EXECUTIVE DIRECTOR REPORT
(Reporting Period: 15 June 2005 to 4 November 2005)

Major Issues

STCU-MES Working Group Activity

The three STCU-MES Working Groups created in May 2005 have met several times, with mixed results. The purpose of these groups, established during a meeting between the ED and S. Nikolayenko, Minister of Educaiton and Science of Ukraine, was to improve and increase the communication contact between STCU and MES, and to develop working-level options or resolution to several complex issues in the STCU-MES relationship. While STCU-MES contact has certainly increased because of these goups, little positive progress has been made to address the issues at the core of these groups. In some cases, the results of the working groups has done more damage than good in attempting to improve the atmosphere between STCU and MES:

Gals-K WG (Cleave/Bjelajac): This group was to address two past issues related to the former STCU Headquarters building on 3 Laboratornyy Provulok: (1) the MES request to return its 299,000 UAH funds deposited with STCU in May 2004 during the Gals-K court case and attempts to seize STCU assets in compensation for past rental debt owed to Gals-K, and (2) the outstanding $139,000 paid by the STCU Parties in 1998-1999 to cover rental payments at a time when the Ukrainian Government was not able or willing to pay these rents

During the first WG meeting on 8 June, MES financial officials requested documentary evidence that (1) the Government of Ukraine approved state budget funds to pay the STCU rent during the years prior to MES assumption of responsibility for STCU (1 January 2003), and (2) there was an agreement between STCU, the GOU (in those days, it would have been MFA), and the Gals-K landlords that the STCU rent would be paid from Ukrainian government funds. Although the STCU had previously requested MES to approach MFA regarding these records, it fell to the STCU to approach MFA and other Ukrainiang government sources for this past budgetary information.

At the request of the STCU, MFA financial officials met with the CFO and CAO on 22 August, and MFA agreed to provide what information they had in their financial records, which covered the period 1999-2002. MFA also agreed to be present at the next WG meeting with MES so that both ministries could be present in the discussion. Prior to 1999, MFA was not responsible for providing funds for the STCU rent, and STCU had its own allocation line within the Ukrainian state budget. STCU managed to locate the Ukrainian state budget information from the Verhovna Rada web site, covering the period 1995-1999. The STCU also found in its records a copy of a Ministry of Finance letter stating that, due to the financial crisis in Ukraine, the Ministry could not release funds to pay the STCU rent.

STCU presented all this documentation to MES via a letter with attachments, and called for another WG meeting on 19 September. MES promised to review the documentation, but STCU stated strongly that this information should be enough for the Minister to pursue the $139,000 with the Cabinet of Ministers, which would allow the Minister to provide a response to the Alessi letter of December 2004,

Instead, the STCU received a letter from First Deputy Minister Gurzhiy addressed to the STCU (not to the Governing Board) stating that (a) the STCU must immediately return the 299,000 UAH, (b) the issue of past rent and the use of the 299,000 UAH were not connected, and (c) the STCU document search did not prove that the Ukrainian government

owed the STCU Parties $139,000 and that more documentation was necessary before the MES could take that issue to the Ukrainian government.

The Gurzhiy letter is disappointing in that it fails to acknowledge the progress of the working group in responding to the MES demands, it focuses only on the MES funds with the STCU and pays scant respect to the previous rental debt, and generally demonstrates that there is no desire on the part of MES to seriously deal address these issues with STCU (which was the whole purpose of forming a Working Group in the first place).
Results Thus Far: Documentation about the past debt has been collected at great effort by STCU staff, but MES still will not attempt to approach Ukrainian government for funds to reimburse the STCU Parties. MES continues to demand the return of its own funds, while making no attempt to provide a minimally satisfactory response to the STCU Chairman letter of 24 December 2004.

The STCU letter and Gurzhiy response was forwarded to the AC Members for further guidance to the Secretariat.

HGC WG (Manninen).   This group has three times, discussing issues regarding the Ukrainian host government concurrence (HGC) process and ways to improve/accelerate the process. In the three meetings, the STCU raised the importance of HGC to the STCU project process and the importance of MES to implement a smooth, rapid, and predictable HGC review process (currently, the MES HGC process is spasmodic, with 50-70 proposals being received in blocks every 3-4 months). MES stated that an improved process was ready for Ukrainian government approval, but changes in the government and other delays had prevented the new system to start. This resulted in a period over the summer months where there was no working HGC process and no proposals being accepted by MES for HGC processing. This situation caused STCU to insist on a WG meeting in September (after a letter from the ED First Deputy Minister Gurzhiy about this situation). MES officials reported at the 9 September meeting that new project proposals would now be accepted according to the old procedure until such time as the new procedure was approved by the Ukrainian Government. A final meeting on 24 October, the MES staff stated that the new process was still waiting for government approval, but in the meantime, MES complained that STCU project decisions were not being made available to MES and that MES wanted regular reporting form the STCU on project decisions and wanted all STCU documentation (including its web site) in Ukrainian language.
Results Thusfar: HGC process remains uneven and unpredictable, new/improved process promised a year ago is still not approved, and MES officials want STCU to provide them project funding information, all in Ukrainian.

Ratification WG (Zimmerman): The first meeting of this group was held on 26 July. Both sides agreed that we understood the problem in the same fashion, i.e., that the use of the word "irrevocable" in Article XIII C(ii) and (iv) of the Statute violates Ukrainian law. Mr. Zharov stated that the granting of irrevocable rights is a subject which according to Ukrainian law, must be dealt with not in a Statute, but in an agreement between the researcher, the researcher's institute and other parties involved in commercializing an invention.   The use of "irrevocable" referred to the EU-Ukraine S&T Agreement (which references only irrevocable licenses in connection with publications) was also discussed.

After a brief discussion about finding language which would be acceptable to the Ministry of Justice, the MES officials agreed to develop new language for consideration by the Parties which would roughly achieve the following: In the relevant paragraphs of the Statute, "irrevocable, royalty-free" would be removed entirely from the sentences in which they presently appear and replaced with new sentences that would say licenses granting irrevocable and royalty-free rights would be negotiated between researchers and the parties (research institutes and similar organizations). STCU is currently attempting to arrange a second WG meeting to review the status on the situation.
Results Thus Far: A positive working relationship has been established with the Department of Intellecutal Property, which we hope will lead to progress on a variety of IP and patent-related issues. But the STCU still waits for the proposed new Statute text from the Ukrainian side, and has had difficulty in agreeing with MES on a new WG meeting date (this has been complicated further by the departure of DED Zimmerman in mid-October).

STCU in Moldova

Much progress has been made since the 20th GBM on starting STCU operations in Moldova. In early August, the STCU and Academy of Sciences of Moldova agreed to a final version of a "user agreement" which reserves four rooms of the Academy's main building for the future STCU Regional Office. Signed versions of that agreement were exchanged. In September, the STCU completed hiring a full-time Regional Officer for Moldova. This Regional Officer and the Academy are working through the diplomatic accreditation process with the Moldovan Ministry of Foreign Affairs. A trip to Chisinau by the CAO is planned for mid-November to put in place contracts for renovating the Regional Office space, and to coordinate with the Academy of Sciences leadership and other Moldovan officials. A trip by the ED is planned once the accreditation is granted and renovation activities have reached a suitable point. This trip probably will occur soon after the winter holidays.

First Joint ISTC-STCU Project Proposal

The STCU and ISTC Executive Directors exchanged signed copies of an Administrative Arrangement in September defining the process in within joint ISTC-STCU projects will be handled by both Secretariats. In addition, the STCU forwarded to the ISTC a joint Ukrainian-Uzbek-Russian project proposal as the first test of this process. The proposal had received host government concurrence from Ukraine and Uzbekistan before it had received Russian Federation HGC. This proposal was received at the STCU some time ago, and so it did not follow the proposal processing procedure laid out in the Administrative Arrangement, namely, the STCU received a copy of the proposal before the proposal had completed all the necessary HGC steps (most importantly, the HGC of the Russian Federation). But the STCU Secretariat felt that the joint ISTC-STCU project process needed to be exercised and offered this proposal to ISTC as the first test case. The ISTC reported that it had received Russian HGC and this proposal (STCU 3387/ISTC####) was forwarded to the STCU and ISTC Parties for consideration. The first opportunity for a funding decision on this joint ISTC-STCU Project is during the ISTC's October 27 Governing Board meeting.

Uzbek Situation

There has been no change in the STCU's situation in Uzbekistan, and although project processing continues without problem, the unsatisfactory situation concerning STCU banking operations in Uzbekistan continues. Because of security concerns during the summer months, the U.S.-sponsored Defense Contract Accounting Agency (DCAA) project audit schedule for 2005-2006 was adjusted. The ED visited Tashkent on 10-14 October, meeting with the U.S. Ambassador, the President of the Uzbek Academy of Sciences, and the director of the Uzbek Cabinet of Ministers' Center for Science and Technology. In general, the security concerns of the U.S. embassy have passed, but the political situation between Uzbekistan and western parties remains tense. However, the U.S. Ambassador did not feel that current STCU activities would be affected by the political situation. The President of the Uzbek Academy of Sciences and the Director of the Uzbek Center for Science and Technology both emphasized that the situation in Uzbekistan, both internal and external relations, should not be allowed to impact the STCU's cooperation with Uzbekistan and its scientists. In general, the ED found Tashkent quieter than in the past but did not sense immediate problems for the STCU. However, it is clear that events can overtake the STCU rapidly, and issues such as the banking situation may not be resolved soon if STCU wishes not to compromise with the Uzbek authorities.

As an example of the underlying problems, there were hints from Uzbek science officials that the Uzbek Regional Office needed to establish a "legal status" with regards to its office expenditures. This would mean opening an account at one of the two state-run banks for Office expenditures, something the STCU has resisted because of the connection to the larger issue of the STCU banking situation in Uzbekistan. Further, the Regional Officer received complaints from the Center of Science and Technology about STCU workshops, training sessions, etc. that often occur during STCU project monitoring trips. The CST official stated that the STCU had to notify the Uzbek Ministry of Foreign Affairs in advance of any activity STCU conference, workshop, or other venue. Finally, the CST official informally told the Regional Office that

the current use of a private firm for customs facilitation would have to stop, and that the Center would handle all STCU-related customs clearance actions (for a fee paid directly to the CST by the Uzbek institutes participating in the STCU project). The STCU had chosen to work through this private firm because of the ease and cost-effective service it provided for getting STCU project-related material through the Uzbek customs process.

Current Activities

Installation of ERP Integrated Financial Software

Installation of the NAVISION integrated financial software package began in July, but STCU-driven modifications to the software and testing problems resulted in some delays in the schedule. Originally, the STCU CFO intended to switch all project and administrative financial transactions over to NAVISION on 1 September, but the STCU management agreed that the modifications and testing problems required more time to resolve. To gain confidence in the system, the STCU Steering Committee for the NAVISION installation decided to adjust the plan and pursue a "graduated implementation" whereby a handful of new projects and AOB/SB transactions moved to NAVISION on 1 October, but the old legacy system would continue to process the rest of STCU financial transactions. Once the NAVISION system was in use for a sufficient amount of time and STCU had confidence that the NAVISION was operating properly, more STCU financial transactions would be moved over until the full transition was completed sometime in early 2006.

STCU Targeted R&D Initiatives

The National Academy of Sciences of Ukraine (NASU) completed review of over 60 proposals submitted under the "call for proposals" initiated in April. NASU transferred 14 proposals (all with Host Government Concurrence) to the STCU in late July, which were then made available to the Financing Parties for their review (using the normal STCU proposal review process). NASU advised STCU that it needed 2-2.5 months for institutes to expend the NASU funds earmarked for the Targeted Initiative projects before the end of the Ukrainian fiscal year (31 December). This means that the final Party reviews and recommendations on the proposals are needed by the end of September so as to ensure enough time for STCU and NASU to negotiate final project selection based on this Party input and funds availability. Some Canadian technical reviews were received in August, but STCU still waits for EU and U.S. input. Given the summer vacation period, it is very uncertain whether the Parties' science experts will have their reviews completed by the end of September, but the STCU hopes that this will be achieved.

The STCU also learned on 19 August that the Georgian government finally established its National Science Foundation, which will be an implementing arm of the Ministry of Education and Science. The Minister of Education and Science had indicated in May-June that he wants the Foundation to act on the Ministry's behalf in any Targeted R&D Initiative between STCU and Georgia. No movement on the proposed STCU-Georgian Targeted Initiative has occurred since the 20th GBM in June, but the draft text of the cooperation statement will be passed to the Parties again for their input and possible signing ceremony at the 21st STCU Governing Board meeting.

Progress on Process Action Team Recommendations

Since the last report to the 20th Governing Board meeting, the STCU Secretariat has continued to implement the recommendations of the Process Action Teams (PATs). There has been some progress in the following areas:

- Preparations to approach targeted institutes to develop cooperative efforts on improve their tech. transfer capability.
- Examined PAT proposals for new targeted training activities and "pre-seed" programs to jump-start promising sustainability progress with selected teams/institutes (NB: the "pre-seed" idea was dropped because it was felt the current Supplemental Budget activity, "Business Training/Sustainability Development" could cover this new initiative).

- Implementing a more selective and measurable means for granting patent support grants, "Roadshow" travel grants.
- Designing "Thematic Proposal Calls" to match the strengths of specific research units to market information from a U.S. Party study on near-term technology market needs.
- Continuing to develop joint, cooperative activities with Recipient national S&T agencies to leverage funding and target selected scientists toward national S&T programs
- Working on a redesigned STCU Web Site
- Continuing to implement "near-paperless-project processes" using current IT architecture
- Continuing to organize targeted training workshops using Western experts and focusing on sustainability issues such as IPR protection, commercialization, and effective grant-writing skills
- Working to develop standard procedures to exploit Regional Offices in training, performance evaluation.

Initiation of Performance Measures Study with National Academy of Sciences of Ukraine

The STCU initiated a study with the NASU and the Dobrov Institute to develop a survey of institute information that evaluates institute self-sustainability and the impact of STCU activities in contributing to the institutes' development. The Dobrov Institute is a NASU institute that specializes in statistical analysis and survey evaluation. The STCU and NASU will work with Dobrov Institute to design a questionnaire and schedule for the survey, and Dobrov Institute will use this questionnaire to gather information from the NASU institutes of priority interest to STCU. The STCU hopes that this questionnaire will bring useful information from the institutes and allow the STCU to better target its activities in sustainability development. The involvement of NASU is seen as critical to enticing the institutes to provide the most comprehensive and complete information they can, and with the imprimatur of the NASU, the STCU hopes to use this same questionnaire for future, regularly scheduled surveys of institutes in Ukraine (and possibly other STCU members).

Revisions to Model Project Agreement and Adoption of Project Development Grant funding option.

During the Advisory Committee meeting of 22 September (Brussels), the AC approved for GB presentation to the Secretariat proposals to (1) establish the Project Development Grant (PDG) as an official decision option for the Project Funding Sheet, along with standard procedures for processing a PDG-funded proposal; and (2) modifications to the annexes of the Model Project Agreement reflecting the addition of sustainability planning into the workplan (something already adopted as part of the Full Form project proposal) and additional financial definitions and clarifications (based on observations of STCU project monitoring reports and DCAA project audits). The PDG Standard Operating Procedure and the revised Model Project Agreement annexes are included as decisions in this Governing Board Meeting Record of Decisions.

Important Visitors/Meetings

Meeting with U.S. Defense Department Cooperative Threat Reduction Officials

On 15 August, Dr. Andrew Weber (Advisor to the Office of Cooperative Threat Reduction Policy, U.S. Department of Defense), Major Jerry Lucas (International Project Manager, Biological Weapons Proliferation Prevention Program, Defense Threat Reduction Agency) and their team visited the STCU for general discussions. The Defense Department's Cooperative Threat Reduction (CTR) Program is negotiating an agreement with the Ukrainian Ministry of Health to work with Ukrainian biological institutes on issues of pathogen security, laboratory safety upgrades, and collaborator research on issues of mutual interest to the CTR program. A portion of this future CTR work could go through the STCU as partner projects and DTRA sponsorship of workshops, travel support, etc.

Meeting with Canadian Foreign Affairs Department/Global Partnership Officials

A meeting is scheduled for 19 September at the STCU between Ms. Cindy Vestergaard (Program Officer, Chemical and Biological Weapons, Global Partnership Program, Canadian Department of Foreign Affairs and International Trade) and STCU staff to discuss future involvement of the Canadian Global Partnership Program/Chem-Bio activities with STCU. Ms. Vestergaard will be enroute to a biology-related conference in Odessa that week, which was of interest to the Dr. Weber (U.S. DoD/CTR) and of the Canadian GP program. STCU provided conference support funding for this Odessa conference.

Meeting with Official from the Office Science and Technology Advisor to the U.S. Secretary of State. On 2 November, the ED met with Dr. Gene De La Torre, an official to Dr. George Atkinson (S&T Advisor to the U.S. Secretary of State) to discuss the S&T Advisor Office plans and activities involving U.S. S&T policy initiatives in Ukraine and in Central Asia. Building on themes presented at the 31 October – 1 November CRDF conference on the future of Ukrainian science (see note below), Dr. De La Torre discussed general ideas on how the model of the STCU could be applied to broader issues of science cooperation as a tool for building international relations and stability.   Noting the limited mandate of the STCU, the ED and Dr. De La Torre discussed areas of a broader context where STCU could be useful now, and also under a revised mandate (that would obviously involve a negotiated expansion of the STCU charter).

Conferences/Workshops

Round-table with Ukrainian Institute Directors. The STCU participated in a round-table discussion on intellectual property and technology transfer organized by the Academy of Technical Sciences of Ukraine. The round-table served as a platform for a public discussion on Ukrainian governmental policy development to encourage and facilitate Ukraine's development of a vibrant technology sector in its economy and make more effective use of Ukraine's S&T potential toward national economic and social development.

ISTC-STCU Working Group on Intellectual Property Rights. On 15 September, DED Zimmerman and staff of the STCU Patent/IPR Support program attended a joint ISTC-STCU working group meeting on IPR at the ISTC, Moscow. Issues included coordination of the ISTC and STCU IPR Handbooks and discussions with the Parties on developing processes for exchanging IP disclosures between the Financing Parties and the Centers.

Baku IPR Workshop. On 27-28 September in Baku, the STCU held an IPR workshop for Azeri and Georgian scientists and administrators. This workshop roughly followed the same agenda as last year's IPR workshop in Kiev. Three speakers from the United States covered a wide range of IPR topics of relevance to researchers seeking to commercialize their ideas. Twenty Georgian scientists and administrators attended. The total attendance was approximately 50+ and included five, specially selected researchers from Ganja as part of our outreach effort within Azerbaijan.

Nanophotonics Delegation. From 19 September to 8 October, the STCU led a delegation of 12 scientists to Sherbrooke, Canada to participate in a photonics conference and hold meetings with Canadian businesses. A training session took place at STCU on September 8 – 9 to prepare the participants.

Lighting Strike Workshop.   On 19-23 September, STCU took three leading, Ukrainian aerospace scientists to a workshop in Seattle, Washington, USA on lighting strike hazards/safety research. The scientists also met with officials at The Boeing Company to discuss future Partner projects.

STEP Seminar. The third and final seminar in the STEP (S&T Entrepreneurship Program) series was held in Tbilisi at the end of September. STCU is a co-sponsor of this series with CRDF, and it is intended to bring together researchers, entrepreneurs and business figures at a local level to develop commercial science, as well as to develop the capacity of local scientists and institutes to attract foreing S&T investment. CRDF plans another STEP seminar series in Azerbaijan

in 2006, and has approached STCU about co-sponsoring again. CRDF and STCU are evaluating the effectiveness of the Georgian STEP activities with an eye towards improvements or changes to the approach for 2006.

CRDF Conference on the Future of Ukrainian Science. The ED presented a paper on employment of former weapon scientists as a contribution to the advancement of future Ukrainian science on 31 October. This conference was attended by high ranking officials such as Dr. George Atkinson (S&T Advisor to the U.S. Secretary of State), Oleh Rybachuk (Chief of Staff to Ukrainian President Yushchenko), Dr. Borys Paton (President, National Academy of Sciences of Ukraine), and First Deputy Minister of Education and Science Andre Gurzhiy. Many papers on the status and future needs of Ukrainian science, technology development, and education improvement, were presented. Working panels discussed the many recommendations of these papers, and CRDF will use this input to produce a set of policy recommendations to the Ukrainian government as well as the United States government and to other organizations working in Ukraine. One of the main outcomes of the conference was the recommendation for Ukraine to develop a truly merit-based competitive culture within its S&T and educational communities, and for Ukraine to engage outside organizations in an equal (and co-funded) partnership to define actions, implement policies, and finance programs that encourages the development of excellent, competitive S&T and science education.

Activity Update

Mid-Year Progress on STCU Internal Goals for 2005

Attached to this report is a table summarizing the progress made toward STCU Internal Objectives and Goals for 2005/2006. Some of the 2005 goals have been achieved already, and generally there is positive progress being made towards all of the goals. Two areas where little or no progress has been made are in receiving feedback from Party expert reviews on the "technical quality" of proposals and in implementing a comprehensive Performance Measures activity (although the STCU has succeeded in hiring a Performance Measures officer and can now expect progress on this goal).

Project Activity

As of 1 November, the STCU had 203 active projects underway (154 Regular Projects; 52 Partner Projects,), as compared with 235 active projects (190 regular projects and 45 Partner Projects) underway in January 2005. As of 30 August, the STCU has forwarded 123 proposals to the Parties for review; of these, 30 proposals were sent since the 20th Governing Board meeting on 16 June. Receipt of Ukrainian Host Government Concurrence on proposals continues to be spasmodic, with 47 HGC received in February, a total of 22 received during the entire four month period of March-June, and then a group of 50 proposals received in July.

The year 2005 saw a continued reduction in the number active STCU projects. As of 1 November, the STCU had 203 active projects underway (154 Regular Projects, 49 Partner Projects) compared to the 221 active projects a year ago (176 Regular Projects, 45 Partner Projects).

	2003	2004	2005 (as of 1 Nov.)
Proposals Sent for Review	198	191	198
Active Projects	362	221	203
Completed Projects	97	99	67

From the 17th Governing Board (4 December 2003) to the present, the STCU has funded 85 new projects (71 regular, 14 Partner) and has completed 112 projects (88 regular, 24 Partner). As of 22 November 2004, the STCU has 221 active projects underway (176 regular projects and 45 Partner Projects), compared with 362 active projects (291 regular projects, 71 Partner projects) underway at the end of 2003.

In 2004, the STCU sent 191 proposals to the Parties for review (current as of 22 November 2004), as compared to 198 proposals in 2003. Since the 18th Governing Board, the STCU has received 78 proposals.

Also in 2004, the STCU will have completed 99 projects (80 regular projects and 19 Partner projects) with 36 projects (29 regular and 7 Partner) finishing since the 18th Governing Board.

Sustainability Activity Update

As of 30 August, a total of 3 new Partners, all non-governmental organizations, were approved since the 20th Governing Board, bringing the total number of STCU Partners to 122 organizations (19 governmental agencies, 103 non-governmental/private-sector organizations).

Only one new Partner Project was started since the 20th Governing Board, but since the beginning of the year, 23 new Partner Projects have been started totaling over $4.317 million USD and 89,088 euros. Of these new Partner Projects, 9 were projects from non-governmental Partners (totaling about $1.5 million USD). For comparison, over this same period in 2004, the STCU has 12 new or extended Partner Projects (totaling approx. $1.7 million USD and Ђ57,500) of which 3 projects (totaling approximately $266,000 USD and Ђ37,000) were non-governmental Partner Projects.

Recently, there has been significant progress made in the areas of Sustainability Development, Partner Promotion, and Patent/IPR Support. In Sustainability Development, STCU worked with two Regular Project teams to develop sustainability strategies for their projects, which were funded at the 19th Governing Board. This means that the Sustainability Promotion Department reviewed the proposals, conducted preliminary in-house market analysis (i.e., testing the scientists' assumptions about their market), and provided recommendations about fruitful paths of investigations to the Senior Specialists. This is the first time that STCU was able to use the "sustainability" sections of Regular Project proposals instituted by STCU last year. The Science Excellence and the Technology Advancement Departments then worked with the Project Managers to strengthen the work plans included as part of the Project Agreement. The goal was to ensure that promised deliverables were both meaningful and "audit-able."

In Partner Promotion, the "nanotechnology" roadshow to Germany, which took place 6-8 June, appears to have resulted in 10 potential "success stories". The event was organized by the STCU in cooperation with the International Bureau of the German Federal Ministry of Education and Research (FMER) and the German Embassy in Ukraine. Five nanotechnology experts from Donetsk, Kharkiv, Kyiv, and Lviv participated in the STCU delegation, and this delegation attended the "Nanotrends: From Research to Industrial Applications, Nanotechnology Business Congress and Exhibition" (Munich) and also traveled to meetings in Berlin, Wettzell, and Dresden. Over 40 contacts were made, and the STCU identified 10 specific cases where there was private-sector interest in follow-up activities with the scientists. This roadshow was the first to employ the new STCU criteria for selecting the scientists who would be invited to participate in the roadshow. The criteria includes having the scientists fill out a specific Technology Profile designed by the STCU as well as having the scientists pre-arrange meetings with local private-sector contacts that are local to the roadshow's travel route. This "targeting" process should make STCU Roadshows more effective in securing Partners and in commercial matchmaking.

In Patent Support, DED John Zimmerman and the staff of the STCU Patent/IPR Support program met with senior Ukrainian officials from the Ministry of Education and Science and the Ukrainian State Patent Office to discuss ways in which the STCU could encourage more applications for foreign/international patents by participating Ukrainian scientists. In the past, Ukrainian scientists on STCU Regular Projects were reluctant to seek STCU assistance in notifying Financing Parties about an invention, or seeking Financing Party expert assistance on writing a strong, comprehensive patent application for the invention, because of an unclear legal requirement for invention disclosures to receive Ukrainian government permission to be released abroad. The meeting was very positive, with the Ukrainian officials stating their support for STCU and STCU Party assistance to help scientists write better patent applications

appropriate for PCT and foreign patents. The officials also described the Ukrainian national review system for approving the release of invention information into foreign national/PCT applications, and it appears that this approval process is not as big a barrier to the STCU as first feared. The STCU intends to continue its discussion and work with these Ukrainian patent authorities to organize a standard process for passing invention disclosures and patent application to the Financing Parties in ways consistent with Ukrainian law.

The STCU also continues to push the Parties for comments or approval to use its IPR Handbook as the guide for scientists on IPR and patenting issues. The STCU intends to participate in the ISTC-hosted IPR working group meeting in mid-September with the objective of making progress on its IPR Handbook as well as continue its long-standing coordination with ISTC on common IPR issues.   Since the 20th Governing Board meeting, the STCU has approved for financing 3 patent support grant applications: 2 Ukrainian national patents (costing a total of $1300 USD) and 1 foreign patent application covering France and Germany (costing a total of $9600 USD). As the STCU Patent Support program fields more foreign/international patent applications, we are becoming more familiar with the high cost of these applications and will need to factor those costs into the Supplemental Budget – Patent Support budget request for next year.

Andrew Hood
Executive Director

STCU Internal Objectives and Goals for 2005-2006

Objective	Goal	Task	Mid-Year Review	Overall Progress To Date
Improve rate of proposals rated as "competitive" or "strong technical merit" by the STCU Party Experts	Increase percentage of "competitive" proposal ratings to 33% in 2005 and to 50% in 2006	Formulate process for receiving summary technical evaluations of proposals from Parties and develop STCU-in house evaluation process	No progress on receiving proposal reviews from Parties on regular basis. Are getting more detailed information in proposal comments on Funding Sheet.	**Progress: Poor** Cannot make real progress on this until STCU and Financing Parties agree to a system for getting feedback from Party technical expert reviews.
		Develop regular practice for passing relevant "market" information from our sources to scientists	Assigning SSps to be subject matter experts on specific R&D areas; still searching for Market Analyst; some progress on grant-writing training package and encouraging use of Sustainability Planning section of proposals.	
Create a system for organizing research initiatives and encouraging organizations to make use of STCU capabilities to fulfill their own programmatic needs	Organize 2 new large R&D initiatives per year, with 4 active initiatives during each year.	Joint NASU-STCU proposal development in areas of NASU financial focus	Initiated STCU-NASU Targeted Initiative; proposals sent to Parties in July; target date for project selection: 15 October.	**Progress: Good** Potentially big success with NASU Targeted Initiative (first time for co-financing from Beneficiary Government) with very enthusiastic support for something similar in Georgia. Need to work through Financing Party review of TI proposals to iron out process issues.
		Solid propellant destruction method study	Discussions continue between project team, lead European collaborator, and Commission. Proposal being outlined.	
		Targeted R&D initiative in URANET or Uzbek bio/chem analytic center	Waiting for URNET workplan but STCU expressed support to participate as appropriate and feasible. Negotiations with Georgian MinEdSci about cooperative Targeted Initiative for 2006; statement of cooperation prepared and under consideration.	
Increase private sector Partner Participation and Partner Project Funding	Increase new private sector Partner Project funding by 100% each year	Organize targeted RFP for Ukrainian proposals using commercialization strategy studies and similar market needs studies	Received U.S. study on potential matches of Ukrainian S&T capability to U.S. near-term market interests, but STCU has yet to articulate study results into tailored "call for proposals"	**Progress: Good** Private sector Partner Projects increased to 10 totaling $1.5 M, compared to 8 projects/$0.500 M for all of 2004. Potential for more private sector Partner participation with tailored RFP and general improvement in FDI climate in Ukraine/Georgia. Challenges ahead with NATO workshop
		Road-show planning and execution	Successful roadshow to Germany with positive indications of future partner activity; roadshow to USA initiated by U.S. Party for September.	
		Assist in STCU-NATO conference, particularly on guiding the Ukrainian scientists presentations and evaluating which NATO Science projects are good for presenting to the conference.	Workshop postponed until 2006, but STCU training sessions and consulation with potential scientist technical presentations took place. STCU evaluation of previous NATO science projects yielded no strong candidates for commercialization.	
Improve recipient institutes'	Increase current percentage	From 2003 survey, choose institutes for	List of 18 institutes identified for focused	**Progress: Good**

Goal	Target	Activities	Progress/Status
ability to sustain themselves	of institutes reliant on commercial or diverse sources of funding to 65% of institutes with commercial or diverse funding sources by end of 2006	focused effort to get them "over the top" in sustainability	sustainability development effort. Consultant contract to assist these selected institutes negotiated and to start in September
		Establish regular process for obtaining institute sustainability evaluation data	Contract with NASU and Dobov institute signed; contract will develop survey process for STCU (in association with NASU) to gather data from Ukrainian institutes
		Establish invention disclosure, patent application, and patent/licensing procedures within the STCU, consistent with Party processes and STCU IPR requirements.	NDAs sent to institutes as first step. MES/STCU working group on STCU ratification process led to meeting with Ukrainian patent officials to work on acceptable invention disclosure/patent application process for STCU Regular Projects

Positive movement toward focusing sustainability development work on key institutes. NASU "buy-in" on sustainability survey critical to institute responsiveness and in developing a "system acceptable" comprehensive evaluation tool. Coordination of STCU IPR Handbook still a challenge, and the lack of a clear, acceptable system for Ukrainian scientists to submit invention disclosures on Regular Projects (plus lack of systems in Canada and EU to accept such disclosures) is hampering progress.

Goal	Target	Activities	Progress/Status
Improve public awareness of STCU activities.	In 2005, implement proactive reporting of STCU accomplishments regular use of web site tools, and local mass media and other organizational web sites	Develop regular procedures for getting well-written, well-presented, informative "recent events" articles onto STCU web site and out to email subscriber list.	More "recent events" articles being published, but QC an issue for further review. Email subscriber list created and used for a few high-level announcements, but further review on its best use needed.
		Develop a plan for establishing STCU's presence in known 2005 public events such as important conferences in 2005, office opening ceremonies, important initiatives, etc.	"Public affairs strategy" still underdeveloped. STCU profile has been raised at several conferences where VIP government officials attended, but these are ad hoc occurrences. More planning is necessary.
		Establish working group for designing and developing 2004 Annual Report	Editorial Committee created, which oversaw organization and schedule of 2004 Annual Report design/publication
		Review current partner promotional materials for update or improvement	Brochure and CD ROM presentation designed for use in roadshows; one-page "technical capability" flyers designed and being evaluated for future improvements

Progress: Good

Still need to refine public outreach approach, but CD Training Packages, Annual Report, and roadshow preparations are in place and appear effective.

Goal	Target	Activities	Progress/Status
Increase STCU administrative efficiency and customer responsiveness	In 2005, (A) develop centralized "information point" with less than one-day turnaround for responding to Party information requests; (B) resolve outstanding	In addition to other duties, assign to the new Performance Measurements person the responsibility of acting as the central point of contact for coordinating information requests from external sources	Difficulty in hiring a permanent Performance Measures staff member has delayed implementing this task. General agreement on how information requests should be entered into STCU, but still need a more centralized POC to organize and manage flow of requests and responses.

Progress: Good

Strong movement toward paper-less project processing; ERP will remove persistent audit finding and give STCU a fully-integrated project data and financing

auditor observations; (C) reduce paper-based processes and archiving requirements; (D) improve speed and quality of project processing system	Develop improvements to proposal processing and project agreement paper flow within the STCU, making use of STCU IT architecture to move to a reliable system that requires less paper and less movement of paper within the STCU.	STCU Project software released and in use; has vastly improved the organization and accuracy of information in project proposals and Project Agreements. STCU Project Database fully implemented; SSps now responsible for keeping project entries updated and accurate; STCU internal concurrence for proposal transmission to Parties fully electronic and "paper-less", with Project Agreement internal processing next in line. ... system. HGC process improvements still a challenge, but direct communications with Ukrainian government a plus.
	Implement ERP financial software	Contract initiated and work underway to implement ERP integrated financial software. Scheduled "go live" date is 1 September.
	Work with Ukrainian government to improve HGC processing time	MES-STCU WG created to deal with HGC process improvement. MES claims "new committee" created to improve the flow of proposals through the HGC process, but no indication that this "new committee" process is actually been implemented.

Legend: No Progress/Poor Progress

Some Progress – Continuing Work

Good/Excellent Progress