

EXECUTIVE DIRECTOR'S REPORT ON STCU ACTIVITIES 14TH BOARD (June 11, 2002)

GENERAL COMMENTS

The first half of 2002 continued to reflect the busy activities of the Center. Following the December Board meeting, planning and preparation for the Annual Report was immediately started; several new training programs designed and delivered; financial audits completed; international offices opened; and a new, electronic proposal registration process developed and implemented. This work continued despite the renewal of significant problems with the facility provided by Ukraine as STCU headquarters. Although the issue was resolved by Ukraine 1 ½ years ago, both electricity and water & sewer were unexpectedly cut to the Center for a 3-month period. The Secretariat and staff continued to work under adverse conditions throughout this time to not only provide 6,000 scientists with their regular support but also maintained implementation schedules for all initiatives. This effort only serves to reinforce the dedication and professionalism of all STCU staff to delivering on the principal objectives of the Center on behalf of the Governing Board and the governments supporting the Center.

ACTIVITIES RELATED TO STAFF

An Advisory Committee meeting was hosted by STCU in Kyiv on December 4 followed by the 13th Governing Board meeting on December 6. The EU later hosted an Advisory Committee meeting in Paris, France on March 8, 2002. Several important issues were discussed, including renewed problems with the building and Ukraine's obligations as well as presentation of a new initiative by the Secretariat on supporting mine destruction efforts in Ukraine.

Staffing of the Center continued since the Board meeting as M. Dzubinska won a competition for the new position of Assistant Procurement Officer and A.Yezhova was successful in competing for the position of Secretary Administrative Department. T.Teryakhina was hired on a 5-month contract Jan.1/02 as a maternity leave replacement for D. Stavnicha. Y.Kim was extended to Oct.5 to provide accounting support during the financial audit and was made temporary Treasurer on Apr.26 when T.Teryakhina left for a full-time position at McDonalds Ukraine. E. Saverchenko, hired as temporary support for the IT Group, was extended to Apr.19. O.Bikeyev, hired as a temporary accountant in April 2001 to assist USA contractors at the State Dept. had his contract extended to July 7 at the request of the USA. The vacant position of Receptionist was recently competed and the position offered to Ms N. Moisyenko. DED (EU) E.Manninen's contract was renewed for a one-year period to Dec.31/02. Administrative Assistant T.Leshchenko resigned for personal reasons. The position was subsequently advertised and two interview sessions completed by May 16. G.Petrenko was hired May 23 following the competition as Secretary to the Senior DED. Due to increasing demands of the position, O.Zalozhenkov was assigned to full time duties as the Sustainability Group's Patents Officer. His other duties as Webmaster were re-assigned on Apr.10, following a competition, on a temporary basis to A.Einor for an initial 3-month period. CAO M.Carbe's contract was extended for another year to Apr.6, 2003.

Planned staff training continued with K.Kozura participating in an STCU "Marketing and Business Planning for R&D Products" 5-day course in December in Kyiv. V.Zolotareva participated in a 1-week Project Management Training course in London, England in January. R. Pishchalov participated in a 2-week course on "International Procurement Management" in Turin, Italy in March. R.Sattarova (Uzbek Information Officer), V.Rossikhin, J.Dmitrieva, M.Aleksankina and V.Vinogradov were approved for English language courses for a 6-month period beginning in February. B.Rovinsky, E.Pashkovsky and V.Zolotareva were approved to participate in the next level of ACCA (Association of Chartered Certified Accountants) training in Kyiv. B.Rovinsky completed a one-week intensive training course "Project Leadership, Management and Communication" held April 8-11 in London, England. In late May, 13 STCU Project Coordinators completed a 1 week training course/conference "Introduction to Technology Transfer" and "Best Practices in Transfer of Science & Technology" in Prague, Czech Republic.

The Secretariat held two "project launch" sessions (Dec.19 & Feb.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. Unfortunately, due to the difficult conditions at STCU's headquarters facility, no "project launch" sessions for Directors and Project Managers from Institutes representing each new contract signed the previous month were held since the last AC meeting.

A staff Christmas party was held on Dec.14 and a children's Christmas party on Dec.15.

A staff morale/team-building Bowling event was held on the evening of June 7.

EXECUTIVE ACTIVITIES

Presentations/Meetings

ED met with new European Commission Head of Delegation **Ambassador N. Jousten** to brief him on STCU and the upcoming Board meeting, Dec.5

ED provided the opening address for STCU's new Advanced Training Course - "Negotiation and Presentation Techniques for Commercialization of Innovations", Dec.18

ED provided an interview for the "**Kyiv Post**" local English language weekly newspaper, Jan.17 (published Feb.14)

ED met with Canadian **Ambassador A. Robinson** to brief him on the serious new developments with regard to the STCU building, Jan.25

ED and Senior DED met with **Mr. Lazuto, Ministry of Foreign Affairs Head of Protocol**, and others to discuss the serious new developments with regard to the STCU building, Jan.29

ED met with Norwegian **Ambassador J. Bernhardsen** to brief him on STCU activities and discuss possibilities for Norway's acceding to the Center, Feb.27

ED met with Spanish **Ambassador L.G. de Aranda y Villen** to brief him on STCU activities, Partner possibilities and the building issue, Feb.28

An extraordinary **meeting of the Governing Board** was held by teleconference to discuss the serious issue of attacks against the STCU building and actions of the Ukrainian government, Mar.18

ED provided an interview for the **San Francisco Chronicle** newspaper (published Mar.19)

ED and DED (EU) provided an interview for **Finnish Broadcasting Co. television**, Mar.28

ED met with Canadian **Ambassador A. Robinson** to discuss developments with regard to the STCU building, Mar.11, 21

ED and CAO met with USA **Ambassador C. Pascual**, EC **Ambassador N. Jousten** and Canadian **Charge M. Wodinsky** to brief them on issues regarding the STCU building, Mar.25

ED, Senior DED and CAO meet with MFA **State Secretary O.Chalji** and staff, **Ambassador C. Pasqual**, **Ambassador A. Robinson**, and **Ambassador N.Jousten** to discuss STCU building and Ukrainian actions, Apr.8

ED met with **M. Schneider and J. Morrison**, advance team for Canadian Alberta Premier Kline's upcoming official visit to Ukraine and discussed possible inclusion of STCU on the agenda, Apr.12

ED hosted a business reception for visiting **CIDA** business delegation, Apr.14

ED, DED (USA) and Senior DED made a presentation to **Lt. General V. Tereshchenko and V. Shved, State Commission for Defence and Industrial Complex of Ukraine** on STCU and it's activities, followed by a discussion on possible cooperation with respect to Ukraine's mine destruction efforts, Mar.19

Management staff presented a briefing on STCU and its activities to a 5-person **EOARD** delegation from London, England, May 7

ED provided a briefing and tour at the Paton Institute for Alberta Minister of Community Development, the Honourable **G. Zwozdesky**, as part of Alberta Premier **R. Kline's** official visit to Ukraine, May 21

Management staff presented a briefing on STCU and its activities to a 2-person French delegation headed by **Mr. F. Lefevre, Charge of the Mission for Research Valorization, University of Nantes**, May 22

ED attended **UN General Secretary Kofi Anan's** address to the Ukrainian Parliament, Jun. 4

ED participated in an information session with 3-person **Development Assistance Committee of the OECD**, Jun.4

Executive Trips

ED provided interviews for two national Uzbekistan television stations (**Ahborot**) on STCU's Information Office opening, **Tashkent, Uzbekistan**, Feb.6

ED met with **Georgian Ambassador to Uzbekistan G. Abdushelishvili** and briefed him on STCU's mission and goals and activities in Georgia, **Tashkent, Uzbekistan**, Feb.6

ED met with **Mr. Akhunov, Deputy Head of Committee on Science & Technology**, to discuss Partner process and government concurrence, **Tashkent, Uzbekistan**, Feb.6

ED met with **Pro-Rector of Samarkand State University and Mr. T. Shirinov** and made presentations for 85 Institute Directors, Deputy Directors and scientists representing many institutions at the Institute of Archeology (Samarkand Branch of Academy of Sciences), **Samarkand, Uzbekistan**, Feb.7

DED (USA) met with 5 representatives of the **Schlumberger Company** to discuss Partner possibilities, **Kharkiv, Ukraine**, Feb.7

ED met with **Rector of Buchara State University** and made presentations for 70 Institute Directors, Deputy Directors and scientists representing 5 institutions from Buchara and Navaji Districts, **Buchara, Uzbekistan**, Feb.8

ED met with **Mr. U. Kadirov, Chief of Visa Department, MFA**, to discuss the possibilities for an effective process for STCU invitations for foreign guests, **Tashkent, Uzbekistan**, Feb.9

ED, DED (USA), Senior DED and CAO attended AC meeting, **Paris, France**, Mar.8

ED and Senior DED visited Galkin Donetsk Institute for Physics and Technology and Institute of Physical Organic and Coal Chemistry to meet with Directors and scientists to discuss projects, proposals and new registration, **Donetsk**, Apr.15-17

ED met with Project Manager of Institute of Mechnikov Odessa State University to discuss project results, next steps and new registration, **Odessa**, Apr.30

ED met with Deputy Director and Project Manager of Marine Hydrophysical Institute to discuss project results, next steps, and new registration, **Sevastopol**, May 3

ED toured former Soviet secret submarine base, **Balaclava**, May 4

FINANCIAL MATTERS

Banking Update

STCU's attempts to retrieve re-payment of the final 20% of funds awarded earlier to STCU by the Ukrainian courts (interest + fines/penalties) remained stalled in the courts. However, on May 24, the new highest court in the land (Supreme Court) upheld a previous ruling of the Plenum in favor of STCU. This ruling may work in STCU's favor with respect to a subsequent lower court ruling against STCU, which was appealed but the appeal was not accepted. On May 24, the Appeals court ruled that the City court should hear STCU's appeal.

Audits

The United States Department of Defense auditors provided the Department of State and STCU with their final audit report on Feb.12. No significant problems were identified. Lubbock-Fine auditors from London arrived and carried out the annual financial statement audit from Feb.11 and completed their work by the end of April. They provided another clean audit report on STCU's activities. Technical audits by the USA DOD have been coordinated with STCU and are planned for this fall.

ISSUES

Ukrainian Obligations

Delays in re-payment of VAT owed to STCU for June, July, August and September, previously described, is no longer a concern. STCU is once again receiving regular, timely reimbursements. **This issue is now considered to be resolved.**

STCU's former landlords, Gals K, made an unexpected pre-emptive strike against the Center on Jan.23 by cutting-off all power to the building. Since this time, STCU has been operating on emergency generator and working with the MFA and Ambassadors of USA, EC and Canada to re-connect utilities and resolve the new issue over building ownership. At this time, MFA was preparing to provide an alternate location to STCU. As such, STCU prepared the minimum requirements for such a suitable facility in order to ensure that no new "temporary" fix was presented. On Feb.25, water and canalization was cut to the Center. On Mar.1, a meeting was held between Mr. Chalji (MFA), Kyiv City Administration (Mayor Omelchenko) and GalsK. Although immediately afterwards, representatives of both Kyiv Energo and Kyiv Vodocanal visited the STCU, only further stalling tactics resulted. STCU remained on emergency crisis status and continued to operate using a rented generator while Kyiv Vodocanal made several more attempts to cut water and sewer facilities until late April. At a meeting between Ambassadors and MFA State Secretary O. Chalji at the STCU, Ukraine re-iterated that it was working hard to try and resolve all issues related to the building. As an important first step, all costs related to the rented generator, paid by STCU were reimbursed through the Ukrainian budget. A subsequent meeting between Ambassadors and Kyiv Mayor Omelchenko resulted in almost immediate re-connection of electrical services to STCU on Apr.25 and a re-opening of negotiations between MFA and the previous landlords GALS-K. On May 15, STCU was provided a draft of a new

lease agreement between GALS-K, MFA and STCU for comment. This document was translated to English and provided to all concerned parties. Negotiations have since deteriorated with GALS-K insisting that STCU be a signatory of any new lease and the Governing Board and countries supporting the Center insisting that only an agreement between the Government of Ukraine (or representative body) and GALS-K would be acceptable (with possible sub-agreements between the government and STCU). On June 6, MFA representatives unofficially informed STCU that GALS-K had provided them with a final agreement with STCU as a co-signatory as Lessee and if it was not accepted the electricity would be cut on June 11.

Western Obligations

The previous issue of timely work plan approvals has been effectively addressed by the USA. All work plans since the 13th Board have received prompt and effective attention. **This issue is now considered to be resolved.**

MAJOR ACTIVITIES

Annual Report 2001

A 70% complete draft was made available for review and comments at the March AC meeting. It included the CDROM content except for financial information, which was to be provided on completion of the financial audit. Intensive work continued over the past 3 months and as a result the Report has been completed on time, on schedule and under budget and will be made available at the Board meeting and widely distributed shortly thereafter.

Uzbekistan/Georgia Internet Project

Following approval of this special Supplemental Budget initiative supported by the USA, STCU IT Administrator I. Mikhailov traveled to Tashkent and Tbilisi to investigate the practicality of the initiative, determine potential candidate institutes and establish the actual, detailed costs required for implementation. On the basis of the information obtained, candidate institutes were identified and a detailed work plan and budget developed. Selected institutes have been contacted and space requirements determined. MOU's have been drafted and are prepared for signing prior to commencement of the initiative. The implementation stage will begin in June and be completed within a six-month period.

STCU Monitoring Policy and Scheduling

The STCU process for monitoring of projects was never formally established as a policy with identified procedures and guidelines for all individuals involved in the process. Following several meetings and staff input, a draft policy and procedures was developed which included an annual monitoring plan and schedule for calendar year 2002. The new monitoring scheduling was completed and implemented in March. Positive results have already led to significant travel cost savings as a result of better-coordinated missions and increased efficiencies. Savings have also resulted from elimination of overlap and improved coordination of visiting technical and financial auditors. Guidelines for consistent technical and financial STCU monitoring missions are now being refined and adapted for incorporation in a streamlined electronic database which will make reports accessible to Parties over the Internet.

Opening of Continuous, Electronic Registration

On May 20, STCU formally re-opened registration for new proposals on a continuous basis with advertisements in local newspapers, on the STCU web site and with formal letters of notice to science leaders in the country. A totally new software program has been designed to allow for electronic-only submission directly on the Internet and follow-up registration with a complementary collaborator advertisement design to be built into the web site. Phase 2 of total web access for western expert

reviewers was activated on May 24 when the first 20 of 50 remaining 3rd Call Full Form proposals were made available over the Internet.

STCU Workshops/Seminars

STCU was initially preparing to present two events in May and October of this year, designed to focus on issues and/or technologies of national interest and bring together representatives of foreign organizations and Ukrainian specialists to promote greater support of related Ukrainian R&D proposals. The seminars were to focus on Challenges to Health in Ukraine: Health Threat of Environmental Hazards and on Environmental Problems of a National Scope. Due to scheduling conflicts, STCU management decided to combine these seminars into one larger event which will focus on Ecological and Health Threat Associated with Environmental Contamination and will be held sometime in mid-September.

Uzbekistan Information Office

Renovations were completed by the end of January 2002 and the premises prepared for an official opening, which was held on Feb.6. The Executive Director invited 100 of the leading science and government officials to the opening. Speakers included **USA Ambassador Herbst, German Ambassador Hecker, Ukrainian Ambassador Kasyanenko, Deputy Foreign Minister Safaiyev** and others. Interviews were provided for several national television stations and the ED hosted a reception following a formal ribbon-cutting ceremony.

The office was formally accredited on Jan.9, 2002. The Foreign Minister also officially informed STCU that the State Committee on Science & Technology has the responsibility for providing government concurrence. On Feb.21, the Executive Director presented Regina Sattarova as STCU's official representative and requested her accreditation in order to allow for an effective mechanism for providing invitations to western representatives.

Tbilisi Information Office

The STCU office located in the Institute of Mining & Mechanics was broken into in late March and equipment valued at approximately US \$4000 stolen. This event occurred late at night despite the presence of a security guard at the building entrance. The Center has since repaired damages and replaced stolen equipment. Details and subsequent actions by STCU are provided in greater detail in a separate report.

NEW DEVELOPMENTS

Azerbaijan Accession Interest

Foreign Minister Guliev wrote to the Executive Director in December, informing him of Azerbaijan's acceptance of all aspects of the Agreement and formally expressing their wish to join the STCU. The Executive Director formally notified the Governing Board members of this request. To this date, Canada and Ukraine have provided their concurrence. The decision is still awaiting responses from the EU and USA Board members.

Tajikistan Accession Interest

The President of the Academy of Sciences and Head of the Committee of the Parliament for Science, **Dr. U. Mirsaidov** informed STCU on Feb.21 that the internal procedure of coordination and review of the Agreement by all Ministries was completed and the Agreement sent to Parliament, where it was to be submitted for ratification at the next Session. He subsequently informed the Executive Director on May 6, that the Parliament of Tajikistan had formally decreed that Tajikistan should accede to the Agreement Establishing the STCU. The Executive Director forwarded this information to the Governing Board for consideration on May 8. The Minister of Foreign Affairs followed-up this request

with formal notification to the Executive Director on Jun.3. A decision of the Governing Board is now pending.

Sustainability Group Activities

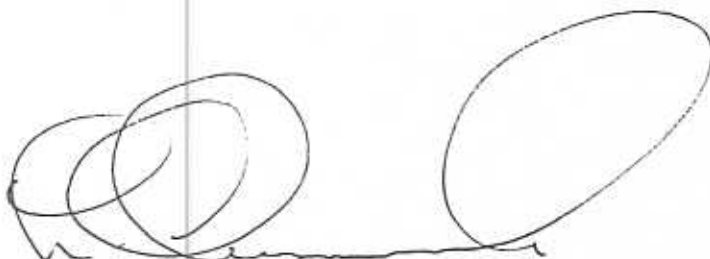
Six new Partners have been introduced to the STCU since the December board meeting; **Hi-Tech Fabricators Inc., Canada; Trimay Wear Plate Ltd., Canada; XSENSOR Technology Corporation, Canada; Powerhouse Engineering Ltd., Canada; Tracey Technologies, USA; and Arizona State University's Multi-disciplinary Laboratory for Material-Wave Interactions, USA.**

Eight partner project contracts were signed since the December AC meeting with **Institute for Protection and Nuclear Safety (IPSN), France & GRS Germany (P-085), Breitmeier Messtechnik GmbH, Germany (P-086), General Electric, USA (P-098), DOE/IPP (Lawrence Livermore National Laboratory), USA (P-083) and ATOFINA Elf, France (P-100), DOE/IPP (Pacific Northwest National Laboratory), USA (P-095), EOARD, USA (P-080), and Institute of Radiation Protection and Nuclear Safety (IRPNS), France (P-099)** for a total of \$981,000 + Euro 545,682.

In addition, four existing projects were extended with **Max Planck Institute of Plasmaphysics, Germany (P-054a), "K+S Services" Inc., USA (P-070a), and National Cancer Institute, USA (P-004d)** for 12 months each and with **Dupont Agricultural Products, USA (P-005b)** for 24 months, for a total of \$939,295. [TOTAL approx. \$2,411,410]

On Dec. 10-14, STCU held its first advanced pilot course on "Marketing and Business Planning for Commercialization of R&D Products" in Kyiv and on Dec. 18-21 STCU held its first advanced pilot course on "Negotiation and Presentation Techniques for Commercialization of Innovations", also in Kyiv. Both events were well attended and follow-up interviews and written submissions confirmed the value placed by the scientists on these training opportunities. A third advanced pilot course "IPR Protection and Related Business Opportunities" was held in Kyiv from Jan.22-25.

The first "How to Commercialize Innovations" course was held by STCU in Tashkent, Uzbekistan from Feb.18-23.



Leo Owsiacki
Executive Director
June 6, 2002