

Minutes of the First STCU Board of Governors Meeting
Kiev, Ukraine
December 14-15, 1995

Thursday, December 14, 1995

OPENING (welcoming remarks)

Executive Director Ostap Hawaleshka opened the meeting. Those present included:

Canada

Wasył Janischewskyj (Governing Board)
Roger Lucy
Tom Body

United States

John Boright (Governing Board)
Jim Noble
Bill Luke
Randy Beatty
Angela Jeffries

Sweden

Amb. Martin Hallqvist (Governing Board)
Tor Larsson

Ukraine

Victor Baryakhtar (Governing Board)

STCU Secretariat

Ostap Hawaleshka
Boris Atamnenko
Lubomyr Banias
Andrei Zhalko-Titarenko
Molly Cernicek
John Deni

Mr. Hawaleshka delivered welcoming remarks and Ukrainian Board Member, Dr. Victor Baryakhtar, gave some introductory remarks. Mr. Hawaleshka made introductions around the board room table. Welcoming comments by National Space Agency of Ukraine Deputy Director Komarov were conveyed by Mr. Hawaleshka.

Opening remarks were then made in turn by Canadian Board Member Dr. Wasył Janischewskyj; Swedish Board Member Ambassador Martin Hallqvist; and U.S. Board Member Dr. John Boright. All Governors expressed their enthusiasm for the STCU's first Board Meeting and their hope that the Center would fulfill its nonproliferation goals.

INITIAL TOPICS (Chairman, Agenda, and Statute)

Dr. Baryakhtar nominated Dr. Boright to be Chair of the STCU Governing Board. Dr. Janischewskyj seconded the nomination and Dr. Boright became chairman without objection. Dr. Boright moved to approve the Agenda and the Board adopted the Agenda by unanimous consent. Dr. Janischewskyj moved to approve the STCU Statute. The Board adopted the Statute. Dr. Baryakhtar expressed the sentiment that, in reference to Article VIII, Paragraph K of the Statute, Ukrainian experts also be consulted when third party scientific expertise is needed.

LESSONS LEARNED

Mr. Hawaleshka began a presentation on the challenges of establishing the STCU and the many lessons that were learned in the process. The presentation began with an overview of how the STCU has dealt with the Ukrainian government. Mr. Hawaleshka then discussed the historical perspective, looking at how STCU operations began in the spring of 1995. Mr. Hawaleshka's presentation then turned to look at some of the major accomplishments of the Parties and the STCU Secretariat in:

- remodeling the new STCU building
- dealing with the State Security Committee
- working with Ukrainian scientists
- grappling with customs and taxation issues
- developing a positive future for the STCU

At the conclusion of Mr. Hawaleshka's presentation, Dr. Boright led a discussion on some of the points brought up in the Lessons Learned briefing. Of particular concern to the Governors were current problems posed by taxation issues and staffing issues. Specifically, the Governors heard that the Center was not in a position to develop a compensation plan for its employees nor provide grants to scientists funded through STCU projects because of persistent questions regarding the Center's tax-exempt status. The Governors agreed that progress had to be made in clarifying the Center as a tax-free entity before funds for staff members or grants to scientists could be disbursed. All expressed willingness to engage the Ukrainian Government at the appropriate levels to clarify the Center's tax-free status.

BOARD PROCEDURES (Rules of Procedure, Accession, Instructions, Translations, Model Project Agreement, proprietary information provisions)

Dr. Janischewskyj pointed out an inconsistency between the Statute (which called for 20 days notice) and the Rules of Procedure (which called for 30 days notice)

regarding the necessary lead-time for calling a Board meeting. The Board decided to amend the Rules of Procedure to reflect the provisions contained in the Statute, since the Statute takes precedence over the Rules of Procedure. Dr. Boright moved for adoption of the Rules of Procedure as amended. The Board approved the amended Rules of Procedure.

Dr. Boright moved to adopt the Rules of Accession document. The Board approved the Rules of Accession without discussion.

The Board next considered the Proposal Instructions, with a final decision tabled until the following day.

The Board then took up the Translations Requirements. After brief discussion, the Board decided to change Article II, Paragraph C of the Translation Requirements document. Under the section of Paragraph C that deals with scientific and other advice, "English" was changed to "English and/or Ukrainian."

The Board next discussed the Model Project Agreement. Acting Chief Financial Officer Bill Luke gave a presentation on the policy implications of the Model Project Agreement. Mr. Luke spoke about the methods by which the Center would pay grantees; project overhead restrictions; supplying the project managers with instructions on allowable costs and project timekeeping; and the Center's project monitoring goals. This last point sparked a discussion on visits to project locations and on what actually constitutes 'monitoring.' The general sentiment of the Board was that the Secretariat should avoid setting monitoring goals that exceeded STCU resources. Final consideration of the Model Project Agreement was tabled.

*w/o rigid
formulation*

The Board considered the Statement of Confidentiality. The Board agreed to amend the Statement by requiring a space for project numbers and by replacing "The Secretariat of the Science and Technology Center in Ukraine" with "The Executive Director of the STCU."

FINANCIAL TOPICS (Regulations, Banking, Comp Plan, FY95 budget, FY96 budget, Auditors)

Mr. Luke gave presentations on STCU financial procedures. This briefing spawned several discussions. On the use of timecards for grantees, the Board accepted Mr. Luke's idea but wanted to return to this point at a future date to access progress. On travel regulations, the Board expressed interest in using the travel regulations document as a guideline for further work. Finally, the Board decided to request overhead expenditure reports from the financial officers at the Ukrainian institutes where the STCU funds projects.

Mr. Luke then gave a briefing on the STCU's banking situation. First, Mr. Luke covered the Off-shore banking arrangements, including the account structure, how funds flow from the funding parties to the various STCU accounts, and how funds will be transferred on-shore. Mr. Luke's discussion of the on-shore, or domestic, banking situation was less positive. He explained that because the STCU was declared to be a resident entity, it was virtually impossible for the Center to escape the inflexibility of Ukrainian domestic banking laws. One potential solution was to set up a series of personal, non-resident, hard currency accounts through which STCU funds would flow. The Board then discussed the feasibility of this arrangement and about how the domestic banking restrictions would impact STCU operations. The Board approved a suggestion by Dr. Baryakhtar that the Secretariat draw up a letter to the Ukrainian government covering the banking problems and all the other potential 'show-stoppers' within the control of the Ukrainian government. The Board also expressed its desire to use of personal, non-resident bank accounts plan until the Parties have had a chance to review the legal implications of establishing and maintaining such accounts.

The Board agreed that a STCU staff compensation plan could not be developed or approved until the Center's tax-free status is unequivocally confirmed.

Mr. Luke then gave a presentation on STCU budgeting issues. Out of a total FY 1995 budget of USD 827,000, USD 266,571 was left over. The total FY 1996 STCU budget proposed by the Secretariat is USD 715,200. After discussion of the FY 1996 budget, the Board expressed its approval of the Secretariat's proposal.

The Board turned to the selection of STCU auditors. The U.S. delegation proposed that the Defense Contract Audit Agency (U.S.A.) perform the audit for FY 1995, at no cost to the STCU. The Board expressed its approval of the US proposal, noting that such an audit should consist of a financial as well as a management audit. Additionally, the Board decided to take under advisement the possibility of rotating the auditing responsibility among the Parties.

Friday, December 15, 1995

TABLED TOPICS (Model Project Agreement, Proposal Instructions)

Dr. Boright moved to approve the revised Model Project Agreement, both Ukrainian and English versions being the same. The Board approved the Model Project Agreement with no objections. The Board then turned to consider the Proposal Instructions. The Canadian delegation suggested that the instructions include a requirement that proposers submit *curricula vitae* along with their proposals. The

Board approved of this suggestion, noting that any person identified by name in the proposal should have his or her *curriculum vitae* included in the proposal.

ADMINISTRATIVE TOPICS (Staffing Plan, financial services, Project Handling Procedures, Supplementary Written Agreements)

Mr. Hawaleshka made a presentation on the staffing plan, outlining how the Center will fill staffing requirements in the Project Management, Financial, and General Services sections. The Board asked that some of the flow diagrams in the presentation be redrafted to show that the heads of the various sections all report directly to the Executive Director. There was also a short discussion on the roles and responsibilities of the Project Managers and Deputy Directors. The Board indicated that the Center should make it clear that the employment of the Project Managers is contingent upon the continued existence of the STCU. There was also a short discussion on training of STCU staffers, with the Board expressing hope that the International Science and Technology Center (ISTC) might help in this process sometime in early 1996.

Mr. Luke pointed out that his service as Acting Chief Financial Officer (CFO), which he performed as a U.S. Government employee seconded part-time to the STCU, would end with his retirement at the end of 1995. He described the need for an interim arrangement until a permanent CFO is provided by the United States. Dr. Boright proposed that the STCU be authorized to directly contract a qualified financial specialist to carry out this function, the expenses of which would be reimbursed to the Center by the U.S. until a permanent CFO is in place. The Board agreed to Dr. Boright's proposal.

Regarding finances, Mr. Hawaleshka took the opportunity to ask for comments on the compensation of Center-funded grantees. Dr. Baryakhtar stated that professors earn about USD 100 per month and senior officials in the Academy of Sciences get about USD 200 per month. Dr. Baryakhtar estimated that the minimum necessary to live in Kiev is around USD 150 per month, and even this level would merely provide subsistence-level living. The Board took note of this information.

Mr. Hawaleshka noted that the European Union and Japan have expressed interest in participating in the STCU.

The Board approved without discussion the Project Handling Procedures of the STCU, which outlined the procedures by which the Secretariat handles incoming proposals.

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The Board then went on to look at the Supplementary Written Agreements between the STCU and Canada and between the STCU and the United States. The Board approved of the Supplementary Written Agreements.

PROJECT APPROVAL AND FUNDING

The Board considered 30 project proposals from Ukrainian scientists and engineers, plus a Canadian proposal to provide (as an approved STCU project) a grant of USD 100,000 to Ukrainian scientists to travel for consultations with counterparts in Canada. Of these proposals, the Board agreed to the funding of 12 projects, and to the Canadian travel grant program, with a total value of USD 1.69 million. Six proposals that did not receive funding were referred back to their proposers with specific comments so that they could be rewritten and resubmitted.

There was then a discussion of the Canadian travel grant program. The Canadian delegation explained that an implementing agency in Canada will work with the STCU to identify eligible scientists. Dr. Baryakhtar expressed support for the idea, but urged that guidelines for prospective applicants be made very clear.

Mr. Hawaleshka asked if those proposals sent back to proposers for further work could proceed to a funding decision without a new Board meeting, as long as the rewrite satisfied conditions set by the Board. The Board agreed to consider this idea.

UKRAINIAN CABINET OF MINISTERS REPRESENTATIVE

Mr. Hawaleshka introduced a staff member of the Ukrainian Cabinet of Ministers, Ms. Tatiana Iljinikh. In response to problems with banking regulations difficulties, Ms. Iljinikh suggested that the Western Parties send letters from their respective governments to the Ukrainian government declaring that STCU funds are charitable donations for Ukrainian scientists. Under Ukrainian law, such donations are not taxable. Consensus among the Board members was that the Parties' Ambassadors in Ukraine would each be asked to send such a letter.

FINAL TOPICS (Press release, projects under consideration, dates of next Board Meeting, dates for next Call for Proposals, closing comments, adjournment)

Dr. Boright noted that a draft of the press release had already circulated among the Parties. The Board gave its approval of the press release.

Mr. Hawaleshka made a brief presentation on the status of projects under consideration by the STCU. To date, 60 projects had been sent to the donor countries for review; 55 had received permission from Ukrainian security--most of which had been

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reviewed by the STCU staff and were next due to be sent out the Parties; and 225 were still under review by Ukrainian security.

The Board discussed dates for the next Board Meeting and agreed that sometime during the first full week of May would be best, possibly on May 10-11.

After each of the Board members made closing remarks, Dr. Boright adjourned the Board Meeting, after which the Press Conference was held.