

EXECUTIVE DIRECTOR'S REPORT ON STCU ACTIVITIES

12TH BOARD (June 7, 2001)

GENERAL COMMENTS

The first half of 2001 continued to reflect the busy activities of the Center. The resolution of many serious problems in the previous year provided management the time to put a greater focus on promoting Center activities to organizations and officials in Ukraine and elsewhere and to begin significant expansion of international activities ie. Outside Ukraine.

In the past year, STCU budgets and project support have more than doubled resulting in a tremendous workload increase for both staff and management. At the same time, the partner program has exponentially grown and special initiatives, such as NPP remediation and the NASA/NSAU MOU projects, have been continued. Also, additional funds were added through a new Supplementary Budget and development and management of several new STCU-generated initiatives is underway. Management has responded to the growing role of the STCU by re-organizing functions and responsibilities of Center management and staff and hiring new staff where necessary, to capitalize on inherent talent and experience to effectively accommodate this growth at little additional cost.

I am very pleased to report that the remaining major issues the Center encountered last year have been effectively dealt with by the Center's actions and with the assistance of the Ministry of Foreign Affairs. Although the Secretariat continues to deal with the many every-day problems which make-up the regular activities of the Center, all new initiatives and project implementation have been effectively carried out and continue to be carried out in a business-as-usual manner.

ACTIVITIES RELATED TO STAFF

An Advisory Committee meeting was successfully organized in Kyiv on Dec.5 & 6, coincidentally with the 11th Governing Board meeting on Dec.7. Following the meetings, on Dec.8, the STCU hosted an all day Anniversary Symposium at Teacher's House to celebrate the 5th year of Center operations as well as to use the opportunity to demonstrate to Ukrainian government officials and politicians the merits and successes of the non-proliferation program, in support of ratification. The event was followed-up with a VIP dinner at a local restaurant where significant issues were discussed between Board members and Ukrainian officials.

The USA at Livermore, California hosted an Advisory Committee meeting on Feb.27 & 28, 2001. Following the meetings, the STCU ED and Senior DED were provided a tour of the Lawrence Livermore National Laboratory facilities. On March 1, the DED (USA) visited Sandia National Labs where he met with technical reviewers of STCU proposals and discussed ways the STCU could improve the transfer and content of proposal information.

The staff re-organization plan approved in December was implemented as of Jan.1, 2001. The new position of Partner Project Coordinator was advertised internally. **L. Taranenko** was the successful candidate and started her new duties in February. The position of IT Administrator was advertised externally and the job offered to **Y. Khmelevsky**. Unfortunately, after accepting STCU's offer of employment, he declined the contract after unexpectedly taking another position with a private firm. The position of IT Administrator was re-posted and new candidates interviewed on two different occasions but no suitable candidate identified. Presently, the vacant position of Regular Project Coordinator is out for competition. Short-term contract staffer **O. Tokovenko** was extended to the end of May to assist in completing database and Annual Report IT initiatives. He subsequently applied for and won the competition for Database Administrator. **K. Kozjura** won the competition for Secretary DED (EU) & Sustainability Group and will start her duties in mid-June. **A. Peikrishvili** was brought to Kyiv for a week of orientation and training in mid-April prior to his officially starting his duties on May 1st as the Georgia Information Officer in Tbilisi. The only remaining unfilled position is Project Coordinator. Due to the increasing workload in customs clearance, **Ms. M.Aleksankina** was hired on a two-month contract as a Customs Clearance Officer to facilitate work in this area. Also, **O. Bikeyev** was hired as a temporary accountant for a two-month period in April to assist USA contractors at the State Dept. with accounting and information technology functions. **M.Carbe's** (CAO) contract was extended for one year to Apr.7, 2002. Two interns will be hired to assist STCU staff during the summer months.

Minor renovations and physical re-location of staff and office furniture undertaken as a result of expansion and re-organization, was successfully completed in May. A new office was created on the third floor of the Headquarters building to accommodate new staff by subdividing the small conference room/kitchenette.

Staff training approved to date includes on-going ACCA certification for V. Zolotareva, B. Rovinsky, and E. Pashkovsky. O. Baydulova-Babko is continuing studies in a local university-offered marketing program, based on previous studies. B. Rovinsky attended a Deutsche Bank Correspondent Banking Seminar in April in New York, USA. A. Khort and A. Kononets will attend a one-month course involving Audit and Managerial Accounting Training in July-August in Baltimore, USA. N. Mikhailovskaya and H. Ischuk will participate in an ISTC sponsored Public Health Workshop in Stockholm, Sweden in June. M. Dzubinska will receive training in acquisition procurement in Washington, USA in early June. T. Nychyperovych will participate in an internship program focussing on procurement in Washington, USA in August-September and I. Tomashevka will meet with Dupont representatives in June in Newark, USA, to learn more about their chemical business and discuss possible increased future collaboration.

STCU management held three "project launch" sessions (Jan.11, Feb.15, Apr.12) for Directors and Project Managers from Institutes representing each new contract signed the previous month. These sessions are held at the Center to provide a chance for these individuals to meet with the Executive and formally begin their association with the STCU. The forum provides an excellent opportunity to interact at the management level before a project actually begins.

To date, 14 international conferences have been supported in Ukraine and include: International Conference on Modeling and Optimization of Complicated Systems, Taras Shevchenko National University, Department of Cybernetics, Kyiv; International Symposia "Vacuum Technologies and Equipment", "Thin films Electronics" Pure Metals", Kharkiv Physical Technical Institute, Kharkiv; International Conference "Correlation Optics 2001", Chernivtsy State University, Chernivtsy; Scientific International Workshop on Theory and Innovative Concepts, Scientific Center "Institute for Nuclear Research", Kyiv; Third International Conference "Health Effects of the Chornobyl Accident", Association "Physicians of Chornobyl", Kyiv; Fourth International Symposium Physics and Engineering of Millimeter and Submillimeter Waves, Usikov Institute for Radiophysics and Electronics, Kharkiv; International Conference on Intelligent Data Acquisition and Advanced Computing Systems: Technology and Applications, Institute of Computer Information Technologies, Foros; International Conference Superhard Tool Materials on the Turn of the Centuries: Production, Properties, Applications, Bakul Institute of Superhard Materials, Kyiv; Fourth International Conference on Modification of Properties of Surface Layers of Non-Semiconducting Materials Using Particle Beams, Institute for Surface Modification, Feodosia; International Scientific Conference on Inorganic Chemistry, Vernadsky Institute of General and Inorganic Chemistry, Kyiv; International Conference "Physics of Liquid Matter: Modern Problems", Physics Department of Taras Shevchenko Kyiv University, Kyiv; Seventh International Conference "Hydrogen Material Science and Chemistry of Metal Hydrides", Institute of Chemistry, Alushta; International Conference "New Trends in High-Energy Physics", Bogolyubov Institute For Theoretical Physics, Yalta; and International Scientific Workshop Science and Social Problems of Society: A Man, Engineering, Technology and Environment, North-East Scientific Center, Kharkiv.

Staff morale events included a staff Christmas party on Dec.14 and a Children's Christmas party on Dec.19. The Center was closed Jan.1-5 for New Years and Ukrainian Christmas celebrations.

EXECUTIVE ACTIVITIES

Presentations/Meetings

STCU prepared and hosted an all day Program "On the Occasion of the 5-year Anniversary of the 1st Governing Board Meeting of the STCU" and press conference for 150 Ukrainian officials and western dignitaries, Kyiv, Dec.8

Management staff provided a briefing on STCU and its activities for Canadian Department of Foreign Affairs & International Trade Desk Officer W. Gilmour and Canadian Embassy staff, Kyiv, Dec.14

Management staff provided a 1½-hour presentation and briefing on STCU activities to new Swedish Ambassador A. Peterson, new Finish Ambassador T. Repo, and UN Ambassador D. Gardner, Kyiv, Jan.31

DED (EU), CFO + Sustainability Group provided extensive presentations and meetings for a European Office of Aerospace Research and Development delegation on a matchmaking mission. The delegation consisted of Colonel G. T. O'Connor, EOARD Commander; D. M. Candy Lindsly, Program Coordinator; Colonel R. Reed - Life Sciences; Lt. Col. D. Burns, Radio Frequency Technology; and Major T. Tippett – US Embassy, Assistant Air Attache. The Sustainability Group organized and conducted 26 presentations by Ukrainian scientists from 19 institutions (Kyiv, Kharkiv, Dnipropetrovsk, Lviv, Odessa). At the conclusion, the EOARD Commander stated that he expects to sign at least 8 new Partner activities and plans to bring another new mission in a few months. He also stressed that he is impressed with the high quality of services STCU provided to his organization, Kyiv, Feb.5-9

ED and Senior DED met with new Ukrainian Governing Board Member Y.Yatskiv, to brief him on activities and Board functions, Kyiv, Mar.21

Management staff provided a 1½-hour presentation and briefing on STCU activities to a CIDA delegation of Canadian businessmen, Kyiv, Mar.22

ED and Senior DED met with Ukrainian Chairman of Parliamentary Committee on Issues of Science and Education, I.Yuhnovsky, to discuss IPR concerns and proposals with respect to STCU's Statute, Kyiv, Mar.27

ED provided a briefing on STCU and its activities at the Swedish Embassy for European Union Ambassadors and First Secretaries (approx.14 in attendance), Kyiv, Apr.10

ED and Senior DED chaired IPR meetings with Financing Party lawyers and 4 Ukraine representatives to revise and agree to modifications of IPR clauses in STCU's Statute, Kyiv, Apr.19, 20

DED (EU) provided the presentation "Update on STCU Activities" to the **International Conference on Current Status of Nuclear Export Control and Procedures Implementation for Internal Control Within Enterprises**, Kyiv, May 16

ED provided a presentation on partnering possibilities at the Canadian Embassy to the Canadian-Ukrainian Business Community, Kyiv, May 18

Executive Trips

ED visited Turkey with J. Brush and R. Lehman to investigate potential for Turkey joining the Centers as a funding party; met with President N. K. Pak, TUBITAK and Deputy Director General for OSCE, H. Gogus, Ministry of Foreign Affairs; met with Ambassador R. Pearson and staff at the USA Embassy, Ankara; also met with Directors at Marmara Research Center and Kandilli Observatory and Earthquake Research Institute, Istanbul, Turkey, Jan.18, 19

ED, DED (USA) and CFO met with GAO auditors and State Dept. officials to provide input to USA Program audit, Washington D.C., USA, Jan.22-24

ED, DED (USA) and CAO met with President Shevardnadze; State Minister Dr.G. Arsenishvili; Deputy Minister MFA, Z. Chumburidze; Minister of Finance, Minister of Economy, as well as many other important officials; Committee of Science & Technology representatives, and Ambassador S. Volkovetskiy and First Secretary, I. Dovganyuk of the Ukrainian Embassy in Georgia; also visited Institute of Stable Isotopes, Institute of Mechanics and Mining; Institute of Inorganic Chemistry & Electrochemistry, Technical University of Georgia, Tbilisi State University, State Military Scientific & Technical Center DELTA, Tbilisi, Georgia, Feb.6-8

ED attended meetings with Canadian Department of Foreign Affairs and International Trade officials to describe program activities and with the Director of Orenda Aerospace Corporation to discuss possibilities for expanding collaborative activities, Ottawa, Canada, Feb.22

ED provided a luncheon presentation on STCU and Partnering possibilities to the Winnipeg Chamber of Commerce members, **Winnipeg, Canada, Feb.23**

ED and Senior DED were provided a tour of Lawrence Livermore National Laboratory facilities, **Livermore, USA, Mar.1**

ED and Senior DED provided presentations on STCU and greater partnering possibilities to Kansas City Plant executives and staff, as well as having a brief tour of the plant, **Kansas City, USA, Mar.5**

ED and Senior DED participated in several meetings with Department of Energy representatives and discussed the IPP program and relationships, **Washington D.C., USA, Mar.6**

ED provided a presentation "State of Play of the STCU: Programmes, Activities and Perspectives", Non-Proliferation and Disarmament Co-operation Initiative Conference, **Brussels, Belgium, Mar.8, 9**

ED met with **European Union Ambassador M. B. Humphreys** and **Head of Technical Assistance Section, Mr. B. Toll** as well as with **Mr. N. Mirza, First Secretary (Development), Canadian Embassy**, to brief on STCU and mission goals, **Almaty, Kazakhstan, Apr.24**

DED (USA) and CAO met with senior government officials and science leaders an effort to confirm privileges, select an Information Officer and to identify a suitable office facility, **Tashkent, Uzbekistan, Mar. 26-29**

ED and Senior DED met with **President, Academy of Sciences of Tajikistan, Mr. Mirsaidov**, to discuss possibilities for cooperation and requirements for accession, and visited **Institute of Chemistry, Umarov Physics and Technical Institute, OJSC HydroAggregate and Tajiktekstylemash, Dushanbe, Tajikistan, Apr.25**

ED and Senior DED met with **Minister of Foreign Affairs of Tajikistan, Mr. T. N. Nazarov**, to discuss possibilities for cooperation, **Dushanbe, Tajikistan, Apr.26**

ED met with **German Ambassador W. Neuen** and **USA Ambassador R. P. J. Finn** to brief them on STCU and its mission goals, **Dushanbe, Tajikistan, Apr.26, 27**

DED (EU) and Sustainability Group met over three days with major Finnish R&D organizations and companies to present partner possibilities, **Helsinki, Finland, May 21-23**

DED (USA) officially opened STCU's Georgia Information Office and hosted a small reception for Georgian government and science leaders, **Tbilisi, Georgia, May 23**

FINANCIAL MATTERS

Banking Update

Since the Board meeting in December, no additional payments have been made to the STCU by State Joint Stock Specialized Import Export Bank of Ukraine (Ukrspetsimpex Bank). Following a ruling of the Arbitration Court in favour of STCU's claim in the Fall, the Prosecutor General's Office unexpectedly intervened in mid-December and protested a subsequent favourable Appeals Court decision. This protest and suspension occurred a day before the Appeals Court ruled in favor of the STCU. Subsequently, the Appeals Court judge over-ruled the Protest submitted by the Prosecutor General's Office. STCU, together with Canadian Embassy officials met with Mr. V. Stelmakh, Governor of the National Bank of Ukraine, in an attempt to receive assistance in implementation of the court order to re-pay funds. Unfortunately, within an hour of this meeting, the Prosecutor General's Office once again submitted a Protest and suspended the judge's ruling. Subsequently, the STCU ED wrote a letter to President Kuchma requesting he look into why the Prosecutor General was intervening on behalf of commercial interests rather than assisting an organization which includes the government of Ukraine as a full member. On May 11, the ED received an unexpected official offer and proposed re-payment schedule from bank officials for a significant sum, which was reviewed by STCU's legal council. A counter offer was subsequently drafted and delivered to the Bank Chairman in the presence of a Deputy governor of the NBU. STCU is presently awaiting a response to this proposal.

ISSUES

Building Update

At the December 1999 Board meeting, the First Deputy Minister of Foreign Affairs promised to take over the STCU lease and all dealings with the landlords. He also promised that the balance of the 290,000 Hr budgeted for STCU for 1999 would be paid by year-end but did not recognize any further debt. The remaining budget payment was not made and will not likely be forthcoming. In addition, he promised that should the Ukrainian government not come to an amicable agreement with the landlords, the government would find a suitable alternative facility and ensure that STCU could remain at the present location until it was in a move-in condition.

Since the last Board meeting, the STCU provided an invoice for the amounts owed by Ukraine for previous rental payments made by STCU on their behalf to Treasury, since sufficient funds were available in the 2000 budget. Because the MFA now controls the budget, Treasury forwarded the request to them. MFA formally rejected the claim in writing, stipulating that the landlords did not prove legal ownership and right to the building so Ukraine was not obligated to pay until they this information was made available.

A diplomatic note was delivered by the MFA on Jan.23, 2001 to the Ambassadors of the USA, Canada, EU, and France, very weakly indicating their support for STCU remaining in their facility located at Laboratornyj Provulok 3. Since June of 2000, no contact or interference has been encountered with the organization claiming to own the building where STCU resides.

New Customs Regulations

Ukraine expanded customs regulations in early January which provide Customs with greater control requirements on import/export of items and greatly increases the number of designated items requiring special clearance. Despite resulting delays in clearances, which will likely continue indefinitely, STCU has renewed efforts to establish new procedures to alleviate the problem. STCU considers that this is not necessarily abnormal and has advised all Project Managers that they should be prepared for longer Customs clearance procedures. **This issue is now considered resolved.**

Ukrainian Board Member

The confused situation with respect to nomination of a new Ukrainian Board member was clarified in February after the Executive Director wrote to Vice-Premier Zhulinski in early January explaining the situation. An official response presented Mr. Yatskiv, the First Deputy Minister of Science & Education as the new Ukrainian Board member, effective the date of receipt of the letter (Jan.30, 2001). **This issue is now considered resolved.**

Ratification

The Ukrainian Parliament ratified the STCU Agreement as law on Feb.16, 2001. The STCU has been working on ratification for the past four years. Although there were 3 strange conditions attached, which form is unknown in the world and within Ukraine itself, STCU has addressed these conditions and resolved them. Unfortunately, no one in the Ukrainian government seems to know how to remove these conditions from the law. **This issue is however, considered resolved.**

MAJOR ACTIVITIES

2000 Annual Report

The report, reflecting STCU's 5-year anniversary of successful operations, has been completed on schedule and will be presented in both hard copy and CDROM format to the Governing Board members. The report is once again shorter than in previous years and is believed to now be an appropriate size considering its bilingual nature and content.

NASA/NSAU

Delays in initiating projects under a joint USA-Ukraine MOU with respect to support for research applied to the new International Space Station were resolved in January. All project proposals (41) received Ukrainian government concurrence and were quickly prepared and provided to Financing Parties for expedited review and approval by STCU and are now in the hands of the Parties and NASA for review and out-of-cycle Board approval. The first seven projects have received official out-of-cycle board approval by 3 of 4 Parties. One proposal has been rejected.

Database Project

As a result of requests from the Parties, the STCU initiated a database project last year to build a single database, which can provide any type of project information requested. Although this project was more complicated than first believed, a proto-type was made accessible to designated individuals over the Internet on Feb. 2, together with a request for comments. No comments have been received to date but work continues on polishing and enhancing the database. It is expected that access to over 3,000 letters of support information will be added by the end of June.

In May, the STCU web site was improved with the addition of a Current Events/News aspect that will provide monthly information on interesting developments related to STCU and upcoming events. A revision of the Home Page is now underway.

Nuclear Safety (formerly Y2K Project)

Addenda C was developed following the successful completion of the original Y2K Program and an additional 700,000 Euro provided by the EU through a TACIS contract for completion of remaining secondary nuclear safety remediation. All tenders have been let and most purchases approved for this phase of the project. Hardware and software has been received and installed. The completion will be slightly delayed but terms of the TACIS contract will be met. Purchasing efforts by STCU staff and NPP personnel have resulted in significant cost savings to the approved project budget.

Georgia Information Office

In February, the ED, DED (USA) and CAO visited Tbilisi on a working mission to establish an Information Office. The delegation was well received by President Shevardnadze and other senior government officials and the mission was deemed successful. Five applicants were interviewed and a candidate selected and hired. Office space was identified and an agreement signed providing for no-cost use for 5 years. Renovation of the 2-room office was completed by mid-May, advertisements placed in local Georgian science newspapers and an official Opening Ceremony and reception hosted by the DED (USA) for 50 dignitaries on May 23.

Uzbekistan Information Office

In March, the DED (USA) and CAO traveled to Tashkent in an effort to complete necessary arrangements to select a candidate as Information Officer and to identify a suitable office facility. Although both selection of a candidate and office space were initially made and approved by the ED, last minute interventions by government officials resulted in the cancellation of the offers and negation of previously agreed-to documents. As a result, the STCU mission was not able to establish a presence in Uzbekistan as desired. A new alternate plan is currently being developed in order to expand services to scientists in the country.

Tajikistan Mission

The ED and Senior DED (Ukraine) visited Dushanbe on a working mission to meet with science and government officials in regards to Tajikistan accession to the Center. Meetings were held with the Minister of Foreign Affairs, the President of the National Academy of Sciences, and several Institute Directors. Briefings were provided to the EU Ambassador in Almaty, the Canadian First Secretary in Almaty, and the German and USA Ambassadors in Dushanbe. The mission was determined to be a success. It was confirmed that scientists were previously involved with WMD, although the numbers and categories are likely less than provided in official correspondence. However, the presence of several closed towns and facilities to which access and information was not provided suggested a continuing proliferation concern is valid. STCU is awaiting the government of Tajikistan to take the

next step in accession by formerly confirming that the government is prepared to provide all privileges identified in the Agreement.

2000 Technical Audit

The United States DCAA auditors completed technical audits over a one month period in Nov-Dec, 2000 of several USA-funded projects in Ukraine, and Georgia. Overall, the only problems identified were related to poor planning and coordination of the auditors with respect to providing sufficient advance notice of their travel requirements to the STCU. The few items identified during the audit reflected issues pertaining to the State Department's perceived role in the process. Project audits themselves were clean and no significant issues were identified.

2001 GAO Audit

Three United States GAO auditors arrived in Kyiv to carry out a Program-related audit for the week beginning Jan.29. STCU management provided a detailed two-hour briefing and question & answer session, followed by separate departmental sessions. Additionally, staff facilitated visits to area institutes. The auditors seemed to be pleased with the cooperation and work of the Center staff and Ukrainian scientists. The final report was made available May 10 and seemed to fairly accurately report on how the Centers functioned, although in a few areas seemed to confuse different operational procedures in Ukraine and Russia.

2001 European Court of Auditors

The STCU was advised with 3 weeks notice that the European Court of Auditors planned to carry out an audit from Feb.21-23 on financial contributions of the EU to the STCU. STCU management and staff responded positively and prepared all requested visits and information, although the short notice and timing of the audit resulted in some disruption of on-going work at the Center.

2000 Financial Audit

Lubbock-Fine auditors arrived for a week on Feb.12 to begin preliminary planning for the year 2000 financial audit of the Center. Auditors returned for a two-week period in March to continue specific audit functions and have since completed auditing the year 2000 financial activities of the Center. They have indicated their letter will reflect another clean audit.

NEW DEVELOPMENTS

Statute Revisions

Following a "Declaration concerning provision for ownership and licensing of intellectual property rights" signed by the Governing Board on December 7, 2000, and provided to the Parliamentary Committee on Issues of Science and Education, the STCU coordinated a meeting between western Financing Party lawyers and Ukrainian-designated IPR experts to draft a revision of STCU Statute Definitions and IPR clauses to reflect current Ukrainian legislation. This was successfully completed over a two-day period.

MPA Revisions

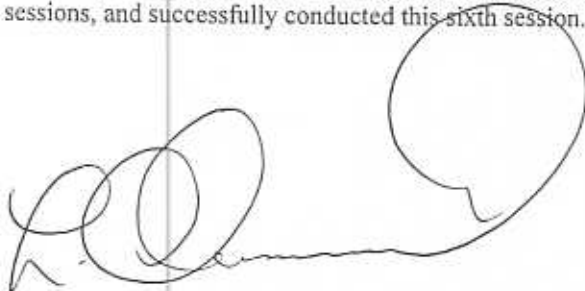
Following-up on recommendations of auditors, STCU determined to modify minor Articles of the MPA to address their concerns. Additions were identical to phrases in the ISTC MPA and because they were considered minor, were implemented by decision of the Executive Director and made effective on May 21, 2001.

Sustainability Group Activities

Three new partners have been introduced since the December Board; US Department of Agriculture/Agricultural Research Service (USDA/ARS) and US Department of Defence/Cooperative Threat Reduction (OSD/CTR), USA and Breitmeier Messtechnik GmbH, Germany.

Fourteen partner project contracts were signed since the 11th Board with EOARD, USA (P-053, P-057, P-069, P-071, P-072, P-078), Steris Corporation, USA (P-030), Vansco Electronics Ltd., Canada (P-055), Tesseral Technologies Inc., Canada (P-068), OPTIWELD, Canada (P-074), DOE Kansas City Plant, USA (P-064), VEECO Instruments Inc., USA (P-075) and K+S Services Inc., USA (P-070, P-073) for a total of US \$1,773,576. In addition, four existing projects were extended with DuPont, USA (P-005b), National Cancer Institute, USA (P-004c), 3M Corporation, USA (P-020a), and General Electric, USA (P-052a) for a total of US \$500,802. The past six month period has resulted in a record for partner participation with total support of US \$2,274,378 provided to support Ukrainian scientists.

One new seminar was carried out by STCU for 25 participants on "How to Commercialize R&D Products "Innovations"", in Kyiv, March 12-16. The provider (IIB - International Institute of Business) added improvements and changes made as a result of questionnaires received from previous sessions, and successfully conducted this sixth session.



Leo Owsicki
Executive Director
May 28, 2001