requested budget of \$12K in 2017.

Mr. Kluchko asked if the STCU sub-contracts any of its services to experts that might be needed on an ad hoc basis.

Mr. Nichol confirmed that the STCU does sub-contract some services such as the technical support for its accounting system (Navision) for example. Furthermore, the STCU utilizes sub-contractors within particular projects for project-specific expertise. Using the example of the Pridniprovsky project discussed earlier in the meeting, Mr. Nichol highlighted that within that project, such expertise as engineering and construction would be needed, and the STCU plans on sub-contracting for those services as it does not have this expertise currently in house.

Mr. Limage asked if the training budget has remained the same over the years, or has it increased over time in order to allow STCU personnel to further develop the additional skills demanded by the new types of projects being implemented by the STCU.

Mr. Nichol answered that the training budget has remained steady over the years at an amount of approximately \$2,000 per professional (does not include drivers, etc.) staff member. Thus, per-capita training funding has remained the same, even though the total training budget has decreased in line with the decrease in the numbers of professional staff at the Center. Mr. Nichol concluded by stating that management felt that the level of training funding per professional was adequate to train the staff to handle the new projects underway at the STCU.

Mr. Limage asked if the STCU requires less travel funds because of the use of technology such as Skype, teleconference, etc.

Mr. Bjelajac confirmed that the STCU staff is trying to use electronic sources of communication in order to decrease the amount of travel budget required. For example, in the past the STCU had two physical Governing Board meetings (spring and winter) per year. However, about two years ago, the STCU moved to one physical Governing Board meeting (in the winter) and the second Governing Board meeting was performed virtually via conference call.

Mr. Nichol stated that for achieving efficiency, the STCU has had to reduce personnel in the past couple of years. However, the Secretariat now considers that the STCU has reached the minimum core level of staff needed to operate the Center given the amount of project turnover. Mr. Nichol presented the current organization chart and demonstrated how the Secretariat proposed it to be reorganized for 2017. Mr. Nichol stated that the STCU has suggested elimination of the internal driver position in the 2017 budget request. The actual costs in 2016 for the car and driver were approximately \$36,000. The Secretariat considers that the transport previously performed by the car and driver can be accomplished by taxi and van hire (because a lot of what the driver does involves both import and export of equipment and materials for projects) and estimated that these costs will be about \$15,000, versus the



\$36,000, yielding a reduction in vehicle costs of \$ 11,000 in 2017, with that savings amount rising to \$19,000 in subsequent years. If the plan moves forward without a problem, the Secretariat plans to sell the vehicle in 2017.

Mr. Nichol continued by stating that from 2017, the STCU will have 23 full time staff, and 3 part-time staff, a Senior Deputy Executive Director, and two Expat staff. Other budget lines are related to and dependent on the number of staff that STCU has, as the number of staff determines how much traveling will be done, office operations costs, etc. The STCU has enjoyed significant decreases in telecommunications costs, because of the continued devaluation of the UAH. Thus, the telecommunications costs in USD terms have become significantly lower. Furthermore, the STCU renegotiated the telecommunication costs in UAH, and so further savings will be achieved in 2017. Finally, Mr. Nichol called the Governing Board's attention to the cost of audit services, which has for the first time stayed the same after the recent tender. In Mr. Nichol's opinion, the failure to achieve a decrease in audit service costs is a good indication that the STCU has come close to reaching a minimum core audit services budget level, meaning that the Center might get smaller, but the cost for the audit will stay more or less the same. Finally, Mr. Nichol concluded by informing the Governing Board that the accepted AOB allocation formula yielded an AOB sharing ratio of 34.77 % for the US party and 65.23 % for the EU party, or in terms of dollar amounts, the United States will have an AOB invoice in the amount of \$304,595 and the European Union an invoice in the amount of \$571,405.

Mr. Waldo thanked Mr. Nichol for the highly informative presentation and requested that for the upcoming 2018 ISTC and STCU budget requests, that the two centers use the same format (line by line if possible). He went on to add that this would make it much easier and more efficient for the Parties to review the Centers' budget requests. Mr. Waldo kindly requested the STCU and ISTC Executive Directors and Chief Financial Officers to put their heads together and see if they could make this request happen for the 2018 ISTC and STCU budget requests.

Mr. Nichol confirmed that the two Centers will work together to make this request a reality in the upcoming year.

Mr. Kluchko asked if STCU and ISTC as intergovernmental organizations have any legal barriers to apply to private foundations for grants, for example like the Nuclear Threat Initiative (NTI) or any other such kind of organization/foundation.

Mr. Nichol confirmed that NTI is already a partner and any other private foundation could become a partner as well. Thus, there are no legal barriers to the two Centers applying for such grants.

Mr. Maier wrapped up the discussion about the 2017 AOB and SB Budget request by thanking the Secretariats of both centers for their diligent and professional presentations.

4.4 Update on 2016 Financial Audit Tender

Mr. Nichol informed the Governing Board that the STCU and ISTC carried out a combined annual financial audit tender and selected KPMG Baltics (the incumbent firm) to perform the audits of the Centers' financial statements for the years ending 2016 and 2017. Mr. Nichol addressed the Governing Board's concerns about the selection of KPMG Baltics for a third time in a row, by pointing out that quite often the largest conflicts of interest arise when the auditors also provide other services such as tax and consultancy services. In the case of both Centers, there is no need for KPMG Baltics to provide these additional services, thus removing a big driver of a possible conflict of interest. Mr. Nichol went on to describe some of the best practices utilized by other reputable organizations when dealing with selecting incumbent auditors, and used the EU as an example. Within the EU procedures and policies, an audit tender is only required every ten years and a mandatory rotation is required every twenty years. The STCU current practice of putting the audit out to tender every two years and having had three different auditors during its 20 years of operation is well within such norms. The Secretariat proposed to the Governing Board that the current practice continue for the foreseeable future.

Mr. Waldo thanked Mr. Nichol for the professional examination of this issue.

The Governing Board agreed to leave the current practice in place.

4.5. Approve 44th and 45th GB schedules.

The Governing Board agreed to hold a summer STCU Governing Board meeting via teleconference in late June – early July (dates to be finalized in the 2nd quarter of 2017), as well as to hold a physical winter Governing Board meeting in November/December 2017, with the final dates and location to be agreed upon in the summer of 2017.

4.6 Approve one-year Contract Extensions of STCU ED and Senior DED-UA

The Contract Extensions of STCU ED and Senior DED-UA were approved with no changes.

4.7 Sign 43rd GB Record of Decision and Funding Sheets.

Mr. Bjelajac highlighted the requested changes that were made to the 43rd GB Record of Decisions and Funding Sheet. All changes were agreed by the Governing Board and the Record of Decisions and Funding Sheet were signed.

5. Closing Session

Mr. Bjelajac thanked the Governing Board for the fruitful meeting and for the important progress made today. The Chairman thanked both the STCU and ISTC Secretariats for the great idea to organize “back-to-back” Governing Board Meetings in Tbilisi and once again thanked on behalf of the Governing Board our Georgian colleagues for their successful hosting of the 43rd STCU GB Meeting in Tbilisi.

There being no other business the 43rd Governing Board Meeting was then closed.



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

June 20, 2017

Governing Board
Science and Technology Center in Ukraine)

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

Dear Chairman Maier and STCU Governing Board Members,

I would like to provide you with current information regarding the Department of State finances for the STCU. In the last weeks in Washington I have been in consultations with the U.S. Congress regarding the State Department's budget.

I want to emphasize the State Department's support for the continuing work of the STCU. However, as you have undoubtedly heard from the media, there have been substantial cuts proposed to U.S. government foreign assistance activities, including nonproliferation assistance. As we have discussed with the STCU leadership and our EU colleagues, given these budget cuts, The Department of State will no longer be able to contribute new funds to the STCU's annual operating or supplemental budget, and will not be announcing any funding for additional projects. We will of course meet our commitments to fund GB 43 projects just agreed during conference calls. We also have funds on account at the STCU which we will devote to transitioning the STCU to a new method of financial support. I would like to stress, the U.S. Department of State remains committed to working with the other GB members and the Executive Director Bjelajac to encourage continued evolution and efforts to support nonproliferation objectives around the world.

In that spirit, I want to thank you for your continued support of the STCU. I ask for your advocacy for our shared organization by reaching out to new partners in your own and other countries who can help support the STCU with expertise and cost-sharing. Working together we can build momentum to address the nonproliferation challenges of the 21st century.

Best regards,

A handwritten signature in black ink, appearing to read 'Phillip Dolliff', written in a cursive style.

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

**МІНІСТЕРСТВО
ОСВІТИ І НАУКИ
УКРАЇНИ**



**MINISTRY
OF EDUCATION AND
SCIENCE OF UKRAINE**

Проспект Перемоги, 10
м. Київ, 01135, Україна

Тел.: (044) 481 32 21; факс: (044) 481 47 96

E-mail: ministry@mon.gov.ua

Web: <http://www.mon.gov.ua>

Код ЄДРПОУ 38621185

10 Peremohy Ave
Kyiv, 01135, Ukraine

№ _____

Governing Board
Science and Technology Center in Ukraine

Kyiv, July 4, 2017

Subject: Letter to the STCU GB

Dear Chairman Maier and the STCU Governing Board Members,

The Government of Ukraine sees the STCU as an important regional tool for all Parties in making Ukraine and its neighbors safer, especially given the continuing three-year aggression of the Russian Federation in the Autonomous Republic of Crimea and the Donbas. All Parties, including the US Party, has an important stake in seeing a peaceful and prosperous Ukraine. In the opinion of the Government of Ukraine, the recent letter from Acting Deputy Assistant Secretary Dolliff contradicts the interests of all Parties, including the US Party.

Moreover, the Government of Ukraine would like to call particular attention to usefulness of the STCU to the US Party as not only a regional tool, but an international tool for ensuring peace and prosperity. In late 2016, the STCU assisted the U.S. Department of State in its effort to thwart ISIL in Iraq by playing a pivotal role in the speedy procurement and delivery of fire-retardant foam to fight the fires started in Mosul. The STCU is still relevant, and demonstrated this in its work on behalf of the U.S. Department of State. The STCU continues to play a role in international CBRN security, and thus the aforementioned letter from Mr. Dolliff seems to damage the best interests of the US Party, and all Parties, and this saddens the Government of Ukraine.

Taking this opportunity, I would like to inform that Ukraine intends to use the diplomatic channels for negotiation with State Department for the purpose of preservation of the U.S. governmental foreign assistance activities, including nonproliferation assistance for Ukraine. We have high hope that the substantial cuts proposed to U.S. governmental foreign assistance activities are not final yet.

We look very much forward to continue evolution and efforts to support nonproliferation objectives in Ukraine.

Sincerely,

Maksym Strikha
STCU Governing Board Member from Ukraine

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
№1/11-6727 від 06.07.2017





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

July 6, 2017

Letter to Ukraine's Representative to the STCU Governing Board from Acting Deputy Assistant Secretary of State Phillip Dolliff

Cc: STCU Governing Board Chairman Eddie Maier

Dear Vice Minister Strikha,

Thank you for your July 4 letter to Chairman Maier and the members of the STCU Governing Board. As the U.S. representative to the STCU Governing Board I would like to provide a U.S. response to your letter which raises important points regarding the STCU.

As I noted in my June 20, 2017 letter to the Chairman and STCU Governing Board, the U.S. State Department is, and will continue to be, committed to the STCU and supporting nonproliferation in Ukraine, the wider region, and around the world.

The United States was a founding member of the STCU and has been a stalwart donor of funds to the STCU for 25 years. Scientific institutes and academies in every STCU member state have benefited from regular research projects in collaboration with international partners in the United States and elsewhere. We strongly point to our history of support as an indication of our regard for the regional and international usefulness of the STCU as a mechanism to improve safety and security.

The nature of the Department of State support for the STCU is changing, but the United States remains deeply committed to the STCU and the Government of Ukraine and to supporting programs that advance nonproliferation goals and support international security. We will continue to work with Governing Board members and STCU leadership to support efforts to address relevant nonproliferation challenges around the world.

We look forward to continued discussion on achieving our shared goals.

Best regards,

A handwritten signature in blue ink, appearing to read 'Phillip Dolliff', written over a horizontal line.

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

Executive Director Report

(Reporting Period: November 12, 2016 – June 16, 2017)

STCU Staffing Issues

On January 1, 2017, two (2) full-time staff positions were eliminated in accordance with the GB approved 2017 AOB. As of today, the STCU has twenty-one (21) local full-time staff, three (3) local part-time staff, and two (2) expatriate staff (ED & CFO).

Other Party Issues

Contact from Uzbekistan

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

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

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

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

The principal objective of this project (Phase II) is to implement a number of emergency measures that will immediately improve the safety and security of the PCHP site. These measures are also

necessary precursors to the long-term remediation of the site (Phase III – which the EC is planning to fund via the STCU in the amount of €5M at the end of 2017).

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

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

As of the production of this report, all equipment has been contracted, partial delivery has been made to all countries except Serbia. The balance of equipment requires export approval which the STCU is currently awaiting its suppliers in Germany and US to obtain now that all the end user certificates have been provided. Serbia still has to provide certificates for items of equipment, and once provided, the equipment will be delivered. STCU has agreed with the EU to extend the project to allow time for the acquisition of export certificates and the equipment to be delivered. Training for the more sophisticated equipment was provided in two locations: (1) Ukraine and (2) Montenegro, by the suppliers of the PoliMaster and Drager equipment.

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

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

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

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

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



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

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

The Bureau of International Security and Nonproliferation's Office of Weapons of Mass Destruction (USDoS/ISN/WMDT) requested the STCU to assist with the on-the-ground implementation of a workshop to help GUAM countries strengthen their capacities to utilize nuclear forensics in prosecutions of cases involving R/N materials, including criminal cases of R/N material smuggling. The conference is scheduled for September 26 – 28, 2017 in Kyiv, Ukraine.

USDoS/ISN/WMDT Vector II Project

USDoS/ISN/WMDT has an ongoing project to support the secure transportation of vulnerable radioactive sources in Ukraine. The secure transportation of these radioactive sources is part of a larger multi-national project, known as VECTOR II. The STCU, in coordination with Oak Ridge National Laboratory as the technical advisor, will procure containers for this project in the amount of \$1.1M. The project agreement for this project is in the final stages of completion (expected to sign by end of June '17), with procurement expected to commence in the summer '17.

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

USDoE/DNN/GMS tasked the STCU, in coordination with Pacific Northwest National Laboratory as the technical advisor, to finalize a project to implement \$2.5M worth of physical security upgrades at SUNPP. The STCU is currently working with representatives of USDoE/DNN/GMS to finalize the list of equipment and materials, with the hope that procurement of items can start in the 3rd or 4th quarter of 2017.

ISTC/STCU IT synchronization

At the 42nd STCU GB the secretariat was tasked with working with the ISTC Secretariat in order to produce a report on ways to optimize and share administrative and technical infrastructure and software programs, and the associated cost implications. As a result of this analysis, the ISTC recommended to its Governing Board to discontinue purchasing of its Lotus Notes license (used for its project database, e-mail, etc.) and to utilize its current Lotus Notes license for the foreseeable future (3 – 5 years) at no cost to the ISTC. This decision allowed the ISTC to reduce its 2017 AOB request for IT software budget funds significantly. Given declining project numbers at the ISTC (mid-30s as of the production of this report), the STCU is currently working with the ISTC replace Lotus Notes with a combination of Navision and Google Mail. Furthermore, as STCU's project numbers decline (~100 as of today and declining - discussed below), the STCU will also look to move to the use of Navision exclusively for project management (STCU already utilizes Google Mail).

Date of Next STCU GB meetings

As agreed in Tbilisi, Georgia on December 6, 2016 during the 43rd STCU GB meeting, the 44th GB meeting would be conducted via teleconference and written procedure in July '17.

Furthermore, the ISTC at its 64th GB meeting on June 13th, 2017, expressed the desire to have "back-to-back" Governing Board Meetings with the STCU (similar to Tbilisi in December '16) the week of December 4th in a European city (i.e. Warsaw, Riga, etc.), which will have good flight selections for all Parties. At the ISTC, concerns were raised by the Japanese of flying into Astana (often takes three legs from Tokyo to Astana), and thus it was suggested that both Centers consider a European city (especially since our Ukrainian colleagues can now travel visa-free) for the holding of the 65th ISTC GB and 45th STCU GB.

Current Secretariat Activities

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

The 2016 co-financing with national S&T Authorities of GUAM resulted in the following numbers of proposals funded for each country:

Azerbaijan	= 6 proposals funded with \$75,000 + €207,615
Georgia	= 10 proposals funded with \$87,500 + €241,137
Moldova	= 6 proposals funded with \$25,000 + €114,877
Ukraine	= 7 proposals funded with \$98,997 + €226,835

Total # of 2016 proposals funded = 29 proposals funded with \$286,497 + €790,464

In addition to the 29 proposals funded above, one proposal with the Academy of Sciences of Moldova was funded 100% (not co-funded with the ASM) by the US (\$25,000) and the EU (€22,976) as a "regular" project.

The 2017 cycle of co-financing with national S&T Authorities of GUAM call for proposals were published on the STCU website in March with the STCU scheduled to receive all proposals by mid-summer. The STCU will then submit all proposals to the US and EU reviewers by September 1, 2017 with the goal of making funding decisions by the 45th STCU Governing Board Meeting (date to be determined, but usually in Nov/Dec).

Partner Program/Sustainability Activity

The 43rd GB approved a total of thirteen (13) new partner projects totaling roughly \$1.85M (\$365,377 and €1,335,887), as well as twenty-one (21) new partner project extensions totaling roughly \$2.84M (\$2,335,767 and €451,077). Couple this with the partner projects approved at the 42nd GB in the spring of 2016, and in 2016 approximately \$5.49M of new partner project funding was received. Partner project funding in 2016 was almost US \$1.2M more than that received in 2015, but this was not surprising, as 2015 was one of the lowest in recent memory.

On a much brighter note, as of the writing of this report, the 44th GB is scheduled to approve via written procedure in July '17, thirteen (13) new partner projects totaling roughly \$3.19M (\$2,131,424 and €975,430), as well as nineteen (19) new partner project extensions totaling roughly \$1.38M (\$1,055,460 and €332,092). The total for all new partner projects and extensions scheduled for approval at the 44th GB would thus equal roughly \$4.57M. In other words, in the first six months of 2017, the STCU has signed partner projects and extensions worth about 83% of the partner projects signed in the entirety of 2016. Thus, as said many times in the past, the amount of partner project funding remains highly volatile, with this year trending higher.

Trends in Projects

As the table below indicates, the STCU has seen the number of active projects drop considerably over the last few years (from an average of 228 active projects in 2012 to 125 active projects in 2014). Furthermore, as you can see in the table below, the average number of active projects for 2016 was approximately 110. To date, the STCU is managing approximately 100 projects.

The large increase in funding for 2016 to \$11.2M is due in large part to the one-time funding (\$2.7M) of the Mosul, Iraq project. Without this one-time funding, the STCU would have expected a funding year of about \$8.5M for 2016.

The new year has started out very well with new project funding in the first six months of 2017 creeping over \$12M, due in large part to the two newly signed EU projects (PCHP = €3.5M and CBRN Forensics = €1.9M) described earlier in this report, the increase in partner projects mentioned in the section above, as well as approximately \$1.5M worth of co-financing projects with the GUAM S&T authorities in May '17.

	2010	2011	2012	2013	2014	2015	2016	June 2017
Avg # of Active Projects	220	227	228	179	125	120	110	100
Board Approved Project Funding (USD)	\$12.9M	\$18.2M	\$17.7M	\$12.7M	\$14.1M	\$4.72M	\$11.2M	\$12.2M*

* \$12.2M is the amount of funding approved for the period of Jan. '17 – June, '17

Important Visitors/Meetings/Events

Attendance of EU CBRN Centres of Excellence (CoE) Fourth Meeting of the Heads of Regional Secretariats (22-24th, November, 2016, Brussels)

The STCU ED traveled to Brussels to attend this meeting and work with the CoE regional secretariats to bring them up to speed on the capabilities of the STCU, as well as inform the attendees of the progress on the first responder project currently administered by the STCU (CoE project 52).

ED travels to Kamianske (formerly Dniprodzerzhynsk) to visit Pridnirpovsky Chemical Plant (PCP) (1st December, 2016, Kamianske). The STCU ED traveled to Kamianske to attend the formal

closure of Phase I of the PCP project (€1.5M project to conduct radiological surveys of the site) and introduction of Phase II of the PCP project (€3.5M project to be led by the STCU, and described earlier in this report).

Meeting with Kevin Garrett, International Project Manager, DTRA (12th December 2016, Kyiv).

The STCU ED met with Kevin Garrett to discuss each others efforts in the area of bio-safety and bio-security in Ukraine.

Meetings in Brussels about TT and FE, as well as meetings with the EU reviewers (9th and 10th of February, Brussels)

The STCU ED traveled to Brussels to discuss the proposed Table Top and Field exercise to be conducted in June 2018 in Tbilisi, Georgia (discussed earlier in this report) in cooperation with the SEEE CoE Regional Secretariat. Furthermore, the ED discussed with the EU, US, and EU reviewers a number of issues related to the co-funding of projects with the S&T authorities of the GUAM countries.

Attendance of Global Partnership Working Group Meetings (22nd to 24th February, 2017, Rome).

The STCU ED traveled to Rome and met with representatives of global partnership programs (i.e. Germany, U.S., Norway, etc.) to discuss ways the STCU may act as an implementing organization for their activities in the GUAM region.

TT and FE Meetings with the Regional Coordinators of Middle East and SEEE EU CBRN CoE (21st and 22nd March, 2017, Tbilisi)

The STCU ED and two Specialists traveled to Tbilisi to meet with the Regional Coordinators of the Middle East and SEEE, as well as the OSA, and Head of the SEEE Regional Secretariat to finalize the proposal and budget for the the proposed Table Top and Field exercise to be conducted in June 2018 in Tbilisi, Georgia (discussed earlier in this report).

Meeting with DOE/NNSA Delegation and Energoatom (31st March, 2017, Kyiv). The STCU ED and Senior Specilaist met with Emily Eng (Foreign Affairs Specialist, NNSA/DOE), Garl Bultz (Senior Security Specialist, Gregg Protection Services/PNNL), and representatives of Energoatom to continue discussions of a potential \$2.5M project to upgrade the physical security at the South Ukraine Nuclear Power Plant (discussed earlier in this report).

Meeting with Aine Shiozaki Economic Analyst, Economic Section U.S. Embassy in Kyiv and Ingrid Verstraeten of the U.S. Geological Service (3rd April, 2017, Kyiv)

The STCU ED met with Ms. Shiozaki and Ms. Verstraeten to update them on the STCU activities to date, as well as to discuss potential ways to collaborate with the USGS in the future. The USGS currently has active projects with the ISTC, but to date has had no projects with the STCU. Ms. Shiozaki is the new contact person in the U.S. Embassy that is responsible for the STCU.

ED Attended 3rd International Biosafety and Biosecurity Symposium funded by the U.K. Department of Defense (5th April, 2017, Kyiv)

The STCU ED attended the 3rd International Symposium “Awareness Raising and Education on Biosafety and Biosecurity in Ukraine” organized in the framework of the STCU project P633 funded by the Ministry of Defense of the United Kingdom.

Attendance of Second Meeting of EU CBRN Centres of Excellence CBRN Ukrainian stakeholders (19th April, 2016, Kyiv). The STCU ED and Senior Specialist Elena Taberko attended the second meeting of Ukrainian CBRN stakeholders conducted in the framework of the EU’s CoE program and organized in cooperation with the State Border Guards Service of Ukraine. The EU CBRN CoE and its core elements were presented, and further cooperation between Ukrainian institutions and the EU CBRN CoE were discussed. The STCU made a short presentation and was able to network with a number of Ukrainian organizations that work in the sphere of CBRN security.

STCU Meeting with Japanese Delegation from TECSEC(21 April, 2017, Kyiv). The STCU ED and Senior Specialist Elena Taberko met with a delegation from the Japanese organization TECSEC (Technical Secretariat on Cooperation for the Elimination of Nuclear Weapons Reduced in the Former Soviet Union) to discuss the STCU’s efforts in Nuclear Forensics, as well as TECSEC’s recently completed nuclear security project with the Kharkiv Institute of Physics and Technology (KIPT). TECSEC was interested in discussing the equipment provided by the STCU under the Nuclear Forensics program to the Kyiv Institute of Nuclear Research and how this fit with the equipment that TECSEC purchased for KIPT.

STCU attended ISTC Working Group Meeting (27 April, 2017, Brussels). The STCU ED and CFO attended the ISTC Working Group Meeting and discussed further ways the Centers can cooperate to maximize resources and reduce costs.

Attendance of EU CBRN Centres of Excellence (CoE) Fourth Meeting of the National Focal Points (16th-18th May, Brussels)

The STCU ED traveled to Brussels to attend this meeting and work with the National Focal Points to bring them up to speed on the capabilities of the STCU, as well as inform the attendees of the progress on the planned Table Top and Field Exercises planned for June 2018 in Tbilisi, and the status of the first responder project currently administered by the STCU (CoE project 52).

ED Attendance of ISTC 64th GB meeting and ISTC Day at Expo 2017 (13th and 14th of June, 2017, Astana). The STCU ED attended the ISTC 64th GB meeting in Astana, as well as the ISTC Day at Expo 2017.

Curtis “B.J.” Bjelajac
Executive Director

Proposed Changes to Statute and Financial Regulations

BACKGROUND

Currently, any unused Administrative Operating Budget (AOB) is automatically used to offset the next year's AOB for the US and EU. In order to synchronize with the ISTC (which returns unused AOB to the respective Party), the STCU proposes to change the Statute and Financial regulations to match those of the ISTC.

Current Relevant Statute and Financial Regulations Sections

STATUTE

ARTICLE XV (Financing of Administrative Expenses)

- E. Any funds remaining uncommitted at the end of each fiscal year will be applied to the budget of the following year.

FINANCIAL REGULATIONS

SECTION II – Preparation and Execution of the Administrative Operating and Supplemental Budgets

- A. Administrative Operating Budget

- (11) Administrative funds not committed or spent at the end of each fiscal year shall be applied to the administrative operating budget for the following fiscal year.

Proposed Revised Statute and Financial Regulations Sections

STATUTE

ARTICLE XV (Financing of Administrative Expenses)

- E. Any funds remaining uncommitted at the end of each fiscal year shall be returned to the respective Party's Undesignated Contributed Capital account.

FINANCIAL REGULATIONS

SECTION II – Preparation and Execution of the Administrative Operating and Supplemental Budgets

- A. Administrative Operating Budget

- (11) Administrative funds not committed or spent at the end of each fiscal year shall be returned to the respective Party's Undesignated Contributed Capital account.

**МІНІСТЕРСТВО
ОСВІТИ І НАУКИ
УКРАЇНИ**



**MINISTRY
OF EDUCATION AND
SCIENCE OF UKRAINE**

Проспект Перемоги, 10
м. Київ, 01135, Україна

Тел.: (044) 481 32 21; факс: (044) 481 47 96
E-mail: ministry@mon.gov.ua
Web: <http://www.mon.gov.ua>
Код ЄДРПОУ 38621185

10 Peremohy Ave
Kyiv, 01135, Ukraine

05.07.17 № 1/11-6657

Curtis M. Bjelajac
Executive Director
Science and Technology Center in Ukraine

Dear Mr. Bjelajac,

Ministry of Education and Science of Ukraine (hereinafter – MESU) presents its compliments to intergovernmental organization «Science and Technology Center in Ukraine» (hereinafter - STCU) and to you personally and would like to inform you of the following.

The MESU considers it possible to nominate Mr. Mykola Lubiv as the Senior Deputy Executive Director of the STCU, for the one year period starting from January 2018.

In our view, Mr. Lubiv is a resourceful, creative, and solution-oriented person, he was frequently able to come up with new and innovative approaches, highly intelligent and has good analytical and communication skills. Mr. Lubiv's intellectual abilities, professionalism and quick wit have been tested during his duties at the STCU since 2009. He also has good background in international relation while being serving as a diplomat for MFA of Ukraine.

Taking this opportunity, the MESU would like to express appreciation for Mr. Lytvynov for his fruitfully and successfully serving to the STCU for over past eight years.

Ministry of education and science of Ukraine avails itself of the opportunity to renew to Science and Technology Center in Ukraine assurances of its highest consideration and thanks in advance for the views of the Parties regarding the proposals we offer.

Sincerely,

Maksym Strikha
STCU Governing Board Member from Ukraine