



Executive Director Report (Reporting Period: 1 June to 1 November 2007)

Major Issues

Update on Current STCU Headquarters Building Crisis.

The situation with the building lease renewal entered a critical period. While STCU continued to receive assurances that a draft renewal agreement had been initiated by the Kamenyariv St. 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 financier of the lease on behalf of the Ukrainian government), the Ministry of Finance of Ukraine refused to approved the financial terms of the draft lease agreement. The current lease period expires on 31 December 2007, and the Landlord already has written a letter of notification that should the lease expire without a replacement, the STCU would need to vacate the Kamenyariv St. premises on 1 January 2008.

The Chairman of the STCU Governing Board sent a letter to the Ministry of Education and Science of Ukraine, urging that the Ministry continue its effort to push this lease renewal issue to a conclusion as quickly as possible.

However, it is now clear that the Ukrainian government has reached an impasse within its own bureaucratic system, and made no further progress has been made toward resolving this issue. The formation of a new Ukrainian government after the 30 September parliamentary elections is not helping focus the Ukrainian Government's attention on this problem.

A more detailed summary of this issue will be presented during this meeting, including information on the contingency actions taken by previous Governing Boards during the STCU Headquarters building crisis of 2002-2003.

Uzbek Situation

Since the last Governing Board meeting, the STCU status in Uzbekistan can be summarized as follows:

- The EU Party issued a diplomatic *note verbale* to the Uzbek delegation to the European Commission in Brussels on 18 June 2007. Although the Uzbek mission in Brussels promised to notify their government and return with a response, no such response has been received thus far. The STCU Secretariat has no news of any diplomatic action taken by the U.S. or Canadian Parties in concert with the EU Party action. At the 26 September AC meeting in Washington, the U.S. Party indicated that it would follow-up on its earlier demarche, in concert with the latest EU effort. Canada also expressed its willingness to assist diplomatically, although it had no official mission inside Uzbekistan.
- STCU Finance Office reported that as of 23 August 2007, project funds transferred by STCU to Uzbekistan for work performed on 6 projects have been returned to STCU by the Uzbek government-run bank. Informal conversations between the STCU Uzbek Regional Officer and the project Uzbek managers imply that these projects were not "on the government's list of approved STCU projects" therefore the state bank refused to release the project funds to the Uzbek scientists. Although STCU has no official notification from the Uzbek side to change the status of these projects, by ED decision these six Uzbek projects (4 Regular and 2 Government Partner, together totaling US\$1.3 million) have



been moved to the "Funded-Suspended" status in the STCU Project Database. These six "suspended" Uzbek projects were the most recent Uzbek projects to commence, suggesting that STCU-Uzbek projects not started prior to 1 December 2006 may never be allowed to start by the Uzbek government.

- Forty active STCU Projects (30 of which are solely Uzbek-STCU Projects) appear to continue as normal, except for the 5-6 month delays in recipient scientists receiving their grants or travel advance funds, due to the examination of incoming foreign grant funds by the state-run Uzbek banks. However, a team of Uzbek scientists did recently travel to the United States for a conference using STCU Travel Grant funds approved for release by the Uzbek state bank. The scientists had requested the funds in April for this trip, which occurred in September.
- Further, the last project proposal to receive Uzbek Host Government Concurrence was on 16 January 2006; no new Uzbek proposals have been submitted to STCU since that date. According to the STCU Project Database, there are 9 active Uzbek projects that are scheduled to continue beyond 1 January 2009, with the latest project end date being 1 September 2009. If it is true that the Uzbek government is working to end all STCU project activity by the close of 2008, STCU would expect to see modifications to the schedules (or forced suspension) of these 9 projects.
- STCU Information Office remains open but without a renewed agreement with the Uzbek Academy of Sciences to use their premises for this STCU office. Also, the STCU Internet Web Site still appears to be blocked within Uzbekistan.
- On a positive note, STCU on-site project monitoring of active Uzbek projects were conducted successfully in April-June 2007, and again in September and October, with no problems encountered. Also in mid-September, a U.S. Party-sponsored project audit of two Government Partner Projects was successfully conducted by the Defense Department's Contract Auditing Agency and technical auditors from the U.S. Department of Agriculture. The U.S. personnel succeeded in obtaining Uzbek visas through the U.S. Embassy in Taskent (STCU has been blocked from getting such visas). The U.S. audit team reported no problems with access to the institute (both Partner Projects are at the same institute) or to project participants, with the institute stating that the Uzbek governmental authorities had issued approvals for the U.S. team to access the institute territory.

Changes to the STCU E-Mail System

Because of the failure of the STCU local Internet system in February (shutting down the Secretariat's Internet communications to outside customers for 4 days), the STCU IT Group recommended that STCU move its e-mail service over to the on-line Google GMail site, as a partial solution to the communication problems experienced by the February break-down. The Google corporate email service gives STCU many advantages in terms of reliability, available access, increased storage memory, "Spam" and virus protection, and customer service. On 14 August, STCU moved its email system from the in-house computer server to the Google GMail site, and the IT Group is working on completing this transition with the many STCU IT-based functions that use e-mail. All the STCU staff still use the same STCU e-mail addresses as before, so there was no need to change or update contact lists and address books.

This solution does not improve the situation with the STCU web site and the STCU project and financial databases, all of which can only be hosted on the in-house STCU computer servers. The STCU Management and IT Group continue to study options for improving the safety and reliable operation of these internal IT



functions. One option raised earlier this year was for STCU to finance digging a separate, landline connection to the local telecommunications hub (a project estimated to cost approximately US\$25,000). But as the current draft lease renewal for the STCU Headquarters building is only for a 3-year period, STCU could be moving to a new building as early as 2010. Because of this short period, the STCU Management no longer believes the expense of this independent landline is justified. STCU Management and IT Group will continue to monitor the IT system issues and consider options for increasing system service protection and reliability.

Other Outstanding Party Issues

Ukrainian 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.

Ukrainian Ratification of STCU Agreement: No movement on resolution to the conditions placed on the Ukrainian Law ratifying the STCU Agreement. Therefore, no further progress has been made regarding the Ukrainian government issuing a clear statement on its concurrence to the 1997 Protocol to the STCU Agreement which allowed the European Union to accede to the STCU Agreement. 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 has the lead for moving this issue forward on behalf of the STCU.

Current Activities

Targeted R&D Initiatives Activity Update

Azerbaijan. On 11 June 2007, the STCU Executive Director traveled to Baku and held an official signing ceremony of the Statement of Intent to Cooperate between STCU and the Academy of Sciences of Azerbaijan. ASA President Kerimov signed on behalf of Azerbaijan. This inaugural STCU- Azeri Targeted Initiative continues through its proposal solicitation process, and 12-15 project proposals were sent to the western Parties for consideration on 1 September 2007. The expectation is that the ASA and the three STCU western Parties will co-select up to 6 projects during this 25th STCU Governing Board Meeting, meeting the stated goal of US\$300,000 in project funding (US\$150,000 provided by ASA and the remaining US\$150,000 financed from Canadian, EU, or U.S. funds).

Ukraine and Georgia. The inaugural round of the STCU-Georgian National Science Foundation (GSF) Targeted Initiative was completed at the 24th GBM, with 7 projects selected totaling US\$332,571 (shared 50% by GNSF and 50% by a combination of funds from Canada, EU, and U.S.). The Georgian TI was a considered a great success, with the GNSF agreeing to increase its initial pledged amount in order to allow the funding of an additional TI project that had strongly favorable reviews by the western STCU Parties. On the momentum of this successful STCU-GNSF round, the Governing Board agreed to initiate a 2nd round with an increase of the target funding goal, to US\$500,000 compared to the US\$300,000 target of this inaugural round. This 2nd round call for GNSF TI proposals is planned for release by mid-November, with project selections made at the 26th GBM in mid-2008.



The 3rd round of the STCU-National Academy of Sciences of Ukraine (NASU) Targeted Initiative also was completed at the 24th GBM, and all Parties were satisfied with the 10 projects selected, totaling approximately US\$1 million. But this total fell short of the intended goal of US\$1.2 million in STCU-NASU TI project funding for this 3rd round. The reason for the shortfall was that the western STCU Parties (particularly the U.S. and Canada) did not find a sufficient number of TI proposals that met their project funding criteria (which, for the U.S. and Canada, now includes policy criteria to focus funding on a limited number of high-priority institutes). This created some problems for the NASU, as their US\$600,000 in Targeted Initiative funds were authorized by the Ukrainian state budget to be used only for the STCU Targeted Initiative projects. The NASU now has to work out, before the end of this year, what to do with the approximately US\$100,000 it has left uncommitted because of this 3rd round shortfall.

Meetings with NASU officials have focused on choosing technical areas and specifications to better target the 4th round of STCU-NASU Targeted Initiative proposals towards areas of funding interest of the western STCU Parties. This “focusing” of the Targeted Initiative proposal solicitation is a natural development of the TRDI concept, but was made all the more necessary because of the difficulties in reaching the intended 3rd round project funding goal. For the 4th Round, the Ukrainian side wishes to attempt again to hit US\$1.2 million in jointly financed projects, with NASU pledging US\$600,000 for their portion and seeking from the western STCU Parties a pledge to reach that same matching amount. But unless there is more cooperation and interaction from all four TI parties on designing the call for proposals, and for selecting the final projects, a repeat of the last round’s shortfall in project funding is likely.

Moldova. In May 2007, just prior to the 24th GBM meeting, the Moldova Academy of Sciences (MAS) requested that the inaugural STCU-Moldovan Targeted Initiative be designed so that the co-financing shares were adjusted from the normal 50-50 split to a split of 70% STCU western Parties/30% Moldova. The Moldova Academy of Sciences claimed that, during the year, it became evident that MAS would not have as much funding available as it had previously believed. The MAS was prepared to pledge approximately US\$90,000 toward the Targeted Initiative projects, but hoped that the STCU Parties would finance a greater percentage share in order to maintain the original funding target of US\$300,000.

While the Advisory Committee leaned toward accommodating the Moldovan request, the Secretariat expressed reservations about setting a precedent not offered to the Ukrainian, Georgian, or Azeris in their Targeted Initiatives. Comments from the Governing Board chairman during the 24th GBM also demonstrated reservations to the Moldovan proposal. With the Secretariat facilitating communications between the Governing Board and the MAS, the Governing Board ultimately decided to refuse the Moldovan proposal and maintain the 50-50 cost sharing on the principle of fairness to the other STCU Recipient Parties and to maintain the equal partnership aspect of the Targeted Initiatives concept.

In spite of the offer of the STCU western Parties to be flexible so as to accommodate the MAS financial situation, the MAS President sent STCU a letter requesting that the STCU-MAS Targeted Initiative be postponed until 2009, in the hopes that the MAS would secure more state funding in 2009 to finance a Targeted Initiative round in that year.

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 final report has been reviewed and posted onto the STCU web site:



http://www.stcu.int/documents/stcu_inf/reports/evaluation/Annual_Institute_Sustainability_Survey_2006.pdf

Project Agreement Processing

STCU continues productivity improvements as well as improved management visibility into the internal STCU Project Processing system. STCU is in the process of implementing its latest version of the STCU project software that will incorporate parts of the Partner Project processing system, so that this important STCU activity can be monitored alongside the Regular Projects. Further, over the summer STCU staff achieved marked improvement in project processing times, and came tantalizingly close to the internal performance goal of 100 days or less (on average) in moving projects from GB approval to project commencement. Having reached a low of 105 days in September, the 40-project average rose up to 114 days due to an exceptional case with an Azeri project that required a complete revision of the workplan and re-confirmation of the Funding Party approval, causing a long delay in processing this one project:

	2006 (avg. monthly total - June to December)	1 Jan 2007	1 April 2007	1 July 2007	1 Oct 2007	1 Nov 2007
# of Active Projects	220	231	253	248	252	246
Avg # of Days from GBM Funding Approval to Project Agreement Signature	325	272	164	164	106	114

Important Visitors/Meetings/Events

STCU ED Visit to Azerbaijan (7-8 June). The STCU ED traveled to Baku to meet with the Azeri Academy of Sciences and officially sign the STCU-ASA Statement of Intent to Cooperate on Targeted Initiatives. The STCU ED also met with officials from the Ministry of Foreign Affairs of Azerbaijan and the Ministry of Defense Industries of Azerbaijan.

STCU Mission to the 3rd European Research and Innovation Exhibition (5-9 June, Paris, France). DED (EU) Michel Zayet led a delegation of Ukrainian scientists to attend this exhibition, in partnership with the Ministry of Education and Science of Ukraine and the Academy of Technological Sciences of Ukraine. DED Zayet also led a 2-day Structural Materials and Nanotechnology Workshop, held in the premises of the Ministry of Economy, Finances, and Employment of France with the support from Mr. Etienne Coffin (Director for International Relations). A group of 20 Ukrainian Scientists from National Academy of Sciences of Ukraine and the Academy of Technological Sciences of Ukraine made contact with French industrialists and scientists and delivered a series of technology presentations.

STCU Workshop on Enzyme Biotechnology (2-5 July, Tbilisi, Georgia). STCU sponsored this scientific workshop, titled "Plant & Microbial Enzymes – Isolation, Characterization and Biotechnology Applications" in Tbilisi, Georgia along with the Durmishidze Institute of Biochemistry & Biotechnology. Dr. B. Tsipuria (Deputy



Minister of Education and Science for Georgia) joined approximately 100 workshop participants from 9 countries, including keynote speakers from the University of Graz (Austria) and the University of Ljubljana (Slovenia). Workshop sessions covered such scientific topics as production and use of microbial enzymes; microbial and enzymatic remediation; and enzymes of extreme environments.

Visit of French CEA Representatives (27-31 August). A delegation of officials from the Commissariat à l'énergie atomique (CEA) of France visited STCU to explore possible opportunities to include their G8 Global Partnership activities through the STCU Partners Program. The French government delegated authority to CEA to manage French bilateral projects under their G8 Global Partnership commitment. CEA has been working through ISTC as a Partner under this same Global Partnership activity, and is interested in expanding into Ukraine. Hosted by DED (EU) Michel Zayet, the CEA delegation visited institutes in Kyiv and met with STCU officials.

STCU ED Consultations with Canadian Party and AC Meeting (24-28 September). In conjunction with the Advisory Committee meeting held on 26 September in Washington DC, the Executive Director paid a consultation call on the Canadian Party in Ottawa on 26 September. Meetings included the Director-General of the Canadian Global Partnership (Mr. Troy Lulashyk), the incoming Canadian Governing Board member (Mr. Roman Washuk), and Ms. Sabine Hey, Ms. Nicole Kim, and Ms. Rana Pudifin of the DFAIT/GP office. Meetings were also held with country desk officers in DFAIT, and with the science advisory group (including members from various Canadian governmental agencies) that assists DFAIT in ISTC and STCU matters.

STCU S&T Promotion Event & Exhibition of Technology Offerings in Lisbon, Portugal (1-4 October). This 4-day event in Lisbon was organized by STCU and a Portuguese private technology investment group (which is an STCU Partner), in concert with the Portuguese Presidency of the European Council. The event showcased Ukrainian and Russian scientific capabilities to commercial technology customers in Taguspark— Portugal's largest science park (with over 100 high-tech companies). Mr. Jean-Pierre Contzen (former Director General of the Joint Research Center, European Commission and former Chairman of the ISTC Governing Board) gave an overview on NIS - EU Science & Technology Cooperation, and the Portuguese Ministry of Science and High Education and Ministry of Economy participated. The participating Russian scientists were sponsored by the Moscow-based International Science and Technology Center (ISTC).

Visit of Republic of Korea Delegation (18-19 October). A delegation from the Ministry of Unification of the Republic of (South) Korea visited the STCU on 18-19 October, hosted by STCU Executive Director Andrew Hood and Senior Deputy Executive Director Borys Atamanenko. This delegation had extended its visit to Moscow and the ISTC to come to Kyiv to learn about real-world experiences in ex-weapons scientist redirection, cooperative threat reduction, and nonproliferation of WMD expertise. The Ministry of Unification participates in the Six-Party Talks on North Korean nuclear disarmament, and is considering options for addressing the anticipated impacts of these negotiations on the North Korea nuclear scientists. The STCU arranged meetings for the ROK delegation with the National Academy of Sciences of Ukraine, the National Space Agency of Ukraine, the Ministry of Foreign Affairs, and arranged visits to institutes in Kyiv.

STCU "From Science to Business" Workshop in Baku, Azerbaijan (15-18 October). This third and final STCU-organized event featured over 100 participants from Azerbaijan, Georgia, and included a delegation and presentations from the ISTC. Key speakers included the Vice President of Georgetown University (USA) and Slovenia and Austria.

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