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Approved by the XIX Governing Board Meeting 1 July 1999

and amended on 30 April 2002 according to the decision

 of the MC on 27 March 2002 and based on XXVII Governing Board meeting on April 8, 2002

and amended on 3 February 2016 by XCom decision based on GB60 of 23 June 2015

and GB61 of 9 December 2015

# PROJECT AGREEMENT

# #XXXX

# between

# THE INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER

# and

# Institutions regionally and other

# Operative Commencement Date: XXXX

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**The International Science and Technology Center** (hereinafter referred to as “**the Center**”) and **XXXX ‘Lead Institute’** and all other participating institutes identified in section 3. (Participating Institutes) of Annex I of the Project Agreement(hereinafter referred to as “**the Recipient Institutes** ”), represented for the purpose of the signing of this Project Agreement (hereinafter referred to as “**the Agreement**”) by their authorized representatives (with the Center and the Recipient Institutes hereinafter referred to collectively as “**the Signatory Parties**”),

TAKING INTO ACCOUNT THE FOLLOWING CONSIDERATIONS:

The United States of America, Japan, the Russian Federation and, acting as one Party, the European Atomic Energy Community and the European Community (with these two organizations hereinafter referred to as “**the European Community**”) signed the Agreement Establishing the International Science and Technology Center on November 27, 1992 (hereinafter referred to as “**the ISTC Agreement**”) and the Protocol on Provisional Application of the Agreement Establishing the International Science and Technology Center on December 27, 1993 (hereinafter referred to as “**the ISTC Protocol**”).

An Agreement on Continuing the International Science and Technology Center based on the 1992 Agreement with revisions was signed in Astana, Kazakhstan on 9 December 2015.

The European Community, Georgia, Japan, the Kingdom of Norway, the Kyrgyz Republic, the Republic of Armenia, the Republic of Kazakhstan, , the Republic of Korea, the Republic of Tajikistan, and the United States of America have acceded to the Agreement on the ISTC, and additional States may accede, to this Agreement and to the ISTC Protocol to participate in the activities of the Center,

The Center is a legal entity and has been registered by the Ministry of Foreign Affairs of the Republic of Kazakhstan as an international organization with its headquarters in Astana, Kazakhstan.

The Recipient Institutes are legal entities established under the laws of their respective countries,

The Governing Board of the Center has approved the financing of a project entitled “**XXXX**” (hereinafter referred to as “the Project”) through the Center in the domain covered by the Agreement,

**XXXXX** (hereinafter referred to as “**the Financing Parties**”) have agreed to provide financial support for the Project;

As set forth in the ISTC Agreement, funds received by a legal entity in connection with the Center’s projects shall be excluded in determining the profits of that organization for the purpose of tax liability and funds received by persons in connection with the Center’s projects shall not be included in these persons’ taxable incomes,

HAVE AGREED AS FOLLOWS:

## Article 1 ‑ Scope of the Agreement

1.1 The Recipient Institutes shall carry out the work plan set forth in Annex I according to the terms and conditions of the Agreement, subject to the provisions of the ISTC Agreement, the ISTC Protocol, and the Statute of the Center (hereinafter referred to as “**the ISTC Statute**”) which govern in case of conflict with the terms of the Agreement. All Project activities subject to this Agreement are to be executed by the Recipient Institutes, using only funding provided by the Center and/or sources approved by the Center. The Recipient Institutes shall notify the Center immediately if it and/or other participating institutions determine at any time to utilize any other funding sources to execute such Project activities. The Recipient Institutes shall delegate authorization to manage project work, including financial activities, to the Project Manager specified in Annex I.

1.2 Additional terms and conditions of the Agreement are specified in the Annexes which form an integral part of the Agreement. In the case of conflict between any provision in the Annexes and any other provisions of the Agreement, the latter shall prevail.

### Article 2 ‑ Duration of the Project

The duration of the Project is to be **XX** months starting from **XXX** (hereinafter referred to as “**the Operative Commencement Date**”).

### Article 3 - Participating Institutions

The scope of work of each institution which takes part in the Project, the organizational structure of the Project, as well as financial requirements of such an institution, are defined and stipulated in Annex I. The  **XXX** Institute shall serve as the coordinating institution for all aspects of the Project, including the coordination of requests for payments for carrying out the work by **XXX’Institute’** with all other participating institutes named in section 3. (Participating Institutes) of the Work Plan of this Project Agreement.

### Article 4 ‑ Financial Contribution of the Center

4.1 The total cost of the Project to the Center shall not exceed US$ XXX. This total includes:

1. items to be reimbursed in cash to the Recipient Institutes,
2. grants in cash to be made by the Center directly to the individual participants in the Project (hereinafter referred to as “**Individual Participants**”) for financial support of the Individual Participants in accordance with Article 4.3,
3. items to be provided in-kind by the Center to the Recipient Institutes in accordance with Article 4.4.

4.2 The Center shall reimburse the Recipient Institutes for expenditures by the Recipient Institutes in accordance with Annexes I and II. The estimated cost of such expenditures is US$ XXX.

4.3 The Center shall make direct grants in dollars to Individual Participants in the Project in accordance with Annex I at an estimated cost of US$ XXX.

4.4 The Center’s in-kind contributions to the Recipient Institutes are estimated with the following breakdown:

1. International travel — is estimated to cost US$ XXX.
2. Other costs are estimated to be US$ XXX.

##  Article 5 ‑ Cash Payments by the Center

5.1 Pursuant to Article 4.2, the Center shall make its payments to the Recipient Institutes through Dedicated Bank Account(s), as set forth in Article 6.6 of Annex II in banks acceptable to the Center.

* An advance payment consistent with Annex I Table 1 for the estimated level of expenditures by the Recipient Institutes during the first six months of the Project, as soon as possible following the entering into force of the Agreement and subject to fund availability; terms of the succeeding payments are set forth in Article 6 of Annex II.
* An overhead retention shall be made by the Center consistent with Annex I Table 1. The retention shall be released to the within one month following the approval by the Center of the last technical and financial document or other deliverable required by the Agreement.

5.2 Pursuant to Article 4.3, the Center shall make grant payments in US Dollars directly to Individual Participants in accordance with letters of agreement between the Center and the Individual Participants. The Center shall ensure that banking arrangements are established for these payments.

At the end of the third month following the Operative Commencement Date and every three months thereafter throughout the duration of the Project, the Recipient Institutes, represented by the Project Manager, will provide the Center with a list of grant payments that are due at that time to Individual Participants in accordance with the payment levels set forth in Annex I and the amount of time devoted to the Project by each Individual Participant as certified by the Project Manager. Such payments will then be promptly made as appropriate by the Center.

Grant payments for the last quarter of the project to the Project Manager and persons identified by the Project Manager as having responsibilities for project finalizing procedures will be retained and processed by the Center together with the final retained payment to the Recipient Institutes as set forth in Article 5.1 of the Agreement.

5.3 If there have been any expenditures that were approved by the Center for the Project, by the Recipient Institutes prior to the Operative Commencement Date pursuant to the Center’s Letter of Commitment of June 26, 2014, the Center shall reimburse such expenditures as soon as possible following the Operative Commencement Date. To this end, the Recipient Institutes will promptly submit to the Center a claim for reimbursement for any approved expenses that occurred prior to the Operative Commencement Date together with supporting documentation and cost statement. Costs identified in Article 5.3 will be included within the cost limits set forth in Article 4.

###  Article 6 ‑ Cost Statements by the Recipient Institutes

6.1 The Institutes shall submit to the Center the following cost statements, one copy of each of the English version via electronic transmission (e-mail or on diskette) and two printed copies of each of the English version in a suitable quality to enable direct reproduction:

1. Quarterly Cost Statements: The first statement is to be submitted no later than four months after the Operative Commencement Date and will cover the first three months of Project activity. Subsequent statements are to be submitted at three-month intervals following submission of the first statement. The statements will be appended to the relevant technical reports specified in Article 7. The cost statements will include the costs of grant payments directly to Individual Participants, but the requests for such grant payments in accordance with Article 5 should not be delayed pending preparation of the entire quarterly cost statements called for in this Article. Such payments may be nevertheless suspended by the Center in case if the cost statement for the previous quarter was not yet submitted to the Center. The statements will also include a representation that all Project activities conducted by the Institutes during the preceding quarter were funded only with funding provided by the Center and that no other source of funding was utilized in carrying out such activities.
2. A consolidated cost statement shall be submitted by the Institute within two months of the completion or termination of the work financed by the Center. If such a statement is not submitted on time, the Center may request in writing its submission. If the Center does not receive the submission within thirty days after such a written request, the Center may consider the previously claimed costs to be final and determine to make no further reimbursement.

6.2 Cost statements shall comply with the formats prescribed in Annex III.

### Article 7 ‑ Reports and Other Project Outputs

7.1 The Institutes shall submit the following reports in accordance with the format prescribed in Annex III, one copy of each of the English version via electronic transmission (e-mail or on diskette) and two printed copies of each of the English version in a suitable quality to enable direct reproduction:

* Quarterly progress reports covering each three-month period following the Operative Commencement Date to be submitted within one month after the end of each reporting period. If there have been prior expenditures as described in Article 5.3, the first quarterly report shall include any necessary modifications of the work plan. Progress reports are not required on those dates when annual reports are due. In addition, the Institutes shall send one English copy each of quarterly reports to the Financing Party and the Collaborator.
* Annual reports. For projects of duration of more than one year, an annual report will be submitted 13 months after the Operative Commencement Date and will cover the first year of project activity. For projects of duration of more than two years, a second annual report will be submitted 12 months later. The Center will submit to the Institutes its evaluation of the work performed and of each annual report within one month after receipt of the report unless notification is given by the Center of the necessity for a longer review period. The Recipient Institutes will inform the Center within one month following the receipt of the Center’s evaluation of steps being taken to respond to the evaluation.
* A final report. A draft final report will be submitted within two months of the completion of the Project work plan, cessation or termination of the Agreement, or the agreed completion date of the Agreement, whichever will be the earliest. The Center will submit to the Recipient Institutes its evaluation of the work performed and the draft final report within two months after receipt by the Center of the report. The definitive final report will then be submitted to the Center within one month following the receipt of the Center’s evaluation and will take into account the Center’s evaluation. If the Center does not submit an evaluation within two months, the draft final report shall be considered the definitive final report.
* Reports, as mutually agreed, prepared in a suitable form for publication and satisfactory to the Center. The final report publishable under this provision shall include information on the work performed under and the results obtained from the project to adequately apprise others of the nature of the Project’s technology and the potential for further development and commercialization of the technology.

7.2 The Recipient Institutes shall clearly identify and mark any reports or portions of reports that contain invention information or Business Confidential Information as defined in Part E, Article 12.8 of Annex III. The Recipient Institutes also may include a suitable disclaimer in any report against possible claims by third parties.

7.3 For the purposes of the Agreement, “deliverables” are defined as any significant outputs, including all reports, of the Project to be submitted in accordance with Annexes I and III.

### Article 8 ‑ Ownership and Exploitation of Information and Intellectual Property

8.1 The information and intellectual property arising from the Agreement shall be the property of the Recipient Institutes in accordance with Part E of Annex II. The Recipient Institutes shall take appropriate action to report, protect, exploit and commercialize the information and intellectual property and to make them available to third parties in accordance with the framework specified in Part E of Annex III. Cooperation agreements with foreign institutions complementing, but not conflicting with, Part E of Annex III may be entered into by the Recipient Institutes.

8.2 Prior to completion of the Project, the Recipient Institutes shall submit to the Center for its approval a Technology Implementation Plan.

8.3 The Recipient Institutes have indicated that the following Background Results as defined in Article 12.5 of Annex II may be needed and usedin the performance of work under this Agreement and may be needed to use any technology resulting from the Agreement: XXX.

The Recipient Institutes represent that any such Background Results are available for licensing as of the effective date of this Agreement.

8.4 Exploitation of Foreground Results as defined in Article 12.2 of Annex II shall be limited to applications for peaceful purposes. In this regard, the Recipient Institutes shall ensure that any resulting technology which could raise concerns over proliferation of weapons technology and transfer of sensitive technologies will be protected in accordance with relevant local law of the Republic of Armenia, the Republic of Georgia, the Republic of Kazakhstan, the Kyrgyz Republic, and the Republic of Tajikistan and international agreements and conventions to which the above countries are a Party.

### Article 9 ‑ Auditing and Monitoring

In accordance with the ISTC Agreement and the ISTC Statute:

9.1 Access by the Center and the Financing Parties to carry out on-site monitoring of all activities of the Project shall be granted by the Recipient Institutes, and information and assistance shall be given for the verification and evaluation of the Project activities as set out in Annex II.

9.2 Audits of costs may be carried out by the Center and the Financing Parties as specified in Annex II.

9.3 Auditing and monitoring of institutions located in closed cities shall be carried out according to the procedures adopted at the sixth Governing Board Meeting of the Center. The Recipient Institutes shall be informed, not less than thirty-five (35) days before, of the auditing and monitoring planned by the Center or the Financing Parties.

### Article 10 ‑ Amendments, Variations, or Additions

The provisions of the Agreement and its Annexes excluding changing the specific allocation of items within the category of other costs in Article 4.4(2), may be amended or supplemented only by means of a written agreement signed by authorized representatives of the Signatory Parties.

### Article 11 ‑ Special Conditions

11.1 Consistent with Article 5.1 and Article 7.3 of Annex II, at the closing of this Agreement, ownership of any equipment purchased as part of this Agreement that is on the balance of ISTC, will be transferred to the relevant institutes consistent with the national laws of their respective countries, and any costs related to said transfer will be paid from the Recipient Institutes’ project budgets including overhead as required. Such equipment transfer policy remains at the discretion of the ISTC in consultation with any other signature parties to this Agreement.

11.2 If in the course of project implementation deliverables are identified that may qualify under export control restrictions, the Recipient Institutes takes responsibility for timely obtaining the corresponding export licenses, and operating in compliance with relevant national and International laws and regulations.

### 11.3 Implementation of this Agreement is contingent upon the absence of any existing contractual or financial conflict of interest with the ISTC. Any known conflict of interest should be formally declared (see Statement: Declaration on Conflicts of Interest).

### Article 12 – Disputes

Disputes arising during performance of the Agreement including, in particular, (i) a claim by the Recipient Institutes for any payments deemed due; (ii) an interpretation of a provision of the Agreement; or (iii) a request for relief or approval related to the Agreement, shall be subject to the following procedure:

The Recipient Institutes shall submit any claim, demand, or request in writing to the Center. Unless a longer period is specified in the Agreement, the written decision of the Center shall be delivered to the Recipient Institutes within four weeks of the receipt of the submission.

The Recipient Institutes may appeal the Center’s decision in writing through the Executive Director of the Center to the Governing Board of the Center within four weeks of the communication of the Center’s decision.

The Governing Board will determine the order of dispute resolutions***.*** The decision of the Governing Board shall be final and binding (unless otherwise provided). Pending the final settlement of disputes, the Recipient Institutes shall, nevertheless, proceed diligently with the performance of the Agreement.

### Article 13 – Liability

13.1 The Center shall not be liable for any material loss, damage, or injury of any nature arising from, or in connection with, the performance of the work under the Agreement solely by virtue of financing the Project, including liability from direct grant payments to Individual Participants as set forth in Article 5.2.

13.2 The Center shall not be liable to the Recipient Institutes or third parties for claims arising from

* the publication or transmission of any report in accordance with Article 7 of the Agreement and Article 13 of Annex II,
* the application of the contents of any report by a third party, or
* the handling or use of products which result from the Project.

### Article 14 - Suspension and Termination of the Agreement

14.1 Suspension and Termination.

Except for cases where Articles 14.2 and 14.3 set out below are applied, procedures for suspension and termination of the Agreement are specified in Article 4 of Annex II.

14.2 Termination by Force Majeure Situations.

When Force Majeure situations occur which make the project implementation impossible, the Center in consultation with the Recipient Institutes may terminate the Project.

14.3 Termination Forced due to the Violation of Laws or Regulations by the Recipient Institutes.

When a Recipient Institute has committed actions which obviously violate the national laws of the state where the Institute is a legal entity or which obviously are contrary to the stated objectives of the Center or to other conditions specified under the ISTC Agreement or the ISTC Statute, the Center shall terminate the Project immediately upon written notification of termination to the Recipient Institute. The Recipient Institute shall promptly return to the Center all payments and goods previously provided to the Recipient Institute.

14.4 Notwithstanding any termination, the rights and obligations provided in Part E of Annex III will continue.

### Article 15 – Annexes

As specified in Article 1.2, the Statement and Annexes are an integral part of the Agreement. They are:

Statement: Declaration on Conflicts of Interest

Annex I Work Plan

Annex II General Conditions

Annex III Formats for Progress and Cost Reports

Annex IV Disclaimer

### Article 16 - Entry into Force of the Agreement

The Agreement shall enter into force on XXXX.

Prepared in Astana in the English language.

|  |  |
| --- | --- |
| For the Center | For XXX ‘Lead Institute’   |
| David Cleave | XXXX ‘signature’ |
| Executive Director | Director |
| Date: | Date: |

|  |  |
| --- | --- |
| For XXX ‘Lead Institute’  | For XXX ‘Lead Institute’ |
| XXXX ‘signature’ | XXXX ‘signature’ |
| Director | Director |
| Date: | Date: |

**STATEMENT: DECLARATION ON CONFLICTS OF INTEREST**

CONFLICT OF INTEREST DISCLOSURE FORM

The intent of this form is to openly identify and disclose any potential conflict of interest in the conduction of your project. The form should be completed by any party engaged in business or financial transaction with the ISTC.

1. Do any representatives or employees of your company/organization or their immediate family members\* currently have any businesses or financial relationships with the ISTC?

Yes No

If YES, please provide the names:

Insttitute 1:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Institute 2:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Institute 3: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Were any representatives or employees of your company/organization or their immediate family members ever employed at the ISTC?

Yes No

If YES, please provide the names:

Insttitute 1:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Institute 2:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Institute 3: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Do any legal disputes currently exist between any representatives or employees of your company/organization or their immediate family members and the ISTC?

Yes No

If YES, please provide the names:

Insttitute 1:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Institute 2:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Institute 3: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 \*An immediate family member means: • spouse • a child, grandchild, parent, grandparent, brother, sister, uncle, aunt, nephew, niece or the spouse of any such person • a person having a step‐relationship described above • parents‐in‐law, brothers‐ or sisters‐in‐law, sons‐ or daughters‐in‐law • any person who resides in the same household as you.

**ANNEX II - GENERAL CONDITIONS**

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Part A ‑ Implementation of the Work

Article 1 ‑ General Provisions

1.1 The Recipient Institutes (hereafter referred to as Institute) shall make best efforts to achieve the objectives of the Project and shall comply with all national laws applicable to the Project.

1.2 The Institute shall, in particular, comply with all applicable laws and regulations related to safety.

1.3 The Institute shall notify the Center's Project representative without delay of:

(a) any event or circumstance which may materially affect the Project, and

(b) any proposal for significant changes of key personnel during the Project.

Article 2 ‑ Subcontracting

2.1 Subcontracting shall require the advance written approval of the Center. However, approval shall not normally be given for subcontracting in any State that is not a Party to the ISTC Agreement unless the Center determines in writing that such subcontracting is essential for the Project.

2.2 The Institute shall impose on a subcontractor the same obligations the Institute has with respect to any rights of the Center or the Financing Party under the Agreement.

2.3 The provisions of Article 2.1 of this Annex shall not apply to Sub-agreements pursuant to Article 3 of the Agreement or to orders for materials, equipment, and services which are incidental to or intended to facilitate the execution of the Agreement and placed in the normal course of business in accordance with the internal procedures and rules of the Institute.

Article 3 ‑ Monitoring of the Work

In accordance with the Article XVI of the ISTC Statute:

3.1 The Center, or its representatives, shall:

(a) Have access to portions of facilities where the Project is being carried out and to all equipment, documentation, information, data systems, materials, supplies, personnel, and services which concern the Project for monitoring the progress of the Project as described in Annex I.

(b) Be provided with technical and cost information concerning the management and progress of the Project requested at any time.

(c) Except for the cases specified in Article 9.3 of the Agreement, give the Institute not less than 20 days advance notice of any intended on-site monitoring of the Project.

3.2 Each Financing Party, or its representatives, shall be entitled to the same rights as the Center under the preceding Article 3.1 should it choose to exercise them through the Center.

3.3 The Institute has the right to deny access to those portions of facilities that are not related to the Project.

3.4 After completion or termination of the Project, the Institute may utilize the facility or portion of the facility previously used for the Project for other work. However, all documentation and records including those associated with equipment, data systems, materials, supplies, and services utilized on the Project must be maintained and available for review by the Center, the Financing Party, or their representatives, for up to two years following the Project's completion or termination.

3.5 The Institute shall, if requested by the Center, participate and assist in meetings to review or evaluate the Project during the lifetime of the Project.

Article 4 – Completion, Suspension and Termination of the Agreement

4.1 The Agreement shall be deemed to be completed upon approval by the Center of the last deliverable required or upon the final payment by the Center, whichever occurs last.

4.2 Subject to the provisions in Part D of this Annex, the Institute shall be deemed to have discharged its obligations with respect to the performance of the work after the approval of all the reports and any other deliverables required by the Agreement.

4.3 Suspension

4.3.1 If the Center identifies a problem with the Project’s performance through audit, monitoring, annual reports, and discussions between the Center and the Institute which shall ensue pursuant to a notice given by the Center to the Institute do not produce any results, the Center shall reserve the right to suspend the entire Project or, when feasible for technical and other reasons, a part of the Project, within thirty days after the Center issues to the Project Manager a notification of suspension which specifies the problem, the effective date and the period of the suspension. In case auditing and monitoring procedures stipulated in the Agreement and Annex II are breached by the Recipient, the suspension shall come into force within ten days after the notification given to the Institute if no corrective action has been taken during this period. The Center will inform members of the Governing Board of the Project’s suspension.

 When the suspension becomes effective, the Center shall pay grants to the Individual Participants for the period they were engaged in the Project before the Center’s declaration of suspension becomes effective. Any other payments or in-kind supplies to the Institute shall in principle be suspended as long as the suspension remains in effect. The Institute shall act in due diligence to mitigate any losses which may arise during this period.

 Even when the suspension is in effect, the Center and the Institute shall do the utmost to find a possible solution to the problem.

4.3.2 In case the Center does not fulfill its obligations arising from the Project, namely in relation to Articles 4 and 5 of the Agreement, the Institute shall reserve the right to suspend the Project within thirty days after the Institute issues to the Executive Director of the Center a notification of suspension which specifies the problem, the effective date and the period of the suspension. The obligations of paragraph three of 4.3.1 shall be applied here as well. The Institute will notify the appropriate governing organization supporting this Project of the Project’s suspension.

4.4. Termination

4.4.1 When the Project is suspended by the Center, and the period of the suspension which is specified in the Center’s notification expires and the Center and the Institute are unable to find a solution, the Center shall terminate the Project. In the event of partial suspension, the Center and the Institute shall negotiate and agree upon possible measures including partial termination of the Project. If these negotiations do not produce any viable alternative plan, the Center shall reserve the right to terminate the entire Project.

 Notwithstanding the termination, the Institute shall submit reports and cost statements covering the period up to the termination and the following provisions of the Agreement shall continue to apply: Article 12 (Disputes) of the Agreement, Article 7.3 (Equipment) of Annex II, and Part E of Annex II (Information and Intellectual Property).

 If the Project is terminated, costs shall be limited to the allowable costs incurred by the Recipient prior to the suspension and other costs which the Center considers to be fair and reasonable, having regard to commitments which have been reasonably entered into and which cannot be cancelled or avoided.

4.4.2 When the Project is suspended by the Institute and the period of the suspension which is specified in the Institute’s notification expires and the Institute and the Center are unable to find a solution, the Institute shall terminate the Project. Clauses of paragraphs two and three of 4.4.1 shall be applied here as well.

Part B – In-Kind Contributions and Payments by the Center

Article 5 – In-Kind Contributions

The Center will provide items set out in Article 4.3 of the Agreement on the following terms and conditions:

5.1 The Center shall provide in-kind equipment (if any) in accordance with Annex I (hereinafter referred to as "Center Provided Equipment"). In the case of direct import from abroad*,* Center Provided Equipment will be delivered to the Institute at the customs entry point of the Recipient’s state. The Center will be responsible for clearance through customs, and the Institute will be responsible for transporting the equipment from the customs entry point to the site of the Project. The equipment shall be preserved, accounted for, and maintained throughout the Project by the Institute. The equipment shall be used only in areas which are open for monitoring and auditing in accordance with Article 9 of the Agreement. Unless otherwise specified in Article 11 of the Agreement, the title to Center Provided Equipment with an acquisition per item cost of less that $2,500 will vest in the Institute once it has been provided. The title to all other Center Provided Equipment will remain with the Center until the termination or completion of the Project at which time the title will be vested in the Institute unless prior to or on that date the Center informs the Institute of its intention to retain title to the equipment. In such cases the Center will provide instructions for disposition of the Center Provided Equipment with the costs of such disposition being borne by the Center. Such costs may exceed the limitations set forth in Article 4 of the Agreement and its subparagraphs.

5.2 The Center shall provide in-kind materials (if any) in accordance with Annex I (hereinafter referred to as "Center Provided Materials*").* In the case of direct import from abroad, Center Provided Materials will be delivered to the Institute at the customs entry point into the Recipient’s state. The Center will be responsible for customs clearance, and the Institute will be responsible for transporting the materials to the site of the Project. Failure by the Center to provide the in-kind contributions in a timely manner may give rise to a modification of the relevant provisions of the Agreement.

5.3 The Center shall provide in-kind international travel by the Institute (if any) in accordance with Annex I (hereinafter referred to as "Center Provided Travel") and Center’s Travel Regulations.

5.4 The Center shall provide in-kind the costs of certain bank transfer fees (if any) in accordance with Annex I (hereinafter referred to as Center Provided Bank Fees.) The Center Provided Bank Fees will be limited to fees necessary to perform bank transfers for the Project. The Center Provided Bank Fees will be paid directly by the Center to the appropriate banks.

Article 6 - Payments by the Center to the Institute

Payments of allowable costs other than the Center's in-kind contributions, the Center's grant payments to Individual Participants, and overhead payments shall be made in accordance with the following principles.

6.1 All payments by the Center shall be made in US Dollars unless otherwise agreed.

6.2 The financial contribution by the Center shall be paid in installments as follows: Quarterly payments within one month of receipt by the Center of progress or annual reports and associated cost statements in accordance with Article 6 of the Agreement and Annexes II and III. The amounts of the payments shall be estimates by the Center of the funds required to support the work plan set forth in Annex I during each of the succeeding quarters, taking into account the cost statement from the previous period.

6.3 If the Center considers that the work has not effectively been commenced within three months of the payment of the first advance, the Center may require the reimbursement of the advance together with any interest earned on the advance.

6.4 If on completion or termination of the work, the payments made by the Center exceed the actual allowable costs, the Institute shall promptly reimburse the difference to the Center. Interest earned shall be added to this amount after the reimbursement date specified by the Center.

6.5 Subject to Article 11 of this Annex, periodic payments made against cost statements shall be considered as advances until acceptance of the appropriate deliverables, in accordance with Annex I, or, if no deliverables are specified, until acceptance of the final report.

6.6 Dedicated Bank Account. Dedicated Bank Accounts in US Dollars and in the currency of the Institute’s state must be opened by the Institute in a bank accepted by the Center. No other transactions but Project related ones are permitted on that account. The Dedicated Bank Accounts should be registered in that status with the bank and the local tax authorities.

Part C ‑ Allowable Costs

Article 7 ‑ Direct Costs

7.1 General

Cost statements shall be expressed in US Dollars unless otherwise specified in the Agreement.

Costs shall include actual costs incurred for the Project after the Operative Commencement Date which are necessary for the execution of the Project. Costs shall also include costs incurred prior to the Operative Commencement Date in accordance with the Center's Letter of Commitment set out in Article 5.3 of the Agreement.

The Recipient shall ensure that no unnecessary cost or unnecessarily high or extravagant cost is charged to the Project.

7.2 Grants to the Individual Participants

7.2.1 Grants to the Individual Participants shall be separated into four categories as described in Annex I and reflected in the reporting form in Annex III. Even though some or all of these costs may be reimbursed by the Center through direct grant payments to the Individual Participants, the Institute is responsible for certifying the times devoted to the Project by the Individual Participants and for maintaining necessary documentation to support such certification.

7.2.2 Grants to the Individual Participants shall be charged to reflect the actual eight-hour days, or one-half days when appropriate, worked by personnel assigned by the Institute to the Project in accordance with Annex I. Work periods of less than four hours may not be charged.

7.2.3 Grants to the Individual Participants for a specific period of time may not be charged to this Project if reimbursement (except regular employment salary) is being received from other sources for the same period of time.

7.2.4 The Project Manager may increase or decrease the time commitments of personnel and related costs by up to 10 percent during one year of any individual without approval of the Center but may not change the daily rate without approval by the Center. The Project Manager may request more significant changes in the personnel commitments, including changes in personnel, at the beginning of each quarter with a brief explanation of the reasons for the changes. In unusual situations, the Project Manager may request changes during the quarter. The Center will respond promptly to such requests. Changes in scientific personnel must provide for the new participants to have technical credentials and weapons experience comparable to those of the personnel they replace.

 7.2.5 The Center will not reimburse personnel costs associated with holidays, annual vacations, overtime, or sick leave. Such additional costs, if any, are the responsibility of the Institute.

7.2.6 The Project Manager shall ensure that the scheduling of annual leave by the Individual Participants does not interfere with accomplishment of the Work Plan in Annex I.

7.2.7 The Institute is responsible for any medical expenses or compensation claims for injuries or other losses for personnel working on the Project which are directly or indirectly related to the Project.

7.2.8 Individual daily records of time devoted to the Project (time cards) must be signed by all personnel assigned to the Project, and all records must be certified at least monthly by the Project Manager and for the Project Manager by another appropriate senior employee of the Institute.

7.3 Equipment

7.3.1 Equipment shall be categorized as indicated in the financial forms in Annex III.

7.3.2 The cost of equipment used in the Project which is purchased, fabricated, or leased after the Operative Commencement Date may be charged as a direct cost. The total leasing cost of any piece of equipment shall not exceed the cost which would have been allowable for its purchase.

7.3.3 Title to the equipment purchased by the Institute using the Center’s funds shall be maintained by the Center and may be transferred to Institute in accordance with the formula set out in Article 5.1 of Annex II as is consistent with international obligations and national laws.

7.4 Materials

Materials shall be categorized as indicated in Annex III.

7.5 Other Direct Costs

Other direct costs shall be categorized as indicated in the financial forms in Annex III.

7.6 Travel for the Institute

Travel within the CIS for the Institute shall be charged in accordance with the internal rules of the Institute, as stipulated in the Center’s Travel Regulations.

7.7 Sub-Agreements and Subcontracts

7.7.1 Subject to Article 2 of this Annex, costs of subcontracts shall be allowable costs and shall be in the appropriate categories on the financial forms of Annex III. If the subcontractor is a scientific institution being engaged in a sub-agreement pursuant to Article 3 of the Agreement, costs are allowable only to the extent that they would be allowable if incurred directly under the Agreement. In selecting a subcontractor other than a scientific institution pursuant to Article 3 of the Agreement, the Institute shall compare prices and quality of several subcontractors and choose the most cost-effective offer. For any subcontract costing more than the equivalent of $25,000, the Institute shall organize a bidding process. For any subcontract costing between $10,000 and $25,000 (equivalent) written quotations shall be obtained from three sources to the extent possible.

7.7.2 Should the Institute enter into a sub-agreement with a scientific institution pursuant to Article 3 of the Agreement, the reporting form in Annex III shall include the costs incurred pursuant to the sub-agreement which shall be supported by detailed information.

Article 8 – Overhead

A fixed payment may be charged with respect to overhead which covers items such as general administration, institutional management, depreciation of buildings and general equipment, maintenance of buildings and grounds, telephones, heating, lighting, electricity for the buildings, and general staff training.

Overhead is allowed within the limit of ten (10) percent of the direct cost of the Project, excluding equipment and travel costs, and is usually included in the financial information.

Since the overhead will be retained by the Center until completion of the Project, the Institute need not include this item on the financial forms in Annex III.

 Article 9 ‑ Costs Not Allowed

Allowable costs shall not include, among others:

- any profit;

- any contributions to pension, medical, or other social funds;

- any provisions for possible future losses or liabilities;

- any taxes, including profit tax, value added tax, personal income tax, and local taxes, as well as any other tariffs, dues, custom duties, import duties, fees, or other imposed taxes or similar charges;

- any costs allocable to other projects;

Part D ‑ Justification of Costs and Auditing

Article 10 ‑ Books of Account and Documentation

The Institute shall maintain in accordance with the accounting practices set forth in the Agreement proper books of account, separate from any other Center Projects or the Institute’s books, and all source documentation to support and justify the costs reported. These shall be made available for audits by the Center and the Financing Party during the period of the Project and for a period of up to two years following the Project's completion or termination.

Article 11 ‑ Auditing

11.1 Cost statements are subject to verification. The Center and each Financing Party have the right pursuant to the ISTC Agreement and ISTC Statute to carry out on-site auditing of all activities of the Project. Except for the cases specified in Article 9.3 of the Agreement, the Institute will be given not less than 20 days notice of any intended audit. For the purposes of the audit during the Project life cycle and for a period of up to two years following the Project’s completion or termination, the Institute shall make accessible all portions of facilities, equipment, documentation, information, data systems, materials, supplies, personnel, and services related to the Project.

11.2 The Institute has the right to deny access to those portions of facilities that are not related to the Project.

11.3 The Center and the Financing Party shall have the right to select Courts of Auditors or other organizations or individuals to carry out audits of the Project; and they shall be entitled to the same rights, should they choose to exercise them, as the Center and each Financing Party in respect of access to, and verification of, any document under the Agreement for the purpose of any audit.

Part E - Information and Intellectual Property

Article 12 - Definitions

12.1 "Intellectual Property" shall have the meaning defined in Article 2 of the Convention Establishing the World Intellectual Property Organization, done at Stockholm on July 14, 1967.

12.2 "Foreground Results" means Foreground Information and Foreground Rights

12.3 "Foreground Information" means information, including all kinds of results, generated in the execution of this Agreement.

12.4 "Foreground Rights " means rights in patent applications, patents, copyrights, plant variety rights, and other similar statutory rights for inventions or improvements made or conceived by the Institute or any person employed or engaged by the Institute in the execution of this Agreement.

12.5 "Background Results" means Background Information and Background Rights

12.6 "Background Information" means information, excluding Foreground Information, owned or controlled by the Institute in the same or related fields as the research under this Agreement and generated outside the Agreement.

12.7 "Background Rights" means rights in patent applications, patents, copyrights, plant variety rights and other equivalent statutory rights excluding Foreground Rights, owned or controlled by the Institute in the same or related fields to the research executed under this Agreement and originating outside this Agreement.

12.8 "Business Confidential Information" means information containing know-how, trade secrets, 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 other parties without an obligation concerning its confidentiality, and

--[iv] Is not available to the receiving party without obligations concerning confidentiality.

Article 13- Promotion of Technology and Project Results

Confidentiality

13.1 Subject to Article 7 of the Agreement, all reports or portions of reports properly marked as invention information or Business Confidential Information shall be protected from public dissemination unless otherwise agreed by the Signatory Parties.

13.2 Subject to any obligations under this Agreement, each Signatory Party agrees to keep confidential any invention information or Business Confidential Information communicated to it by the other Signatory Party in relation to the execution of this Agreement, unless such information so disclosed is or becomes legitimately available to the receiving Signatory Party through other sources without any obligations concerning confidentiality. Such information shall be neither disclosed nor transferred to a third party which takes no participation in the execution of this Agreement unless a concurrence is given by the Party, which has provided such information.

Technology Promotion

13.3 The Center and Institute shall take appropriate steps to publicize new developments so that third parties may become aware of opportunities to license technology developed with Center support.

13.4 The Center shall be entitled to publish general information on this Agreement including the identity of the Institute, the title and objective of the Agreement, its estimated costs and duration, the Center's financial contribution, and the names of projectmanagers and Recipient Institutions where the research is being carried out.

13.5 The Center and Institute agree to submit to each other for review and approval a copy of any proposed publication of Foreground Information at least twelve (12) working days before such publication.

13.6 Unless the Center agrees or requests otherwise:

13.6.1. any public communication or publication concerning the Project shall acknowledge the support of the Center in the following manner: “This project was undertaken with the financial assistance of the International Science and Technology Center”

13.6.2. any production of print, electronic or audiovisual materials related to the Project shall use the Center’s official logo and website www.istc.ru and

13.6.3. the Center’s official logo and reference to the ISTC website address www.istc.ru. shall be featured on any banners and other print material related to Project results at conferences or other public events where the Project is presented.

13.7 Subject to the restrictions of Article 14.1, each Party to the ISTC Agreement (hereinafter referred to as the “ISTC Party”) and the Center shall have a non-exclusive, irrevocable, royalty-free license with the right to sub-license in all countries, to translate, to reproduce and to publicly distribute scientific and technical articles, reports and books arising under this Agreement. All publicly distributed copies of a copyrighted work arising from cooperation under this Agreement shall indicate the names of the authors of the work, unless an author explicitly declines to be named.

Article 14 - Ownership

14.1 All rights worldwide to Intellectual Property arising under this Agreement, including patent protection for industrial property, shall be held by the Institute (or its designee), which has the responsibility for providing adequate measures for protection of such Intellectual Property. The Financing Party will, if requested by the Institute, provide assistance to the Institute in managing such Intellectual Property.

14.2 When two or more institutions are involved in the execution of this Agreement, they shall agree on the arrangements for the allocation of ownership, as between themselves, of Foregrounds Results.

14.3 If the Institute (or its designee) decides not to protect the Intellectual Property to which it has the right under Article 14.1 in the territory of an ISTC Party other than the Institute’s territory, each such Party (or its designee) and the Financing Party (or its designee) have the option to protect the Intellectual Property in that Party’s territory.

Article 15 – License Rights

15.1 The Institute (or its designee) shall grant the Financing Party (or its designee) an exclusive, irrevocable, royalty-free license to Foreground Results, with the right to sub-license, for commercial purposes in the Financing Party's territory. In such cases, the Financing Party (or its designee) and the Institute (or its designee) shall agree on appropriate compensation for persons named as inventors and the costs of protection in the Financing Party’s territory shall be borne by the Financing Party (or its designee).

15.2 Upon the request of the Financing Party (or its designee), the Institute (or its designee) shall enter into negotiations with the Financing Party (or its designee) for licenses in additional territories on fair and reasonable terms.

15.3 Upon the request of a non-Financing Party (or its designee), the Institute (or its designee) shall grant to the non-Financing Party (or its designee) a non-exclusive license to Foreground Results for commercial purposes, with the right to sub-license, in the non-Financing Party's territory, on fair and reasonable terms to be mutually agreed, taking into account the non-Financing Party's contribution to the establishment and operation of the Center. The Financing Party (or its designee) shall be entitled to a license on the same terms in that non-Financing Party's territory.

15.4 Authors and inventors of Foreground Results shall receive at least fifteen (15) percent of any royalties earned for such Foreground Results.

15.5 Each ISTC Party and the Center shall have a non-exclusive, irrevocable license, for the costs of making the license available, in Foreground Results for research and development purposes, with the right to sub-license, in the territory of each such Party in which the Foreground Results are protected. Upon request, the ISTC Parties will exchange information on licenses and sub-licenses retained under this paragraph.

15.6 The Institute shall grant under reasonable terms and conditions the right to use Background Results owned by the Institute which are necessary to exploit Foreground Results, provided that the Institute is free to disclose such Background Results, that no major business interests of the Institute oppose the granting of such right, that in making this opposition such interests are not abusively restricting the exploitation of such right and that granting such right is not restricted by the law or obligations to a third party.

Article 16 - Reporting of Inventions

16.1 The Institute will, subject to execution of an appropriate non-disclosure agreement with the Center, disclose to the Center in a Center-approved form every invention made or conceived under this Agreement within two (2) months of the date on which such invention is made or conceived. These disclosures must be in sufficiently complete detail to convey a clear understanding, to the extent known at the time of the disclosure, of the nature, purpose and operation of the invention.

16.2 The first patent application will be filed in the territory where the invention was made within twelve (12) months of reporting the invention in accordance with Article 16.1 above. The remaining patent applications will be filed in the other territories within respective time periods to ensure that the priority date of the first patent application is obtained for these later filed applications. The Institute will provide the Center with copies of all patent applications which Recipient files within four (4) months from the filing date.

16.3 If the Recipient determines not to file a patent application in any territory of an ISTC Party, the ISTCParty and the financing Party may obtain title to that invention and file a patent application in that territory. The determination not to file shall be transmitted to the such Party no later than six (6) months prior to the end of the time periods for filing patent applications set forth in Article 16.2 above.

Article 17 - Conflicting Agreements, Laws and Regulations

The Institute shall notify the Center prior to the signature of, and promptly during this Agreement of:

(a) Any contractual provision that may limit rights to Background Results;

(b) Any obligation to grant rights to Foreground Results to a third party, which may affect the exploitation or commercialization of the Foreground Results; or

(c) Any restriction arising from government laws or regulations which may materially and adversely affect rights necessary for the performance of the work under the Agreement or the exploitation or commercialization of Foreground Results.

**Annex III - Formats for Progress and Cost Reports**

1. Format for Technical Reports

Quarterly reports shall specify the progress, any actual or proposed deviations and modifications to the Work Plan in Annex I, and the results obtained. The reports shall contain sufficient information to enable assessment of the progress and cooperation within the Project. The details of the Annual Report shall be agreed upon at an appropriate time by the Institute and the Center's Project representative. A suggested format for quarterly reports is as follows:

I. Summary of Technical Progress (By task in the Work Plan)

II. Milestones Completed

III. Summary of Personnel Commitments

IV. Major Equipment Acquired

V. Description of Significant Travel

VI. Current Technical Status (on schedule, behind schedule, ahead of schedule)

VII. Delays, Problems, Suggestions

VIII. IPR Annex

2. Financial Forms

(The templates for reports are to be provided separately by the Center.)

***ANNEX IV***

*DISCLAIMER*

It is understood and agreed to by the Recipient Institutes of this ISTC project that:

The project funding commitment of the ISTC is subject to and limited by the funds which are actually available by the ISTC Financing Party(ies) for this project;

The funding for each project comes from ISTC Financing Parties and/or Partners who might make their ISTC financial contribution in whichever currency considered appropriate;

As a matter of practice, the ISTC at present signs all project agreements in a single currency, the US dollar;

The project support given to this project by the ISTC Financing Party(ies) and/or Partners of the ISTC may be affected by causes, including currency fluctuation, which may require adjustments in the project budget.