



EXECUTIVE DIRECTOR REPORT (Reporting Period: 10 February 2005 to 15 June 2005)

Major Issues

Gals-K Court Case and MES Funds with STCU

Since the last report given to the 19th Governing Board, there has been no new legal action initiated by Gals-K regarding the past unpaid rent on the former STCU headquarter premises at 3 Laboratornyy Provok. As we understand the situation from our legal counsel, the statute of limitation for any new legal action by Gals-K regarding the past unpaid rent will expire this autumn.

There has been additional communications between the Ministry of Education and Science and the STCU regarding the ministry funds deposited with the STCU in May 2004, done response to the initial Gals-K court verdict and State Collection Agency actions against the STCU. The Ministry has sent two letters to the STCU requesting the funds be returned to the ministry, whereby the STCU has asked that the Minister of Education and Science first provide an official response to the December 2004 letter from the STCU Governing Board Chairman to then Minister of Education/Science Kremen: that letter requested the Minister's assistance in initiating action on the part of the Ukrainian government to resolve the \$139,000 USD debt owed by the Ukrainian government to the STCU Financing Parties. The situation remains at an impasse, but the STCU is hopeful that steps to improve communications with the Ministry will led to an amicable resolution of the situation (see next section on MES –STCU cooperation).

Ministry of Education and Science/STCU Cooperation

With the change in government, Ukraine has a new Minister of Education and Science (Mr. S. Nikolayenko) and the Ukrainian government continues its reorganization of many governmental structures, including the Ministry of Education and Science. This uncertainty has led to a distancing in the STCU-MES relationship. Consequently, the STCU ED met with Minister Nikolayenko on 25 May, along with MES First Deputy Minister A. Gurzhiy, in an effort to improve the communication lines between the new MES leadership and STCU.

The STCU ED proposed that working groups at the staff level be formed to address three outstanding issues: final resolution of the Gals-K/rental debt issues; completion of the Ukrainian ratification process of the STCU Establishing Agreement and 1997 Protocol; and to study the current Ukrainian host government concurrence process in light of impending changes in the STCU proposal processing system as well as impending joint ISTC-STCU project proposals.

The meeting was very positive, with agreement to form these proposed staff-level working groups. Mr. Nikolaenko also proposed that the Ministry and STCU examine ways in which STCU-sponsored research and activities could contribute to the Ministry's priority areas involving Ukrainian higher education organizations such as the technical institutes and universities. Agreement was reached to have the STCU ED meet with First Deputy Minister Gurzhiy to organize the working groups and continue discussions on MES interests that might coincide with STCU's mandate.

Ukrainian Ratification of STCU Agreement and Protocol

As a reminder, the Ukrainian Government enacted the ratification law for the STCU Establishing Agreement, but stipulated that the Ukrainian Cabinet of Ministers had to certify that the STCU Statute text on intellectual property rights be conformed to Ukrainian legislation. Only after that certification would the Ukrainian parliament (the Verhovna Rada) begin work with the Cabinet of Ministers to consider ratification of the 1997 Protocol to the STCU Agreement (this Protocol allowed the European Union to become a Governing Board member Party to the STCU). While modifications were made to the Statute, and approved by the STCU Parties via Governing Board decision, the Cabinet of Ministers did not certify the conformity of the modified STCU Statute to Ukrainian law because of Ministry of Justice objections to the granting of an “irrevocable licenses” in certain specific situations.

With reference to the Governing Board statement from its 19th meeting regarding Ukrainian ratification, the STCU began efforts to restart the process by first receiving from the European Commission Delegation in Ukraine copies of the ratified EC-Ukraine Agreement on Science and Technology Cooperation. From the EC Delegation presentation to the 19th Governing Board meeting, it was believed that language in this ratified bilateral agreement was similar, if not the same, as the language in the STCU Statute that has been the focus of concern from the Ukrainian Ministry of Justice. However, upon closer examination, it is clear that the said text in the EC-Ukraine agreement only addresses one of the two instances of concern to the Ukraine government—that of an “irrevocable license” with regards to publication of research results in science journals and other publications. The EC-Ukraine agreement has no text that directly addresses the main Ukrainian Government concern—that of the granting of an “irrevocable license” for non-commercial use of research results.

Nevertheless, the STCU has begun the process of reinvigorating the ratification discussion with the Ministry of Education and Science, in the hopes that using the one applicable example from the ED-Ukraine agreement will spur the Ministry officials to work diligently with the STCU Parties to complete the ratification process. One of the proposed MES-STCU working groups will meet to address this ratification issue and develop a roadmap for resolving it.

Uzbek Banking Situation

The unsatisfactory situation concerning STCU banking operations in Uzbekistan continues, although the STCU Regional Office in Tashkent reported that the STCU letters and proposals for resolving the situation (most recent of which was dated 15 October 2004) has been submitted to the Uzbek Cabinet of Ministers for further consideration. The STCU has also received continued offers for assistance, and useful in-the-field advice, from the U.S. Embassy in Uzbekistan, to which the STCU Secretariat is grateful. Given the potential political implications of the unrest in eastern Uzbekistan, we are doubtful that further information on the STCU banking issues will be forthcoming, and the STCU is consulting with its Parties to decide the best way forward.

STCU in Moldova

The STCU continues its attempts to begin its operations within Moldova. The STCU has selected a candidate for the STCU Regional Officer, and has been in contact with the Moldovan Academy of Sciences regarding final negotiations on a user agreement to establish STCU Regional Office within the Academy’s Presidium building. However, progress has been slowed due to the Moldovan parliamentary elections in March and the parliamentary approval of the Moldovan President in April. Further, the President of the Moldovan Academy of Sciences has raised questions about the STCU selection process for its Regional Officer, stating in effect that he needed to “approve” the STCU selection before an offer could be made to the candidate. The STCU sent a formal email to the Academy President explaining that the STCU hiring procedures were standard, fair and transparent, and designed to select the candidate that best met the STCU’s job qualifications, which the prime

candidate fully met (an offer has already been made to this candidate and she has accepted the offer, although she is not yet under STCU staff contract). The STCU repeated that while the Academy President's views on candidate qualifications were taken into account, the STCU ED hires all of the STCU staff based on the STCU's procedures, guaranteeing a fair selection process free from undue or inappropriate external (e.g., political, personal).

To date, the Moldovan Academy President has not given up on his position, and it is possible that the delays in securing office space for the Regional Officer is due to the Academy President's insistence that the STCU come to Chisinau to discuss the situation with him. As an aside, several other Moldovan government officials have expressed strong support for the STCU, while it is generally known that the Moldovan Academy President is not a strong STCU supporter. Whatever the case may be, the current view of the STCU management is that any visit to Chisinau should be linked to substantial progress on securing STCU Regional Office premises and diplomatic accreditation of the STCU within Moldova. In this way, such a visit would be de-linked from the Academy President's request to have further discussions on the STCU selection for Moldovan Regional Officer. The STCU is consulting with the Parties on this situation.

Current Activities

Process Action Teams Results

As reported to the 19th Governing Board meeting, in January 2005 the STCU initiated several Process Action Teams charged with evaluating and making recommendations to modify existing STCU processes, practices, and procedures in light of the goals stated in the STCU reorganization. Five PATs were created: S&T Quality Improvement, Patents/Licensing, Institute Sustainability, Public Outreach, and Internal Processes Improvement. The PATs completed their recommendations in late February, and these were reviewed by the Management Committee and approved after modifications and final changes. The Powerpoint presentation attached to this report summarizes the PAT initial goals and final results.

Several of the recommendations were basic changes to STCU internal procedures, such as elimination of the Short Form proposal as a pre-Host Government Concurrence registration step. Others were recommendations for new programmatic activities that will require more definition and consideration by the STCU Governing Board at a later date. The PAT process appears to have been very successful in bringing the STCU staff together to evaluate the past practices and "buy in" to the recommended improvements in STCU practices to more effectively achieve the STCU goals defined by the STCU's reorganization. As the recommendations are enacted or further defined, the STCU will continue to keep the Parties informed. In addition, the STCU plans to have the PATs reconvene in the autumn to evaluate the progress made in enacting the recommendations and to make necessary adjustments.

STCU-NATO Workshop

Due to several factors related to an overwhelming response from CIS scientists to participate, coupled with administrative and logistical problems during late May, the STCU and NATO agreed to postpone the proposed STCU-NATO Workshop "From Science To Business" until the autumn of 2005. The STCU and NATO would also make use of the additional time to refocus the workshop agenda and to organize a more effective outreach to North American and European industry representatives. The STCU still has the NATO grant of 50,000 euros, plus its \$50,000 USD originally budgeted for this workshop. Approximately \$9,000 USD from this budget was committed to a service contract with a local promotional organizer, but this contract shall remain in place (with no loss of money) for the re-scheduled dates of the workshop.

There have been many communication problems and misunderstandings between the STCU and its Parties, NATO, and the Ministry of Education and Science and National Academy of Science regarding the scope of

the workshop and division of labor for organizing this workshop. In an attempt to address these problems, a 3 May meeting was held between the STCU ED, NATO Public Diplomacy Division representative (S. Michaelis), STCU/EU Party representative (B. Rhode), and STCU Governing Board Chairman (V. Alessi). After some discussion on responsibilities and input from each side, this group agreed to the general goals and agenda outline for a revised Workshop, and included the possibility of a “force generation” public event at the end of May, when NATO Asst. Sec-Gen (Scientific and Environmental Affairs) J. Fonet would be present in Kyiv.

Still, the burden of performing the logistical planning, western industry outreach, registration and evaluation of Ukrainian scientific submissions, etc. is falling to the STCU Secretariat to do, and it is clear that NATO and the Ukrainian governmental agencies are neither in a position, nor desire to assume, any more of the burden for promoting the workshop or assisting in its administrative organization. It is now clear that the STCU Secretariat, unfortunately, is over-burdened with this task, given the other, higher priority tasks related to implementation of the STCU reorganization. While the workshop is tentatively planned to be held late September-early October 2005, some of the STCU Parties are concerned that organizing this Workshop is distracting the STCU Secretariat and valuable resources from its primary tasks and programmatic activities.

STCU-Georgian Targeted R&D Initiative

As a result of discussions during the 19th Governing Board meeting, and follow-up discussions between STCU and the Georgian Ministry of Education and Science, the Ministry and STCU agreed informally to pursue a jointly funded Targeted R&D Initiative similar to the initiative between the STCU and the National Academy of Sciences in Ukraine. The Georgian Ministry was provided a draft text of a protocol for cooperation, based on modified text from the STCU-NASU umbrella statement of cooperation. The Georgian Minister of Education and Science has indicated that he is ready to sign such a protocol once both the Ministry and the STCU Parties have settled on a common text.

One significant difference between this Georgian proposal and the STCU-NASU initiative is that the Georgian Ministry of Education and Science prefers to deposit its share of the joint project funding with the STCU. In the case of NASU, Ukrainian budget laws prevent the NASU from disbursing funds to anyplace other than the institutes where the projects are being conducted.

The Ministry of Education and Science has stated that it will receive funds in 2005 to conduct targeted science research in specific areas of national importance to Georgian development. The amount of funding will be small; on the order of a few hundred thousand U.S. dollars. But the impact of the cooperation and leveraged funding (as well as close contact with western scientific experts) is expected to far exceed what one would expect from the total amount of funds. The Ministry is charged with the overall policy and administrative reform of the Georgian S&T community and infrastructure, and it sees this jointly funded, targeted research projects as a way to energize and develop that reform effort.

Important Visitors/Meetings

Meeting with Ukrainian Academy of Technical Sciences (18 March)

The STCU ED and STCU Principle DED met with Academician A. O. Morozov, President of the Academy of Technical Sciences in Ukraine (ATS). This Academy, created in 1991, counts in its membership the majority of the military-industrial institutes and production organizations left in Ukraine at the collapse of the Soviet Union. Many of the institutes and production associations, such as KBO Yuzhnoye and Yuzmash Production Association, are long-time participants in STCU projects and other programs. Several key Ukrainian government officials, including First Vice Prime Minister A. Kinakh, are members of this particular Academy. In addition, this Academy is focusing specifically on improving Ukraine’s ability to transfer technology into the

marketplace in order to promote Ukraine's transition to an innovation economy and its integration into Euro-Atlantic economic sphere as a competitive economy.

Given the obvious similarities between the STCU mission and goals of the STCU and the ATS, it was agreed to pursue a formal cooperative relationship with the goal of seeking ways in which STCU programs and activities could be targeted toward assisting the Academy of Technical Sciences in its innovation and technology transfer efforts.

As a positive signal of the importance given by this Academy to its cooperation with the STCU, on 23 April the Academy presidium unanimously voted the STCU ED (on behalf of the STCU) as an honorary foreign academician within the Academy's ranks.

STCU-organized Meeting of International Organizations in Kiev (1 April)

The Science Excellence Department organized a round-table meeting of various international and bilateral organizations that are working in Ukraine on a variety of science cooperation and technical development grants programs. Representatives from CRDF, TACIS, the British Council, NATO Information Office, and others joined the STCU ED, DEDs, and the Ukrainian STCU Governing Board member in this discussion, which sought to improve everyone's understanding of each other's programs and lead to possible opportunities to leverage these programs to the benefit of all.

NATO Public Diplomacy Division (8 April and 3 May)

Dr. Susanne Michaelis of NATO's Public Diplomacy Division visited the STCU to discuss the details for announcing the postponement of the STCU-NATO workshop and to establish a general roadmap for revising the Workshop agenda and other actions related to attracting more western participation in the Workshop.

On 3 May, the STCU ED traveled to Brussels to meet with EU Party representatives, the STCU Governing Board Chairman, and Dr. Michaelis to continue the joint re-examination and re-focusing of the Workshop goals and agenda.

Working Level Meeting Between ISTC and STCU Proposal Processing Staff (15-16 May)

STCU DED Esa Manninen led a small delegation to the ISTC to meet with ISTC Principle DED, Mr. Sergey Zykov, and the ISTC staff responsible for project proposal processing to work on the details for processing joint ISTC-STCU project proposals. One of the concerns voiced during the ISTC Governing Board approval of the joint project concept was the STCU Short Form proposals, which are seen by STCU staff prior to the proposal being reviewed by the host government. With the PAT recommendation to eliminate the Short Form, the ISTC and STCU proposal processes will align more exactly and should remove some of the concerns voiced by the Russian Federation representatives to the ISTC regarding the timing of RF host government concurrence with the HGC processes of STCU member states.

The joint projects "administrative agreement" between the ISTC and STCU Secretariats went through another round of ISTC-STCU Party review and editing, taking into account comments offered by the ISTC Parties. The administrative agreement will codify a common set of handling procedures between the two Centers regarding these joint ISTC-STCU projects. The STCU will continue to communicate with the ISTC with regards to this administrative agreement.

Meeting with Ukrainian Minister of Education and Science (26 May)

As reported in Major Issues section above.

Meeting with CRDF President/CEO (27 May)

Mr. Thomas Owens, President of the U.S. Civilian Research and Development Foundation, paid a courtesy call on the STCU ED and discussed a variety of topics concerning expansion of cooperative STCU-CRDF activities.

Conferences/Workshops

Second Ukrainian Technological Forum “Globalization of economy and technological development of Ukraine” (21 April)

This conference was organized by Academy of Technological Science of Ukraine, supported by the Cabinet of Ministers of Ukraine, with participation of National Academy of Science of Ukraine, Kyiv State City Administration, Ministry of Education and Science, Ministry of Healthcare, Ministry of Defense, Ministry of Industrial Policy. The STCU ED gave a speech on STCU sustainability development, supplemental programs like IPR/Patent Support, and targeted research promotion to this conference, attended by more than 200 participants including First Vice Prime Minister A. Kinakh (who was the opening session’s keynote speaker at the conference).

Joint CRDF-STCU conference “Science and Technology Entrepreneurship Program (STEP)” (March, Tbilisi)

This series of training/consultancy workshops, co-sponsored by the STCU and the U.S. Civilian Research and Development Foundation (CRDF), brought together scientist-grantees of STCU and CRDF programs for the purposes of developing stronger skills in scientific entrepreneurship as well as expert evaluation of the commercial potential of presented research results. This was the first of three planned conferences in 2005, and more detail can be found in the Sustainability report in the member binders.

Meeting with Science Policy Officials in Georgia (23-26 April, Tbilisi)

The STCU DED Landis Henry and Senior Specialist Alex Sich traveled to Tbilisi to meet officials of the Georgian Ministry of Education and Science and the Georgian Academy of Sciences to discuss a variety of opportunities for the Georgian government and STCU to cooperate in developing science excellence, targeted research initiatives, and self-sustainability among Georgian institutes. The Georgian science community is undergoing a reform movement, directed from the Georgian government, and there may be opportunities within this reform program for the STCU to be value-added to the Georgian government. One outcome of this visit was the preliminary agreement to develop a jointly funded Targeted Research Initiative with the Georgian government, similar to the STCU-NASU Targeted Initiative in Ukraine.

Activity Update

Project Activity Update

As of 25 May, the STCU had 226 active projects underway (170 regular projects, \$25.6 million USD; 56 Partner Projects, \$15.3 million USD), as, compared with 235 active projects (190 regular projects and 45 Partner Projects) underway in January 2005. Although the reduction in Regular Projects reflects the continued decline in Regular Projects approved for Party financing over recent years, the rise in Partner Projects since January is an encouraging sign for the STCU’s scientist redirection objectives.

Sustainability Activity Update

A total of 3 new Partners, all non-governmental organizations, were approved since the 19th Governing Board, bringing the total number of STCU Partners to 116 (17 governmental agencies, 99 non-governmental/private-sector organizations).

Since 1 January 2005, 19 new Partner Projects have been started totaling over \$4 million USD, with 7 of those projects (about \$1.5 million) being non-governmental Partners. For comparison, in the entire year of 2004, the STCU had 24 new or extended Partner Projects (totaling approx. \$3 million USD) of which 8 projects (totaling approximately \$500,000) were non-governmental Partners.

Since the 19th Governing Board meeting in February, the STCU has approved for financing 11 patent support grant applications, among which 3 were PCT applications and the remainder were national patent applications. The lack of a Party-coordinated handbook on STCU IPR and patent processes, as well as the continuing lack of an invention disclosure process that conforms to Ukrainian laws, continues to prevent the STCU recipients from using the STCU resources to secure valuable and beneficial IP protection for their STCU-sponsored research and technology development. While the STCU has initiated steps to develop an effective system for receiving invention disclosures from STCU projects, STCU will not have a fully effective Patent/IPR Support Program without a Party-coordinated Handbook and basic guidelines for submitting patent applications or invention disclosures to the STCU Financing Parties. Nevertheless, a new scheme for gathering follow-up data on patents from STCU-related research shows that there are cases of successful exploitation of national patents. More on these IPR “success stories” can be found in the Sustainability Report included in the members’ binders.

Information Technology Group Update

The STCU deployed its electronic project submission software (STCU Project Software, or STCUPS) system to the field and it has begun to show positive results in the more accurate creation of STCU proposals and project workplans. By using this software, project-related data such as budget information will be checked for accuracy and completeness by the software, and the data will be in such a format as to be automatically entered into the STCU Project Database. So far, only minor operational questions have been raised; for the most part, the STCU recipient scientists have been able to use the software with few problems.

Also in May, the STCU initiated a contract to begin development and installation of the new integrated financial software system that will replace both of the current financial and procurement software systems at the STCU. This integrated software has long been a recommendation in the STCU’s annual external financial audits, and once the system is up and running, it will not only remove this recurrent audit finding, but will also improve the STCU’s ability to track rapidly all the day-to-day modifications and changes made to active STCU projects

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