



Executive Director Report
(Reporting Period: 16 November 2006 to 15 May 2007)

Major Issues

Uzbek Situation

There has been no change in the STCU's situation in Uzbekistan since the last Governing Board meeting.

- STCU ED forwarded an official letter to the Uzbek Ministry of Foreign Affairs (22 February 2007) reminding the Uzbek government of the STCU request to renew its accreditation one year ago and requesting an official update of the situation. To date, no official response has come.
- STCU projects continue to operate with the same time delays (approximately 5 months) in Uzbek scientists receiving their STCU grant money or advances.
- No new Uzbek proposals have been received since March 2006, but 40 STCU Projects still are active with Uzbek participation (30 of which are solely Uzbek-STCU Projects). However, STCU continues to receive unofficial information from several sources that the Uzbek government is instructing institutes to adjust their active STCU projects such that all STCU projects are completed by the end of 2008.
- STCU Information Office remains operational but there is no renewed agreement with the Uzbek Academy of Sciences to use their premises for this STCU office. The STCU Internet Web Site still appears to be blocked within Uzbekistan.
- STCU Ukrainian staff members conducted on-site project monitoring of active Uzbek projects in April, the first STCU visits to Uzbekistan since the November GBM.
- Informal comments from Uzbek scientists indicate that STCU science funding represents a majority portion of the R&D funding support in Uzbekistan (perhaps up to 75% of the funds available to Uzbek Academy of Sciences institutes). While not corroborated, recent STCU information suggests that this claim may have some validity: STCU survey data suggests that Uzbek institutes receive approximately 60% of their funding from non-governmental sources, and that STCU grants are as much as 80% of that non-governmental funding.

Update on Current STCU Headquarters Building and Ukrainian Regional Offices.

Discussions on the current 5-year user agreement for the STCU Headquarters Building (21 Kamenyariv Street) seem to be continuing. The current building landlord, the Ukrainian State Public Enterprise General Direction of Kyiv Municipal State Administration for Serving Diplomatic Missions (GDIP, the lessee of the Kamenyariv site), and the Ukrainian Ministry of Education and Science (the financer of the lease on behalf of GDIP and the Ukrainian government) are in negotiation over the terms of the lease renewal, and actions by the landlord and subsequent letters of inquiry from STCU has kept some pressure on the Ukrainian government to keep up these negotiations. STCU has received encouraging signs that a tentative agreement to extend the lease has been reached, but the terms are under review by the Ukrainian government agencies.



Still, history has shown that the Ukrainian government moves slowly when it comes to securing the STCU premises or making resolution of STCU premises issues a priority. The current political situation in Ukraine may cause more distractions that could push STCU down on the Ukrainian Government priority list.

The STCU management is proposing a Governing Board statement for the 24th GBM Record of Decisions that will strongly signal to the Ukrainian government the need to resolve this STCU premises issues quickly, with GB-approved instructions to the Executive Director to initiate certain contingency actions should there be STCU premises crisis between Governing Board meetings.

In addition, the STCU has conducted lease renewal negotiations to continue occupying office space for the STCU's three Ukrainian Regional Offices (Kharkiv, Lviv, Dnipropetrovsk). All three Ukrainian Regional Offices are located inside institute buildings, and because Ukraine is not obligated to provide these premises free-of-charge, STCU always has paid rent for these Regional Offices (Regional Offices in other STCU Recipient Parties are provided rent-free to STCU). Each year, STCU has managed to renew these leases with no significant increase in rental payments, but the 2007 renewals were more difficult than ever to hold the line on the Regional Office rental costs. Although STCU Secretariat is hopeful that it can continue to control the rise in rental costs at its three Ukrainian Regional Offices, it is a fact such increases will continue in the future.

Major Failure of STCU Internet System

On 12 February 2007, the STCU suffered a major failure in its local Internet system, shutting down the Secretariat's Internet communications to outside customers. The STCU IT Group and the local Internet Provider managed to restore the system after 4 days.

The event underlined the growing importance and reliance of STCU's IT systems to its operations, as well a growing vulnerability of the STCU Internet system to outside factors related to the STCU Headquarters location. In the Kamenyariv Street neighborhood, the electricity supply and service reliability is poor, and power spikes and surges are commonplace. This can (and does) cause problems to electrical hardware and IT systems in spite of the precautions taken by STCU. But STCU has experienced an increase in the incidence of electrical power unreliability as of late, and this might be due to the increasing number of houses being built near the STCU building, increasing the power demand on an aging local electrical grid. Therefore, STCU suspects that more power disruptions will occur in the future (although the local electricity provider, Kiev Energo, assured STCU that this will not be the case). Whatever the reason, STCU has experienced a jump in unreliability of its electricity supply that is a concern for the STCU IT system and STCU operations overall.

Other Outstanding Ukraine Party Issues

MES Funds Held by STCU. No further news on a final resolution on the MES funds held by STCU. The STCU Secretariat continues to wait for word from the Ministry on its proposal for fairly disposing of both the 299,000 UAH held by STCU and US\$139,000 that the Ministry would provide in compensation for past rental payments by the STCU Parties. The STCU Secretariat continues to wait for further communication from the Ukrainian government about these remaining MES funds.

Ratification: No movement on resolution to the STCU Agreement ratification process. When last reported, a new Ukrainian translation of the STCU Statute, Article XIII (on IPR from projects) was with the Department of Legal Agreements of MFA for official certification. The MFA translation department had stated that this certification would be



made earlier than October 2006, but no further word has come since that time. STCU DED (EU) Michel Zayet is pursuing this issue on behalf of the STCU.

STCU in Moldova

The STCU ED and DED (EU) made an official visit to Chisinau on 28 February – 1 March 2007, primarily to begin preparations for the upcoming 24th GBM and to pay courtesy calls on some of the stakeholders in Moldova. Meetings were held with Prof. G. Duca (President, Academy of Sciences of Moldova) and other Academy officials, with Moldovan Presidential Administration officials and the Ministry of Foreign Affairs, institute directors, the European Commission Delegation, the German Ambassador to Moldova, and the U.S. Ambassador to Moldova.

The first two funded STCU Regular Projects involving Moldova have commenced, totaling about ₴267,360. The Moldovan Academy of Sciences (MAS) staff is working with STCU on developing a STCU-Moldova Targeted Initiative. In conversations with the STCU ED and other STCU officials, MAS President G. Duca indicated that Moldovan science has priority research areas, but that a higher priority was the procurement of modern scientific equipment and attraction/retention of “young scientists”.

Both the EC Delegation and the U.S. Ambassador suggested that the STCU engage in discussions with other programs working in Moldova, such as the EU Border Assistance program (Contact with EUBAM has been made with the additional help of UNDP in Kyiv, and STCU and EUBAM now are attempting to schedule a meeting). The U.S. Ambassador also supported a suggestion made by the Moldovan MFA on STCU participation in a “science & technology working group” under the Georgia-Ukraine-Azerbaijan-Moldova (GUAM) regional forum. In the U.S. Ambassador’s view, STCU might be a useful (albeit small) influence on the GUAM, as he thought the GUAM needed to focus more on practical non-controversial subjects that avoided sensitive political issues such as “frozen conflicts” involving the Russian Federation.

Current Activities

Targeted R&D Initiatives Activity Update

The call-for-proposal phases of the National Academy of Sciences of Ukraine (NASU) Targeted Initiative and the Georgian National Science Foundation (GNSF) Targeted Initiatives were completed on schedule and project proposals from both Initiatives were sent to the Financing Parties. At the 22 March AC meeting, the Financing Parties agreed to coordinate their final proposal selections and preliminary funding decisions via tele-conferences and email exchanges prior to the Governing Board week.

A letter of commitment was received from the Azerbaijan National Academy of Sciences for an Azeri Targeted Initiative. The plan is for a call for proposals to be issued on 1 May, with a timetable geared toward final Azeri TI project selections at the 25th GBM in the autumn of 2007. The Azeris will commit up to US\$150,000 for co-financing for projects in three research areas: information technology, biological sciences applied to environmental studies, and semiconductor/polymer/nanocomposite materials research. The STCU ED is planning a trip to Baku after the 24th GBM to have a formal opening ceremony on the STCU-Azeri Targeted Initiative Program.

A proposal for a Moldovan Targeted Initiative was received from the Moldovan Academy of Sciences, whereby the MAS would pledge up to US\$150,000 for co-financing of projects. But the MAS also proposed calling for proposals in six research areas (vice the original 2-3 areas) and to design the project proposals such that the majority of the project



budget was used for equipment & material procurement. With the Secretariat facilitating communications between the Parties, the STCU Financing Parties offered a counter-proposal for an STCU-MAS Targeted Initiative focused on fewer research areas and with project budgets proportioned along typical STCU Regular Project lines (i.e., majority of budget dedicated to scientist grants and the remainder for equipment, materials, and overhead costs). This Financing Party consensus was relayed by the STCU ED to the President of the MAS, and the STCU now awaits a reaction from the Academy.

STCU Performance Surveys and Data Gathering

Annual STCU Survey. STCU has completed the 2006 round of its annual survey of STCU project managers as part of the STCU Performance Measures Program, evaluating the performance and impact of STCU activities on participating scientists and institutes/technical units. A draft preliminary report on the 2006 survey results has been drafted and is under internal STCU review. This 2006 survey involves all the STCU Recipient Parties that had active STCU projects in 2006. The 2006 results will be compared to the results of the 2005 survey, although the 2005 survey was limited to Ukraine (reference: "STCU-NASU Survey 2005: Evaluation of Performance of Technical Units Fulfilling STCU Projects and STCU's Impact on Technical Units' Activity".)

While STCU management has yet to evaluate the 2006 survey data, some of the preliminary results are mentioned here, for information purposes only:

| DRAFT SURVEY RESULTS | Azerbaijan | Georgia | Uzbekistan | Ukraine (2006) | Ukraine (2005) |
|--|------------|----------|------------|----------------|----------------|
| Questionnaires Sent | 10 | 23 | 66 | 216 | 258 |
| Responses Received | 9 (90%) | 19 (80%) | 30 (45%) | 160 (74%) | 186 (72%) |
| Source of Financing: Gov Funding | 58% | 40% | 39% | 57% | 59% |
| Source of Financing: Non-Gov Funding | 42% | 60% | 61% | 43% | 41% |
| STCU Share of Total Gov+Non-Gov Funding | 21% | 47% | 49% | 28% | 20% |
| STCU Share of Non-Gov Funding Portion | 50% | 78% | 80% | 65% | 48% |
| % of Units That Presented Papers at Foreign Conferences | 25% | 22% | 52% | 38% | 40% |
| # (%) of Respondents Considered Sustainable Units | 5 (56%) | 10 (53%) | 18 (60%) | 63 (39%) | 46 (25%) |
| % of Respondents Considered Non-sustainable Units | 4 (44%) | 8 (42%) | 7 (23%) | 92 (58%) | 91 (49%) |
| % of Respondents Considered Units with Unclear Sustainability Status | - | 1 (5%) | 5 (17%) | 5 (3%) | 49 (26%) |



U.S. Party-sponsored Survey on the Impact of Grant Assistance on Ukrainian Scientific Community. STCU provided facilitation service to this U.S.-based study, assisting a locally contracted Ukrainian survey company to engage both STCU grant recipients and non-recipients on behalf of the U.S. expert team of Drs. D. Ball and T. Gerber. Thus far, STCU has not heard any further news about this study or any preliminary analysis from the U.S. team.

EU Party Evaluation of STCU Program. STCU met with two European experts in late March-early April, and facilitated meetings and institute visits for these two experts. The experts are conducting a program evaluation of the ISTC and STCU on behalf of the European Commission.

Financial Auditors. A team of Canadian government auditors visited STCU on 20-21 March to evaluate the STCU financial and management systems, and to develop a strategy for Canadian Government oversight of STCU operations in the future. At that same time, auditors from the firm Lubbock Fine Chartered Accountants were present at STCU, conducting STCU's annual external financial records and management system audits for the 2006 STCU financial statement.

Project Agreement Processing

The procedural steps that moved the internal STCU Project Processing into a modern, accountable on-line management system has begun to show tangible improvement in the STCU productivity. Thanks to the new standard processes, the use of deadlines, and on-line management tools, project agreements are now being processed and commenced much more quickly. In 2005, Regular Projects approved at a GBM took an estimated average of 330 days from the day of GBM Project Funding approval until final ED signature and project commencement; today it now takes less than 165 days. This has resulted in fewer Party-funded projects sitting in an "unsigned" status, substantially reducing the backlog of approved projects waiting to start, and resulting in a jump in the number of active Regular and Partner Projects (and in the rate of Project Expenditures). The STCU internal performance goal remains to reach 100 days or less in moving projects from GB approval to project commencement.

| | 2006 (avg. monthly total - June to December) | 1 January 2007 | 1 February 2007 | 1 March 2007 | 1 May 2007 |
|--|--|----------------|-----------------|--------------|------------|
| # of Active Projects | 220 | 231 | 233 | 243 | 258 |
| Avg # of Days from GBM Funding Approval to Project Agreement Signature | 325 | 272 | 209 | 197 | 164 |

Important Visitors/Meetings

STCU ED Attends Nuclear Nonproliferation Conference (18-22 December 2006, London). ED Hood attended the international conference, *Nuclear Non-proliferation: Responding to Strategic Challenges*, sponsored by the Wilton Park Organization in cooperation with Lawrence Livermore National Laboratories, Sandia National Laboratories, and the U.K. Foreign and Commonwealth Office. Other organizations represented at the conference included the IAEA, the U.S.



Department of Energy, U.S. Department of State, U.K. Department of Trade and Industry, the U.K. Ministry of Defense, the Russian Atomic Agency, the Center for Strategic and International Studies, the International Institute for Strategic Studies, the Center for Nonproliferation Studies, and a variety of governmental agencies and think-tanks from China, ROK, Brazil, Israel, etc. The conference focused on the current issues and challenges facing the Nuclear Nonproliferation Treaty regime, the IAEA, and bilateral/multilateral nuclear energy cooperation and threat reduction.

DED (EU) Attends Conference at the European Space & Technology Center (5-7 December, Noordwijk, Netherlands).
DED (EU) Zayet attended meetings and held consultations at this European Space Agency facility the Netherlands.

DED (CA) Visit to Georgia (19 – 29 January, Tbilisi). DED (CA) Henry with national science officials and institute directors, and scientists to consult on Targeted Initiative planning and STCU Workshop preparations. DED (CA) Henry also observed a routine STCU project monitoring event, performed by STCU project accountant and Senior Specialist team, to study ways for improving the information content gained from these on-site project monitoring trips.

DED (EU) Mission to Lviv (23 January, Lviv Ukraine). DED (EU) Zayet traveled to Lviv to meet with STCU Regional Officer and local Ukrainian scientists as part of overall preparations for the Moldovan science workshop planned in late May. The intent is to invite scientists from the western Ukraine region to travel to Chisinau to participate in the workshop.

DED (EU) Coordination Visit to ISTC (28-29 January, Moscow). STCU DED (EU) Michel Zayet took an STCU staff delegation to ISTC, at the invitation of the new ISTC DED (EU) to update ISTC staff on STCU activities and discuss further ISTC-STCU cooperation, especially in the area of processing joint ISTC-STCU project proposals.

DED (EU) Visit to Georgia and Azerbaijan (11- 18 February, Tbilisi and Baku). DED (EU) Zayet met with the STCU Regional Officers and Georgian and Azeri scientists for consultations and discussions in preparation for the planned November STCU commercialization workshop in Tbilisi.

U.S. Party-hosted ISTC/STCU Coordination Meeting (31 January – 1 February, Amsterdam). At the invitation of the U.S. Department of State, STCU ED Hood and DED (US) Korsun attended this 2-day round-table discussion on the future U.S. Department of State plans for ISTC and STCU activities. Representatives from the Canadian and EU Parties, U.S. Department of Energy's IPP program, as well as ISTC officials and the Russian Federation, attended this meeting led by the Department of State's Office of Cooperative Threat Reduction. Discussions centered on programmatic definitions, goals, impacts, and strategies concerning the State Department's need for more focus on institute self-sustainability and an accelerated effort to move institutes toward "graduation" from U.S. Party Regular Project funding.

DED (US) Visit to Conduct Local Commercialization Round-Table Discussions (14 Feb, Kharkiv). DED (US) Korsun met with local Ukrainian scientists and institute officials in a round-table discussion about commercialization of science and STCU sustainability promotion and support activities.

ED and DED (EU) Trip to Moldova (28 Feb – 2 March, Chisinau). As reported earlier, STCU ED Hood and DED (EU) Zayet traveled to Chisinau to meet and consult with a wide variety of government and program officials in Chisinau.

DED (EU) Meets with EU Party Representatives and EC Officials (6-9 March, Brussels). At the invitation of EC DG Research, DED (EU) Zayet met with various Commission offices and attended meetings involving the close-out of the INTAS program.



STCU ED Meeting with GUAM National Coordinators (16 March, Kyiv). ED Hood and SDED (UA) Atamanenko addressed a regular meeting of the National Coordinators of the Georgia-Ukraine-Azerbaijan-Moldova (GUAM) regional forum, at the request of the National Coordinator group chairman. The National Coordinators, meeting at the Diplomatic Academy of Ukraine, decided to recommend that its scientific and technical working group develop specific activities and proposals that would be put under the GUAM umbrella and submitted to STCU for further consideration.

Visit of Canadian Global Partnership Representative (13-22 March). Ms. Nicole Kim, from Foreign Affairs Canada's GPX Program Office, visited STCU and traveled to Kharkiv, Dnipropetrovsk, and Lviv to visit institutes and gain insight into the priorities and needs of STCU participating scientists and institutes. She was accompanied on her Ukrainian tour by DED (CA) Henry.

Hannover Messe 2007 Exhibition (16-20 April, Hannover Germany). A delegation of 46 participants was led by DED (US) Korsun and DED (EU) Zayet to this large technology and innovative research trade show. STCU brought Ukrainian and Georgian scientists to this event, and sponsored an exhibition booth where 8 STCU-related technology exhibitions were displayed. This was one of the largest Partnership Promotion "roadshows" ever conducted by STCU, with more than 7 months of active planning and preparation conducted by STCU staff. Besides the normal Partner Program promotion and commercial matchmaking goals, STCU management wanted to evaluate this approach toward roadshow preparation, as the planning and preparations were far more complex and intensive than in other STCU Partner Program "roadshows". The performance evaluation of this Hannover event (e.g., was the event more successful in commercial matchmaking than in previous STCU roadshows, etc) will determine whether STCU will repeat the project for 2008 or will design a different approach.

STCU ED Consultations with EU Party (Brussels, Belgium). On 3 May, ED Hood met with STCU Governing Board Chairman Zoran Stanić AC member Robert Burmanjer, Ms. Mary Minch (Director of International Cooperation, DG Research), and other EU Party staff to discuss current issues facing the STCU, EU Party plans, and preparatory issues for the 24th GBM.

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