



Science and Technology Center in Ukraine

2007 Administrative Operating Budget and Supplemental Budget Presentation

16 October 2006

Overview

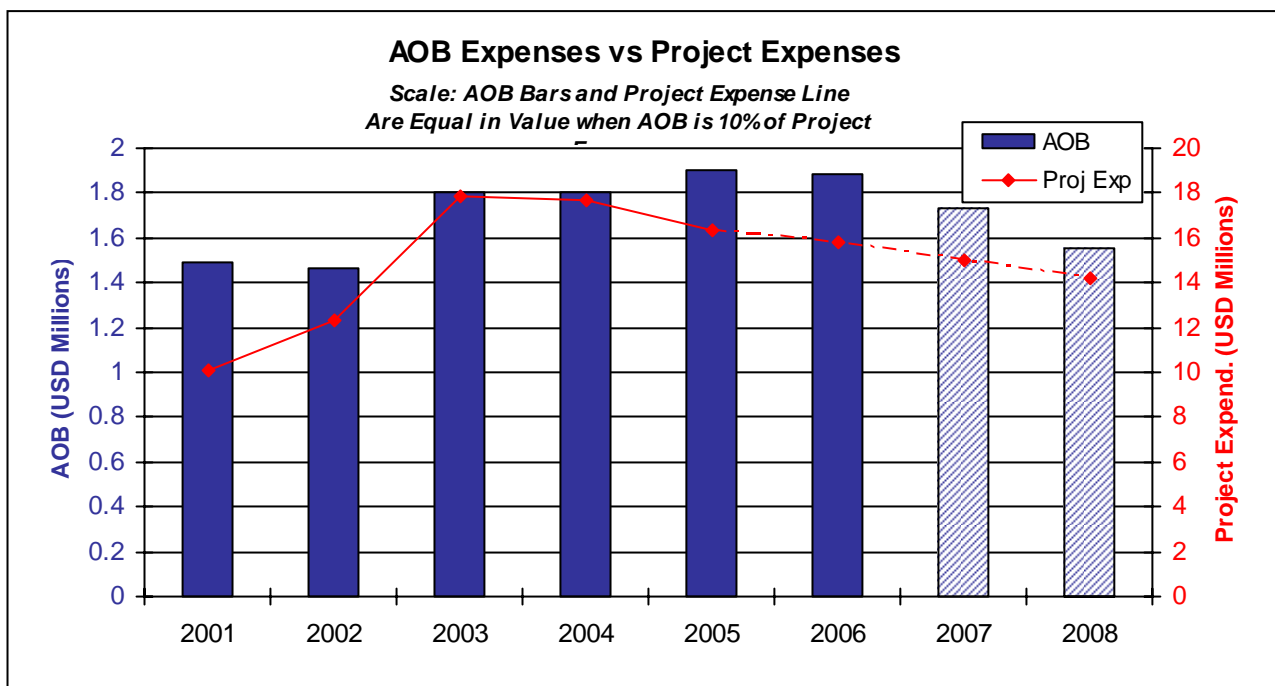
In 2005, the STCU Governing Board approved an Administrative Operating Budget of \$1.9 million to ensure sufficient resources for implementing the STCU reorganization plan (which was derived from the Governing Board-approved 2004 STCU Strategic Review/Reorganization Concept Paper). In late 2004, when the STCU Secretariat was preparing its 2005 budget request, the STCU project expenditures stood at approximately \$18 million (for the year 2004). However, since 2004, the STCU has experienced a steady decline in project expenditures due to several years of declining Governing Board-approved Regular Project funding. Today, the approved 2006 AOB level exceeds the Governing Board guidance on maintaining administrative overhead to within 10% of project expenditures (see **Graphic below**: when AOB (blue bar) is higher than the project expenditures (red) line, it means that administrative expenses exceeded the 10% overhead threshold). The continuing decline in Party-financing of Regular Projects prompted the STCU Secretariat and Governing Parties to embark on a strategic review on the future direction and strategy for STCU activities in the 2010 timeframe.

In the interim, STCU operates under the near-term strategy adopted at the 18th Governing Board meeting, pursuing the goals of (1) increasing FWS self-sustainability, (2) increasing private-sector Partner Project activity, and (3) increasing the participation of the Beneficiary Parties in STCU activities. In addition, specific guidance on the 2007 and 2008 AOB requests was provided at the 22nd Governing Board meeting. This 2007/2008 guidance gives the Secretariat a 2-year operational window for program & budgetary planning purposes, as the Governing Board conducts its strategic review of STCU future mission and program orientation.

The Governing Board-adopted guidance for 2007/2008 budget requests can be summarized as follows:

- Reduce 2007 AOB total by \$150,000 from the 2006 AOB total;
- If possible, find these AOB reductions in non-staff salary line items;
- Anticipate a further AOB reduction in 2008 from the 2007 level, with staff levels open for discussion.

The Governing Board gave no specific guidance on Supplemental Budget programs, but given the warnings of tighter fiscal situations in some of the Financing Parties, the Secretariat chose a conservative approach in its Supplemental Programs budgetary planning. However, the Secretariat is proposing a modest increase in



Supplemental Program budgets (particularly in programs connected to Partners Promotion, Sustainability Development, and Patent Support) so as to implement the STCU near-term strategic goals of improved institute/technical unit self-sustainability, commercialization of research, and Partners Program promotion among non-governmental entities.

One major change involves the Supplemental Budget line for Targeted R&D Initiatives. This Supplemental Budget line was approved by the Governing Board in 2005 budget for the purpose of creating a predictable, shared pool of funds, financed by Governing Board-approved contributions from the Financing Parties, to finance the STCU share of those TRDI proposals selected by consensus of all the Financing Parties and Beneficiary Party. Given the evolution of the TRDI program, whereby the Financing Parties now express their desire to increase their decision authority over individual Party funding commitments to individual TRDI project proposals, there is a question as to whether a “pool of shared Financing Party funds” is relevant any more, and therefore whether a Supplemental Budget line for TRDI is needed. As we approach the Governing Board meeting, the Secretariat will work with the Parties to determine the fate of this Supplemental Budget line.

Executive Director Office

The Executive Director Office provides the strategic leadership for STCU and conducts the strategic-level planning and management policy guidance for the entire organization. The office is also responsible for developing and implementing Center-wide policies, procedures, and practices to ensure the professional effectiveness and integrity of the STCU.

Performance in 2006

In 2006, the ED Office completed implementation of the 2004 STCU reorganization and initiated Governing Board discussions on STCU's next near-term strategic review (for the period post-2010). Diplomatic challenges in Uzbekistan, the lengthy process in standing up the STCU Regional Office and STCU operations in Moldova, and new governmental elections in Ukraine challenged the ED Office on maintaining positive momentum in these countries. The ED Office also continued working with Management Committee on improvements to internal processes and practices. Actions taken in 2006 included:

- Continuous effort to secure a renewal of STCU accreditation in Uzbekistan and renewal of office use agreement with Uzbek Academy of Sciences for the STCU-Uzbek Regional Office. The ED attempted to travel to Tashkent to have official meetings, but this travel was, in effect, denied by the Uzbek MFA. The ED met with the Uzbek ambassador to Ukraine to press STCU's case with him. A fortuitous opportunity arose in September, when the ED received a single-entry Uzbek visa to attend an international nuclear science conference. Based on informal observations during this September visit, the ED made another request to the Uzbek government for official meetings before the end of 2006.
- Efforts with Moldovan government led to the granting of diplomatic accreditation to STCU (June 2006) and completion of renovations to the STCU-Moldovan Regional Office premises in Moldovan Academy of Sciences building. Once banking and customs/tax procedures are agreed upon, STCU operations in Moldova will begin.

- Used the occasion of the 22nd STCU GBM (May) to lead an executive session of the STCU Governing Board that began preliminary Governing Board consideration of STCU's near-term program plan and longer-term strategic outlook.
- Continued working with STCU Parties and DED - CA to develop a clear, standard process for Targeted R&D Initiatives. ED called for a postponement of starting new TRDIs in Georgia and with other Ukrainian government agencies until the current TRDI with the National Academy of Sciences in Ukraine completed its second round and "lessons learned" could be developed into a standard, predictable process.
- With the arrival of a U.S. DED, opened discussions with Kyiv Polytechnic Institute to forge a cooperative relationship between STCU and KPI's innovation park. this and other new sustainability initiatives will serve as pilot projects for inclusion/expansion into other STCU Beneficiary Parties.
- Directed an internal Process Action Team (led by the DED – EU) to create an internal, standardized process for internal concurrence of approved Project Agreements, which led to the initiation of a new standard electronic approval process using the STCU's local area network and Project Database.
- With the Public Outreach/Performance Department, implemented a standard "institute sustainability performance" measurement system based on a standard questionnaire developed in cooperation with the NASU. Also directed POD to develop an internal STCU performance measuring system, the first step being an on-line report of Regional Offices' workload and activities.
- Continued directing the phased implementation of STCU's new, integrated financial software package (NAVISON). This and other STCU management efforts resulted in "clean" financial and management system audits by external auditors Lubbock Fine and the U.S. Defense Contract Auditing Agency (DCAA). Observations from both of these systems audits are being addressed now, with the goal of a minimum number of observations in the 2007 external audits.
- Participated in several national conferences/forums, including an STCU-sponsored round table on S&T innovation and forecasting at the XXI International Symposium on Science (Kyiv, Ukraine). Continued providing news and journal articles to local publications in the STCU member countries on STCU activities and programs.

The ED did not travel as much as planned, due to several factors related to the rotation of personnel in the DED (EU) and DED (US) positions. The time needed for these new DEDs to assume full management responsibilities delayed work on some STCU activities, and this kept the ED in Kyiv. The ED did travel to field activities in Dnipropetrovsk, Odessa, Tashkent, and Tbilisi, and traveled to Washington D.C. to provide informal advice during the selection process for the new DED (US). As mentioned above, the ED had intended to travel to Uzbekistan in June to meet with senior Uzbek officials, but was asked by the Uzbek MFA not to come to Tashkent at that time. A fortuitous opportunity to travel to Tashkent for an international conference allowed the ED to get some informal sense of the STCU situation in Uzbekistan. The Uzbek government's continuing review of STCU's accreditation renewal has caused a period of great uncertainty in the STCU-Uzbek relationship and this continues to require focused ED attention.

The ED also continued work with the Ukrainian Ministry of Education and Science and the National Space Agency of Ukraine to explore expanded ways that STCU activities could contribute to national development priorities. The long time in establishing a new Ukrainian government after the March 2006 parliamentary elections contributed to delays in these discussions.

The ED Office also performed all the arrangements, planning, and organization activities for the 22nd Governing Board meeting (18 May 2006, Kyiv, Ukraine) and the upcoming 23rd Governing Board meeting (16 November 2006, Kyiv, Ukraine). The ED Executive Assistant began at-home educational training in management, sponsored by the ED Office training budget, and the ED continued Russian language training.

Plan for 2007

The ED Office expects to maintain this level of activity as sustained in 2006. The ED Travel Budget for 2007 will be reduced given the results of past execution of this budget line, but travel to Regional Offices not yet visited by the ED is planned, as well as possible consultation visits to the Party capitals and perhaps additional trips to Moldova and Uzbekistan to deal with STCU issues in those two Beneficiary Parties.

Staff Travel (2006 Budget Allocation = \$34,500. 2007 Budget Request = \$26,000).

The above activities will require travel for the ED, and on occasion for the Executive Assistant. Taking into account past years' travel plus the anticipated time available and need to travel in 2007, the ED Office will plan for one possible Advisory Committee meeting outside of Ukraine and one possible Governing Board-related visit to a Regional Office (possibly Moldova). The ED also will plan for up to three consultation trips to the western Party capitals and one consultation trip to ISTC (Moscow) during the year. The AC/GB-related travel will require the presence of some STCU executive staff, which will be factored into the ED office budget.

Staff Training (2006 Budget Allocation = \$4,500. 2007 Budget Request = \$9,500).

The ED Office will continue to ensure the professional integrity and standards of the STCU operations and its staff through "management by objectives" policies, employee evaluations and performance reviews, and review of STCU standard operating procedures. The ED Office itself will strive to maintain its own level of professional training, particularly in areas of management skills and language skills. The 2007 training activity is anticipated to be the same as in 2006. In addition, \$5,000 is added to the ED Office Training line to finance the STCU Staff MBA Program, which provides a formal 2-year MBA education for one STCU professional staff member; this is awarded based on an internal STCU competition with judging performed by members of STCU Management Committee.

Representation (2006 Budget Allocation = \$15,000. 2007 Budget Request = \$10,000).

Based upon expenses in Representational Activities in 2006, which include financing official receptions involving executive-level officials and visitors, STCU ED-sponsored round tables, or other executive-level needs, it is anticipated that number of events appropriate for hosting by the ED Office will be approximately the same in 2007, but will provide the possibility for a downward adjustment in the 2007 budget requested.

Executive Director Office Budget Request for 2007

	2006 Planned	2006 Actual	2007 Request	Change from 2006
Staff				
- Party	1	1	1	0
- Local	1	1	1	0
Staff Total	2	2	2	0
Staff Support				
- Travel (Inter'l)	16,000	1,777	14,000	-2,000
- Travel (CIS)	18,500	5,425	12,000	-6,500
- Staff Training	4,500	4,495	9,500	+5,000
Staff Support Total	39,000	11,697	35,500	-3,500

Representation	15,000	7,682	10,000	-5,000
Office Total				
Staff	2	2	2	0
Funding	54,000	19,379	45,500	-8,500

Travel (International) includes STCU executive travel to:

- One AC meeting in Europe/North America = 4 staff
- ED travel for STCU business = 3 trips

Travel (CIS) includes executive staff travel to:

- AC/GBM Visit outside Ukraine = 3 staff + 1 admin
- ISTC consultation meetings in Moscow = 1 trip
- ED travel to Regional Offices outside Ukraine = 3 trips
- ED travel to Ukrainian Regional Offices = 3 trips

Administrative Office

The Administration Office is responsible for the administration of the Center's assets, including maintenance and security, support to financial, project monitoring and project management needs; administration of project and Center's procurement. The office also administers the Center's HR functions, maintaining contractual documents and relationships with the STCU local staff.

Administration Support and Back Office Processing

Performance in 2006

Projects/Procurement - During the first three-quarters of 2006, the 4 Procurement Officers dealt with a slightly higher number of projects than during the same period in 2005--313 projects in 2006, compared to 295 projects in 2005. Also, the Procurement & Customs Officers continued their training initiative begun in 2004 (intended to train STCU project managers and other participating scientists), with training taking place in Kiev, Dnipropetrovs'k, Lviv, Kharkiv and Tbilisi. A training session is scheduled in Baku for late September. Training in Tashkent was postponed due to the uncertain situation surrounding the STCU status in Uzbekistan.

Procurement Officers plan to travel to the ISTC in October for the regular exchange between the two Centers' Administrative staff. The Administrative Office continued its initiative to document procurement/customs procedures, training guides, and manuals as well as develop the database of vendors and preferred suppliers to streamline the tendering process for certain simple/common service procurements. The Administration Office began using the newly installed ERP NAVISION integrated financial system, inputting new projects and project budgets into the system. In response to recommendations from a 2006 DCAA audit of the STCU financial system, additional NAVISION training is planned to help Administrative staff become more familiar with the financial accounting aspects of NAVISION. While NAVISION has increased the daily workload of the Administration staff in respect to project data input, this has been offset by a workload reduction due to the elimination of duplication under the old financial system.

Customs – The volume of STCU and Project-related import & export work were marginally down in 2006. The total predicted STCU customs clearance volume for 2006 (i.e., the number of project-related customs actions,

import or export) will decrease by approximately 8% year-on-year (310 actions in 2006 versus 335 in 2005). In 2006, there were more project-related export clearances (particularly Partner Project exports) but fewer import clearances. With the current trend of decreasing numbers of active Regular Projects, the volume of customs clearance actions should continue to decrease in spite of some increases in Partner Project export shipments.

Travel Coordination– Based on the trend during the first three-quarters of 2006, the number of STCU-processed travel requests will increase by approximately 31% year-on-year, with the predicted 2006 total of approximately 2,600 travel requests versus 1,989 during 2005. The 2006 travel requests include about 1220 trips in the STCU Beneficiary Parties and 630 trips outside the CIS/FSU countries. The Administrative Office also processed over 300 visa support letters and 245 bank support letters (needed by Uzbek travelers).

This Travel Coordination function is currently handled by one person and is a natural extension of the Administrative Office's procurement function. Currently, the Travel Coordinator is trained as a Project Procurement Officer and has carried out back-up work for absent Procurement Officers. However, the large increase in travel-related support this year may require the Office to evaluate its staff workload to compensate.

Moldova Office - A visit to Chisinau by the DED (EU) and the CAO took place in March/February to introduce the new DED (EU) to the various Moldovan officials and other related parties, and to discuss issues such as the STCU accreditation process and renovation of the STCU Regional Office. The office renovation work was completed in late September and efforts to equip this office are underway. The STCU CAO and CFO are planning a trip in the October/November timeframe to finalize banking arrangements and procurement and customs procedures.

Plan for 2007

The Office will continue to work on proposed improvements in Procurement processes especially in respect to its use within the NAVISION financial system and how best to use NAVISION for Administrative and procurement purposes (e.g., establishing electronic databases of preferred vendors, standard equipment lists for STCU projects, etc.). Implementation of the new NAVISION system has already required changes to the Administration Office practices and processes and further training is planned with more emphasis on accounting-based knowledge for the Administrative Office staff, so that the Office can improve its NAVISION-related interactions with the Finance Office.

The Office will continue to automate standard administrative data and documents and to organize a more standard set of pre-planned training courses and workshops for STCU staff, project manager and scientists alike in the regions. Further developments will be made to improve the administrative efficiency and customer responsiveness as STCU processes move further towards the goal of a reduction in paper-based operations and archiving requirements.

Moldova Regional Office: Administrative and Project-related activities in Moldova should begin with the start of Regional Office operations and anticipated financing of STCU projects in Moldova. Follow up will be required regarding Moldovan Regional Office operations, such as completion of any remaining legal issues, customs, tax, VAT and procurement issues.

STCU Building Lease Renewal – The current 5-year lease for the STCU Headquarters building (21 Kamenyariv, Kyiv) will expire in the last quarter of 2007 and currently negotiations are under way between the Ukrainian government and the Landlord to renew the lease on the current building. We see that this issue will come to the forefront in the first half of 2007 and efforts will be required to ensure that an agreement is

forthcoming and that budget provisions are made by the Ukrainian Government to ensure the continuation of office building and working facilities.

STCU Staff Salary & Bonus Budget (2006 Compensation Approved = 11% Increase: 5% Increase in Salaries Plus 6% for Funding One-Time Bonus Awards for Job Performance. 2007 Compensation Request = 9%: 4% Increase in Base Salaries Plus 5% for Funding One-Time Bonus Awards for Job Performance).

Performance in 2006

Prompted by discussions during the 2006 budget presentation to the 22nd Governing Board Meeting (2 December 2005), the CAO conducted a comparison of the current STCU Salary & Compensation system (adopted by the Governing Board in December 2003) to those of local embassies and international organizations. A benchmark market survey on salary scales, obtained from the British Embassy, compared 12 local Embassies and a few local NGO & private organizations. From this survey, the STCU salary scales lie in median of other organizations for non-professional staff positions, and toward the lower quartile for the more senior professional positions. Additionally, discussions with the local UNDP administrative office and a comparison of UNDP and STCU salary policies revealed a similar situation, although the current UNDP salary system is more similar to the previous STCU salary system (where compensation was based on tenure and seniority within the Center, with limited promotion prospects and no job performance incentives).

Therefore, based on the comparison to these other salary scale references, the STCU concluded that its current salary & compensation system is not exceptional to other embassies, NGOs, or international organizations in Kyiv. The STCU falls in the median of these other organizations for entry-level and non-professional staff positions, and falls toward the lower-than-median position for Senior Specialist and Manager Positions. It should be noted that in certain professional positions (such as IT staff, financial staff, and contract procurement officers), STCU and other non-commercial organizations are not competitive with the local labor market. Therefore, as in the past, STCU can expect a high turnover in some specialized job positions due to the higher salaries offered in the private sector labor market.

Registration of Staff Labor Books. The CAO pursued the plan to register STCU staff labor books, as documented in the 2006 budget presentation. An option was designed and offered to the STCU staff to register labor books with the Ukrainian tax authorities, however, no STCU staff member took this option, preferring instead to maintain their existing labor book arrangements (whatever those arrangements may be). Another option investigated would require an amendment to the existing STCU Establishing Agreement. STCU Management felt that this option was not feasible given the complexity of negotiating an amendment versus the minor importance of this one staff issue. Therefore, the STCU Management Committee decided to end further pursuit of STCU staff labor book registration, and the 2006 budgeted amount of \$3500 for this registration was not used.

Plan for 2007

Salary and administrative support to the STCU are the driving factor in calculating the required AOB funding level (personnel costs alone make up about 50% of the AOB expenses). Given Governing Board guidance to seek AOB reductions in the next 2 years; the STCU Management will follow a more conservative approach to the 2007 staff remuneration budget. While this approach allows STCU to avoid forced staff reductions in 2007, it will restrict the STCU Management's flexibility in its performance objective-based remuneration approach, as was originally established in January 2004.

Also, the anticipated need for further AOB reductions in 2008 undoubtedly will require decisions on the current STCU staff structure. The STCU Management felt that taking an even more conservative approach to the Salary & Compensation budget now would give the Management more options during the difficult staff considerations that might be necessary in 2008.

<u>Salary % increase 2007</u>	vs.	<u>2006</u>	<u>Bonus % increase 2007</u>	vs.	<u>2006</u>
4.0%		5.0%	5.0%		6.0%

The proposed 2007 Local Grants (Full-Time Staff) budget increase of 9% is divided into a 4% basic, across-the-board salary adjustment and a 5.0% provision on total salaries for financing annual, lump-sum staff bonuses to be distributed based upon demonstrated job performance. The 4% increase in basic salary adjustment in 2007 is 1% lower than the basic salary increase approved for 2006. While this 4% increase does not represent any comparison to current Ukrainian national inflation rates (currently @ 11% annually), Kyiv city expenses, or local currency exchange rate fluctuations, it does partially offset the current cost of living increases for the STCU staff.

The 2007 requested 5% bonus figure; (the 1% less than the 6% figure amount approved for 2006) will equate to 60% of 1 month's salary and will be awarded to staff at the end of 2007 in lump-sum amounts determined by the staff supervisors and with the consensus approval of the STCU Management Committee. While individual bonus award amounts will vary, the summation of all bonus awards will not exceed the budgeted total amount of 5%.

Staff Training (2006 Budget Allocation = \$22,190. 2007 Budget Request = \$22,190).

Performance in 2006

Of the 16 staff in the Administrative Office, 8 staff undertook relevant professional training or familiarization courses during 2006, mainly in the areas of procurement, logistics, Project Management, and language skills training. The other 8 staff members plan to take training before the year end. One staff member will complete her 2nd year STCU sponsored MBA course by the end of 2006.

Plan for 2007

The Administrative Office plans for 9 staff to take some form of training in 2007. Special emphasis will be on the procurement and customs practices and also to have other people trained in these skill sets in order to create more flexibility when juggling staff workload. Because these are specialist courses which are not currently available in Ukraine, this means booking external courses abroad. The decision was taken in 2006 to have less people trained but to focus on utilizing the budget on better but more expensive courses, which naturally means fewer people get trained but that those not going on courses will be placed on the priority list in the following year(s).

The Office plans for 3 staff to enroll in higher expense Professional Procurement / Contract Skills courses. These are usually conducted at a location in Italy, but if a local course of similar quality becomes available at lower cost, this will be considered more favorably. Additional, less costly, and more locally located courses are planned for staff professional development and some language training.

Staff Travel (2006 Budget Allocation = \$6,000: \$5000 within CIS; \$1000 International. 2007 Budget Request = \$5800: \$5000 within CIS; \$800 International).

Performance for 2006

During 2006 the CAO made trips to Moldova, and Dnipropetrovs'k, to carry out administrative fact-finding, reviews and follow-up work. There are additional plans to visit Moldova, Kharkiv, Lviv, ISTC, and Baku before the end of 2006.

Plan for 2007

Another follow-up visit to Moldova is planned in relation to the setting up of the new Regional Office. Additionally, 2 visits are budgeted to other Regional offices (e.g., Tashkent, Tbilisi or Baku) and 1 trip is budgeted for each of the 3 Ukrainian Regional Offices.

The Administration Office will continue to develop its external procurement/customs training initiative started in 2004 and will make visits to all STCU Regional Offices in 2007 to give workshops to scientists, project managers, and other interested parties. The same budget amount as 2006 will be requested in 2007 (and will appear in the Targeted Training Program budget request—see Performance/Public Outreach Department section in this report).

Also budgeted is a visit by the CAO to the EU Commission in Brussels (\$800, International Travel) to meet the with EU Party representatives.

Facility Improvements, Furniture & Fixtures, Office Equipment, Telecoms Equipment

2006 Budget Request = \$31,000: \$6,000 for Facility Improvements; \$10,000 for Furniture/Fixtures; \$10,000 for Office Equipment; \$5,000 for Telecommunications Equipment).

(2007 Budget Allocation = \$6,000: \$0 for Facility Improvements; \$3,000 for Furniture/Equipment, and \$3,000 for Office Equipment).

Performance in 2006

The STCU Headquarters building is fully equipped and functional, and few facility improvements were required in 2006, save for normal maintenance. However, some minor repairs for leaks in the roof, the central heating boiler system, and top-floor balcony room were necessary. One old, large-capacity photocopier was replaced and other office equipment purchases and room renovations were made.

Plan for 2007

The STCU Headquarters is expected to remain in good condition, with the same level (or less) of maintenance required. Given the need to make AOB reductions and taking into account the current negotiations on renewing the STCU Headquarters building lease/user agreements, there will be no facility improvements and no major asset purchases for furniture/fixtures/office equipment planned for 2007.

Vehicle Operations (2006 Budget Request = \$20,000. 2007 Budget Request = \$25,000).

Performance in 2006

The approved increase in the 2006 AOB line for vehicle operations met expectations on actual expenses, with the entire \$20,000 budget to be used by the end of 2006. STCU closely managed the use of the 3 vehicles in the face of increasing local fuel prices (a 150% increase since 2004) as well as increasing repair/maintenance costs of the two oldest vehicle—the Mercedes van and the Nissan sedan. There likely will be higher maintenance bills for these two aging vehicles in 2007. While one or both vehicles will need to be replaced

soon (especially the Mercedes Van which is the main workhorse of the STCU vehicles), no replacement will be planned for 2007. The STCU is currently attempting to customs-clear both older vehicles, as these were originally bought tax free and under the old Ukrainian laws would have to be re-exported or pay all duties and taxes upon sale of the vehicle. By clearing the vehicles now, this will allow STCU to legally sell the vehicles in Ukraine in the future without the customs duties and tax expenses, which will be a big advantage come the time STCU needs to replace these vehicles.

The use of taxis by STCU staff is the normal practice if STCU vehicles are not available, and this practice will remain. But this taxi use is likely to increase in 2007 due to the additional demands on the STCU vehicles for customs-related trips.

Plan for 2007

Another increase in the Vehicle Operations budget is required for 2007 to absorb the increasing fuel costs and the likelihood of higher maintenance. The inflationary trend in fuel prices is expected to continue for 2007. Therefore, STCU made its best estimate on the anticipated fuel expenses for the STCU vehicles (approximately \$10,500 for the year). The remainder will be spent on maintenance, servicing, tires, and taxis when cars are not available etc.

Admin Office Budget Request for 2007

	2006 Planned	2006 Actual	2007 Request	Change from 2006*
Staff				
- Party	1	1	1	0
- Local	15	15	15	0
- Part-Time	3	3	3	0
Staff Total	19	19	19	0
Staff Support				
- Travel (Inter'l)	1,000	-	800	-200
- Travel (CIS)	5,000	6,000	5,000	0
- Staff Training	22,190	21,929	22,190	0
Staff Support Total	28,190	27,929	27,990	-200
Admin Programs				
- Facility Improve	6,000	-	0	-6000
- Furn. & Fix.	10,000	10,039	3,000	-7000
- Office Equip.	10,000	10,583	3,000	-7000
- Tel. Equip.	5,000	2,000	0	-5000
- Veh. & Oper.	20,000	19,159	25,000	+5000
Programs Total	51,000	41,781	31,000	-20,000
Department Total				
Staff	19	19	19	0
Funding	79,190	69,710	58,990	-20,200

Finance Office

The Finance Department is responsible for the financial operations of the Center, which include accounting, banking, auditing and budgeting functions, and the assemble and preparation of financial and budget information. The office oversees the development of all policies and procedures related to the internal financial control of the Center.

Enterprise Resource Planning (ERP) Installation (2006 Budget Allocation = \$70,700: \$8,000 for Software; \$62,700 for Other Professional Services. 2007 Budget Request = \$22,450: \$6,700 for Software; \$15,750 for Other Professional Services).

In April 2003, in response to auditor requirements and to growing demands for financial and administrative information, the STCU launched a project to replace its core financial and administrative systems with an off-the-shelf enterprise resource planning (ERP) software package. The STCU moved aggressively to replace the previous aggregation of systems with this integrated, enterprise-wide solution utilizing a robust ERP package that will be used to perform all financial and administrative functions.

Performance in 2006

The goal of the program plan was to move completely away from the legacy systems to the new ERP NAVISION integrated system in 2006, with all finance and administrative transactions being processed in the NAVISION system. However, after the system audit performed by the Defense Contract Auditing Agency (DCAA) in March 2006, it was agreed that the STCU would first focus on the following open issues, which were seen as critical to complete before the STCU moved the remaining projects in the legacy systems (MS-ACCESS) to NAVISION:

- Training for Administrative Staff and Finance Staff
- Revision of Standard Operating Procedures
- Completion of remaining minor modifications to NAVISION and procedures

The March 2006 DCAA report, in its entirety, can be found on the STCU website:

[http://www.stcu.int/documents/internal/dcaa/Dcaa2006/01_DCAA_Report_02191-2006P17740001-Final\(systems audit\)](http://www.stcu.int/documents/internal/dcaa/Dcaa2006/01_DCAA_Report_02191-2006P17740001-Final(systems%20audit))

Currently, the STCU Finance Department is still resolving these above issues and has not started to transition the remaining STCU projects from MS-ACCESS to NAVISION. In the best-case scenario, only a small portion of the legacy MS-ACCESS projects will be moved over to NAVISION by December 31, 2006; thus, STCU Management is planning on legacy MS-ACCESS projects-to-NAVSION transfers to continue during 2007. However, as the amount of projects to be moved in 2007 should not be more than 50 – 60 projects, the amount of resources required will be much less than those planned for in 2006. Thus, the 2007 budget request has been greatly reduced with these numbers of projects remaining in mind.

Further, as a result of the audit of the December 31, 2005 year end financial statements, the auditors (Lubbock Fine Chartered Accountants) recommended that the STCU not convert the historical data for projects already closed in the legacy systems. This recommendation was agreed to by the STCU Management, and a detailed discussion of this point can be found under Observation #1 in the 2005 STCU Management Letter prepared by Lubbock Fine at the following page on the STCU website:

http://www.stcu.int/documents/stcu_inf/reports/audit/2005/Management_Letters/2005_Management_Letter.pdf

Because the import of previous legacy data was not performed in 2006, the resources required to execute the 2006 program plan were drastically reduced (especially in the area of the Innaware consulting services) and comprised the following expenses: (1) two temporary workers for a year @ \$700/mo. = \$16,800 (2006 plan called for 3 temporary workers); and (2) two payments for a total of \$3,000 for Innaware consulting services (original 2006 budget planned for \$37,500 of consulting expenses).

NAVISION Implementation Timeline

- | | |
|-----------------------|---|
| 1. May 16, 2005 | Project Started |
| 2. June 9, 2005 | Design Phase Completed (Functional Requirements Document signed off) |
| 3. August 8, 2005 | Testing Started |
| 4. August 25, 2005 | Steering Committee decides to reschedule "go-live" date to October 1, 2005 and implement on a "scaled" approach |
| 5. September 27, 2005 | Steering Committee decides to "go-live" on October 1, 2005 |
| 6. October 1, 2005 | STCU goes live with NAVISION for all Admin & Supplemental transactions, as well as all newly signed projects. |
| 7. March 2006 | NAVISION system audited by DCAA and deemed adequate |
| 8. July 2006 | Number of projects in NAVISION outnumber projects in legacy systems |
| 9. 4th quarter 2006 | Begin converting projects in legacy systems to NAVISION |

Plan for 2007

In 2007, the STCU plans to complete the move away from its legacy systems to the new NAVISION integrated system, with all finance and administrative transactions being processed in the NAVISION system. In order to complete the transition of the remaining projects in the legacy systems, the resources that will be required are as follows: (1) two temporary workers for a year = \$15,750; and (2) payment for the annual NAVISION maintenance fee (\$6,700).

Staff Travel (2006 Budget Allocation = \$5,440: \$2,240 within CIS, \$3,200 International. 2007 Budget Request = \$8,440: \$5,240 within CIS; \$3,200 International Travel).

Performance in 2006

In 2006, travel for the Finance Office was for two purposes: (1) attendance of annual DCAA audit planning conference, and (2) establishment or support of banking operations.

The annual DCAA audit planning meeting was held in July 2006 in Wiesbaden, Germany. The STCU conducted thirty-nine (39) project audits in three countries during April/May 2006 and October/November/December 2006. Results of the April/May 2006 audits are available from the U.S. Party; and the results of the October/November/December 2006 audits will not be known until early 2007.

The 2006 plan for banking support travel consisted of two parts: (1) establishment of banking operations in Chisinau, Moldova, and (2) re-establishment of local Uzbek banking operations in local currency (Tsum) and hard currency. The STCU decided to postpone the CFO's trip to Tashkent until 2007 due to a lack of progress on the Uzbek banking issue. The establishment of banking operations in Moldova occurred in the final quarter of 2006.

Plan for 2007

In 2007, the STCU estimates that it will conduct twenty five project audits for the U.S. Department of State, U.S. Department of Energy, and U.S. Department of Agriculture. The STCU plans on sending the CFO and Deputy CFO (\$3,200) to the annual planning conference in Wiesbaden Germany in the summer of 2007.

Also, the STCU will again budget for the CFO to travel to Tashkent (\$1,300), for the same reasons as outlined in 2006 above. Furthermore, an additional (\$3,940) is planned to travel to Baku, Tbilisi, and Chisinau to review banking operations.

Staff Training (2006 Budget Allocation = \$16,780. 2007 Budget Request = \$12,724).

Performance in 2006

For 2006, the following staff training was completed:

- Association of Certified Chartered Accountants (ACCA) training for three people.
- Certified Management Accountant (CMA) training for two people.
- Financial System implementation training for one person.

Plan for 2007

For 2007, the following staff training is planned (total \$12,724):

- ACCA Training for four people at \$1,125 per person (total of \$4,500).
- CMA Training for two people at \$612 per person (total of \$1,224).
- Internal audit training for two people at \$3,500/person (total of \$7,000).

Finance Office Budget Request for 2007

	2006 Planned	2006 Actual	2007 Request	Change from 2006
Staff				
- Local	10	10	10	0
- Party	1	1	1	0
- Part-Time	0	0	0	0
Staff Total	11	11	11	+0
Staff Support				
- Travel (Inter'l)	3,200	3,096	3,200	0
- Travel (CIS)	2,240	0	5,240	+3,000
- Staff Training	16,780	16,663	12,724	-4,056
Staff Support Total	22,220	19,759	21,164	-1,056
Programs				
- ERP Installation				
o Software	8,000	7,983	6,700	-1,300
o Other Prof Svcs	62,700	28,988	15,750	-46,950
Programs Total	70,700	36,971	22,450	-48,250
Department Total				
Staff	11	11	11	+0
Funding	92,920	56,730	43,614	-49,306

Information Technology Group

The IT Group is responsible for maintaining and upgrading all STCU information technology and telecommunications equipment and services. The IT Group also is responsible for the continued development of the STCU website, Projects (Technical) Database, custom software, and for day-to-day activities including problem solving and customer / client interaction. The IT Group currently consists of five people: the IT Group Manager, the System/Network Administrator, the Database Administrator, the Program Analyst and the Webmaster.

Performance in 2006

The STCU Web Site and the in-house proprietary software called the STCU Project Software (STCU PS) were both upgraded and redesigned in 2006.

The new STCU Web Site, launched in the first quarter of 2006 represents a dramatic change to the function and look of the STCU Online services. This was done in an attempt to provide a more market-driven approach to the information contained in the STCU Web Site. Along with the changes in the overall function of the Web Site, the STCU IT Group has tried to provide a more flexible and user friendly approach to the STCU Web Site and as a result there is no critical information within the STCU Web Site that is more than a few 'clicks' away. Although the majority of changes to the web site are obvious and visible to the general public, a number of other changes were also completed that are not as readily seen. These changes included moving the new STCU web site into compliance with industry standards established by "W3C", ensuring proper viewing of the STCU web site by the various web browsers and mobile devices, as well as providing numerous on-line tools and functions to authorized Users that were not previously available; on-line Regular Project Contract Approval, on-line Partnership Project Proposal Approval and the publishing of various documents associated with Projects in an on-line format. The IT Group also concentrated a great deal of its efforts in establishing the new STCU Web Site with the top Search Engines on the World Wide Web. These included search engines such as Google, Yahoo, SearchMSN and gigablast as well as the larger search engines in the CIS and Russian Federation; yandex, topos and webalta.

The new version of the STCU Project Software V3.0 released early in the fourth quarter of 2006 represents a number of design and function changes to the already existing STCU proprietary software application (STCUPS). Although the STCUPS is only one year old, it has already been through a number of changes. The changes included a complete redesign of the appearance of the software application, compliance with the latest version of Microsoft Office, increased functionality associated with the Partnership Project Proposals, a new User Manual and embedded Help functions that should make the software application more User friendly.

Through the diligent efforts of the IT Group during 2006, the STCU was recognized by the Adobe Software Corporation as a not-for-profit government organization and was granted an Open Ended License for all the Adobe software used at the STCU. This effort matches the similar success achieved with Microsoft Corporation in 2005, and greatly reduces the software license expenses for STCU. However, due to the varied license expiration dates and the installation of the new dual-processor Dell Server in 2006, a few software licenses still need to be obtained during the first quarter of 2007. The IT Group is currently attempting to establish the same beneficial license agreements with Symantec (Norton Antivirus and Norton Ghost) and Apple Corporation.

In 2006, the IT Group hardware efforts were largely focused on increasing system redundancy, improving system reliability and ensuring adequate storage space within the STCU computer network. A new Dell Server

was purchased and configured as a "mirror image" back-up of the existing Dell Server; three additional Hard Drives were purchased to increase the STCU Server's storage capacity; as well as a robust Cisco Firewall Appliance, two large capacity Backup Tape Storage devices, and a rack mounted DVD Writer for archiving purposes. These efforts have ensured the continued reliability and flexibility of the STCU computer infrastructure through 2007.

During the third quarter of 2006 the IT Group conducted the second annual IT Survey of the STCU employees. The goal of the survey was to establish the degree of satisfaction and perception of the IT Groups customer/client interaction and to determine if the issues and concerns of the 2005 survey were satisfactorily addressed during 2006. As in 2005, the survey was conducted in a closed or blind ballot process, 20 questions were asked spanning all areas of the IT Groups functions from interaction to equipment and software usage. The results of the survey were very favorable to the IT Group and no issues of a negative nature were reported or discerned.

The STCU IT Group upgraded all STCU computers and Laptops to Windows XP with Service Pack 2 in all of the STCU offices. IT Group Staff members visited all the STCU Regional Offices during the fourth quarter of 2005 and during 2006 with the exception of Uzbekistan. These Regional Office visits allowed the IT Group Staff members to perform a number of important tasks; upgrading of all the operating systems to Windows XP, upgrading of antivirus Software, configuration of VPN (Virtual Private Network) and VNC (Virtual Network Client) protocols to allow authorized, out of office STCU Staff to have access to the Kiev office servers and to access the overall condition of the seven STCU Regional Offices.

In an attempt to provide continued reliability within the IT Group, all four IT Group staff members participated in off-site cross-training. The training courses were selected so that members of the IT group would be able to fulfill the duties of staff members that were not available due to vacations, travel or illness. All four training programs were provided by accredited institutions and have increased the knowledge base and redundancy of the IT Group personnel.

Plans for 2007

Hardware (2006 Budget Allocation = \$19,295. 2007 Budget Request = \$12,520).

The IT Group efforts for 2007 will be to maintain the already existing infrastructure established during the previous four years. The STCU IT Hardware budget requests for 2007 reflect this by concentrating our efforts on the potential areas of weakness that may result from hardware attrition.

There are 24 STCU staff members that are using four-year-old laptop computers that have a warranty period of three years. An anticipated attrition rate for the laptop computers predicts that approximately 5-6 of these can be expected to fail during 2007. Two of these four-year-old laptops have already failed during 2006 and were repaired under warranty at no cost to the STCU. During 2007, laptop repairs of less than \$250 will be considered cost effective, but repair costs exceeding this amount will require some form of computer hardware replacement. Therefore, the IT hardware budget request for 2007 includes funds for 6 desktop work stations (approximately \$750 each or \$4500 total). An additional STCU IT hardware budget request of \$3000 has been included to purchase 10 Flat Screen Monitors and Keyboards to assist in the transition from laptop computers to desktop work stations for many of the STCU staff who no longer take their existing laptops on travel. Additional items included in the 2007 budget request include digital telephone handsets, additional storage tapes and miscellaneous computer spares including CD ROM drives, hard drives, motherboards, cables etc.

Software (2006 Budget Allocation = \$8,950. 2007 Budget Request = \$5,140).

A few software licenses still need to be obtained during the first quarter of 2007, and license maintenance fees are the bulk of the 2007 budget request for IT software. If IT Group succeeds to establish not-for-profit organization license agreements with Symantec and Apple Corporation, this will result in substantially reduced software costs in 2008. The addition of the second processor to our Server requires the purchase of an additional Open Ended Processor License at a cost of \$5000. To ensure the compatibility of the two installed Apple OSX Servers and the System Administrator computer, an Apple iMac needs to be upgraded to Apple OSX 10.4 at a cost of \$140.

Staff Training (2006 Budget Allocation = \$3,150. 2007 Budget Request = \$7,206).

The ever-changing environment of information technology requires IT professionals to remain up to date on the latest developments and trends within the IT/Software community. Training courses in 2007 will be focused on ensuring that the STCU IT staff members are aware of changes in the IT community that may effect and benefit the STCU. Also, two IT Staff members would like to participate in English language courses in 2007, and one IT staff member is in the 2nd and final year of the STCU Staff MBA Program.

Staff Travel (2006 Budget Allocation = \$3,500. 2007 Budget Request = \$500).

The STCU IT Group visited all of the STCU Regional Offices during 2006 and no travel is planned in 2007. However, a contingency \$500 has been budgeted to cover any unexpected situations in any of the seven STCU Regional Offices.

IT Group Budget Request for 2007

	2006 Request	2006 Actual	2007 Request	Change from 2006
Staff				
Party	1	1	1	0
Local	4	4	4	0
Part-Time	0	0	0	0
Total	5	5	5	0
Staff Support				
Travel (Int'l)	0	0	0	0
Travel (CIS)	3,500	3,166	500	-3,000
Training	3,150	3,150	7,206	+4,056
Total	6,650	6,316	7,706	+1,056
Programs				
Hardware	19,295	19,819	12,520	-6,775
Software	8,950	8,950	5,140	-3,810
Other Prof. Svcs *	2,360	2,360	2,750	+390
Total	30,605	31,129	20,410	-10,195
IT Dept Totals				
Staff	5	5	5	0
Funding	37,255	37,445	28,116	-9,139

* IT Services includes off-site back up tape storage

Science Excellence Department

The Science Excellence Department coordinates the processing and management of STCU Regular and Partner Projects and Proposals; initiates seminars & workshops; receives and processes letters of support or collaboration; processes Party approvals of project work plans; processes project Host Government Concurrences from all Beneficiary Parties; and liaises with scientific institutions to gain insights into national science priority directions. The Department is also responsible for supervising the Regional Offices in Tbilisi and in Chisinau.

Project Management

Performance in 2006

The Department provided assistance in continuing to develop new project applications with an effort to attract more Foreign Collaborators. This was particularly illustrated when a Department Senior Specialist facilitated the necessary replacement of a Foreign Collaborator on an active Regular Project, resulting in three new western contacts for the project team. This effort was facilitated by discussing the reality of using foreign scientific cooperation and the importance it would bear especially when considering implementation and post-assistance phase. The Department also supported scientists' initiatives to develop contacts by traveling to events abroad in the context of the on-going projects.

Plan for 2007

The Department expects to encourage proposal submission in targeted areas of current international and national research interest. Several priorities have been identified already and further international cooperation schemes are to be explored. A grant-funded Project to be proposed within the TACIS Action Program for Ukraine could materialize in the early 2007; however more discussion with the TACIS authorities is needed to define an appropriate role for STCU in such a project. The Department shall more systematically prepare "Technology Profile Forms", based on the "S&T subject expert" responsibilities identified for all Senior Specialists, including those within this Department. These technology forms will assist the "innovation developer" or technology investor, as well as the Beneficiary Institutes to better promote their work, capabilities and eventually to attract a partner for a potential commercialization or new research funding opportunities.

Project Proposal Processing

Performance in 2006

The Department concentrated on improving the text used in Project Proposal formats to render them more easily understandable for western reviewers. Also, the Department led the development of specific improvements and system corrections to the internal STCU Cover Sheet process that increased the STCU value added for western reviewers and Financing Party officials. Regular Project Proposal Cover Sheets now provide information that is less generic than previously, and become useful for later reference such as for further studies on impact of funded projects. The Department led STCU representation on the joint working group on Host Government Concurrence issues with the Ministry of Education and Science of Ukraine and managed to agree with the Authorities to have a maximum one month period to receive HGC decisions. This improved the regulation of project pipeline inflow for the benefit of the entire Center's Senior Specialists.

The Department also led an internal staff effort to develop a standard, step-by-step process for moving Project Agreements through the internal STCU concurrence process, including assigning target deadlines for each

approval step in the internal process. These recommendations helped in the implementation of a new on-line electronic system that records the movement of a Project Agreement package through the STCU and allows for better transparency, faster processing, and improved management oversight of the internal concurrence process. Finally, numerous web site improvements were brought in to clarify several issues, such as clearer and more distinct differentiation between Letters of Collaboration and of Support.

Plan for 2007

In 2007, the Department will continue the task of streamlining Proposal and Project Agreement processes, including improvement to process flow created by the transition from paper-based processing to electronic "on-line" processing. There will be continued improvement in the Ukrainian HGC process in partnership with the Ministry of Education and Science (Ukraine), standardized evaluation criteria for Senior Specialists to use in Cover Sheet preparation, and more pro-active interaction with participating scientists so their project applications better reflect the level of data analysis expected.

Workshops/Seminars (2006 Budget Allocation = \$70,000. 2007 Budget Request = \$60,000), and EU Designated Supplemental Line 09.02 E.U. Designated Seminars/Workshops (2006 Budget available = \$47,084. 2007 Budget Request = EUR 80,000).

Performance in 2006

Throughout the year, the Department DED and some Department staff actively worked on the STCU-organized Workshop "From Science to Business" which was planned for 2005 and received funding support from NATO. This event was re-designed from its original 2005 format to make it both informative for participating Ukrainian Scientists and attractive enough to foreign contacts from the Funding Parties' countries to attend. The Workshop hosted several sub-events such as a Technology Exhibition with a Poster Session and a day of panel discussions in five technology areas, led by Ukrainian Academicians together with STCU Executives and Senior Specialists. Several personnel from the Department participated in international seminars and made presentations on STCU. Also a dedicated seminar of STCU project writing was held in Moldova, the first STCU activity conducted in this most recent STCU member.

Plan for 2007

The Department will elaborate a standard "STCU Science Excellence" set of communication materials that will be available in support of speeches, for download as reference material, and for facilitating road-shows or seminars/conferences. The Department also will contribute support to smaller training courses in scientific grant writing and technology transfer/IPR. In addition the Department shall continue the preparation of multilingual Technology Profile Forms from STCU project research that is evaluated to have good post-project potential. These Forms also shall be of use to promote the STCU during presentations in Funding Parties' countries.

The Department plans to organize a small, focused conference on commercializing science and technology research, similar to previous in coordination with the Sustainability Promotion Department. This workshop will include selected invitees from at least two STCU Beneficiary Parties. The Department also plans to organize a workshop in Moldova, with Ukrainian and Moldovan participants, to discuss national S&T priorities and profiles.

- Workshop in Moldova with scientists from Ukraine (Lviv, Kharkiv) on National Technology/Science Priorities. Tentative date for late May – early June (\$30,000).

- Azerbaijan-based conference on commercializing science (including Georgian and Uzbek scientists) Presentation of National TPF/Grant writing/National Science Priorities. Tentative date for late October – early November (\$30,000).

Finally, SED will contribute through EU Designated Supplemental Budget to financially assist the development of seminars and workshops in the European Union, on topics of interest to Scientists, Governing Board Members, and general population of Newly Independent States party to the STCU agreement. Two events are foreseen in coordination with EU Member States in charge of EU Presidency (EUR 80,000).

Staff Training (2006 Budget Allocation = \$11,700. 2007 Budget Request = \$11,700).

Performance in 2006

All Science Excellence Department Staff used their allocation of training to reach the best possible source of information, mostly on the technical areas of their specialization. A large majority decided to go abroad rather than selecting generally available courses/seminars locally. Indicatively, Department staff attended the following events:

- “Improving Project Management Capabilities and Evolving the PMO”
- 16th European Congress on Clinical Microbiology and Infectious Diseases
- Developing Management in Secretaries and Administrators
- TOEFL Training/Exam & Management Training
- 12th EARMA Annual Conference
- “Trends in Nanotechnology” Conference
- International Conference on Tungsten, Refractory & Hardmetals VI

Plan for 2007

In 2007, Senior Specialists will receive training to maintain or improve their professional skills, particularly in areas where they can assist STCU participant scientists (e.g., technology transfer, IPR and licensing of science research, basic market analysis, project management). The budget request for staff training is unchanged.

Staff Travel (2006 Budget Allocation = \$13,300: \$8,800 within CIS; \$4,500 International. 2007 Budget Request = \$13,300: \$5,300 within CIS; \$8,000 International) and EU Designated Supplemental Line 01.02 E.U. Designated Travelers –Tech. Collab. Cont. Trav.- and EU Designated Supplemental Line 06.03 E.U. Designated Travelers -Travel Mobility- (2006 Budget available = EUR 130,000 and \$111,676 - /- 2007 Budget Request = EUR 100,000 and EUR 90,000 respectively).

Performance in 2006

In 2006, DED (EU) visited Moldova (to meet the Authorities and see the newly established STCU Regional Office), and Georgia to identically establish direct local contacts. Several Senior Specialists traveled abroad to attend international science conferences.

Plan for 2007

In 2007, DED shall travel to all STCU Beneficiary countries with at least one Senior Specialist to conduct the program of outreach activities. In addition, there shall be at least one visit to Moscow to meet with the ISTC

representatives. One trip outside the CIS is planned, for participation to an STCU "road show" in Europe (probably the Hanover Messe show in April 2007).

In 2007, Senior Specialist travel within the CIS includes travel to events such as workshops and seminars, orientation and presentation of STCU activities in different STCU Regional Office locations. The Department anticipates that two Senior Specialists will travel to conferences or participate in the STCU promotion missions outside the CIS.

Finally, SED will contribute through EU Designated Supplemental Budget to financially support project related travel and administrative expenses of:

- EU delegations traveling to Ukraine.
- EU technical experts traveling to Ukraine to perform technical audits of projects.
- STCU personnel costs required to support the aforementioned visits.

And will also allocate resources to support travel to the European Union related to project proposals, collaborator interaction, and partner search related activities for scientists from Newly Independent States party to the STCU agreement and for STCU specialists attending EU specialized meetings.

Patent Support, EU Designated Supplemental Line 05.03 E.U. Designated -Patents- 2006 Budget allocation \$18,592. 2007 Budget Request = EUR 10,000).

Plan for 2007

SED will contribute through EU Designated Supplemental Budget to financially support steps toward patent applications in the European Union, comprising patent searches, application and travel related to patents, for scientists from Newly Independent States party to the STCU agreement.

Expert Review and Advisors, EU Designated Supplemental Line 08.01 E.U. Designated Reviewers 2006 Budget allocation EUR 90,000. 2007 Budget Request = EUR 90,000).

Plan for 2007

SED will contribute through EU Designated Supplemental Budget to financially support STCU's management and control of projects, and STCU's supervisory and scientific structures by providing EU expert review of proposals submitted by the STCU to the Funding Parties.

Regional Offices (Moldova and Georgia)

Moldova Office Start-Up (2006 Budget allocation \$12,000. 2007 Budget Request = \$2,000).

The STCU has nearly completed all the necessary renovation work to establish its Moldovan Regional Office in Moldova. STCU activities will start in a more formalized and active manner in 2007. Project proposal processing has started already in 2006. The requested budget is there in case additional installation expenses occur during 2007.

Regional Office Travel (2006 Budget Allocation = \$6,000. 2007 Budget Request = \$6,000: \$3000 for Georgia; \$3,000 for Moldova).

Performance in 2006

The Regional Officer in Georgia traveled to Kyiv on three occasions, and traveled to the USA and in the CIS to attend international conferences. The new Moldova Regional Office traveled to Kyiv in October for orientation training. Both Regional Officers will be in Kyiv in October for the STCU Regional Officers meeting.

Plan for 2007

Travel within CIS

- 3 trips to Kyiv for Georgia Regional Officer, two of which will be for Regional Officer Meetings and training in Kyiv (\$3,000).
- 3 trips to Kyiv for Moldova Regional Officer, two of which will be for Regional Officers' Meetings and training in Kyiv (\$3,000).

Office Operations and Other Professional Services (2006 Budget Allocation = \$11,440: \$3,720 for Georgia; \$7,720 for Moldova. 2007 Budget Request = \$8,000: \$4,000 for Georgia; \$4,000 for Moldova).

Both Regional Offices will have to bear organizational expenses for the workshop/seminar events planned for their regions. In addition, it is expected they will sub-contract tasks to help them prepare any Technology Profile Forms that are selected from STCU participant scientists in their respective regions.

Science Excellence Department Budget Request for 2007 (AOB and Shared SB only)

	2006 Planned	2006 Actual	2007 Request	Change from 2006
Staff				
- Local	8	8	8	0
- Party	1	1	1	0
- Part-Time	0	0	0	0
Staff Total	9	9	9	0
Staff Support				
- Travel (Inter'l)	4,500	4,000	8,000	3,500
- Travel (CIS)	8,800	4,462	5,300	-3,500
- Staff Training	11,700	11,203	11,700	0
RO Operations				
- Office Startup	12,000	12,000	2,000	-10,000
- Travel	6,000	6,000	6,000	0
- Overhead & Other	11,440	14,234	8,000	-3,440
Prof. Svcs				
Staff Support Total	54,440	51,899	41,000	-13,440
Workshops/ Seminars	70,000	70,000	60,000	-10,000
Programs Total	70,000	70,000	60,000	-10,000
Department Total				
Staff	9	9	9	0
Funding	124,440	121,899	101,000	-23,440

Technology Advancement Department

The Department leads STCU efforts to develop initiatives and manage ongoing activities that facilitate the beneficial application of research results and technology development among STCU participating scientists and institutes. The Department coordinates the processing and management of STCU Regular and Partner Projects and Proposals; initiates seminars, workshops; and focuses on the advancement of applied science and technology development. It also manages the Targeted R&D Initiatives program and STCU's Ukrainian Regional Offices.

Project Management

Performance for 2006

In March 2006, the Department organized an internal STCU meeting to develop organizational commitment to deal promptly with "stagnant" STCU project and proposals which were growing in number within the STCU internal proposal/project processes. The meeting identified bottlenecks in the processes and secured organizational "buy-in" to cleanup the STCU Project Database. The Department also took the lead in reviewing all Project Process-related text in the STCU website so as to update, correct, or clarify critical project process descriptions and information. Efforts were also made to seek improvements in the quality of technical/research progress-related information gathered during standard STCU project monitoring.

In 2006, the Department was tasked with working closely with bio-redirection programs in the U.S. government (e.g., the Bio-Industry Initiative, the DoD Biological Threat Reduction Program) and the Canadian government so as to assist these programs in targeting and focusing programmatic efforts in STCU participating institutes and technical units.

Plan for 2007

The Department plans to continue working across the STCU organization (specifically with the Science Excellence Department) to identify and implement additional improvements in the existing Project Management processes and practices, implement the on-line project approval process, and improve the ability of STCU participating scientists to develop, demonstrate, and successfully market their research results and capacities to potential contract research customers and technology investors.

Targeted R&D Initiatives (2006 Budget Allocation = \$850,000. 2007 Budget Request = \$0 (pending further decision on the need for a Supplemental Budget – Targeted R&D Initiatives line).

Performance in 2006

The second round of the Targeted R&D Initiative (TRDI) program with the National Academy of Sciences of Ukraine (NASU) began in February 2006, with final project selections to be made at an October joint working group meeting of the four involved Parties (Canada, EU, U.S., and NASU). The goal of this 2006 TRDI cycle was to finance up to \$1 million in Ukrainian science projects in the areas of nanomaterials, information technology, and industrial technology. As with the inaugural STCU-NASU TRDP round in 2005, the 2006 round continued to experience "growing pains" with the Parties continuing to refine the actual process of TRDI proposal submission, Party review, and consensus selection and financial commitments. All Parties continued to express strong support for the TRDI concept, particularly the close involvement and co-financing coming from the Ukrainian Party. But due to the continuing Party-driven evolution of the TRDI process, plans to

initiate the two other TRDP initiatives approved in the 2006 budget (namely, with the Georgian National Science Foundation and the Ukrainian Ministry of Environmental Protection), were postponed.

Other Targeted Initiative-like activities (e.g., the Central Asian Seismic Initiative) continued in 2006:

Plan for 2007

Barring any further systemic issues with the current STCU-NASU TRDI round, the next Targeted Initiative to be started will be with the Georgian NSF (which had committed \$250,000 for a 2006 TRDI, but with the delay in start-up, the GNSF now can commit only \$140,000 for a 2007 TRDI round). Other governmental agencies, such as the Ukrainian Ministry of Environment and the Academy of Agrarian Policy, are prepared to participate (including financially) in Targeted Initiatives specific to their S&T priority needs. The Department hopes to have 3-4 Targeted Initiatives underway in 2007, with goal of \$900,000 - \$1 million in funds contributed from Beneficiary Party agencies for co-financing the Initiatives (exceeding the current amount of \$640,000 in the NASU and GNSF initiatives).

Now that the STCU western Parties have expressed their desire to demonstrate more direct control over decisions committing their individual Party project funds, the concept of a "shared pot of Targeted Initiative funding" may no longer be relevant. If the Parties adopt the concept of a non-binding "pledge" at the beginning of a Targeted Initiative cycle, with actual funding decisions made during final selection of TRDI projects, there seems to be no need for a Supplemental Budget line to account for Targeted Initiative funds. Given this uncertainty, the Department will not make any request for new Supplemental Budget – Targeted R&D Initiative funds in 2007, pending further guidance from the Governing Board on the future TRDI process and Party funding procedures.

Staff Training (2006 Budget Allocation \$10,500. 2007 Budget Request \$10,500).

Performance in 2006

Two of the Department's Senior Specialists will join a delegation of 10 Ukrainian scientists to the NATO Advanced Workshop "Optical Wavelength Sensing & Imaging in Medicine, Environment, Security and Defense" in Gatineau, Canada. This is the third STCU trip to this annual workshop. Participation in the workshop "Optical Wavelength Sensing & Imaging in Medicine, Environment, Security and Defense" will provide valuable training opportunities for the STCU Senior Specialist and enhance their ability to deliver the STCU's programs with more value-added input to the STCU Project Managers and research institutions. Moreover, participation will enhance the career development of the Senior Specialists in their area of specialization.

Plan in 2007

In the context of the expanded TRDI activities in 2007, we expect to support the participation of two Department personnel at international training conferences/workshop as well as other members of the Department participating in Ukraine-based training initiatives.

Conference/Workshop Support (2006 Budget Allocation = \$30,000. 2007 Budget Request = \$40,000).

Performance in 2006

The Department organized a Bio-Technology Workshop in Odessa (June 2006) to help inform biological research institutes on the issues related to competing in the global market for sub-contracted research

services. Experts from Canada, Europe, and the United States, as well as governmental program officials from these countries, gave presentations to a selected group of Ukrainian biotechnology and bio-production institute officials. As a result of the workshop, proposals were tabled for developing STCU training programs in quality standards, GLP/GMP, and other aspects of consideration in biological research sub-contracting and bio-product development. Another outcome was the development of a biotechnology brochure promoting the existing capabilities and technologies of the bio-institutes across the STCU Beneficiary States. This material will form the basis for dialogue with the institutes and foreign collaborators / investors / partners. Finally, the workshop led to more contacts with officials of the Ukrainian Academy of Agrarian Policies and Ministry of Health that may develop into more specific cooperative engagements in the future.

The Department also will organize a grant-writing workshop, to take place in Kharkiv and Lviv in late October, so as to provide additional "hands-on" grant writing skills to STCU participant scientists. The workshop also will focus on finding and working with foreign scientific and business collaborators / partners.

Plan in 2007

In 2007, the Department plans to organize one workshop in Georgia in support of the STCU-GNSF Targeted R&D Initiative round intended to be started in late 2006. This workshop will focus on the areas identified in this future STCU-Georgian Targeted Initiative (among which, biology is one area already identified by the Georgian National Science Foundation as being of distinctive technical competence) and will be organized in partnership with leading Georgian scientific organizations and national science officials.

Staff Travel (2006 Budget Allocation = \$16,000: \$11,000 for Travel Within CIS, \$5,000 for International Travel. 2007 Budget Request = \$16,000: \$11,000 for Travel Within CIS, \$5,000 for International Travel).

Performance in 2006

The DED traveled to each of the three Regional Offices in Ukraine (Lviv, Kharliv and Odessa). In all regions the DED delivered seminars promoting STCU's Targeted Initiatives program to scientists and senior government officials, and visited a number of institutes.

In June, the Kharkiv Regional Officer Manager lead a delegation of Ukrainian scientists to the Advanced Manufacturing Technologies (AMT) conference in Ontario, Canada and participated in a number of meetings with Canadian companies to promote partnership opportunities.

Plan for 2007

The amount of travel planned in 2007 will not exceed the travel of 2006; therefore the requested Staff Travel budget for the Department will be the same amount as in 2006.

- A minimum of two visits to each of the Ukrainian Regional Offices to continue contacts with local institutes and discuss new training initiatives (\$6,000).
- One visit is planned to Georgia in the context of Targeted Initiatives in that country (\$2,000).
- Visits to Azerbaijan and Moldova are planned to attend/assist in the two STCU workshops intended to be conducted in those two countries (\$3,000).
- Senior Specialists will travel to international conferences, as was the case in 2006 (\$5,000).

Regional Offices (Kharkiv, Dnipropetrovs'k & Lviv)

Regional Officer Travel (2006 Total Budget Allocation \$7,500: \$3,500 for Kharkiv; \$2,000 for Dnipropetrovs'k, \$2,000 for Lviv. 2007 Budget Request = \$7,500: \$3,500 for Kharkiv, = \$2,000 for Dnipropetrovs'k, \$2,000 for Lviv).

Performance in 2006

In the context of delivering the STCU programs, the Regional Officers traveled to cities across their regions to continue facilitation of STCU programs and activities at the local level. This provided an opportunity to promote STCU programs, to inform existing and potential project managers (PM) of the changes to STCU policies and procedures. Visiting institutes also provide value-added input to PMs on project development and provide useful training in areas of grant writing and procurement.

Plan in 2007

The Regional Officers plan to continue traveling within their regions to continue assistance and facilitation of STCU project and program implementation. Also, each Regional Office is expected to make three trips to Kyiv consultations at STCU Headquarters and for Regional Officers Meetings and local travel.

Office Operations and Other Professional Services (2006 Total Budget Allocation = \$23,820: \$10,620 for Kharkiv; \$6,420 for Dnipropetrovs'k, \$6,780 for Lviv. 2007 Total Budget Request = \$23,460: \$10,620 for Kharkiv; \$6,420 for Dnipropetrovs'k, \$6,420 for Lviv).

In 2006, both the Kharkiv and the Lviv Regional Offices had a part-time administrative assistant. The plan for 2007 is to continue this part-time administrative help as well as add a part-time administrative assistant to the Dnipropetrovs'k Office. In 2006, we witnessed the positive impact of these part-time administrative staff in raising the output (increased project submissions, greater outreach, greater value-added activities, etc.) from the Kharkiv and Lviv offices.

Technology Advancement Department Budget Request for 2007

	2006 Planned	2006 Actual	2007 Request	Change from 2006
Staff				
- Local	8	8	8	0
- Party	2	2	2	0
- Part-Time	0	0	0	0
Staff Total	10	10	10	0
Staff Support				
- Travel (Inter'l)	5,000	5,779	5,000	0
- Travel (CIS)	11,000	7,937	11,000	0
- Staff Training	10,500	8,568	10,500	0
RO Operations				
- Travel CIS	7,500	7,500	7,500	0
- Overhead & Oth. Prof. Serv.	23,820	17,529	23,460	-360 0
Staff Support Total	57,820	47,313	57,460	-360
Programs				
Targeted R&D Initiatives	850,000	850,000	0*	N/A*
Conferences/ Workshops	30,000	30,000	40,000	+10,000
Programs Total	880,000	880,000	40,000	+10,000
Department Total				
Staff	10	10	10	0
Funding	937,820	927,313	97,460*	+9,640*

*No new funding requested pending GB Decision needed on retaining or eliminating Targeted R&D Initiative budget line

Sustainability Promotion Department

The Sustainability Promotion Department seeks to increase the number of opportunities for STCU recipient scientists to enhance their abilities to support research activities through their own efforts by developing long term partners within the private and government sectors. We plan to accomplish these goals through programmatic activities in:

- commercialization
- international patenting and commercial technology licensing
- commercial matchmaking and linking institute with private-sector and governmental financing
- partnership promotion

The Department also has management responsibility over the Regional Offices in Baku, Azerbaijan and Tashkent, Uzbekistan.

Partnership Promotion (2006 Budget Allocation = \$ 140,000: \$100,000 from Shared Supplemental Budget – Bus. Training/Sus. Support; \$40,000 from Party-designated Supplemental Budget – Bus. Training/Sus. Support (US). 2007 Budget Request = \$141,000: \$100,000 from Shared Supplemental Budget – Bus. Training/Sus. Support; \$41,000 from Party-designated Supplemental Budget – Bus. Training/Sus. Support (US).

Performance in 2006

Partner Promotion Program. As of 1 October 2006, 21 organizations, all of them Non-Governmental, have become new STCU Partners, and 50 new Partner Projects or Project extensions were started, totaling over \$9.5 million and €275,000. The steady increase in Partner Project funding, and the additional funding from new non-government organizations, is helping STCU meet one of its key near-term strategic goals of increased private-sector Partner activity in support of building self-sustainability among former weapon scientists.

Much of the success in the 2006 Partner Program is attributable to the STCU becoming more selective about the Partner “road show” missions it undertakes, and providing more targeted preparation of the participating scientists in these “road shows”. These missions bring STCU participating scientific teams in face-to-face contact with western technology customers, and this has been found to be effective in recruiting more STCU private-sector Partners and more Non-Governmental Partner Project funding. In 2006, STCU conducted the following Partner Promotion road shows:

Biotechnology Industry Organization (BIO) 2006 Conference (April 2006, Chicago USA). The STCU delegation of 14 bio-researchers and bio-entrepreneurs from Azerbaijan, Ukraine, and Uzbekistan participated in this Annual Meeting, under the sponsorship of the U.S. State Department BioIndustry Initiative. STCU was joined by an ISTC delegation in this event. A [“Biotechnology – Ukraine - 2006” brochure](#) was developed for this event, highlighting unique capabilities and technologies. Pre-trip training and preparation of the delegation took place in February. At BIO 2006, the number of individual meetings averaged over 10 per participant, with about one-fourth of these appearing to lead to further partnership discussions. One of the meetings, related to avian influenza vaccine development, is developing rapidly and the interested U.S. company has applied for STCU Partner status.

STCU Delegation participated in INTEK 2006 (May-June, Germany). Preliminary matchmaking was performed in cooperation with AiF and covered more than 200 German companies participating in this event. A Ukrainian delegation of three scientific technical units was selected for this trip, and STCU organized more than 50 commercial matchmaking meetings.

Plan for 2007

The Department has formulated an expanded program for the next year, building on the experiences gained from previous years in effective Partnership Promotion:

- Targeted Joint Sustainability Promotion Initiative: The Department shall seek to work directly with official Ukrainian bodies (e.g., governmental organizations, government-connected agencies, etc.) involved in science, technology, and innovations and develop a system for extending and targeting the benefits of the STCU Partner “road shows” in ways that facilitate growing national innovations and technology transfer systems, help connect modern technology and innovations trends, and promote products promotion in foreign markets. Periodic round-table meetings and networking meetings are planned to engage these Ukrainian stakeholders

- Innovations Market Matchmaking & Road Show: A combination of the Partner “road show” to the Hannover Messe in April 2007, focusing on Energy & Environment, Photonics, and Nanotechnology. STCU will conduct a more effective Targeted Matchmaking effort using a single-year contract promotion package with the Innovations Market Trade Fair, which provides a year-long, on-line visibility for the STCU product lines as well as for the products of up to ten selected Ukrainian institutions involved in STCU sustainability development activities.
- Planning with AiF (Germany) on Partner Promotion road show INTEK 2007 as well as planning for a road show to a Bio Partnering tradeshow event (BIO Europe 2007) in London (UK).
- Potential, small-scale technology promotional missions to EU, CA and US (as opportunities arise).

Market Analysis (2006 Budget Allocation = \$4000 from AOB- Subscriptions. 2007 Budget Request = \$11,000 from Shared Supplemental Budget – Bus. Training/Sus. Support).

Performance in 2006

This program continued at a low level of activity throughout 2006 because the vacancy in the Department’s DED position prevented the design and implementation of initiatives in this program area. Activity was limited to primarily the Kyiv Polytechnic Institute/University of Lyon educational program, where STCU projects (selected by STCU staff) are offered as “case studies” for MBA students at KPI, resulting in a student-produced marketing analysis and promotion strategy for the STCU project team. With the arrival of the DED (US), this program activity is now ready to be fully implemented in 2007.

Plan for 2007

The Department plans to expand STCU ability to conduct basic market research and analysis activities in support of the STCU participating scientists who have developed technologies suitable for commercialization:

- STCU will subscribe for services from a major database search firm, Nerac (USA), to provide STCU with relevant market and competitor information about technologies that the Department targets for commercialization support.
- STCU plans to continue and expand the current “marketing case study” relationship with Kyiv Polytechnic Institute and to develop a similar market research/analysis relationship with Kyiv Mohyla University business school students.

Sustainability Development (2006 Budget Allocation = \$87,000 from Shared Supplemental Budget – Bus. Training/Sus. Support. 2007 Budget Request = \$87,000 from Shared Supplemental Budget – Bus.Training/Sus.Support)

Performance for 2006

The Department continued its work to initiate the Chief Technology Commercialization Officers (CTCO) program. Based on the consultant study conducted in the latter half of 2005 and early 2006, a group of 13 Ukrainian institutes were evaluated by STCU as being well positioned to benefit from specialized commercialization support and training of a CTCO on the institute staff. STCU invited these 13 institutes to participate in the next phase of the CTCO program, and 10 of those institutes accepted the invitation. Currently, memorandums of agreement are being developed with each institute to define the scope and

commitments of the institute and STCU toward developing CTCOs in the institute. A training program also is under development for the specific individuals selected for the CTCO position at the institute.

The Department also assisted the Ukrainian scientific teams selected to produce Technology Profiles for presentation at the "From Science to Business" workshop, and performed similar support to technology profiles published in STCU Partner Promotion brochures, etc. These Technology Profile Forms are quickly becoming the standard format for STCU sustainability promotion activities, as they effectively advertise the S&T capabilities and products of STCU participating scientists and institutes. Such advertisement is essential to perform effective commercial matchmaking between STCU scientists and western commercial customers.

In the 2006 Budget presentation, the Department received Governing Board authorization (and \$10,000) to support selected cases of prototype production/testing activities when there is a strong opportunity to promote STCU participant-developed technologies to a potential commercial/industrial Partner. While the Department has yet to identify a good case for prototype development or testing support, STCU was involved in one 2006 example that demonstrated the potential benefit of this option—where a U.S. company requested samples for testing from a Ukrainian institute that works with STCU, and STCU facilitated the communication between the U.S. company and the Ukrainian scientific team. The testing results, and the interactions between the two parties, has convinced the U.S. company to pursue a more significant commercial relationship with the Ukrainian team, and the U.S. company plans to finance STCU Partner Projects to develop the Ukrainian technology further.

Plan for 2007

Continuation of the CTCO Program. The CTCO program in Ukraine will move to its second phase, with seven-week training courses developed for specifically training and educating the institute-designated CTCOs. The training will focus on international patenting and commercial licensing, performing technology commercialization assessments, conducting market research/analysis, and developing business strategies for their institutes. Some of STCU's own Senior Specialists also will participate to provide for them tech transfer training.

The institute CTCOs will be included in some of the STCU Partner Promotion road show delegations so that they gain basic real-life experience in working with foreign commercial technology customers. Further, the Department plans to develop CTCO programs in Georgia and Azerbaijan, beginning with the same consultant-based evaluation of institutes in those two countries as was conducted in Ukraine.

Technology Profile Forms (TPFs). We will plan to develop an expanded list of TPF candidates based on STCU active projects. Such a list of TPFs is necessary in order to uncover and to promote the full spectrum of technologies and products that have been and are currently being developed through Party-funded Regular Projects. From this list, we will post selected TPFs on STCU's web site, produce a promotional TPF CD, and print a limited number of brochures of these TPFs for distribution. The TPF list will be updated continually to promote the most current technology developments suitable for commercialization.

Prototype Development/Sample Testing. The Department proposes that it develop a standard plan and procedure (appropriate to the STCU mandate and policies) for responding to commercial requests to STCU participating scientists for supplying samples and prototypes to these companies for their evaluation and assessment, with the understanding that company would participate in further development work via the STCU Partners Program. We believe that such sample and prototype promotions activities from STCU are an important component in achieving the scientist self-sustainability goals in the STCU strategy.

Outreach to Technology Brokers and Investors. The Department plans to engage a number of technology broker and technology transfer companies in the Parties (including Ukraine) to promote and license STCU scientific discoveries and inventions from STCU Projects.

Patent and IPR Support (2006 Budget Allocation = \$ 33,000 from Shared Supplemental Budget – Patent Support. 2007 Budget Request = \$ 58,400 from Shared Supplemental Budget – Patent Support).

Performance in 2006

Six patent application grants amounting to almost \$12,300 were allocated during the period January 1, 2006 – July 31, 2006. Among these were one patent application grant for patenting in USA and Canada, one patent application grant for an Uzbek patent, and four patent application grants Ukrainian patents. The Patent Support Program, while active, is still limited in effectiveness because scientists are not applying for the more expensive foreign and international patents. The Department feels that the Patent/IPR Support activity needs to be more structured and selective so as to add value and direction to the STCU scientists and encourage more foreign/international patent applications, where STCU grant support is more useful. The Patent Program continued its cooperation with the ISTC patent program and with the Financing Parties to develop an effective standard system for engaging Financing Party support in patenting Regular Project results in the Financing Party territories.

Plan for 2007

We plan to accelerate and expand the patenting activity at STCU:

- We will initiate monthly patent support review meetings to review selected Patent Support Grant applications. Particular emphasis will be given to the scientists on applying for patent applications through the PCT (Patent Cooperation Treaty) system and matchmaking promotion efforts will be used for finding licensing opportunities. We will ask the inventor(s) to give a presentation at STCU on the technology, focusing on the technology patenting merits and on the commercialization potential. The review committee will include the commercial business development manager, the STCU Patent Officer, a Senior Specialist and the DED (US). We will also ask an outside patent expert to participate in these meetings. The outside consultant will also meet with the inventor(s) to assess independently the strength of the invention, passing his recommendations to the STCU committee. The STCU committee will then decide on the actions to be taken with the patenting support request.
- We will plan to use the services of external firms and individuals to perform market research and analysis for possible licensing opportunities.
- We will plan a series of informative round-table discussions with short interactive presentations by the DED (US) on IPR and business issues that are important for STCU scientists to understand and to act upon. These meetings will be planned for Kharkiv, Lviv, Dnipropetrovs'k, Baku and Tbilisi (with Uzbek scientists participating in one of these locations).

Staff Training (2006 Budget Allocation = \$ 10,700. 2007 Budget Request = \$10,700).

The Department staff has participated in a number of training and educational activities, such as, patent meetings, a conference on working with EU agencies, marketing and management courses, licensing and tech transfer training sessions. The Department plans to continue this training regime with additional business development training activities, including several larger training activities and several smaller ones.

Staff Travel (2006 Budget Allocation = \$15,400: \$10,800 within CIS, \$4,600 International Travel. 2007 Budget Request = \$15,400: \$10,800 within CIS, \$4,600 International Travel).

The Department plans to continue the international travel of the DED and staff to promote business development activities and training activities for STCU scientists in CIS. In addition, the DED plans to make two trips to the U.S. Party for consultations.

The DED plans to make trips to the Baku and Tashkent Regional Offices to familiarize himself with the Offices and the STCU activities in those Parties. One DED trip to Moscow is planned to hold consultations with ISTC. The Department staff also will travel within the CIS, with one Senior Specialist trip anticipated to Georgia/Azerbaijan for bio-redirection delegation support; two Senior Specialists to Tashkent for workshop support; one trip by the Patent Officer to Moscow for ISTC consultations; and staff travel within Ukraine for Sustainability Development program activities.

Regional Offices (Azerbaijan, Uzbekistan)

Regional Officer Travel (2006 Budget Allocation = \$8,000: \$3,000 for Azerbaijan; \$5,000 for Uzbekistan. 2007 Budget Request = \$8,000: \$3,000 for Azerbaijan; \$5,000 for Uzbekistan).

The Baku and Tashkent Regional Officers traveled to Ukraine on two occasions to attend Regional Officer Meetings with STCU Headquarters and within their regions of responsibility. In 2007, both Regional Officers will conduct similar travel as in 2006, including attending two Regional Officer Meetings in Ukraine.

Regional Office Operations and Other Professional Services (2006 Budget Allocation = \$18,840: \$7,320 for Azerbaijan; \$11,520 for Uzbekistan. 2007 Budget Request = \$18,840: \$7,320 for Azerbaijan; \$11,520 for Uzbekistan).

Regional Office operations in both Baku and Tashkent were normal in 2006 and met the planned budgetary expenses. The office operations in both locations should have the same level of expenses in 2007, with the important caveat that the use of the current Tashkent office premises (which is in the Presidium building of the Uzbek Academy of Sciences) is under review by the Academy of Sciences and the Uzbek government.

Sustainability Promotion Department Budget Request for 2007

	2006 Planned	2006 Actual	2007 Request	Change from 2006
Staff				
- Local	10	10	10	0
- Party	2	1	1	-1
Staff Total	12	11	11	-1
Staff Support				
- Travel (Int'l)	4,600	7,423	4,600	0
- Travel (CIS)	10,800	2,975	10,800	0
- Staff Training	10,700	10,570	10,700	0
Staff Support Total	26,100	20,968	26,100	0
AOB Programs				
- Subscriptions	4,000	3,000	0	-4,000
- RO Operations Travel Overhead	8,000	8,000	8,000	0

Shared SB Programs	18,840	11,442	18,840	0
- Bus. Train/Sus. Oper.				
- Patent Support	187,000	135,000	198,000	+11,000
Party SB Programs	33,000	38,000	58,400	+25,400
- Bus. Train/Sus. Oper. (US)	40,000	0	41,000	+1,000
Programs Total	\$290,840	\$195,442	\$324,240	+33,400
Department Total				
Staff	12	11	11	-1
Funding	\$316,940	\$216,410	\$350,340	+33,400

Performance / Public Outreach Department

The department provides targeted training, travel and conference participation support, and promotional materials to best showcase the talents and successes of recipient scientists as well as provides the STCU with promotional materials for its own public outreach. The Department also performs data gathering and analysis of STCU activities to assist the STCU executive staff and the Parties in evaluating and improving the STCU performance and effectiveness.

Printing and Reproduction (2006 Budget Allocation = \$33,000: \$10,000 for Annual Report 2005; \$10,500 for Brochures and Other Marketing Materials; \$7,000 for News Articles/Public Media Publications; \$5,500 for Miscellaneous Promotional Materials. 2007 Budget Request = \$25,000: \$10,000 for Annual Report 2006; \$8,000 for Brochures and Other Marketing Materials; \$7,000 for News Articles/Public Media Publications.).

The main objective of the program is to expand and improve public awareness of STCU and its activities, develop professional presentation materials to assist participating scientists in designing effective presentations of their capabilities, and promote STCU's successful work to the local, national, and international science and technology communities.

Performance in 2006

- Annual Report 2005. The Annual Report was printed in English (1,500 copies), Ukrainian (300 copies), and Russian (500 copies).
- Brochures and Other Marketing Materials. This includes printing of Governing Board Meeting binders and the brochure "Six Years of Successful Work in Uzbekistan".
- News Articles/Public Media Publications. Publications about STCU, its projects, and its activity appeared in major governmental, scientific, specialized periodicals on a regular basis. An agreement with Science-Innovations-Entrepreneurship helps facilitate the dissemination and popularization of STCU activity.
- CD-ROMs and Miscellaneous. Promotional products (invitation letters for Odessa Bio Workshop = 80 copies, folders, pens, watches, business card holders, certificates, presents).

Plan for 2007

One of the major goals of all Public Affairs/Publications activities in 2007 will be to provide better publicity of all STCU activities, successes and opportunities through the use of printed materials and mass media coverage. Through this function, the Public Outreach Department will also assist institutes and scientists in promoting their efforts and achievements.

- Annual Report 2006 (\$10,000). The Annual Report 2006 will contain information necessary to meet the needs of the STCU Donor and Beneficiary Parties.
- Brochures and Other Marketing Materials (\$8,000). This will be used for producing support materials for STCU events, as well as provide information to partners/ authorities/officials about STCU.
- News Articles/Public Media Publications (\$7,000). Publications about STCU, its projects, and its activity will appear in major governmental, scientific, specialized periodicals on a regular basis.

Travel Support /Conference Support (2006 Budget Allocation = \$150,000: \$30,000 in Public Affairs – Conference Support and \$120,000 in Supplemental Budget - Travel Grants Shared. 2007 Budget Request = \$100,000: \$0 in Public Affairs – Conference Support and \$100,000 in Supplemental Budget - Travel Grants Shared).

The Travel Grant/Conference Grant Support program will be sponsoring, on a competitive basis, visits by scientists and technological personnel from the STCU Recipient Countries to research, public and industry organizations located at the territories of the STCU donor and other countries.

Performance in 2006

- Travel Support Grants. Travel Support Grants were awarded for 45 Regular Project-related trips and 66 Targeted Training trips to attend several major events (e.g., STCU Workshop “Strategy of Intellectual Property Management”, BIO 2006 trade show, meetings with collaborators at U.S. Department of Agriculture and U.S. National Cancer Institute). Based on feedback from 2005 travel support grantees: 47% met with industry representatives; 27% were for targeted travel initiated by STCU; 21% met with project partners/collaborators, 5% attended conferences and workshops.
- Public Affairs - Conference Support Grants. STCU co-sponsored 12 International Conferences this year, including the XXI International Kiev Symposium on Science of Science and S&T forecasting: the State Program of Ukraine and the World Experience; the International United Nations Workshop on Space Law, and other events. Based on feedback from 2005 conference support grantees, their conferences resulted in: 710 International Community Participants; 1470 CIS Participants; 350 Former Weapon Scientists; and 35 Published Conference Proceedings.

Plan for 2007

- Travel Support (\$100,000). A similar number of Travel Support Grants (Party-requested and STCU-planned travel) to meet the needs of new business missions and matchmaking efforts are expected in 2007 as received in 2006.
- Public Affairs - Conference Support (\$0). This AOB line item was created in the early days of STCU to help promote the STCU amongst the scientific communities of the Beneficiary Parties and other international scientific communities. While Conference Support activity achieved its original purpose,

the STCU Management now feels that providing grants in response to *ad hoc* requests from conference organizers is no longer effective in serving the STCU mandate (particularly its near-term strategic goals of building self-sustainability through targeted, measurable programmatic efforts). Therefore, for 2007 the STCU recommends eliminating Public Affairs – Conference Support as an AOB line item, and focus STCU promotional resources into other activities (such as the Printing and Reproduction activities described earlier).

Targeted Training Program (2006 Request = \$104,000 in Shared Supplemental Budget -Targeted Training. 2007 Budget Request = \$89,000 in Shared Supplemental Budget – Targeted Training).

The Targeted Training Program was initiated in 2005 to assist the STCU Sustainability efforts. With the completion of some of the planned training modules planned in past budget years, the Targeted Training Program shall now concentrate its resources on new or unfulfilled activities.

Performance in 2006

- Computer-Based Training. Video courses were made to cover the topics: Strategy of Intellectual Property Management: Ukrainian Perspective, Effective Practices of IP Management: a view from NIS perspective, Presentation Techniques, Networking and Socializing Skills for scientists.
- Partner Event Preparation. Preparatory training sessions were conducted for the following events: BIO 2006 Annual International Convention, Sixth International Conference on Advanced Manufacturing Technologies, INTEC-2006.
- Commercialization Short Course. Before the end of 2006, Chief Technology Commercialization Officers (CTCO) in 10 selected Institutes will receive 3-weeks training on commercialization and communication of research results, Intellectual Property management, patent and licensing procedures, etc. Workshop on IPR in the legislation of Ukraine was held in Kiev.
- Business Coaching. Several Business Courses were developed and delivered/videotaped: Biotechnology in Ukraine, based on the training for Bio-2006, course for CTCOs, etc.
- On-Line Consultation. An Internet-based resource center was developed to provide information, advice and reference materials on business development, project implementation and other STCU activities to scientists and other visitors of the STCU Website.
- Procurement/Customs Training Modules for the Administrative Office.

A Targeted Training Program Evaluation System was implemented in 2006 to assist the Department in evaluating the impact of STCU training and identify areas of improvement or need. Feedback to the STCU training activities was collected from the scientists and the plan for 2007 is based upon analysis of the feedback.

Plan for 2007

- Partner Event Preparation (\$18,235). Short courses on communication skills, Power Point Presentation, and presentation delivery will be provided to scientists invited to participate in Partner Promotion events such as STCU road-shows.
- Commercialization Short Course (\$30,000). This course concerns the issues of taking a new technology/product to market: commercialization and communication of research results, Intellectual

Property management, patent and licensing procedures, industry standards/GLP/GMP awareness, etc. Three days of training workshop covering training needs of the scientists will be held in Kharkiv, Lviv, and Dnipropetrovs'k.

- Training Modules for the Administrative Office (\$10,765). Planned by the Administrative Department, this is a continuation of procurement practices and customs procedures training for project managers.
- Training Materials for the STCU Events (\$5,000). Previous events follow-up shows that scientists are very interested in the STCU Promotional and Training Materials, such as brochures, CDs Packages, etc.
- English Courses for Scientists (\$25,000). A great number of the STCU projects participants have expressed a need to improve their English language skills. STCU will provide English courses to selected scientists in the framework of Targeted Training Program.

Performance Measures (2006 Budget Allocation = \$9,500 from Other Professional Services. 2007 Budget Request = \$9,500 from Other Professional Services).

This function will design and implement methods for evaluating the performance and effectiveness of STCU activities and programs, particularly in relation to targeting STCU "self-sustainability" development assistance to recipient scientists and institutes.

Performance in 2006

- Training on Performance Measures. Two people (one staff and one temporary) got acquainted with a software program used during the NASU-STCU institute sustainability study to process survey data.
- Tracking Study Results. Part-time staff followed up on institute survey results from the NASU-STCU institute sustainability study.
- Consultation on Program Performance Measurement System.

Plan for 2007

- The Annual Institute Survey, Poll/Interviews (\$9,500). We will continue with the annual institute survey and in-house data analysis, conducting the survey both within Ukraine and to the other STCU Beneficiary Parties. This will include a both mailed questionnaires and a sample of face-to-face interviews with the Heads of Technical Units.

Other performance evaluation studies and surveys, including Party-requested studies, are anticipated during 2007, and this Department shall have responsibility to coordinate STCU participation in such additional studies.

Public Outreach Department Budget Request for 2007

	2006 Planned	2006 Actual	2007 Request	Change from 2006
Staff				
- Local	5	5	5	0
- Party	0	0	0	0
Staff Total	5	5	5	0

Staff Support				
- Travel (International)	\$3,000	0	\$3,000	0
- Travel (CIS)	\$4,000	\$1,515	\$4,000	0
- Staff Training	\$4,000	\$2,597	\$4,000	0
Staff Support Total	\$11,000	\$4,112	\$11,000	0
AOB Programs				
- Printing and Reproduction	\$33,000	\$20,052	\$25,000	-\$8,000
- Public Affairs	\$46,000	\$41,623	0	-\$46,000
- Other Prof. Services	\$9,500	\$9,500	\$9,500	0
SB Programs				
- Travel Grant Shared	\$120,000	\$92,000	\$100,000	-\$20,000
- Targeted Training Shared	\$104,000	\$70,000	\$89,000	-\$15,000
Programs Total	\$312,500	\$233,175	\$223,500	-\$89,000
Department Total				
Staff	5	5	5	0
Funding	\$323,500	\$237,287	\$234,500	-\$89,000

STCU 2007 BUDGET REQUEST SUMMARY

	ED	AO	FO	IT	SE	TA	SP	PO	Line Total
Staff (# in 2006)									
Party	1 (1)	1 (1)	1 (1)	1 (1)	1(1)	2 (2)	1 (2)	0 (0)	8 (9)
Local	1 (1)	15 (15)	10 (10)	4 (4)	8 (8)	8 (8)	10 (10)	5 (5)	61 (61)
Part-Time	0 (0)	3 (3)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	3 (3)
Dept. Total Staff (Full, Part Time)	2 (2)	16 (16) 3 (3)	11 (11) 0 (0)	5 (5) 0 (0)	9 (9) 0 (0)	10 (10) 0(0)	11 (12) 0 (0)	5 (5) 0 (0)	69 (70) FT 3 (3) PT
Staff Support									
Travel (Int'l)	14,000	800	3,200	-	8,000	5,000	4,600	3,000	38,600
Travel (CIS)	12,000	5,000	5,240	500	5,300	11,000	10,800	4,000	53,840
Training	9,500	22,190	12,724	7,206	11,700	10,500	10,700	4,000	88,520
Dept. Staff Supp.	35,500	27,990	21,164	7,706	25,000	26,500	26,100	11,000	180,960
Programs (AOB)									
Representation	10,000	-	-	-	-	-	-	-	10,000
Fixed Assets	-	6,000	-	-	-	-	-	-	6,000
New Car/Veh Ops	-	25,000	-	-	-	-	-	-	25,000
Printing and Rep.	-	-	-	-	-	-	-	25,000	25,000
IT Hardware	-	-	-	12,520	-	-	-	-	12,520
IT Software	-	-	6,700	5,140	-	-	-	-	11,840
Oth. Prof. Services	-	-	15,750	2,750	-	-	-	9,500	28,000
Regional Offices	-	-	-	-	16,000	30,960	26,840	-	73,800
Dept. Total (AOB)	10,000	31,000	22,450	20,410	16,000	30,960	26,840	34,500	192,160
Shared Supp. Budget Programs (SB)									
Bus. Training/Sus. Support	-	-	-	-	-	-	198,000	-	198,000
Patent/IPR	-	-	-	-	-	-	58,400	-	58,400
Travel Grants	-	-	-	-	-	-	-	100,000	100,000
Workshops/Seminars	-	-	-	-	60,000	40,000	-	-	100,000
Targeted Initiatives	-	-	-	-	-	N/A	-	-	N/A
Targeted Training	-	-	-	-	-	-	-	89,000	89,000
Supp. Budget Programs (SB)	-	-	-	-	60,000	40,000	256,400	189,000	545,400
U.S. Supp. Budget Programs (SB)									
Training/Sus. Support	-	-	-	-	-	-	41,000	-	41,000
Dept. Total Prgms Voluntary (SB)	-	-	-	-	-	-	41,000	-	41,000
Total Request									
Staff	2 0	16 3	11 0	5 0	9 0	10 0	11 0	5 0	69 full 3 part
Funding	45,500	58,990	43,614	28,116	101,000	97,460	350,340	234,500	959,520