



SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

STATUTE

As approved at the 44th STCU Board of
Governors Meeting - 25th July 2017

This Statute is pursuant to Article IV of the Agreement establishing a Science and Technology Center in Ukraine, which was signed October 25, 1993 (hereinafter “the Agreement”). In the event of a discrepancy between it and the Agreement, the latter prevails.

Definitions:

Agreement:

The Agreement establishing a Science and Technology Center in Ukraine.

Center:

The Science and Technology Center in Ukraine.

Party:

A country that was an initial signatory to the Agreement, or that has acceded to the Agreement at a later date, in accordance with Article XIII of the Agreement.

Board:

The Governing Board of the Center, comprised of one representative of each Party - Canada, Ukraine, the United States, and, acting as one Party, the European Community and the European Atomic Energy Community.

Executive Staff:

The Center’s Executive Director and Deputy Executive Directors.

Secretariat:

All staff of the Center, i.e. the Executive Staff, Chief Financial Officer, Chief Administrative Officer, and other staff working at the Center as provided in Article V of the Statute.

Project Agreement:

An agreement between the Center and one or more Recipient Entities in which the Recipient Entity(ies) carries out a Center-approved project by conducting science and technology work specified in the Project Agreement. When an entity other than a Party finances a Center-approved project as authorized by Article IX A of the Statute, that entity will also be a signatory party to the Project Agreement.

Recipient Entity:

Any entity within Ukraine, Uzbekistan or Georgia, or any other New Independent State (NIS) country determined by the Board to be a beneficiary country, designated in a Project Agreement as responsible for executing the project. For purposes of Article XIII (Intellectual Property Rights) of the Statute, a Recipient Entity may designate another entity to enjoy its privileges or fulfill its responsibilities under the Project Agreement.

Financing Party:

A Party designated in the Project Agreement as responsible for providing financing for a project. For the purposes of Article XIII (Intellectual Property Rights) of the Statute, a

Financing Party may designate another entity to enjoy its privileges or fulfill its responsibilities under the Project Agreement.

Non-financing Party:

A Party that does not provide financing for a project. For the purposes of Article XIII (Intellectual Property Rights) of the Statute, a Non-financing Party may designate another entity to enjoy its privileges or fulfill its responsibilities under the Project Agreement.

Intellectual Property Rights:

Rights within the meaning of Article 2 of the Convention Establishing the World Intellectual Property Organization, done at Stockholm on July 14, 1967.

Business Confidential Information:

Information containing know-how, secrets of manufacture, or technical, commercial, or financial information, which:

- (i) Has been held in confidence by its owner;
- (ii) Is not generally known or available from other sources;
- (iii) Has not been made available by its owner to others without an obligation concerning its confidentiality; and
- (iv) Is not available to the recipient without obligations concerning confidentiality.

ARTICLE I (Name, Location)

- A. The Science and Technology Center in Ukraine was created by the Agreement, which was signed October 25, 1993.
- B. The headquarters of the Center are located in Kyiv, Ukraine.

ARTICLE II (Powers)

The Center is an intergovernmental organization accredited in Ukraine by the Ministry of Foreign Affairs. It is authorized for matters enumerated in Article III of the Agreement and will use its resources solely for the accomplishment of its objectives, as set for in Article II of the Agreement.

ARTICLE III (Parties, New Parties)

- A. Canada, Sweden, Ukraine, and the United States of America, are the initial Parties to the Agreement.
- B. It is expected that other states will accede to the Agreement. The Board will approve procedures for accession, pursuant to Article XIII of the Agreement.

ARTICLE IV (Board Purpose, Membership, Procedures)

- A. The Center will have a Governing Board, which has the responsibilities set forth in Article IV

of the Agreement.

- B. Each initial Party will appoint one representative to the Board.
- C. It is intended that the Board's membership be expanded from the size provided for in paragraph (B) upon the accession of additional states.
- D. The Board will have a Chair, who will serve for one year.
- E. The Board will meet as needed, but not less than twice annually, and the Chair should inform the Board twenty (20) days before the meeting. At the request of two Parties, an extraordinary meeting of the Board will be held without delay.
- F. The Board will decide its own rules of procedure, which will address, inter alia, the method by which representatives on the Board will cast their votes and the participation of non-Board members, including Parties, governments, inter-governmental organizations, and non-governmental organizations, in Board meetings.

ARTICLE V (Secretariat)

- A. The Secretariat of the Center consists of the Executive Director, a Principal Deputy Executive Director, Deputy Executive Directors, and other staff. The Executive Staff will reside in Kiev.
- B. The Executive Director supervises the daily administration of the Center and is responsible for implementing the policy guidance of the Board. He or she is appointed by the Board for a two-year term with the possibility of extension in accordance with the requirements of the United States or European Union Party and may be dismissed by the Board.
- C. The Principal Deputy Executive Director is appointed by the Board for a two-year term with the possibility of extension in accordance with the requirements of the Ukrainian Party and may be dismissed by the Board. In case of the Executive Director's long-term absence or incapacity, he or she fulfills the responsibilities determined in accordance with paragraph E, unless the State Party that nominated the Executive Director nominates an Acting Executive Director.
- D. The Parties may offer Deputy Executive Directors, a Chief Financial Officer, and a Chief Administrative Officer as considered necessary who are appointed by the Board for initial two-year terms with the possibility of extension with the requirements of the Party that offer a candidate for the position and who may be dismissed by the decision of the Board.
- E. After consultation with the Principal Deputy Executive Director and the Deputy Executive Directors, the Executive Director will determine the division of responsibilities among them and among the remainder of the staff, consistent with decisions of the Board.
- F. Staff, other than those in positions in paragraphs (B) to (D) will be appointed and terminated by the Executive Director, on such terms and conditions as he or she determines, consistent with decisions of the Board. The Principal Deputy Director, as necessary, will assist in identifying candidates for local hire by the Center. In selecting staff, the Executive Director will consider:

- (i) The paramount importance of employing staff of the highest standards of efficiency, technical competence, and honesty;
 - (ii) The importance of reserving the Center's resources for projects, by employing persons compensated outside the Center's budget, in particular, by the Parties to the Agreement; and
- G. Each Party is encouraged to provide candidates for staff positions described in paragraph (F) and, if its candidate is selected to work at the Center, to provide the person, and necessary support, to the Center at no expense to the Center.
- H. Under the guidance of the Executive Director, the staff will be responsible for, inter alia:
- (i) Spreading information about the Center, including its objectives and functions;
 - (ii) Receiving project proposals and information required in accordance with this Statute and preparing proposals for transmission to the Board;
 - (iii) Advising on the development of project proposals and statements of interest, including areas of expertise, from institutions in Parties that are states of the former Soviet Union;
 - (iv) Obtaining any necessary scientific and professional advice on project proposals;
 - (v) Communicating with those who submit project proposals;
 - (vi) Proposing the Center's activity plan and a budget for each year;
 - (vii) Preparing an Annual Report of the Center's activities, with the first Report to be submitted to the Parties one year after the first meeting of the Governing Board;
 - (viii) Monitoring the implementation of projects in accordance with the relevant project agreement;
 - (ix) Facilitating, when appropriate, the fulfillment of projects' commercial potential; and
 - (x) Other functions assigned to it by the Agreement, this Statute, or the Board.
- I. In respect of the Agreement, the Executive Director will, in fulfilling the following functions of the depository, notify the Parties of:
- (i) Deposits of instruments of accession;
 - (ii) Amendments and their dates of entry into force; and
 - (iii) Notifications of a Party's withdrawal.

ARTICLE VI (Proposal Submissions)

- A. Any person, institution, or government, may submit a proposal, in accordance with requirements and conditions in the Center's document on proposal format and information.
- B. Proposals will be submitted through the Executive Director.

- C. Each proposal will comply with the instructions of the Center, which will set forth requirements concerning information to be contained in proposals and the format for proposals. These instructions will be prepared by the Executive Director and approved by the Board. Applicants are responsible for ensuring that their proposals comply with the laws and regulations of their authorities.
- D. Each Party is encouraged to disseminate the Center's instructions within its territory.
- E. In soliciting proposals, disseminating proposals and related reports for review, and making available project results, the Executive Director will develop for the approval of the Board procedures that give due regard to preventing:
 - (i) The solicitation or dissemination of any information of a national security nature;
 - (ii) The unauthorized release of sensitive information covered by relevant international rules and practices for the nonproliferation of weapons technology, in particular information related to nuclear substances, nuclear technologies, and other weapons of mass destruction and ballistic missile technologies; and
 - (iii) Disclosures of proprietary and business confidential information that have not been authorized by persons owning or having rights to that information.
- F. Proposals are regarded as submitted when the Executive Director determines that the information required by the instructions developed pursuant to section C above is substantially complete.
- G. The Executive Director will establish procedures to protect the confidentiality of the proposals submitted to the Center.

ARTICLE VII (Scientific and Other Professional Advice)

- A. The Executive Director will seek any necessary scientific and other professional advice needed for the Secretariat to carry out its duties. This advice may be requested from the Parties or other experts.
- B. In requesting such advice, the Executive Director will include at least the information required in the Center's instructions developed pursuant to Article VI (C) and other information he or she deems relevant, and a form on which the review will be completed. The Executive Director will prepare that form. Proposal information will be transmitted with due regard to the protection of the proprietary nature of the information.
- C. If requested by the Center to provide scientific and other professional advice, the Parties are encouraged to ensure that such advice is provided at no expense to the Center.

ARTICLE VIII (Project Approval)

- A. The Executive Director will issue a public Call for Proposals, which will set forth a time period during which the Center will receive proposals for review by the Parties and consideration by the Governing Board. During the time period specified in the Call for Proposals, the Center's staff will be available to assist potential applicants in the preparation of documentation for project proposals. The Call for Proposals will clearly state a deadline

after which proposals will not be actively considered, although they may be held by the Center for consideration in the course of a subsequent Call for Proposals. The Executive Director will seek to issue at least two Calls for Proposals per year.

- B. When a project proposal is deemed complete by the Executive Director, it will be forwarded without delay to all Parties for review. The Executive Director will prepare a project review form.
- C. Each Party may conduct technical and other proposal reviews, as deemed necessary. The Parties will make their best efforts to complete their review and make their review results known to each other and to the Secretariat within forty five days (45) days of receipt of the project proposal, if possible. At the same time, the government(s) of the country(ies) in which the proposed work would be carried out will engage in such internal deliberations as are necessary to provide the Executive Director with written concurrence so that the proposal may be submitted to the Governing Board, in accordance with Article VI of the Agreement.
- D. The Parties will establish procedures to protect the confidentiality of project proposals that are submitted for their review.
- E. A completed scientific or professional review of the project should contain:
 - (i) An analysis of the project's scientific value and of the extent of interest in its realization;
 - (ii) An opinion as to whether the project objectives can be accomplished within the framework proposed and the time allowed;
 - (iii) An analysis, to the extent possible, of the qualifications of the named participants and of the skills necessary to meet the proposal's stated objectives; and
 - (iv) Recommendations for the proposal's improvement, if deemed appropriate.
- F. When the Executive Director has received from the Parties the results of their review, and has obtained written concurrence from the country(ies) in whose territory(ies) the proposed work would be carried out, he or she will either:
 - (i) transmit the proposal to the Governing Board, accompanied by all reviews and other relevant information; or
 - (ii) consult with the applicant to consider revision in accordance with reviews for subsequent transmission to the Governing Board.
- G. The Executive Director will transmit proposals to the Governing Board along with the information required by the Statute. The Executive Director will provide regular reports to the Board on the status of all proposals submitted to the Center. The Executive Director will also transmit to the Board:
 - (i) An assessment by the Executive Director as to whether the project is in accordance with objectives of the Center, as described in Article II of the Agreement;
 - (ii) Written concurrence of the state(s) in which the work is to be carried out, as required by Article VI of the Agreement. Pursuant to this paragraph, for any project to be

carried out in the territory of Ukraine, the written concurrence of Ukraine will be attached;

- (iii) The results of any scientific or other professional advice provided to the Executive Director in accordance with Articles VII and VIII of this Statute; and
- (iv) Recommendations by the Executive Director, when he or she deems it appropriate.

H. Approval of Projects by the Board:

- (i) The Board will deliberate on and decide whether to approve a project, by consensus as provided by the Agreement, as soon as possible after the project has been transmitted to it by the Executive Director.
- (ii) Unless the Board decides otherwise with regard to a specific project, it will have at least thirty (30) calendar days to consider a project. It will make its final decision no later than the first meeting after the thirty (30) day period ends.
- (iii) The Executive Director will communicate the Board's decision (but no positions of individual representatives), including information about proposed financing, to the person, institution or government proposing the project.

I. In deciding whether to approve a project, the Board will be guided by the criteria and priorities established according to Article IV (B) (v) of the Agreement. The criteria will be adopted by the Board prior to approval of any project proposals and will be consistent with the Parties international legal obligations. In particular, the projects will be approved according to criteria that reflect the:

- (i) Extent to which a project addresses the Center's objectives as stated in Article II (B) of the Agreement, by identifying the participating individuals or group of individuals and explaining how their participation will further the Center's objectives, in particular, the redirection of weapons scientists and engineers to peaceful activities;
- (ii) Extent to which a project's intended specific and measurable results can be used to determine whether its objectives are met;
- (iii) Extent to which a project's anticipated results can be met within its proposed budget and time frame; and
- (iv) Intrinsic worth of the proposal.

J. The Board shall approve the funding levels, if any, that will be provided in support of approved proposals. In such cases, pursuant to Article IX of this Statute, it is a condition of approval by the Board that a project agreement, binding upon the Recipient Entities under their relevant national laws, will be concluded before the project financing is released.

K. Periodically, the Parties may provide to the Center a list of the names of reviewers used to provide the Parties with scientific and professional advice; reviewers' names will not be listed on project reviews, to ensure anonymity. The Parties will indicate to the Executive Director which reviewers may be requested by the Center to provide scientific and other professional advice described in Article VII of this Statute.

ARTICLE IX (Financing of the Projects)

- A. A project approved by the Center may be financed by the Center, or by governments, inter-governmental organizations or non-governmental organizations, either directly or through the Center.
- B. The Executive Director will inform persons, institutions, or governments submitting projects that they are required to notify the Executive Director without delay when financing is obtained from non-Center sources.
- C. If the Board approves a project as corresponding to the Center's objectives, but no Party agrees to provide financing, the Board may instruct the Executive Director to assist those who have proposed projects in obtaining resources from non-Center sources.

ARTICLE X (Project Agreements)

- A. For each project approved as corresponding to the Center's objectives and funded through the Center, the Center will enter into a written project agreement for the project. When an approved project is funded by other than through the Center, the persons or institutions providing funding will conclude a project agreement with the recipient entity and with the Center, represented by the Executive Director; such project agreements will take fully into consideration the provisions specified in paragraph B of this Article X and be fully consistent with the provisions of the Agreement.
- B. A project agreement will contain, at a minimum, provisions which:
 - (i) Specify conditions under which costs will be eligible for reimbursement and ensuring that they are allowable under the terms of the project, reasonable as to amount, and properly allocated to the project;
 - (ii) Designate responsibility for performance of technical and financial tasks under the project and delineate procedures to be followed in the resolution of disputes;
 - (iii) Establish a schedule for performance and conditions to be met in order to obtain payment;
 - (iv) Provide for each Party which wholly or partly finances a project, and for the Center, the right of full access as provided in the Agreement, after notice of not fewer than 20 days or as specified in the project agreement, to carry out on-site monitoring and auditing of all activities of the project; specify the portions of the facilities, equipment, documentation, information, data systems, materials, supplies, personnel, and services which will concern the project and so will be accessible for the monitoring and audit; such specification will permit the recipient entity the right to protect those portions of facilities which are not related to the project.
 - (v) Require the recipient entity to account for resources used, to identify the types of records required to support expenditures for the project, and to return unspent funds within a stated time;
 - (vi) Require regular technical and financial reports detailing the expenditures made against the project by the same elements of expense identified in the approved

proposal, including accounting for any interest earned by the recipient entity on funds accepted from the Center;

- (vii) Require that allowable costs not include, inter alia, any element of profit;
- (viii) Set a standard contribution for overhead costs up to 10% of direct costs, excluding equipment and travel;
- (ix) Require that allowable cost not include amounts imposed for taxes of any kind, including profit tax, value added tax, personal income tax, local taxes as well as any other tariffs, dues, customs duties, import taxes, fees, or any other similar taxes or charges;
- (x) Prohibit the unauthorized release of information covered by relevant international rules and practices for the nonproliferation of weapons and other sensitive technologies, in particular information related to special nuclear materials, and unauthorized disclosures of proprietary and business confidential information;
- (xi) Provide for the termination of the project as follows:
 - (a) When the Project Agreement is terminated other than pursuant to paragraph (b) below, costs will be limited to the allowable costs incurred by the recipient entity prior to the termination and such other costs as the Center considers to be fair and reasonable, having regard to commitments reasonable entered into and which cannot be canceled or avoided. The Recipient Entity will comply with any directions of the Center in the termination notice to reduce or mitigate those costs.
 - (b) When the Center or the financing Party(s) determines that the Recipient Entity has not complied with the terms and conditions of the project agreement, the Recipient Entity will, upon demand, promptly return all payments and equipment contributions previously made.
 - (c) Any disputes on the above matter will be settled by a procedure involving, in case of appeal, a final decision of the Board.

C. The monitoring provisions of project agreements will require Parties whose prior concurrence is required by Article VI of the Agreement to facilitate the efforts of the Center and any funding Party in carrying out the auditing and monitoring requirements of the Agreement.

ARTICLE XI (Contributions to the Center)

- A. Without prejudice to Articles XII and XIV of this Statute, each Party may deposit its monetary contribution to the Center for operating costs, projects, and all other expenses, in accordance with its laws and regulations, into an account in the name of the Center or directly into the Center's project and administrative accounts. At the discretion of the contributing Party, this contribution may be made subject to a written agreement with the Center and may be maintained in any currency.
- B. Funds that are deposited in the Center's bank accounts pursuant to paragraph (A) of this article will be disbursed from the bank account by the Executive Director or his or her designee in accordance with procedures approved by the Board and/or any agreement

between the Center and the relevant Financing Party.

- C. The Government of Ukraine will provide at its own expense a facility suitable for use by the Center, along with maintenance, utilities and security for the facility.
- D. Notwithstanding paragraphs (A) and (B) of this article, contributions made to the Center by persons, states that are not Parties to the Agreement, inter-governmental organizations, or non-governmental organizations may be maintained in a Center account established by the Executive Director, with the approval of the Board. Disbursement procedures for these funds will be established by the Board.

In financial transactions, the Center will not pay in Ukraine taxes of any kind, including profit tax, value added tax, personal income tax, local taxes as well as any other tariff's, dues, customs duties, import taxes, fees, or any other similar imposed taxes or charges.

Disbursements of funds for projects may be made to the appropriate organizations and individuals in hard currency or local currency.

ARTICLE XII (Financing of Projects through the Center)

- A. The Center will establish appropriate project and administrative hard currency bank accounts outside the former Soviet Union and also appropriate accounts as approved by the Board, in each of the States of the former Soviet Union that are Parties to the Agreement, in order to consolidate financing for projects and administration.
- B. Each Party which has undertaken responsibility to finance a project through the Center will do so in a written commitment to the Center and will ensure that funds are available for use by the Center in those amounts required to execute the project agreement.

ARTICLE XIII (Intellectual Property Rights)

The Center has the right to conclude Project Agreements which shall be guided by the following principles concerning Intellectual Property Rights:

- A. Each Project Agreement shall provide for the appropriate protection of intellectual property and Business Confidential Information arising during the realization of a project or is transferred to in connection with the project.
- B. When intellectual property arises during realization of a project, the entity which creates it will inform the other entities participating in the project and the Center's Executive Director, who will inform the Parties.
- C. Entities having Intellectual Property Rights will make adequate efforts to exploit those rights consistent with the objectives of the Agreement. To that end, except as provided in paragraph D of this Article, each Project Agreement shall provide that:
 - (i) The Recipient Entity shall hold all rights to intellectual property arising in result of realization of a project, or the right to acquire such rights in any territory except of the rights in the Financing Party's territory enumerated in paragraph (iii) below. The Recipient Entity shall provide adequate protection of such intellectual property

(except as provided below). To that end the Recipient Entity shall file to the central executive body in the questions of the legal protection of intellectual property in the territory of the Recipient Entity the respective applications. If the Recipient Entity decides not to protect the intellectual property in the territory of a Party other than the Recipient Entity's territory, each such Party and the Financing Party have the option to protect the intellectual property in that territory in conformance with the laws of that territory of the Recipient Entity's territory.

- (ii) Each Party and the Center shall have the right in all countries to translate, reproduce, and publicly distribute scientific and technical journal articles, reports, and books directly arising from each project, and also to assign these rights to another persons, that corresponds to the scope of rights, which is provided with a non-exclusive, irrevocable, royalty free license with right to sublicense. When the objective of a project is only to produce an article, report, or book that is expected to have substantial commercial value, the provisions of paragraph D of this Article shall apply.
- (iii)
 - (a) In the territory of the Financing Party, the Financing Party has the Intellectual Property Rights arising from a project or the right to acquire such rights. In such cases, the Financing Party and Recipient Entity shall agree in writing on appropriate compensation for persons named as the inventors or authors of the intellectual property and on procedure of payment. Costs of protecting intellectual property in that territory shall be borne by the Financing Party. If the Financing Party does not seek protection for intellectual property in its territory within a reasonable time that does not exceed 4 months from the day the Financing Party received a Notice that such intellectual property is created, then the Recipient Entity may seek protection in the Financing Party's territory by itself. When the benefits from the exploitation of intellectual property arising from the project are expected to exceed significantly the Financing Party's contribution, the provisions of paragraph D of this Article shall apply.
 - (b) When two or more Parties finance a project, it is expected that the provisions of paragraph D of this Article shall be applied. When the Parties and the Recipient Entity agree not to apply said paragraph D, the Financing Parties shall agree on the allocation among themselves of the rights received pursuant to this paragraph.
 - (c) Upon the request of the Financing Party, the Recipient Entity shall enter into negotiations for licenses in additional territories on fair and reasonable terms.
 - (d) Upon the request of a Non-financing Party, a non-exclusive license for commercial purposes, with the right to sub-license, shall be granted in that Non-financing Party's territory, on fair and reasonable terms to be mutually agreed, taking into account that Non-financing Party's contribution to the establishment and operation of the Center; in this case, the Financing Party shall be entitled to a license on the same terms in that Non-financing Party's territory.
 - (e) The Financing Party may, if requested, provide assistance to the Recipient

Entity in managing the intellectual property.

- (iv) A non-exclusive, right to use intellectual property objects arising from each project for non-commercial purposes for the whole period of legal protection of the said objects, and also to grant permission to use the said objects to other persons, shall be granted to the Center and to each Party (or its designee) for the territory of each Party in which the intellectual property is protected, that corresponds to the scope of rights, which is usually provided with a non exclusive irrevocable, royalty-free license with right to sub-license. Upon request, the Parties will exchange information on licenses and sub-licenses granted under this paragraph.
 - (v) Persons named as inventors and authors of the intellectual property objects shall receive reasonable compensation but not less than 15% of any royalties earned from granting licenses for the use of these intellectual property objects by any entity have obtained rights to such intellectual property under a Project Agreement or for assignment of these intellectual property objects. The Center provides the inventors and authors with the information on the scales of use the above mentioned intellectual property objects and of the amount of royalties and provides inventors and authors with organizational assistance in obtaining the said compensation.
 - (vi) All publicly distributed copies of a copyrighted work arising from cooperation under each project shall indicate the names of the authors of the work unless an author explicitly declines to be named.
 - (vii) The Recipient Entity shall grant on fair and reasonable conditions to any other entity receiving the right to exploit intellectual property arising from each project the rights to intellectual property and information owned by the Recipient Entity necessary for such exploitation, provided that the Recipient Entity is free to grant rights to such intellectual property or information and that no major legitimate business interests of the Recipient Entity prevent the granting of such rights.
- D. The Recipient Entity and any other entity authorized by Article IX. A of the Statute to finance projects approved by the Center may agree to protect, allocate, and manage intellectual property arising under a Project Agreement differently than paragraph C of this Article provides, consistent with the principles of the Agreement and with national legislation and regulations.

ARTICLE XIV (Procedure for Exemptions)

- A. The Executive Director will develop procedures to identify commodities, supplies, and other property provided or utilized in connection with the Center and its projects and activities other than those listed in project agreements.
- B. The Executive Director will certify to an authority designated by the Government of Ukraine that the items described in paragraph A are to be used by the Center or in a Center project.
- C. The Executive Director will not certify intellectual property arising from a project, unless that property is integral to the continual of a Center project.
- D. Pursuant to Article X (i) (b) of the Agreement, the import into, export from and use in Ukraine of commodities, supplies and other property provided or utilized in connection with

the Center and its projects and activities will be free from any tariff's, dues, customs duties, import taxes, and other similar taxes or charges imposed by Ukraine.

ARTICLE XV (Financing of Administrative Expenses)

- A. The fiscal year of the Center will be the calendar year.
- B. By November 15 of each year, the Executive Director will submit to the Board the annual budget estimates for expenses of the Center. The Board will approve the annual budget with any amendments and return the budget for execution to the Executive Director by December 31 of that same year. The initial budget will be for the remainder of the fiscal year in which it is submitted.
- C. Upon the approval of the annual budget by the Board, the Board will establish and inform each Party of the amount of its share, if any, of the Center's annual operating budget. In accordance with this budget, each Party will ensure that funds or other resources allocated as their share are made available for use by the Center as soon as practical.
- D. The Center's budget will exclude costs of facilities, materials and services provided by the Government of Ukraine at its own expense, pursuant to the Agreement. The details of this support will be set forth in a Memorandum of Understanding between the Center and the Government of Ukraine, which will be reviewed after two years.
- E. Any funds remaining uncommitted at the end of each fiscal year shall be returned to the respective Party's Undesignated Capital Contributions account
- F. Withdrawal by a Party from the Agreement will not affect its budgetary contributions committed under paragraph C of this Article to the Center's administrative account.
- G. In addition to financial contributions, the Parties will be encouraged to second staff and provide other support to the Center at no cost to the Center's budget. The Center may, as necessary, enter into agreements concerning these secondments and support.

ARTICLE XVI (Financial Procedures)

- A. The Center will operate under financial procedures approved by the Board.
- B. Periodic financial reports will be provided to the Parties and the Board on the Center's administrative costs, project awards, and expenditures in the format and detail required by the Parties and the Board.
- C. An annual audit by an auditor approved by the Board will be conducted of the Center's expenditures and related financial activities. Results of the audit will be reported to the Board within 30 days after completion.

ARTICLE XVII (Monitoring/Auditing)

- A. All funds contributed to a project through the Center will be subject to audit by the Center or by a Party represented on the Board with regard to projects it finances or their representatives in accordance with the following principles:

- (i) Audit of costs will assure that costs reimbursed are allowable under the terms of the project agreement;
 - (ii) The Center, a Party represented on the Board with regard to projects it finances, or audit organizations as specified by the Board, may perform such audits, or engage others to do so.
 - (iii) Accounting systems used by project recipients must be acceptable to the Center or the Party represented on the Board in regard to projects it finances and will be subject to review and audit;
 - (iv) Audit reports pertaining to a project will be available to the entities audited, to the Center and to all Parties represented on the Board.
 - (v) Allowable costs based on the result of an audit will be determined by the entity performing the audit or engaging others to do so. Any disputes will be settled in accordance with resolution of dispute procedures contained in the project agreement.
 - (vi) Provisions for each Party which wholly or partly finances a project and for the Center to have the right of full Agreement access, after notice of not less than 20 days or as specified in the project agreement, to carry out on-site monitoring and audit of all activities of the project; specifications of the portions of the facilities, equipment, documentation, information, data systems, materials, supplies, personnel, and services which will concern the project and so will be accessible for the monitoring and audit; such specification will permit the recipient entity the right to protect those portions of facilities that are not related to the project. After completion or termination of a Center project the recipient entity may utilize the facility or portion of the facility previously used for the Center project for other work; however, all documentation and records including those associated with equipment, data systems, materials, supplies and services utilized on the Center project must be maintained for up to two years following such completion or termination and such documents and records and personnel must be available to the auditor for up to two years following such completion or termination.
- B. Approved projects funded other than through the Center will be subject to audit by the Financing Party and/or their representatives taking into account the principles set forth in paragraph A of this Article.

ARTICLE XVIII (Additional Agreements)

Each Party may conclude supplementary written agreements with the Center as approved by the Board consistent with the Agreement in order to comply with its national laws, rules, and regulations applicable to the Center. Such agreements will be available to all Parties.

ARTICLE XIX (Amendment of Statutes)

This Statute may be amended by unanimous consent of the Board.

ARTICLE XX (Dissolution)

- A. In the event that the Parties decide to terminate the Agreement, the Board will provide a

reasonable time for the satisfaction of any debts or liabilities.

- B. The Board will make arrangements for the allocation of any property remaining thereafter and for any ongoing responsibilities of the Center, in particular, auditing and monitoring responsibilities.
- C. The termination of the Agreement will not limit the Center's obligations concerning projects approved prior to the date of termination.