

AGENDA
28th Meeting of the STCU Governing Board
Baku, Azerbaijan
Thursday, 4 June 2009

1. Opening Session

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|-----|---|----------------------------------|
| 1.1 | Opening Remarks from the GB Chair | (Chairman, Governing Board) |
| 1.2 | Welcome from the Executive Director | (Andrew Hood) |
| 1.3 | Opening Remarks from other GB Members/Invited Observers | (GB Members/
Other Officials) |

2. Administrative Topics

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| 2.1 | Adoption of the Agenda | |
| 2.2 | Approval of the Minutes of the 27 th GB Meeting (20 November 2008, Kyiv, Ukraine) | |
| 2.3 | Approval of Executive Staff and Chief Officer Nominations | |

3. Morning Session

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| 3.1 | Executive Director Report | (Andrew Hood) |
| 3.2 | Summary of STCU Headquarters Relocation | (David Cleave) |
| 3.3 | Advance Guidance for 2010 Budget Planning Process | (Andrew Hood/Curtis Bjelajac) |
| 3.4 | 2008 Financial Statements | (CFO Curtis Bjelajac) |

Short Press Conference

Lunch (and Distribution of Record of Decisions, Press Statement, and Project Funding Sheet Drafts for Review)

4. Afternoon Session

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| 4.1 | Presentation of Draft 2008 Annual Report & Annual Survey | (Igor Lytvynov) |
| 4.2 | Proposed Targeted Research Program Pilot | (Andrew Hood) |
| 4.3 | Update on Expert Workshops | (Michel Zayet) |
| 4.4 | Update on Partners Program & Institute Sustainability Program | (Vic Korsun) |
| 4.5 | Update on Targeted Initiatives | (Landis Henry) |

5. Approval of Record of Decisions

6. Approval of Project Funding Decisions

7. Approval of Press Statement for Release

8. Closing Session

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| 8.1 | Final Issues/Statements from GB Members | (GB Members) |
| 8.2 | Final Remarks from Executive Director | (Andrew Hood) |
| 8.3 | Closing Remarks from the GB Chair | (Chairman, Governing Board) |

Executive Director Report

(Reporting Period: 20 November 2008 to 15 May 2009)

Major Issues

STCU Headquarters Office Relocation.

Following the GB instructions from the 27th GBM, STCU worked with the Ministry of Education & Science of Ukraine and Kyiv Polytechnic Institute (KPI) on completing the construction of the temporary office facility located at 7A Metalistov St., on the campus of KPI.

The Ministry held to its position that the facility would be ready for STCU to occupy by 1 January 2009, and even sent an official letter dated 1 December 2008 stating that the construction had been completed. However, it became apparent that soon after the 27th GBM, construction activity actually slowed to a halt. A personal inspection of the Metalistov construction site by the STCU ED and MES First Deputy Minister M. V. Strikha on 2 December clearly showed that the construction was only about 80% complete and no construction activity was occurring. STCU learned from KPI officials that it had expended all the funds provided by the Ministry for the construction, and therefore construction was halted and not likely to start again until the Ministry received its fiscal year 2009 budget (which usually occurs in March-April).

To clarify the minimum amount of work needed to satisfy the GB criteria for commencing STCU relocation, the STCU ED and Minister Strikha agreed to six action items to be completed by the end of December 2008. In spite of this agreement, work on completing these tasks was extremely slow, with only one of the tasks completed to STCU's satisfaction by mid-January 2009. Given these circumstances, the ED informed the Board that he would implement the "contingency" measures anticipated in the 27th GBM Record of Decisions. STCU entered into a monthly renewable lease with the owner of 21 Kamenyariv starting on 1 January 2009 continuing until the 31 March 2009, so that STCU could stay in place while waiting for the Metalistov to become ready. The temporary Kamenyariv lease cost STCU approximately \$30,000 USD per month (paid for from the AOB Non-Recurring Contingency line), but the first 2 months of rent was reduced by an agreed-to value of items STCU would leave behind when it left Kamenyariv.

In addition, the ED requested GB concurrence to use AOB Non-Recurring Contingency funds to purchase the building material needed by KPI to complete some of the remaining construction tasks in the 22 December MES-STCU agreement. Approximately \$3050 USD was spent to purchase these materials (e.g., a stronger, more secure front door for the main entrance, extra outdoor lighting for the main entrance and surrounding territory). The ED informed MES of this expenditure and requested reimbursement, which the Ministry promised to pursue in its next state budget request.

By early February 2009, the STCU management determined that the Metalistov facility had reached a point where the STCU could take up occupancy with a minimal interruption to operations. Further, the Management felt it would be in the best interests of the Parties to terminate the temporary Kamenyariv lease by the end of February to save the impending \$30,000 USD rental charge for the month of March.

Thus, on 16 February, STCU shut down operations for 2 weeks and moved into the temporary Metalistov office facility. Except for minor problems discovered with the Metalistov facility (owing to poor-quality construction), the relocation from Kamenyariv to Metalistov proceeded smoothly and STCU re-started operations as planned on 2 March 2009.

Several issues remain to be completed, including signing of a user agreement between STCU and MES outlining the rights and responsibilities of both parties vis a vis the use of the Metalistov facility. There is also a problem with resuming the security detail provided by the National Guardia of Ukraine, now that STCU is in the Metalistov facility (this is an issue between MES and the Ministry of Foreign Affairs of Ukraine). Finally,

telecommunications service took longer to install than planned, as STCU's preferred service provider needed to lay new connections to the Metalistov building, and several defects in the internal wiring (installed by the KPI construction workers) reduced the quality of the telecommunications service. Nonetheless, the relocation process went as well as could be expected, given the political and economic circumstances in Ukraine during that time period.

Uzbek Situation

There has been no significant change in the STCU situation in Uzbekistan, although the STCU Regional Office in Tashkent received word in January 2009 that the Uzbek governmental authorities had agreed to allow on-going STCU projects to continue to their scheduled 2009 end dates. As 15 April 2009, there were five (5) active STCU projects involving Uzbek scientists (4 Regular and 1 Partner Project) with approximately \$350,000 USD remaining in unspent project budget funds. Six other Uzbek projects—4 Regular and 2 Partner Projects, together totaling approximately US\$1.13 million and €130,000—remain in a “Funded-Suspended” status due to the Uzbek authorities not allowing project funds to be transferred to the Uzbek project participants. The last active Uzbek project will end by 1 September 2009.

The STCU Regional Office in Tashkent remains open, but STCU itself remains without any current Uzbek diplomatic accreditation certificate, and without a renewed agreement with the Uzbek Academy of Sciences to use their premises for the STCU office. The STCU Web Site still appears to be blocked within Uzbekistan. Thus, the future of this STCU Regional Office, and of STCU's overall presence inside Uzbekistan, will need to be discussed by the Governing Parties at the upcoming GBM.

Other Party Issues

Japan Requests Return of Funds. In early February, STCU received a request from the Embassy of Japan in Ukraine for information on the amount of Japanese funds at the STCU. Due to the relocation to Metalistov, there was some confusion and delays in the communication, but finally on 30 March, the Embassy sent written instruction to STCU to return the remaining \$33,000 USD to the Japanese government. As of 15 April, the funds transfer had not been executed because STCU is waiting for bank wire transfer data from the Embassy. This apparently brings to an end Japanese involvement as an STCU Sponsor, which began in late 1998 and in which Japan financed nine STCU Regular Projects for a total of approximately \$1 million USD.

Ukrainian MinEdScience 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 the Ukrainian Party's US\$139,000 debt that was incurred by the Funding Parties for past HQ office rental payments. Lately, the MES has been focused on its own issues, such as the Ukrainian economic crisis, and it is unlikely that MES will address this issue anytime soon. However, Senior DED (Ukraine) Igor Lytvynov will soon begin regular working-level meetings with MES and this issue will be put on the agenda for these near-term meetings.

Ukrainian Ratification of STCU Agreement: No further progress has been made with the Ukrainian Government on resolving the condition placed on the STCU ratification law, calling for an adjustment to the STCU Statute's Article XIII (on IPR from projects). Thus, no further progress has been made on the other condition to this ratification law: Ukrainian Government concurrence of the 1997 Protocol to the STCU Agreement which allowed the European Union to accede to the STCU Agreement. The new Ukrainian translation of the STCU Statute text remains stuck within the Department of Legal Agreements of MFA for official certification. Again, due to the wide variety of pressing political and economic issues facing Ukraine, it will be difficult to bring MFA focus back to this task. However, Senior DED (Ukraine) Igor Lytvynov will likely take this issue from DED (EU) Michel Zayet and make a more continuous effort to resolve this deadlock.

Current Activities

Institute Sustainability Program Update

Since the 27th GBM, STCU has received six (6) ISP proposals from the pilot group of institutes. All the ISP proposals received HGC from the Ukrainian government and were sent to the Funding Parties following Regular Project procedures (in the same way as Targeted Initiative projects). The ISP proposals are posted under their own link in the STCU web site's "Full Form for Expert Review" section, alongside the Targeted Initiative and Regular Project proposals.

Targeted R&D Initiatives Activity Update

Auditing of Recipient Party TI Contribution. While STCU has conducted its usual project monitoring of TI projects, STCU DED (Canada) Landis Henry worked with the various Recipient Party agencies to agree on a new framework whereby the Recipients will share the details of their half of the financing to TI projects. All four participating Recipient Party agencies agreed to provide to STCU the financial information on their contributions to their TI projects, including a breakdown of the amounts by project budgetary category. This is a significant achievement in cooperation, given that Recipient Party entities are not obligated to "show their books" on STCU projects. While STCU will not be able to independently verify the financial statements provided by the Recipient agencies, it is still much more information shared by the Recipients than in any previous STCU activity.

Azerbaijan. On 23 March, STCU and the Azerbaijan National Academy of Sciences issued its latest Call for Proposals for the Azeri Targeted Initiatives Program. The process is following the agreed 9-month timeline, and final project funding decisions will be made at the 29th GBM in the November 2009 timeframe. The target goal for project funding in this cycle is \$900,000 USD, with \$450,000 USD being committed by the Azerbaijan National Academy of Sciences.

Moldova. In early March, DED (Canada) Landis Henry traveled to Chisinau to finalize negotiation on an inaugural STCU-Moldovan Targeted Initiative Program. The resulting Statement of Intent to Cooperate was signed by the President of the Academy of Sciences of Moldova (Dr. G. Duca), and later by the STCU ED. Thus, on 23 March, the inaugural Moldovan Targeted Initiative program was kicked off with the release of its Call for Proposals. The process is following the agreed 9-month timeline, and final project funding decisions will be made at the 29th GBM in the November 2009 timeframe. The target goal for project funding is \$300,000 USD, with \$150,000 USD being committed by the Academy of Sciences of Moldova.

Ukraine and Georgia. The next Ukrainian and Georgian Targeted Initiative rounds are due to start in November with calls for proposals. However, the STCU Secretariat has proposed that these upcoming TI cycles be modified to act as pilot programs for the proposed Targeted Research Program (see next section). Both the National Academy of Science of Ukraine and the Georgian National Science Foundation were introduced to this Targeted Research Program concept by DED (Canada) Landis Henry, and both agencies were supportive of using this opportunity to participate in this pilot program during their upcoming TI cycles.

Proposed Pilot: Targeted Research Program (TRP)

In mid-March, the STCU ED issued a proposal to use the planned annual STCU workshops (financed from the Shared SB – Seminars/Workshops line) and the upcoming Targeted Initiative cycles with Ukraine and Georgia to experiment with a new pilot program, using the preliminary title "Targeted Research Program". This pilot, if accepted by the Governing Board, would introduce a more focused, tailored and sponsor-driven approach to the preparation of solicited science collaborative projects. Such a move toward a more tailored "programmatic approach" in the STCU project process is a key theme in the draft Strategic Concept paper under review by the Advisory Committee.

If proven successful, the Targeted Research Program would eventually replace the current open call/continuous registration approach of Regular Projects as well as the Targeted R&D Initiatives Program. The TRP process would be largely based on the format and experiences of the TI program as well as the "outside expert" input that was incorporated into STCU's CTCO and ISP sustainability programs.

STCU Sponsor Category Revival for TRP

In 1998, the 6th STCU GBM approved a category of participation titled "STCU Sponsor" that would allow non-Party governments to finance STCU projects, under the approval of the Governing Board. The category was introduced in order for Japan to make good on an earlier pledge of \$1 million USD, but without Japan having to accede to the STCU Establishing Agreement. Given that the procedures for STCU Sponsor status do not specify a single government, the procedure itself is applicable to any government interested in working through STCU. The STCU ED is proposing that the STCU Sponsor procedure be used in the pilot TRP as a way for non-Party governments and governmental programs to participate and finance projects within a GB-approved TRP. The Governing Board might also consider re-confirming the STCU Sponsor procedure and expanding it to include governments and non-commercial entities such as NGOs or international organizations.

STCU Performance Surveys and Data Gathering

STCU's Performance Evaluation Officer completed data gathering for the 2008 Annual Technical Unit Survey. The preliminary data is now being analyzed, and a draft report should be ready for STCU Management review by May. An initial, cursory review of the 2008 data appears to show no significant changes in levels of institutes/technical unit "self sustainability": approximately 40% of the surveyed units in 2008 were judged to meet the "sustainable activity" level, which is the same percentage reached in the 2007 survey. There does appear to be some shifts in the distribution of funding sources, with the percentage share of 2008 income from national governments, STCU grants, and commercial sources all falling in favor of an increase in "other non-governmental" funding sources. More analysis must be conducted to refine these results, and to add the evaluations of the impact of STCU activities on the technical units/institutes in 2008.

Partner Program/Sustainability Activity

As the year 2008 closed, the final annual total for new STCU Partner Project funding was over 26% less than the amount reached in 2007: approximately \$7 million (USD equivalent) in 2008 compared to \$9.4 million (USD equivalent) in 2007. This \$7.0 million USD total is consistent with the Partner Project amounts recorded in the early 2000s. In 2008, new project funding from all Partner organizations represented 46.3% of the total amount of all new STCU project funding approved in 2008. This was the first time since 2005 that the percentage of Partner funding was less than half of all funding provided by STCU Funding Parties.

The Partner Program also has had a rough start in 2009. So far this year, at least one large Non-Governmental Partner Project was terminated early, another NGP Project was suspended indefinitely, and third NG Partner canceled further Partner proposal development, all due to the global economic situation and a lack of available financing. Also, the long-time U.S. Governmental Partner, the National Cancer Institute, informed STCU that it would not be transferring any new project funds to STCU this year for budgetary reasons. The two NCI Partner Projects (on long-term cancer trends in the Chernobyl area) have been a consistent mainstay of STCU Partner Program, going back to the first NCI project in 1998. This will be the first time in these past 11 years that NCI will not be sending new funds to STCU for extensions of these two projects.

STCU is projecting that with the current global financial crisis and economic recession, new Partner Project funding will be drastically lower compared to recent years, both for Government and Non-Government Partners. As of 15 April, there is approximately \$2.4 million (USD equivalent) in new Partner Projects are

slated for approval at the upcoming GBM, as compared to the approximately \$4.4 (USD equivalent) amount that was approved a year ago, at the 2008 "spring GBM" (26th GBM, 19 June 2008).

Currently, STCU has another approximately \$4 million in Partner Project proposals in the pipeline, but STCU Management is assuming that not all of these proposals will be funded in 2009. Therefore, STCU is projecting approximately \$4-5 million (USD equivalent) in new Partner Projects will be approved in 2009, extending the decline in annual Partner Project activity since the record-level of \$10.59 million (USD equivalent) in 2006. This highlights the variability of Partner Project activity, and the difficulty in basing future STCU administrative planning on such an unpredictable (and now declining) activity.

The Chief Technology Commercialization Office (CTCO) program continued its planned follow-up with the trained CTCOs in Azerbaijan, Georgia, Moldova, and Ukraine. The current plan is for the STCU Sustainability Promotion Department to provide assistance and encouragement to these CTCOs to take on more self-supporting actions, such as forming professional associations, and to extend their activities on their own.

Project Agreement Processing

The year 2008 saw a further reduction in the total amount of new STCU project funding, equaling over US \$15.1 million in new projects with Regular and Targeted Initiative project funding totaling \$8.1 million (USD equivalent). This is a decrease of approximately \$1.7 million USD equivalent in total new project funding compared with 2007, and a decrease of approximately \$4.7 million USD equivalent compared with the STCU's record year of 2006.

The STCU staff maintained the STCU internal performance goal of processing project agreements in as short a time as possible. Due to the 2 weeks of lost time during the office relocation, some project agreements were delayed in their processing, and so the average time for processing the last 40 project agreements rose from a low of 88 days to its current average of 93 days.

As stated in the ED Report to the 27th GBM, STCU Management is now focusing on the falling number of active STCU projects. Due to the declines in Funding Party and Partner financing, fewer Regular and Partner Projects are being started since the November 2006 GBM. In spite of the addition of new active projects approved at the 27th GBM, the level of active projects had fallen to as low as 218 on 1 April. Such levels are the lowest since 2006 (when we began tracking this data), far below the peak of 260 active projects reached in March 2008. On average, approximately 10 projects are closed per month, or roughly 120 projects will be closed in 2009. Because recent GBMs have been approving only about 45-60 new projects per Board, STCU anticipates that the number of active projects will continue decreasing throughout 2009.

	2006	2007	2008	Jan 2009	Feb 2009	Mar 2009	As of 15 May 2009
Avg # of Active Projects per Month	220	247	242	222	224	227	220
Avg # of Days from GBM Approval to Project Signature	325	161	95	88	88	93	93
Min-Max # of Active Projects Over the Time Period	209-227	231-258	221-260	218-227			

Important Visitors/Meetings/Events

EU Seminar on Infectious Diseases (Lyon, France; 26-28 November 2008). STCU co-organized the EU-CIS Seminar "New Trends in Infectious Diseases" as one of the two planned EU-focused workshops for 2008 (the first seminar was our Slovenian seminar in March). This seminar was held in Lyon on the occasion of the French EU Presidency. The event was attended by over 70 Scientists, and included participants from the ISTC as well as French, European, and international experts (e.g., World Health Organization). STCU sponsored 7 presentations from project participants located in Azerbaijan, Georgia, and Ukraine. On 28 November, STCU Deputy Executive Director Michel Zayet (EU) led a group visit to the biotechnology cluster, Lyon Biopole, allowing for establishing first-hand contacts.

Nuclear Smuggling Conference (Karlsruhe, Germany; 2-4 December 2008): A 3-day Workshop on "Nuclear Forensics and Law Enforcement" for Caucasus countries was organized by the U.S. Department of State in collaboration with the Institute of Transuranium Elements in Karlsruhe and the ISTC. There were approximately 80 participants from 9 countries, including an STCU delegation led by DED (US) Vic Korsun and including STCU-sponsored groups from Azerbaijan and Georgia. This workshop brought together regional law enforcement, nuclear regulatory officials and nuclear scientists, and provided an opportunity for these experts to discuss basic principles of nuclear forensics and its application to countering nuclear smuggling.

Targeted Initiatives Coordination Meetings (Chisinau, Baku, and Tbilisi; 2-11 March 2009). DED (Canada) Landis Henry and Program Support Officer Yaroslava Chuyko met with national science officials of Moldova, Georgia and Azerbaijan, to deepen cooperation under the STCU Targeted Initiatives Program. As a result of these meetings, STCU negotiated a final draft of a "Statement of Intent to Cooperate" with the Moldovan Academy of Sciences, and achieved agreements with Georgian and Azeri officials on expanded cooperative audit procedures for Targeted Initiative projects.

ISTC/STCU Transformation Roundtable (Paris, 4-5 March 2009). Representatives of the STCU and ISTC Governing Parties and the Science Centers' Secretariats participated in a roundtable meeting to discuss future transformation of the Science Centers over the next 3 years and beyond. The meeting was arranged by the U.S. Department of State in conjunction with Canada, the EU, and Japan to consider possible new kinds of activities for both Centers. Key presentations were made by Adriaan van der Meer, (Executive Director, ISTC) and STCU DED (US) Vic Korsun about lessons learned by both Science Centers in accomplishing their non-proliferation mission. The discussions centered around transforming the Science Centers to become organizations for scientific excellence and international collaboration; shifting rapidly and urgently to collaborate with new host governments; increasing opportunities for scientific cooperation on global nonproliferation challenges; expanding membership of both centers; collaborating on projects outside of the former Soviet Union; and, exploring the role of counterterrorism science projects in the transformation.

CTCO Follow-Up Meetings (Baku & Tbilisi 30 March-1 April 2009) DED (US) Korsun led STCU-organized meetings with Azeri and Georgian CTCOs, as follow-up to last year's CTCO programs in these two countries.

EPA Workshop (Tbilisi, 31 March – 3 April 2009). This workshop, organized by the U.S. Environmental Protection Agency, will present current STCU Partner Projects funded by EPA, as well as explore research priorities of EPA that could become new EPA Partner Project proposals. DED (US) Vic Korsun will be representing STCU at this workshop.

Visit of South Korean Ambassador (Kyiv, 15 April 2009). AMB Park Ro-byug and Minister Counselor Kim Hyun-duk of the South Korean Embassy in Ukraine visited STCU to become familiar with the STCU mission and its activities. AMB Park stated that there is some interest on the part of South Korea to increase its activities in the STCU recipient countries and there is some consideration of joining the STCU as part of that interest.

Visit of the Swedish Ambassador to Ukraine (7 May). H.E. Ambassador Stefan Gullgren of Sweden visited STCU and met with STCU ED Hood to discuss both the Swedish government funds remaining with STCU since the time that Sweden was a Governing Party, and possible new types of STCU-Swedish cooperation. Ambassador Gullgren (who was a junior officer of the Swedish Embassy in Moscow during the establishment of the ISTC) and ED Hood exchanged ideas on potential program areas where STCU and Swedish agencies might find mutual interests and cooperative opportunities in nonproliferation and broader security issues such as bio-security, and climate change.

UK-sponsored Commercial Radiation Treatment Seminar (Lviv, 13-14 May 2009). STCU ED Hood, DED (US) Korsun, and SDED (Ukraine) Lytvynov attended this seminar organized by the STCU Partner, the UK Closed Nuclear Cities Program. The seminar included representatives from nuclear-related institutes in Ukraine, Georgia, Uzbekistan, and other former Soviet states, and provided for an exchange of information and experiences in the international market of commercial radiation treatment. Later, ED Hood met with the Vice Rector of the Lviv National Polytechnic University, and visited 4 other institutes with past and ongoing STCU projects: the Institute of Epidemiology and Hygiene, the Lviv Center of the Institute of Space Research, the Institute for Applied Problems of Mechanics and Mathematics, and the Magneto-Sensors Laboratory of Lviv National Polytechnic University.

Andrew A. Hood
Executive Director

STCU BUILDING REPORT

Update since AC/GB Meeting on 16th/18th November 2008, In Kiev.

- A check list of requirements was drawn up to be done before relocation.
- Letter from Mr Strikha dated 01/12/08 advising that repairs to the new premises will be finished according to their earlier resolution. i.e. by the EOY.
- 2nd December the ED sends a letter to Deputy Minister Strikha attaching a list of minimum basic administrative operational requirements; (including, security, utilities, IT & Telephone connections, lighting, wiring etc), to be met before the STCU will accept the proposed new facility.
- A list of outstanding snags at the new premises is prepared.
- A draft lease and acceptance certificate was drawn up and discussed with the Landlord.
- Contacts with MES confirm that MES / GofU's interest is only to get STCU out of its current premises by the end of the year.
- The ED circulates a progress report on the new premises to the parties.
- Letter dated 11/12/08 received from Mr. Strikha advising the main / part construction works are complete based upon 2008 budget available and advising that whilst all works could not be completed further improvements of the premises according to STCU's received list will be done and allocated in 2009..
- By 12/12/08 all works at the new premises cease. The KPI Rector advises that they have no budget to continue works any further.
- 19/12/08 a draft memorandum sent by Mr. Strikha is received requiring the ED to co-sign a decree on the new premises formalizing the change of premises as per Cabman Decree. The ED edits and adds the last critical operational needs as a part of this memorandum and sends back to MES.
- After lengthy negotiations the STCU enters into a formal monthly renewable lease extension with the Kamenyariv 21 Landlord.
- No further progress is made on the new premises up to the end of the year despite MES assertions that it is fit to move into.
- STCU closes down for the end of year / new year holidays till 13/01/09. No progress is made by KPI on the new premises.
- The ED sends out an update to the parties on 20/01/09 advising of very little completion works being made but IT server room partitions are re-located to allow STCU's servers to physically fit in the new premises' IT server room.

- Premises Inspections take place on a regular bi-weekly or more basis.
- STCU pays for February Kamenyariv rent to commit for an additional month, with a requirement to give the landlord notice by 13th February to extend into March. The ED advises the parties of this and ballpark costs to finish outstanding works at the new premises (up to @\$15K versus a monthly rent of \$30K). The ED asks for guidance from the parties. The parties support the payment of \$15K to finish the outstanding works..
- The ED send a letter dated 23/01/09 to Mr. Strikha re-emphasizing advising on the outstanding works not completed and which need to be done before relocation.
- Letter received from Mr. Strikha / MES dated 29/01/09 responding to the STCU's outstanding snag / critical items list, but insisting despite issues STCU should still relocate as they see no obstacle to prevent STCU's relocation.
- A payment (\$3K) is made to finish of essential works. STCU requests KPI to allow these works to be made.
- STCU enter into a moving contract with a removal company.
- A draft moving plan is drawn up. From beginning of February plans are place to formalize the move / relocation.
- From week starting 9th February staff are advised as to moving plans and work seating arrangements.
- It advises problems with our telephone provider being able to switch our internet and telephone service to Metalistov. Problems relate to Ukratelecom having a monopoly at KPI and also the need to enter into arrangements with both UkrTelecom and the KPI Technology Company.
- PM Julia Tymoshenko signs Cabman order 2009/119-p dated 04/02/09 confirming the relocation of STCU to the new Metalistov address
- STCU decides to move despite no telecommunications.
- The ED sends a letter 11/02/09 to Mr. Strikha advising STCU's decision to relocate to the new premises, plus as works have not been completed by the MES/KPI STCU has paid for vital completion works to be carried out. The STCU claims for and holds the GofU responsible for the reimbursement of \$3K).
- 13/02/09 STCU gives formal notice to the Landlord to cancel the lease from the end of February.
- Week 09/02/09 - The IT discover many installed internet and telephone lines in Metalistov are faulty, unlabelled and there are not enough connections.
- The maintenance crew start to remove the archives from Kamenyariv and to relocate to the new premises.

- Week 16/02/09 STCU starts to pack up and label all furniture and work items.
- IT shuts down and effectively STCU closes down operations to the public. Staff are required to work from home where possible.
- 18/02/09 Letter received from Golden Telecom advising of IT/Telephone transferring problems but offering temporary WiMax slow internet solution. Telephones and full internet service to be available only by mid-April. (45 days).
- CAO sends letter 24/02/09 to GT confirming WiMax temporary solution requirement and requesting all permanent telecoms solutions be done by 31/03/09.
- Many problems occur with GT with their negotiations with KPI and Ukrtelecom. KPI will not allow micro-wave internet/telephone solution on their campus.
- Actual physical move commences during week of 16th February for next 2 weeks.
- Staff are called back to unpack and re-start operations ASAP from 02/03/09. WiMax is installed by GT for temporary but slow Internet connection during week. STCU arranges to use a mobile phone system of communication in house for external communication. Banners were placed on the STCU temporary website advising of the relocation and temporary contact numbers.
- Operations get back to some sort of normality by 2nd week of March.
- Full GT internet & telephone connection received on Friday 20th March afternoon. However, some line quality problems remain probably due to the poor quality and standard of cabling installation initially by KPI.
- Letter received from MES / Strikha dated 23/02/09 in response to the ED's request letter of 11/02/09 to reimburse the works expenses paid by STCU to complete vital works to allow STCU's relocation. MES advise they do not foresee a budget available for this in 2009 but will solicit the MinFin with a request to allocate money for these additional construction works.
- Letter received from MES/Mr.Strikha (12/03/09) advising MES is completing the documents to sign a lease contract for the Metalistov premises and requesting STCU to provide Statute Documents.
- In absence of a User Agreement from MES (Awaited) a letter dated 27/03/09 sent to MES/Strikha detailing rights and obligations of the parties for the Metalistov office facility.
- On 3rd April a meeting was held at STCU attended by the KPI Rector Mr. Zgurovsky & an MES representative to discuss the new building and outstanding issues as well as the future STCU permanent building and future KPI/STCU cooperation.

- On 8th April Mr. Strikha and Yatskiv visited STCU where discussions were held about outstanding building problems.
- Also on 8th a Commission with representatives from the MFA and Militia came to STCU to review the situation regarding the outside guards but decided that STCU must install CCTV before they can consider approving any outside security guards. STCU will therefore endeavour to comply with the list of Militia requests before another Commission can take place.
- A letter 13th April was sent to Mr. Zgurovsky Rector of KPI as per his request with CC to Mr. Strikha and Mr. Yatskiv requesting assistance in resolving outstanding STCU building issues.
- CCTV cameras installed in guard booth. Requirement for a letter from MFA to Militia to order a 2nd Commission & thereafter if all OK for guards to be deployed.
- Meeting at STCU with the Rector plus his Management team (6) of vice rectors. The Snag list was discussed and initial positive approval from the Rector to resolve the garbage disposal problem, the car park area, the renovation of the steps and façade of STCU area and most importantly the approval in principle to give STCU the office previously promised on the 2nd floor. No solution yet for the roof problem or news of a User Agreement. To date KPI have not yet signed a lease agreement with MES & SPF.
- 2012 Permanent STCU building status discussed and principally all documentation is approved and now needs land to re-assign for KPI use and not the Aviation Tech & Mech Institute. Thereafter, building could be started despite capital investment moratorium advised by the GofU. KPI to give STCU a copy of the new building plan by the end of May so STCU may start to formulate office layout plans.
- Building will take 3-4 years to construct in 3 phases. STCU will be in Phase #1 which will take 2.5 years to complete.
- **Post move - Current issues outstanding.** Essentially, there is a general lack of space to fit all staff comfortably into the current premises. STCU continues to ask for a 2nd floor office (@70sqm) originally promised but then denied, despite this office earlier accessed and opening onto the STCU dedicated stairwell creating a security issue.
- Numerous snags as one can expect have arisen since the move. In addition KPI still have not completed works paid for. I.e. telecoms connection to the archives, alarm system, rubbish arrangements & clearance, repair of man-hole covers, façade, etc. A user agreement, plus all building approvals / certificates. There is still no Militia guarding the premises due to MFA bureaucracy and lack of formal

notification being received by them. We have formally sent 3 letters to date.

- One can add there is a singular lack of cooperation from MES & KPI and their chief engineer in getting anything done. KPI insist that as they have no formal agreement with the MES they cannot do anything until this is received.
- A tripartite meeting will be arranged to discuss the current outstanding problems.
- There will be a requirement for some investment expenses to be made in getting the premises fully working and aesthetically acceptable to optimize the current premises operationally.
- A few more months will be required in order to put everything into order.

Additionally added for information purposes:-

STCU IT Group Activities during move to KPI

Feb 13, 2009 – STCU IT services at Kamenyariv are Shutdown

Feb 14, 2009 – Temp Home Page moved to Golden Telecom (GT) / Microwave and DNS separated from Servers

Feb 15, 2009 – IT Staff Workstations disassembled and moved to KPI

Feb 16, 2009 – All STCU Staff Workstations disassembled

Feb 17, 2009 – LAN and Telephone racks Stripped

Feb 18, 2009 – Servers and Racks disassembled

Feb 19, 2009 – Microwave and DNS on Remote / Servers and Racks reduced to component parts

Feb 20, 2009 – All IT Resources moved to KPI

Feb 21, 2009 – Rack Assembly at KPI begins / LAN and Telephone terminations started. Numerous errors in LAN and Telephone cabling found.

Feb 22, 2009 – Modifications to Server room completed (new electric outlets installed) / LAN terminations continued.

Feb 23, 2009 – LAN and Telephone terminations completed / Meridan Matrix Installed

Feb 24, 2009 – All Servers installed in racks / Repairs to 17 LAN and 11 Telephone terminations started.

Feb 25, 2009 – All Servers installed / LAN & Telephone termination repairs continued.

Feb 26, 2009 – Server configurations completed / LAN & telephone termination repairs continued

Feb 27, 2009 – All 5th Floor LAN and Telephone terminations repaired and active

March 2, 2009 – STCU KPI Opens for Business / DNS Server moved to KPI

March 4, 2009 – GT sub-contractor installs Wi Max

March 20, 2009 – All GT services active, 6Mbs Internet and 30 Telephone lines installed and running

A Look Ahead to 2010 Budget Request

The STCU executives and chief officers will soon begin planning for the 2010 budget request, to be submitted officially to the Parties in late August 2009. The STCU Management wishes to come to agreement with the Parties on the assumptions and guidance that will direct this STCU program and budget planning effort.

This time, the STCU Management has the benefit of *a priori* knowledge of the Funding Parties' future budget plans for STCU, as presented at the 4-5 March 2009 Paris meeting on ISTC/STCU strategic transformation. Thus, the STCU Management can now assume a future-years funding profile that will assist in predicting the level of STCU operational activity for 2010 and beyond. Using the data provided at the Paris meeting (as recorded by DED (US) Vic Korsun), the following funding profile is projected:

PROJECTED TOTAL FINANCIAL CONTRIBUTIONS, IN MILLIONS USD (ASSUME 1 € = \$1.3 USD)

	US Party	EU Party	Canadian Party	Partners	Total (apprx.)
2009	3.2	3.5	1.2	4-5	12-13
2010	2.7 (2.3)	3.5	1.2	2-3	9-10
2011	2.3 (1.2)	3.5 (TBC)	1.2	2-3	9
2012	2.0 (0)	3.5 (TBC)	1	2-3	8-9
2013	1.5 (0)	???	??? (0 from DFAIT IGX)	???	???

(Note: Values in parentheses came from the Paris meeting. Some Parties revised the numbers presented at the Paris meeting, and these revised numbers were added alongside the Paris meeting numbers)

The projected total funding represents the STCU Management's current guess at the total aggregate funding that will be available for Regular/Targeted Initiative/Institute Sustainability projects, AOB and SB budget support. STCU Management cannot, however, predict how the Parties intend this future funding to be allocated between projects, AOB, and SB programs.

STCU Management views this projected funding as a 3- to 4-year "phase-down" profile in the core Party programs that underwrite the whole STCU operation. Thus, STCU Management makes these preliminary assumptions based on its projected Funding Party and Partner financial contributions:

1. The STCU will see a reduction in administrative operations in 2010 and continuing downward through at least 2013 (and maybe further). This reduction will result from less and less Funding Party financial contributions for (a) new projects, (b) supporting start-up of new Supplemental Budget programs (e.g., counterterrorism initiatives), and (c) supporting existing Supplemental Budget programs (e.g., the Institute Sustainability Program) at their current 2009 levels.
2. The "phase-down" of U.S. State Department program funding is the only funding reduction among the Funding Parties. Thus, there will be an impact on AOB planning, the AOB burden-shares of the other Parties, and on the administrative support to U.S. Governmental Partner Projects (which is paid for through the State Department's AOB contribution). In the long term, this overall "phase-down" will impact the post-2012 future of STCU.
3. In the near-term, Recipient Parties will continue co-financing Targeted Initiative projects (and perhaps Institute Sustainability projects), but at lower amounts (a) due to their own current economic crises and (b) in response to any reduction in the co-financing commitments of the Funding Parties. In the long-term, the prospect of continuing the Targeted R&D Initiatives Program is put into question, due to this likely decline in matching funds from the Funding Parties.
4. Partners, particularly Non-Governmental Partners, will fund fewer projects in the face of current economic conditions. Governmental Partners may continue to finance projects, but at a much reduced total funding level than in past years.

5. Citing the downward funding trend at the Paris meeting summary, the Parties recorded their support for reducing the size of the STCU staff (the Paris meeting also noted increasing efficiency, but STCU already has improved its operational efficiency to a point where only marginal improvements could be further attained).
6. At the Paris meeting, the Parties reportedly wanted the ISTC and STCU to retain a cadre of experienced staff to maintain a core capability during the near-term downsizing. But apparently, no consensus about the future mission or strategy for either ISTC or STCU was achieved in Paris. Therefore, in the absence of a clear near-term strategy, this desired future "core capability" remains undefined.

This leads the STCU Management to the following questions to the Funding Parties:

1. How do the Funding Parties foresee managing their administrative support to STCU during this period of program reduction?
 - a. Will the funding reductions fall equally upon AOB, SB, and projects, or will there be priorities assigned to one or more of these budgetary categories?
 - b. How will the AOB burden-sharing formula among the Funding Parties be impacted?
2. If STCU is to reduce staff to a cadre of experienced personnel supporting "core activities", what "core STCU activities" do the Parties foresee in the future, so that this cadre of staff can be identified?
3. How do the Funding Parties foresee managing the transition in STCU from its current organization toward that smaller "core capability" organization, given the projected rate of reductions in program funding support?
 - a. Should STCU continue, as usual, the regular cycles of Targeted Initiatives in 2010 and future years?
 - b. Should STCU limit the time durations of future Regular, Targeted Initiatives, and Partner Projects, so that project commitments do not extend beyond a target date (e.g., no projects active beyond 2012)?

NB: Currently, STCU has Regular, TI, and Partner Project obligations extending into 2012, with one private-sector Partner Project scheduled to end in March 2013.

**SCIENCE AND TECHNOLOGY
CENTER IN UKRAINE**

Financial Statements for the
Year Ended 31 December 2008

**Lubbock Fine
Chartered Accountants
Registered Auditors**

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

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SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the financial statements, set out on pages 3 to 19, of the Science and Technology Center in Ukraine as at 31 December 2008 at the request of the Board of Governors. The financial statements comprise the Statement of Revenues and Expenditure, the Balance Sheet, the Statement of Cash Flows, Accounting Policies and the Notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Science and Technology Center in Ukraine is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following three paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS

Opinion

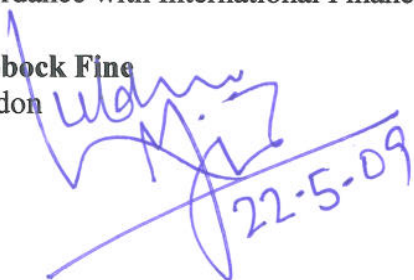
The terms of the project agreements, concluded between the Science and Technology Center in Ukraine and the recipient institutes, state that grant costs for a specific period of time may not be claimed by the recipient institutes if they are receiving reimbursements from other funding sources for the same period of time. Due to our inability to access appropriate records of the recipient institutes we were unable to satisfy ourselves as to whether the grant claims made by the recipient institutes include amounts for which they may have received reimbursements from other funding sources. There were no alternative audit procedures that we could adopt to confirm this.

Included within accounts payable at 31 December 2007 is USD 390,130 of travel advances made to project grantees. These amounts are offset against amounts payable to these project grantees. A significant amount of the travel these advances were given for occurred before 31 December 2007. However, the project grantees had not reported the exact cost of the travel to the Science and Technology Center in the Ukraine by 31 December 2007 and therefore we cannot verify whether project expenses are complete for the year ended 31 December 2007. Any adjustment necessary would increase project revenue and expenditure and decrease accounts payable – projects and designated capital – projects. There were no alternative audit procedures that we could adopt to confirm the error.

As more fully explained in the Accounting Policies, Property, plant and equipment used for both the Center and the projects funded by the Science and Technology Center in Ukraine, which have useful lives extending beyond the current year, were expensed immediately on acquisition to the Statement of Revenues and Expenditure. The management of the Science and Technology Center in Ukraine believe that because of the unusual nature and circumstances of its activities this treatment properly matches the revenues specifically contributed by the funding parties with the related expenditure. International Accounting Standard 16 requires Property, plant and equipment to be capitalized and depreciated over their expected useful lives. Capitalization and depreciation of Property, plant and equipment used for the Center and projects would have a consequential effect on the accompanying financial statements if it were applied.

In our opinion, except for adjustments that might be necessary as a result of the matters noted above, the financial statements give a true and fair view of the financial position of the Science and Technology Center in Ukraine as at 31 December 2008, and of the results of its operations and its cash flows for the year then ended and have been prepared in accordance with International Financial Reporting Standards.

Lubbock Fine
London



Handwritten signature and date in blue ink. The signature is illegible but appears to be 'Lubbock Fine'. The date is '22-5-09'.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

ACCOUNTING POLICIES

Overview of the Science and Technology Center in Ukraine (STCU)

The Science and Technology Center in Ukraine (STCU) is an intergovernmental organization dedicated to nonproliferation of technologies and expertise related to weapons of mass destruction, including nuclear, biological and chemical weapons, and their delivery systems.

The United States, Canada, Sweden and Ukraine signed the agreement establishing the Science and Technology Center in Ukraine on October 25, 1993 (referred to as “the STCU agreement”). The European Communities acceded to the STCU agreement on November 26, 1998, and in so doing, replaced Sweden as a party to the STCU agreement.

The STCU helps develop, finance and monitor science and technology projects that engage the former Soviet weapons community in Ukraine, Azerbaijan, Uzbekistan, Georgia, and Moldova in peaceful civilian activities. The Funding Parties of STCU projects include: the signatories to the STCU agreement, Japan as a sponsor of the STCU agreement and Partners (government and non-government) approved by the Board of Governors.

The STCU is a legal entity and has been registered by the Ministry of Foreign Affairs of Ukraine as an intergovernmental organization with its headquarters in 7a Metalistiv Street Kiev 03057. The STCU has an international staff of 61 full time scientific, financial and administrative experts.

Basis of Preparation

The financial statements represent the results of the STCU as an individual entity and have been prepared under the historic cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) except for International Accounting Standard (IAS) 16 relating to Property, plant and equipment as explained in the policy for Property, plant and equipment.

The financial statements have been prepared in United States Dollars (USD), as required by the STCU’s Financial Regulations.

Project Activity

The STCU authorizes and funds scientific projects which are performed at institutions within Ukraine, Azerbaijan, Uzbekistan, Georgia, and Moldova. Projects are financed by the Funding Parties either individually or jointly. All project agreements include a maximum amount of funding to be provided by the Funding Parties.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

ACCOUNTING POLICIES

The project activity is accounted in the financial statements as follows:

Project Recognition

The projects are only recognized after signature of the project agreement between the STCU and the recipient institutes. Upon signature, the total project value is credited to the relevant Funding Parties Designated Capital Account in proportion to the level of funding agreed by each party. To the extent that the value of the signed projects are not covered by advance payments from the respective Funding Parties, a receivable is set up in the financial statements.

Project Expenditure

Project costs consist of three main components: grants to scientists, equipment and overhead. The STCU, being a non-profit making inter-governmental organization, does not envisage that any economic benefits will accrue to it in the foreseeable future from the financing of these projects. Accordingly all project costs incurred, including the purchase of project equipment, are charged immediately to the Statement of Revenues and Expenditure. Projects are performed on a cost reimbursable basis, with a ceiling of funds specified in the project agreements.

The STCU temporarily retains 50 percent of the allowable overhead for the individual projects, in accordance with the project agreements, until the submission, and acceptance of, the financial and technical reports prepared by the project recipients.

When a project has been completed, any funds committed in excess of actual costs are credited back to the relevant Funding Parties' Undesignated Capital Contributions Account.

Project Revenues

Project revenues recognized during the year in the Statement of Revenues and Expenditure are amounts equal to the total value of project expenditure incurred and written off during the year. These revenues are transferred from the Funding Parties Designated Capital Accounts for Projects.

Administrative and Supplemental Revenues and Expenditure

Administrative Operating Budget

Administrative Revenues recognized in the Statement of Revenues and Expenditure during the year equate to the amounts approved by the Board of Governors for the Administrative Operating Budget for the year. The budget is set and agreed at meetings of the Board of Governors in the previous financial

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

ACCOUNTING POLICIES

year. The agreed budgeted amounts are transferred from the Designated Capital Accounts for Administrative Expenses of the United States, Canada, the European Union, and Ukraine.

Administrative Expenses are charged to the Statement of Revenues and Expenditure when incurred and are matched against the Administrative Revenues for the year.

Any surplus/(deficit) Administrative Revenues arising during the year are re-allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and the European Union in the same ratio as the Administrative Revenues contributions.

Supplemental Budget

Supplemental Budgets are approved by the Board of Governors to provide funding for activities that are outside the scope of the Administrative Operating Budget and not directly related to the implementation of projects. Upon agreement of the Supplemental Budgets at Governing Board Meetings the total amount of such budgets approved are credited to the relevant Funding Parties Designated Capital Accounts for Supplemental Budgets in proportion to the level of funding agreed by each party.

Supplemental Budget expenses are charged to the Statement of Revenues and Expenditure when incurred. Supplemental Budget revenues recognized in the year are amounts equal to the value of the Supplemental Budget expenditure incurred in the year. These revenues are transferred from the Funding Parties Designated Capital Accounts for Supplemental Budgets.

Partner Fees and Interest

Partner projects may be charged a fee, usually 5% of the total project cost, for the services provided by the STCU to administer the project, which are recognized in the Statement of Revenues and Expenditure. The surplus partner fees are allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and the European Union in the same ratio as their Administrative Revenues contributions.

Interest earned on Funding Party bank accounts is recognized in the Statement of Revenues and Expenditure. Surplus interest earned is allocated to the Funding Parties Undesignated Capital Contributions Accounts, with the exception of Partner interest earned, which is allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and the European Union in the same ratio as their Administrative Revenues contributions. Interest earned on administrative and supplemental bank accounts is allocated to the Undesignated Capital Contributions Accounts of the United States, Canada, and

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

ACCOUNTING POLICIES

the European Union in the same ratio as their Administrative Revenues contributions.

Property, Plant and Equipment

Property, plant and equipment are acquired either for the Center's own use or for the projects and comprises of the following:

Center

Property and equipment acquired by the Center for administrative operations consist of vehicles, office furniture and equipment, including computer hardware and software and communications devices. All commitments and expenditures for administrative equipment are made in accordance with the Board's approved annual budget.

The cost of the Center's equipment is charged to the Statement of Revenues and Expenditure when acquired.

Project Equipment

Since the STCU does not expect to derive any foreseeable economic benefits from the ownership of project equipment, the expenditure incurred during the year on equipment under each project, is written off to the Statement of Revenues and Expenditure.

IAS 16 requires Property, plant and equipment with useful lives of beyond the current accounting period be capitalized and depreciated over their useful lives. The management believe that because of the unusual nature and circumstances of its activities, strict interpretation and application of this standard would not properly match the revenues specifically contributed by the funding parties with the related expenditure. Accordingly, the property, plant and equipment acquired for use by the Center and also the projects are charged in full upon acquisition to the Statement of Revenues and Expenditure in accordance with the accounting policy for property, plant and equipment set out above.

Foreign Currency Transactions

All foreign currency transactions are converted into USD at the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from movements in the exchange rates between the date of the transactions and the date of settlement are charged to the Statement of Revenues and Expenditure under the administrative operating budget in the period incurred. Activities in Azerbaijan, Uzbekistan, Georgia, and Moldova are transacted in USD and, therefore do not result in any gains or losses from currency exchanges.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

ACCOUNTING POLICIES

European Union Funded Projects

Project agreements are concluded in Euros if solely funded by the European Union, and in USD if projects are jointly funded.

For project agreements concluded in USD (jointly funded), the European Union provides funding in Euros, before the projects are signed by the STCU Executive Director, and the STCU immediately converts the Euros upon receipt into USD. The total amount of USD provided by the European Union is therefore known before the start of the project, and thus the project agreements are written to match the amount of USD received.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Receivables – Amounts due from funding parties

Amounts due from funding parties are recognised on signature of the project agreement or approval of the Administrative Operating Budget or Supplemental Budget and are carried forward at invoiced amount.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Amounts payable

Amounts payable are recognised and carried forward at invoiced amounts.

Designated capital

Designated capital represents funding party contributions to the STCU which have been designated for a specific purpose by that funding party. Designated capital is initially recognised at committed amounts.

Undesignated capital

Undesignated capital represents funding party contributions to the STCU which have yet to be designated. Undesignated capital is initially recognised at received amount.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

STATEMENT OF REVENUES AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 USD	2007 USD
REVENUES			
Project Revenue		18,657,918	19,305,482
Administrative Revenue			
- Administrative Operating Budget		2,206,214	1,930,515
- Supplemental Budget		2,529,333	2,659,250
Partner Fees		206,296	258,054
Interest Income		951,169	1,678,577
		<u>24,550,930</u>	<u>25,831,878</u>
EXPENDITURE			
Project Expenditure	1	18,657,918	19,305,482
Administrative Expenditure	2		
- Administrative Operating Budget		2,326,467	1,877,807
- Supplemental Budget		2,529,333	2,659,250
		<u>23,513,718</u>	<u>23,842,539</u>
NET SURPLUS	3	<u>1,037,212</u>	<u>1,989,339</u>

There are no recognised gains or losses other than the results for the year as set out above.


SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

BALANCE SHEET AT 31 DECEMBER 2008

	Note	2008 USD	2007 USD
CURRENT ASSETS			
Receivables			
Amounts due from funding parties	5	8,074,071	7,191,651
Other receivables	6	69,739	188,839
Prepayments and accrued income	7	49,313	124,572
Cash and cash equivalents		33,213,300	39,815,985
		<u>41,406,423</u>	<u>47,321,047</u>
CURRENT LIABILITIES			
Amounts payable – projects	8	(2,903,114)	(2,680,786)
Amounts payable – non-project		(277,187)	(269,435)
		<u>(3,180,301)</u>	<u>(2,950,221)</u>
TOTAL ASSETS LESS LIABILITIES		<u>38,226,122</u>	<u>44,370,826</u>
CAPITAL CONTRIBUTIONS			
Designated capital – projects	9	19,490,308	25,063,117
Designated capital – administration	10	1,875,809	1,703,844
Designated capital – supplemental	11	3,699,919	3,749,553
Undesignated capital	12	13,160,086	13,854,312
		<u>38,226,122</u>	<u>44,370,826</u>

Signed on behalf of

The Science and Technology Center in Ukraine 20 MAY 2009



Andrew A. Hood – Executive Director



Curtis M. Bjelajac – Chief Financial Officer

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 USD	2007 USD
Cash Flows from Operations			
Cash Inflows			
Net Cash Received from Funding Parties	13	15,585,292	17,935,277
Interest Income and Partner Fees Received		1,239,466	1,989,707
Total Cash Inflows		<u>16,824,758</u>	<u>19,924,984</u>
Cash Outflows			
Project Expenditure		(18,435,590)	(18,901,080)
Administrative and Supplemental Expenditure		(4,177,686)	(4,402,987)
Total Cash Outflows		<u>(22,613,276)</u>	<u>(23,304,067)</u>
Net Cash (Outflows)/Inflows From Operations		(5,788,518)	(3,379,083)
Net Revaluation Gains/(Losses)		(814,167)	1,111,668
Cash and cash equivalents at 1 January		39,815,985	42,083,400
Cash and cash equivalents at 31 December		<u>33,213,300</u>	<u>39,815,985</u>

The net revaluation gains principally relate to amounts contributed from funding parties in currencies other than USD which are held in the source currency of the original contribution. These notional cash gains are fully offset by revaluations of funding parties capital accounts held in a source currency other than USD. Revaluation gains are not actual cash movements but a reflection of the changing value of the source currency. Foreign currency risk is managed as set out in the note 15.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

1. Project Expenditure

	USD
Amounts charged to the Statement of Revenues and Expenditure:	
2008	18,657,918
2007	19,305,482
2006	17,434,164
2005	16,291,450
2004	17,675,237
2003	17,937,532
2002	12,317,194
2001	10,100,633
2000	7,096,198
1999	7,904,566
1998	7,351,641
1997	4,987,540
1996	1,339,245
1995	-
Cumulative project costs incurred to 31 December 2008	<u>158,398,800</u>

Project expenditure comprises of grants to scientists, equipment costs, travel costs and overhead costs.

Under the terms of the individual project agreements signed, title to equipment costing less than 2,500 USD is vested with the recipient institutes upon acquisition. The title to all other equipment provided to projects will remain with the Center until termination or completion of the project at which time the title will be vested in the recipient institutes unless prior to or on that date the Center informs the project of its intention to retain title.

2. Administrative Expenditure

	2008	2007
	USD	USD
a) Administrative Operating Budget		
Business Operations	254,081	363,314
Public Affairs	15,221	12,699
Personnel	717,079	718,054
Personnel Support and Development	192,821	192,316
Legal, Auditing, and Banking	569,478	294,519
Property, Plant and Equipment	85,654	25,127
Headquarters and Branch Offices	492,133	271,778
	<u>2,326,467</u>	<u>1,877,807</u>

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

Included within 'Legal, auditing and banking' are exchange losses of 324,691 USD (2007 – included losses of 36,106 USD).

Personnel costs comprises grants made to the grantees in the STCU headquarters and six regional offices located in Lviv, Kharkiv, Dnipropetrovsk, Baku, Tashkent, Chisinau, and Tbilisi.

	2008	2007
	USD	USD
b) Supplemental Budget		
Technical, Collaborator and Contractor Travel Support	70,213	29,750
Information Technology Support	-	486
Business Training/ Sustainability Group Support	114,710	242,872
Patent Support	1,016	1,950
Travel and Mobility Support	454,370	436,371
Expert Review and Advisors	55,090	1,162
Seminars/ Workshops Support	49,096	93,366
Service Contracts	1,763,508	1,755,338
Targeted Training	18,150	97,955
Institute Sustainability	3,053	-
Biosecurity & Biosafety	127	-
	<u>2,529,333</u>	<u>2,659,250</u>

3. Net Surplus Revenues Over Expenditure

The net surplus of 1,037,212 USD comprises the following;

	2008	2007
	USD	USD
Surplus/(Deficit) Administrative Budget Revenues	(118,061)	54,052
Investment Income	951,169	1,678,577
Partner Fees	206,296	258,054
Other Revenue/(Expense)	(2,192)	(1,344)
	<u>1,037,212</u>	<u>1,989,339</u>

The net surplus set out above has been allocated to the Funding Parties in accordance with the accounting policies and agreed responsibilities.

4. Taxation

Under the terms of the agreement establishing the STCU and also the Statute approved by the Board of Governors, the STCU is exempted from any form of taxation. However, only since December 1999 has the relevant legal framework been implemented in Ukraine, allowing the STCU to recover its VAT on Administrative expenditures.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

The VAT incurred on project expenditures has been charged to the Statement of Revenues and Expenditure as part of the project costs because, for the time being there is no practical process in place for the recovery of VAT for project purchases within Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan. Management of the STCU continues discussions with the Governments of Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan to investigate the possibility of establishing a procedure to recover project VAT for purchases made within these respective countries. However, the management of the STCU does not expect to recover the amounts incurred to date. Accordingly the VAT incurred on project expenditures has been charged to the Statement of Revenues and Expenditure as part of the project costs. Project items purchased abroad by the STCU and imported into Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan are exempt from VAT.

The VAT on administrative expenditures for 2008 has been credited back to the corresponding expense account to which it relates.

5. Amounts Due from Funding Parties – Due Within One Year

	2008	2007
	USD	USD
United States	936,155	101,308
Canada	2,237,025	1,583,775
European Union	1,834,589	1,661,386
Partners	2,475,535	2,974,552
	<u>7,483,304</u>	<u>6,321,021</u>

Amounts Due From Funding Parties – Due After One Year

	2008	2007
	USD	USD
Canada	-	167,351
Partners	590,767	703,279
	<u>590,767</u>	<u>870,630</u>
Total due from funding parties	<u>8,074,071</u>	<u>7,191,651</u>

6. Other receivables

	2008	2007
	USD	USD
VAT Recoverable	13,527	14,437
Other Receivables	56,212	174,302
	<u>69,739</u>	<u>188,839</u>

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

7. Prepayments and accrued income

	2008	2007
	USD	USD
Prepayments	35,801	29,059
Accrued Interest	13,512	95,513
	<u>49,313</u>	<u>124,572</u>

8. Amounts payable projects

	2008	2007
	USD	USD
Grants Payable	1,871,747	1,714,017
Overhead Payable	130,875	164,260
Overhead Retainage	900,492	802,509
	<u>2,903,114</u>	<u>2,680,786</u>

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

9. Designated Capital Contributions - Projects

Designated Capital Contributions represent the amounts committed on signed projects net of project expenditures incurred to date.

	United States	Canada	Japan	European Union	Partners	Total
	USD	USD	USD	USD	USD	USD
Balance at January 1, 2008	4,872,210	711,520	44,875	8,802,222	10,632,290	25,063,117
New Projects Signed During 2008	539,534	2,241,371	-	4,742,168	6,190,059	13,713,132
Revaluation of Project Agreements	-	-	-	(192,553)	(21,168)	(213,721)
Adjustment for Closed Projects	(57,293)	(13)	(1,632)	(16,986)	(234,611)	(310,535)
Adjustment for Terminated Projects	-	-	-	-	(103,767)	(103,767)
Transfer to Statement of Revenues and Expenditure						
Expenditure Incurred on Projects in 2008	(3,229,883)	(860,678)	(43,243)	(5,717,975)	(8,806,139)	(18,657,918)
Balance at December 31, 2008	<u>2,124,568</u>	<u>2,092,200</u>	<u>-</u>	<u>7,616,876</u>	<u>7,656,664</u>	<u>19,490,308</u>

Note: Included within DCC projects is USD 1,287,954 (2007 – USD 1,125,120) relating to signed projects in Uzbekistan which have yet to commence. Management of the STCU believe there is a possibility these projects may not take place due to current difficulties between the STCU and the Government of Uzbekistan and that the funding may have to be returned to undesignated capital of the funding parties. However, until formal communication is received from the Government of Uzbekistan that these projects will not be allowed to progress the STCU still has a commitment to fund these projects.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

10. Designated Capital Contributions - Administration

	United States USD	Sweden USD	Canada USD	European Union USD	Partners USD	Ukraine USD	Total USD
Balance at January 1, 2008	823,402	-	188,493	691,949	-	-	1,703,844
Additional Contribution for 2008	28,333	-	28,334	28,333	-	417,370	502,370
Transfer to Statement of Revenues and Expenditure	(851,735)	-	(216,827)	(720,282)	-	(417,370)	(2,206,214)
Administrative Budget 2009	613,305	-	341,397	921,107	-	-	1,875,809
Balance at December 31, 2008	613,305	-	341,397	921,107	-	-	1,875,809

11. Designated Capital Contributions - Supplemental

	United States USD	Sweden USD	Canada USD	European Union USD	Partners USD	Ukraine USD	Total USD
Balance at January 1, 2008	1,483,647	109,633	645,862	1,224,030	286,381	-	3,749,553
Supplemental Budgets Approved	1,168,652	-	1,097,000	1,081,291	58,151	-	3,405,094
Transfer from/(to) Undesignated Capital Contributions	(351,718)	2,777	(179,105)	(380,277)	-	-	(908,323)
Adjustment for Revaluation	-	-	-	(17,072)	-	-	(17,072)
Transfer to Statement of Rev. and Exp.	(1,146,929)	-	(466,757)	(826,681)	(88,966)	-	(2,529,333)
Balance at December 31, 2008	1,153,652	112,410	1,097,000	1,081,291	255,566	-	3,699,919

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

12. Undesignated Capital Contributions

	United States	Sweden	Canada	Japan	European Union	Partners	Other	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balance at January 1, 2008	5,620,264	-	-	31,667	4,203,976	4,091,373	(92,968)	13,854,312
Advances Received from Funding Parties	-	-	740,591	-	5,330,520	2,841,450	-	8,479,841
Transfer to Designated Capital for Signed Projects	(539,534)	-	(656,100)	-	(4,742,168)	(1,900,298)	-	(7,395,405)
Adjustment for Closed Projects	57,293	-	13	1,632	18,699	92,268	-	148,829
Allocation of Surplus Income for 2008	478,014	2,777	21,421	1,208	522,690	-	-	1,037,211
Adjustment for 2008 Other Purposes	1,068	-	229	-	895	-	(2,192)	-
Adjustment for Revaluation	-	-	-	-	(536,948)	(50)	-	(536,998)
Transferred to International Science and Technology Center (ISTC)	-	-	-	-	-	(155,875)	-	(155,875)
Transfer from Designated Capital – Supplemental Budget	351,720	-	179,105	-	380,277	-	-	911,102
Transfer to Designated Capital – Supplemental Budget	(333,804)	(2,777)	-	-	(1,283,948)	(58,151)	-	(1,678,680)
Transfer to Designated Capital - Administrative Budget	(641,639)	-	(229,115)	-	(633,497)	-	-	(1,504,251)
Balance at December 31, 2008	4,993,382	-	56,144	34,507	3,260,496	4,910,717	(95,160)	13,160,086

Note: The amount of (2,192) USD under ‘Other’ relates to the performance of the 2007 and 2008 audit. This amount is a timing difference between when the audit cost is accrued as an expense for financial statement purposes, and when the amount is accounted for in the Administrative Operating Budget. The audit cost is expensed in the year before it is included in the AOB. Thus, the 2008 audit cost is accrued as an expense in the 2008 Fiscal Year Financial Statements; however, the cash disbursement will affect the 2009 AOB.

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

13. Net cash received from funding parties

	2008	2007
	USD	USD
Canada	3,077,578	512,961
Partners	7,177,194	8,205,969
United States	-	2,714,238
European Union	5,330,520	6,502,109
	<u>15,585,292</u>	<u>17,935,277</u>

14. Financial commitments

a) **Science and Technology Center in Ukraine**

No material commitments existed at December 31, 2008.

b) **Funding parties**

At December 31, 2008 the funding parties had approved but not signed 26 projects with a total funding of 3,864,103 USD (2007 – 3,489,429). The agreements for these projects are expected to be signed in 2009.

15. Financial Instruments

The STCU's financial instruments comprise:

- Cash, liquid resources and short term receivables and payables that arise directly from the STCU's operations.

These financial instruments are initially recorded at their nominal value and are stated in the accounts at their nominal value reduced by appropriate allowances for estimated irrecoverable amounts.

The main risks arising from the STCU's financial instruments are liquidity risk, credit risk, and foreign currency risk. The STCU management reviews and agrees policies for managing each of these risks and they are summarised below.

a) **Liquidity Risk**

The STCU's assets comprise mainly of cash and bank deposits which are readily realisable to meet funding commitments.

b) **Credit Risk**

The STCU manage credit risk by only paying project expenses up to the amount of cash received from the relevant funding party. The credit risk is therefore limited to project expenses incurred in excess of cash received from the relevant funding party. At 31 December 2008 the maximum credit risk was USD 323,708 (2007 –USD 62,130).

SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
NOTES TO THE FINANCIAL STATEMENTS

c) Foreign Currency Risk

The STCU's income and expenditure and net assets could be affected by currency translation movement as some of the STCU's assets and revenues are denominated in currencies other than USD. The STCU manages foreign currency risk through keeping funds in the currency of commitment (USD or Euros) and minimizing funds held in local currency.

At the year end, financial assets and liabilities held by the STCU in currencies other than USD were as follows;

	Amounts due from Funding Parties USD	2008 Cash at Bank USD	Amounts payable USD
Euros	1,788,460	11,888,258	873,495
Ukrainian Hryvna	-	13,094	12,153
Azeri Manat	-	-	-
	1,788,460	11,901,352	885,648

	Amounts due from Funding Parties USD	2007 Cash at Bank USD	Amounts payable USD
Euros	1,975,628	12,933,372	100,274
Ukrainian Hryvna	-	246,864	2,935
Azeri Manat	-	3	-
	1,975,628	13,180,239	103,209

**LUBBOCK FINE
CHARTERED ACCOUNTANTS**

SCIENCE AND TECHNOLOGY

CENTER IN UKRAINE

MANAGEMENT LETTER

FOR THE YEAR ENDED 31 DECEMBER 2008

THIS REPORT HAS BEEN PREPARED FOR THE SOLE USE OF THE BOARD OF GOVERNORS AND THE MANAGEMENT OF THE SCIENCE AND TECHNOLOGY CENTER IN UKRAINE AND MUST NOT BE SHOWN TO THIRD PARTIES WITHOUT PRIOR CONSENT. NO RESPONSIBILITIES ARE ACCEPTED BY LUBBOCK FINE TOWARDS ANY PARTY ACTING OR REFRAINING FROM ACTION AS A RESULT OF THIS REPORT.

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22 May 2009

Mr A Hood – Executive Director
Mr C Bjelajac – Chief Financial Officer
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Dear Sirs

**SCIENCE AND TECHNOLOGY CENTER IN UKRAINE
FINANCIAL AUDIT FOR THE YEAR ENDED 31 DECEMBER 2008
MANAGEMENT LETTER – EXECUTIVE SUMMARY**

I. Introduction

We have now completed our audit of the financial statements of the Science and Technology Center in Ukraine (STCU), based in Kyiv, Ukraine, for the year ended 31 December 2008.

Our audit was performed in accordance with internationally recognised Auditing Standards. In planning and performing our audit we have considered the STCU's internal control structure in order to assess the level and nature of auditing procedures for the purpose of expressing an opinion on the financial statements.

In conjunction with our review of internal controls in place for the financial year ended 31 December 2008 we have also reviewed the Management Letter which we prepared for the year ended 31 December 2007, to ascertain whether the weaknesses identified in 2007 still exist in 2008.

In general we have noted that a number of improvements have been made by the STCU in the internal control and recording of transactions, however a number of weaknesses still exist where controls and procedures can be improved. All of the observations noted last year are still considered to be of significance and require some form of corrective action, although we would point out that in relation to some of these issues significant improvements have been made. The outstanding matters not yet resolved are all referred to in the body of this letter.

Please find below a summary of the observations, full details of which are set out in section II of the report. These observations were discussed with Curtis "B.J." Bjelajac prior to written comments being obtained, which are incorporated in this report.

This report has been prepared for the sole use of the Board of Governors and the Management of the Science and Technology Center in Ukraine. No responsibilities are accepted by Lubbock Fine towards any party acting or refraining from action as a result of this report.

Partners: Geoffrey Goodyear, Jeff Gitter, Pankaj Shah, Laurence Newman, Naresh Shah, Rohit Majithia, Russell Rich, Mark Turner, Martin Sans*, Philip Blackburn*, Lee Facey, Stephen Banks.

Consultants: Anthony Sober, David Levy, Alan Cushnir.

*All partners are Chartered Accountants except where indicated.

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II. Observations Summary

1. During the course of our review we noted that a number of contracts concluded with the project beneficiaries were not dated by all signatories of the contract. (See Observation No.1).
2. During the course of our review we noted a number of issues in connection with foreign exchange adjustments processed within Navision. (See Observation No. 2).
3. In relation to the technical and financial audits carried out by the USDCAA, it was noted that a number of issues were raised such as fraudulent claims made by grantees and grantees working in excess of 220 days. (See Observation No.3).
4. It was noted during the course of the audit the financial statements contain a significant amounts of receivables for travel advances which have not been reported back to the STCU in a timely manner. (See Observation No. 4).
5. It was noted during the course of the audit that the interest allocation to funding parties had not been calculated in a consistent manner due to errors in the formula used. (See Observations No. 5).
6. During the course of our review we noted that the STCU has not been maintaining an up to date fixed asset register since moving to the new premises. (See Observation No. 6).
7. It was noted during the course of our audit that for a number of partner projects expenses incurred on the project are in excess of the partners cash contribution to date, exposing the STCU to the risk of bad debts. (See Observation No. 7).
8. It was noted during the course of our audit that a number of administrative invoices could not be located by the STCU staff (See observations No. 8).

You will appreciate that the inherent limitations in any accounting and internal control system mean that errors or irregularities may nevertheless occur and not be detected. Also, the projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

This report has been prepared for the sole use of the Board of Governors and the Management of the Science and Technology Center in Ukraine and must not be shown to third parties without prior consent. No responsibilities are accepted by Lubbock Fine towards any party acting or refraining from action as a result of this report.

Yours faithfully

Lubbock Fine



I. AUDIT FINDINGS SUMMARY

AUDIT FINDINGS SUMMARY

Item No.	Title	STCU Comments (Agree or Not Agreed)
1.	Contracts not dated.	Partially Agree
2.	Foreign exchange adjustments within Navision	Agree
3.	Technical and financial monitoring of projects	Agree
4.	Travel grants	Agree
5.	Allocation of interest between funding parties	Agree
6.	Fixed asset register	Agree
7.	Accounts receivable in excess of project DCC	Agree
8.	Filing of administrative invoices	Agree

II. AUDITOR'S REVIEW

This report has been prepared for the sole use of the Board of Governors and the Management of the Science and Technology Center in Ukraine. No responsibilities are accepted by Lubbock Fine towards any party acting or refraining from action as a result of this report.

Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter

Observation No. 1

Title:	Contracts not dated.
Description:	<p>In the management letters for the years ended 31 December 1999 to 2007 we noted that in the majority of cases, contracts concluded with project beneficiaries were not dated by all parties.</p> <p>During the course of our audit it was noted that in some cases, the contracts are still not being dated. However, we would point out that this issue relates primarily to the institutes not dating contracts, and in some instances project partners, the STCU was noted to have dated all contracts.</p> <p>As well as not being in accordance with standard business practice, the issue of not dating contracts creates a further difficulty with respect to capital accounts. The accounting policy of the STCU states that a project becomes designated when the contracts are signed. If all participants do not date the contract, then the accounting policy becomes harder to implement, and increases the risk that capital may be wrongly credited to either designated or undesignated project capital.</p> <p>Whilst we have noted improvements in this respect since this issue was first noted in the management letter for the year ended 31 December 1999, there were still instances during the year where the contracts were not dated by some of the parties.</p>
Recommendation:	All contracts must be dated by all signatories. The project accountant must check that the contract is signed and dated by all parties, before releasing any monies to the institute under the contract.
STCU Comment:	The STCU partially concurs with Lubbock Fine's recommendations, and will continue to work to ensure that all contracts are dated by instructing the STCU Senior Specialists to work with all parties (e.g. lead institutes, participating institutes, and partners) to ensure that they date their signatures. The STCU agrees that the dating of signatures is standard business practice. However, the STCU must weigh the interest of the Parties to see the project agreements signed in a timely manner in order to meet their non-proliferation goals, versus teaching and enforcing a Western standard business practice. Dating signatures was not a general business practice in the former Soviet Union, which hampers the STCU in its efforts to teach the institute directors this Western business practice. Thus, although the STCU agrees that the dating of signatures is a very good practice, it will not return undated contracts to the signatory parties, because this will slow down even more an already lengthy process of starting an STCU project. The STCU feels that any further delays in the starting of STCU projects would be detrimental to the aforementioned non-proliferation goals of the Parties.

Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter

Observation No. 2

Title: Foreign exchange adjustments within Navision

Description: In the management letter for the year ended 31 December 2007 we noted a number of errors with regard to the way in which the Navision system processes foreign currency revaluations. The STCU has implemented a number of our recommendations which has reduced the weaknesses identified in this system, however there are still certain areas that have not been addressed.

- a) An error was noted regarding the analysis performed for preparation of the Undesignated Contributed Capital (UCC) note. On receipt of BFA funds from the EU the entry debit cash at bank, credit UCC is made. This entry records the amount received as a prepayment against future project invoices at a certain Euro / USD exchange rate. When a project is approved the entries are to debit accounts receivable (A/R), credit Designated Contributed Capital projects (DCC - projects) at the exchange rate on the date of signing of the project. An entry is then made to transfer Euros from the UCC account to clear the A/R for the project. However, the final entry from UCC to A/R is recorded at the exchange rate used on the date of receiving the BFA funds, not the date of signing of the project. Therefore amounts entering DCC and leaving UCC are different (in USD) when they should be equal. Whilst this has no impact on the balance sheet or income statement (the error is corrected in UCC by a subsequent revaluation of the balance) it does misstate the notes that are prepared for the financial statements and a manual adjustment must be made.
- b) After undertaking the year end revaluation at 1 January 2009 (per Lubbock Fine's previous recommendation), the STCU then revalued the preceding months to December in late January and in February. This has caused some unexpected entries to be created in the accounts, resulting in incorrect balance sheet entries for September, October and November. Whilst this has no impact on the year end financials, it impacts the validity of STCU management accounts for these months.
- c) When a non-USD transaction is posted in 2008 during 2009 and this transaction is settled before the second December revaluation has been run an error occurs. Navision applies the exchange rate at the date the transaction was settled, not at the year end exchange rate. This means that at the year end some balances will not be calculated in compliance with IAS 21 Foreign Currencies.

Recommendation: In relation to the above we would make the following recommendations:

- a) With regard to the revaluation at the year end, the STCU should continue to revalue the accounts as at 31 December or 1 January. After this point no further revaluations should be made to preceding months for the year in question. This will stop the large unexpected entries occurring as happened in 2008.
- b) When transferring a project out of UCC the exchange rate to be used should be at the date the agreement was approved (equal to the rate used for DCC).
At the year end amounts transferred from UCC to DCC should agree in the UCC and DCC notes to the accounts. Any differences should be fully investigated.
- c) When posting items back into the prior year, all efforts should be made to run a revaluation for the year end before payments are made in the following year. We understand that due to the length of time a revaluation takes, this may not always be possible.

It has been noted that the STCU have been unable to rectify a number of problems since the previous year and are still experiencing various difficulties with revaluations. At present the staff do not have the relevant experience to deal with the complex issues that the revaluations are causing. It is suggested that the STCU consult externally with a Navision expert regarding the revaluation difficulties in order to obtain a workable solution for future years .

STCU Comment: The STCU concurs with Lubbock Fine's recommendations and will perform the following steps related to these issues:

1. The STCU will continue to do a revaluation of December 31st on the first working day of January in order to ensure that transactions are revalued before additional transactions are added. Furthermore, the STCU will not run any additional preceding months revaluations after this revaluation.
2. This procedure for project signature was devised with the help of STCU's Navision provider, thus the STCU consulted with the Navision provider in 2008 to determine if there is a way to perform this procedure in a different manner in order to generate the revaluation as of the date of project signature. Unfortunately, according to the Navision provider, it is not possible in Navision to obtain the desired result without making a programming change to Navision. The STCU is hesitant to make this programming change, as it deals with the very foundation of Navision - making general ledger entries. Thus, the STCU will continue to work with Navision specialists to address this issue; however, if a programming change is deemed the only method for addressing this issue, the STCU will continue to address this issue with manual corrections at year end.
3. The STCU will attempt to implement this recommendation, but would like to highlight that this will not always be possible given

the length of time a revaluation takes, as pointed out by Lubbock Fine.

The STCU concurs that there are a number of revaluation problems related to Navision that are out of the scope of knowledge of the STCU staff, as well as the local Navision provider currently utilized by the STCU. Thus, the STCU will in 2009 look to work with a Navision expert from outside of Ukraine on this issue in the hope that the STCU will be able to find a workable solution for future years.

Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter

Observation No. 3

- Title:** Financial and Technical monitoring of projects
- Description:** At the request of the U.S. Department of State, the STCU completed 6 U.S. sponsored technical and financial project audits in FY2008. The STCU worked closely with the U.S. D.O.S., Defence Contract Audit Agency (USDCAA), and a select group of technical auditors to perform integrated financial and technical audits.
- In relation to these audits the following issues were noted:
- (a) In relation to Project 3596 it was noted that the sub-project manager coerced two grantees to falsify time to increase the levels of grants that they received. These additional grants were then used to purchase additional materials for the project.
 - (b) In relation to Project 3596 it was noted that travel vouchers which had been submitted six months prior to the audit had not been processed by the STCU. Furthermore, there were instances where the travel vouchers had not been submitted yet travel had occurred in excess of six months prior to the audit.
 - (c) It was noted for Project 3631 that four participants had worked in excess of 220 days in a year without gaining approval from the STCU, in breach of Standard Operating Procedure 24.
 - (d) It was noted for Project 3594 that a participant had filled in time cards and his lab journal in advance of undertaking work on the project.
- Recommendation:** In relation to the above we would make the following recommendations:
- (a) With regard to fraudulent time claims, we recommend that the STCU undertake careful monitoring of time cards, paying attention to unexpected and large variances in participant's time. Such variances should be investigated. We recommend that this is undertaken on a quarterly basis by the project accountants.

We appreciate that in the event of collusion, fraudulent activity will be difficult to identify, however the STCU should remain vigilant to this risk.
 - (b) With regard to travel advances and travel vouchers please see our Observation 4 for recommendations.
 - (c) With regard to the 220 day rules being breached, it is recommended that the 220 day report is run on a monthly basis. Where there is evidence that a participant has breached the limit, or is close to the limit (210 days for instance) the participant in question should be informed on a timely basis to gain authorisation if 220 days are to be breached. Where a grantee continues to work above the 220 limit without authorisation, grants in excess of the 220 days should be

Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter

Observation No. 3

withheld until authorisation is gained.

- (d) With regard to filling in of time cards in advance, we recommend that the STCU stress the terms contained in the Grant Letters to the participant, that clearly state that time cards are to be filled in on a daily basis, when the grant letter is signed.

STCU Comment: The STCU concurs with Lubbock Fine's recommendations and will continue to perform the following steps related to these issues:

- a) The STCU will continue to review timecards on a sample basis for unexpected and/or large variances as required by Section (a) 2 of STCU Standard Operating Procedure XIX – Project Accountant Manual for Checking Project Quarterly Financial Reports. However, as pointed out by Lubbock Fine, cases of collusion make it very difficult to detect issues with timecards even when timecards are examined closely.
- b) The STCU will review 220 day requirements on a monthly basis and work with grantees to ensure that they acquire permission to work more than 220 days when necessary. In the cases where grantees work more than 220 days without authorization, the STCU will consider withholding the grant amount in excess of 220 days until authorization is finally received.
- c) The STCU agrees with this recommendation and will continue to stress to project participants the terms contained in the grant letter that clearly state that timecards are to be filled in on a daily basis.

**Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter**

Observation No. 4

Title: Travel grants

Description: In the management letter for the year ended 31 December 2007, we noted a number of weaknesses in the travel grants system. During the course of our audit work for the year ended 31 December 2008 some of these weaknesses were still apparent, however it is noted that the STCU has made significant improvements in this area.

Currently the system within the STCU is to advance travel grants to Scientists for subsistence while abroad and other small travel expenses. Normally, large hotel and airfares are paid directly by the STCU.

The accounting at the point of advance is to debit Accounts receivable (Project Grantee), credit Cash / Bank.

On receipt of the completed travel settlement voucher the STCU will debit Travel expense, credit Accounts receivable (Project Grantee). Any amount owed back to the STCU will be recovered from the scientist and any amount due to the Scientist will be recorded as a payable (usually paid with the next grant payment).

For supplemental budget travel the system is the same but the receivable is recorded under Accounts receivable from Non STCU/Non Project.

We have noted significant time delays between when travel has taken place and when travel is being reported back to the STCU. This leads to a number of issues:-

- a) For travel that has taken place within a financial year but has not been reported under the following the expense of travel will be understated with a corresponding overstatement of Designated capital for projects;
- b) There exists a possibility that the amount advanced will prove to be irrecoverable;
- c) The Scientist could be out of pocket should they be owed money from the STCU;
- d) The STCU will not have accurate information in connection with remaining Designated Contributed Capital under supplemental budgets related to travel.

Recommendation: In relation to the above we would make the following recommendations:

1. *STCU Grantees*

- a) When an advance is made it must be communicated to the grantee that receipts and a completed travel settlement voucher are to be submitted to the STCU within a specified time period (to be in line with SOP 5)
- b) When a travel grant is agreed, only a proportion of this money should be sent to the grantee, 80% being a figure we consider reasonable. It will now be likely that the grantee will have to use a small amount of personal funds when travelling and will therefore have an incentive to submit travel documents in a timely manner.
- c) Project accountants remain responsible for the travel grant procedures concerning STCU Grantees.
- d) The date of intended travel should be noted on Navision so it will appear on the quarterly expense report which is included on the project file.
- e) As part of the quarterly reports prepared by the project accountants, a review of travel advances should be made. For any travel receipts which have not been submitted within the specified time period, the grantee should be contacted directly.
- f) Consider implementing a policy where grants are withheld from grantees, up to the value of the travel advance, if they repeatedly ignore requests to submit documents (120 days for instance).
- g) When the documents are received from the grantee any amounts due to/from the grantee should be settled in the next grant payment.

2. *Non STCU Grantees*

- a) When an advance is made it must be communicated to the recipient that receipts and a completed travel settlement voucher are to be submitted to the STCU within a specified time period (to be in line with SOP 5).
- b) The date of intended travel should be noted on Navision so the time from the date of travel can easily be referred to. It may be clearer to the staff involved if some information were stored on Excel instead of Navision (for example, name, contact number, amount, date of travel, and days since travel).
- c) On a regular basis, say every two weeks, the travel advance position should be reviewed. Any documents or funds which are overdue should be chased by the treasurer.
- d) When the travel settlement vouchers are received they should be posted to Navision immediately. Reasons for late submission of vouchers must be noted so STCU can consider the recoverability of amounts due.

- e) At the year end, STCU should review the amounts outstanding regarding these advances to ensure that when supplemental budget lines are written back there will be enough left to cover outstanding travel advances.

STCU Comment: The STCU concurs with Lubbock Fine's recommendations and will continue to perform the following steps related to these issues:

1. *STCU Grantees*

- d) The STCU will continue to communicate its policy related to the timely settlement of project travel (SOP V - Project Participants Travel), within which states that the project participant is required to submit a travel settlement to the STCU within seven (7) working days of travel completion.
- e) The STCU agrees that this recommendation is reasonable, and thus will consider revising its policy and procedures to incorporate advancing 80% of the requested sum; however, given the success of the STCU in 2008 of reducing the amounts outstanding from travellers, it is still not clear to the STCU that this change in procedure is necessary. Thus, the STCU will monitor the situation in 2009, and if necessary, will incorporate this recommendation.
- f) The STCU agrees with this recommendation and thus the Project Accountant will remain responsible for project travel.
- g) The STCU agrees with this recommendation and will continue to include travel dates into the project expense report.
- h) The STCU agrees with this recommendation and will continue the quarterly financial report procedure of reviewing travel advances by the responsible project accountants. For any travel receipts which have not been submitted within the specified time period, the grantee will continue to be contacted directly by the project accountant.
- i) The STCU agrees with this recommendation and has already started withholding grants up to the value of the travel advance from grantees if they repeatedly ignore requests to submit documents.
- j) The STCU agrees with this recommendation and will continue to ensure that upon receipt of settlement documents, the STCU will move to settle any amounts due to/from the grantee in the next grant payment.

2. *Non-STCU Grantees*

- a) The STCU agrees with this recommendation and will continue to communicate to travellers their need to adhere to the settlement policy (also seven (7) days).
- b) The STCU agrees with this recommendation and will continue to include travel dates into Navision as well as utilize MS-Excel where deemed necessary.
- c) The STCU agrees with this recommendation and the STCU Project Accountant and Treasurer assigned to the travel review process will continue to meet every two weeks in order to ensure timely settlement of travels. Any delinquent travels will

be dealt with on a case by case basis to ensure timely settlement.

- d) The STCU agrees with this recommendation and will continue to ensure that upon receipt of settlement documents, the STCU settles any amounts due to/from travellers as quickly as possible.
- e) The STCU agrees with this recommendation and will continue to carefully review the settlement situation at year end for these travellers in order to ensure that when supplemental budget lines are written off to Designated Capital Supplemental accounts, that there will be enough remaining budget to cover outstanding travel advances.

**Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter**

Observation No. 5

Title:	Allocation of interest between funding parties
Description:	<p>During the course of our audit it was noted that the formula being used to allocate bank interest received between the funding parties was being applied incorrectly.</p> <p>This arose as the model used did not take into account where an expected positive parameter became negative.</p> <p>As a result the amount of interest receivable which is allocated to each funding party has not been calculated in accordance with the level of cash held by the STCU in respect of each funding party.</p>
Recommendation:	<p>We recommend that the formula used to calculate the interest allocation is amended to perform the calculation regardless of whether a parameter is positive or negative.</p> <p>We further recommend that these calculations are checked, on a sample basis, each month to ensure that the automatic calculation is working as expected.</p>
STCU Comment:	The STCU concurs with Lubbock Fine's recommendations and in 2009 will amend the formula used to calculate the interest allocation between funding parties, as well as check on a sample basis each month that the amended automatic calculation is working as expected.

**Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter**

Observation No. 6

Title:	Fixed asset register
Description:	<p>It was noted during the course of our audit that the STCU does not have an up to date fixed asset register, nor has an asset inventory been undertaken since the STCU moved to their new premises at 7A Metalistov Street.</p> <p>As a consequence the STCU does not have a record of where its fixed assets are currently held, which will make it difficult to assess if the assets of the STCU are being appropriately safeguarded.</p> <p>We appreciate that due to the STCU moving buildings in 2009 it has not been possible to keep this information up to date, however STCU should seek to rectify this at the earliest possible opportunity.</p>
Recommendation:	<p>We recommend that a full fixed asset inventory is undertaken during 2009. This is to include the following;</p> <ul style="list-style-type: none">a) Agreeing that items that were held at 21 Kameniariv Street are now held at 7A Metalistov Street. Where items have not been transferred, these items should be investigated and removed from the register if appropriate.b) Ensuring that all additions to fixed assets made since the 24 December 2008 (the date the last register) have been included on the fixed asset register.c) Verification of all fixed assets, noting their location and identification number displayed on the asset.
STCU Comment:	<p>The STCU concurs with Lubbock Fine's recommendations and at the earliest possible opportunity will implement recommendations a, b, and c listed above.</p>

**Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter**

Observation No. 7

- Title:** Partner project expenses incurred in excess of cash contributions
- Description:** During the course of our audit we have noted that as at 31 December 2008, 36 projects had incurred project expenses in excess of the cash the STCU has received for that project from the relevant funding party.
- This means that the amounts receivable (A/R) from funding partners is in excess of Designated Capital Contributions – projects (DCC - projects) for certain project which exposes the STCU to the risk of bad debts. This risk exists as the STCU is the contracting body with the project grantees and may therefore be obliged to make grant payments in excess of cash receipts from partners. It should be noted that this situation has yet to arise.
- The STCU currently has a procedure which stops payments being made for projects when DCC - projects is equal or less than accounts receivable. However, this safeguard still allows expenses to be accrued for a project, which could potentially create an obligation for the STCU to settle these amounts, whether or not the cash is ever received from the funding partner.
- Recommendation:** In relation to the above we would make the following recommendations:
- a) As part of the quarter end procedures the amount of available funds remaining for the project should be noted by the project accountant on the project file (Being DCC - project less A/R).
 - b) This should be compared to the budgeted spend for the following quarter to ascertain if it is likely that the project will go into a 'negative' funding position in the next quarter.
 - c) Where a project does go into a negative funding position, the funding partner should be contacted immediately and informed of the situation. The project should be suspended if it appears the partner will delay in providing the STCU with the next cash payment to fund the project.
 - d) Where it is expected that project funding will become negative in the next quarter, the STCU should contact the partner and remind them of the expected due dates for project funding.
- STCU Comment:** The STCU concurs with Lubbock Fine's recommendations and during 2009 will implement recommendations a, b, c and d listed above.

**Audit of the Science and Technology Center in Ukraine
For the Year Ended 31 December 2008
Management Letter**

Observation No. 8

Title:	Filing of administrative invoices
Description:	<p>During the course of our audit it was noted that a number of invoices relating to administrative and supplemental cost could not be located by STCU staff.</p> <p>There appears to have been a breakdown in the way in which such invoices are filed, which will make it increasingly difficult to trace supplemental and administrative expenditure to source documentation.</p>
Recommendation:	It is recommended that the STCU implement a consistent policy for the filing of administrative and supplemental invoices. This system should be designed to allow any individual to trace a purchase made Navision to the invoices utilising referencing and a systematic method of filing the invoices.
STCU Comment:	The STCU concurs with Lubbock Fine's recommendations and will implement a consistent policy to ensure that administrative and supplemental invoices are filed in a manner that allows them to be found consistently



SCIENCE & TECHNOLOGY
CENTER IN UKRAINE



2008

Annual Survey

Kiev

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This document has been produced with the financial assistance of the governments of Canada, the European Union, and the United States of America, as Parties to the Agreement Establishing the Science and Technology Center in Ukraine (STCU)

Key Conclusions

- For this 2008 survey, 210 Technical Units (TUs) responded to the survey questionnaire. The 2008 number of responses is nearly equivalent to the number of respondents in previous surveys (2006: 218 responses. 2007: 209 responses).
- The 2008 annual survey included four of the five STCU Recipient Countries (no survey assessment was done for Uzbekistan as there were too few responses to conduct any meaningful assessment).
- There was a slight improvement in the aggregate percentage of respondent TUs evaluated to be “sustainable” between the 2008 survey and previous annual surveys. The percentage share of “sustainable” TUs grew from 36% in the 2006 survey and 39% in 2007 survey, to 40% in 2008. While the percentage share of “non-sustainable” fell from 59% in 2006 and 57% in 2007, to 53% in 2008.
 - There has been a decline in the percentage of sustainable TUs among the respondents from Azerbaijan—from 5 sustainable TUs (56% of respondents) in 2006, to 3 TUs (30% of respondents) in 2007, to 2 TUs (15% of respondents) in 2008.
 - Georgian TUs have held the same level of TU sustainability (33% of respondents in both 2007 and 2008, with 37% in 2006).
 - Ukrainian TUs saw a slight increase in the share of sustainable TUs among its respondents—from 5 sustainable TUs (39% of respondents) in 2006, to 3 TUs (42% of respondents) in 2007, to 42.3% of respondents in 2008.
 - In Moldova 2 TUs more were evaluated as sustainable and the percentage of sustainable TUs changed from 25% in 2007 to 60%.
 - The small sample size in each Recipient Party, with the exception of Ukraine, renders impossible any firm conclusions about country -specific TU sustainability levels.
- There was an apparent strengthening in the quality of sustainability among the responding TUs, with 9% in 2008 evaluated as “extra sustainable”, compared to 7% of the 2007 and 4% in the 2006 sample. Of the Recipient Parties surveyed, Ukrainian respondents showed the largest percentage increase in extra-sustainable TUs.
- There was a shift toward non-government financing in the aggregate diversification of TU budgetary financing sources in the 2008 survey. Non- governmental funding appears to be the major source of TU budgetary financing (making up 53% of the TU budgets), with the funding from STCU grants making up 33% (versus 38% in 2007), funding from commercial sources 13 % (versus 9% last year), funding from other non-governmental sources 7% (versus 3% in 2007).
 - Ukrainian TUs responses continued to show the highest share of national government funding (65% in 2008 survey) among the Recipient countries. As in the 2007 survey, Ukraine remained the only STCU Recipient country where more than half of the aggregate TU budget funding came from national government sources. Also, as in 2007, Ukraine remained the Recipient country where share of STCU grants in the aggregate TU budget funding was the smallest (at 22% of total budget share), although the STCU share in non-governmental financing is the largest in Ukraine, compared to the other Recipient countries surveyed (63%).
 - While through previous surveys, Azerbaijan and Moldova TUs showed a predominate share of government-oriented budget financing, in 2008 the situation changed owing to increasing share of aggregate TU budget funding coming from private commercial entities. The share from STCU and other NGO funding also increased in the Moldovan TU budget income. Surprisingly, both in 2007 and 2008

surveys, Moldova was the Recipient country with the largest share of aggregate TU budget funding reported from commercial sources (25% in 2007 and 21.5% in 2008).

- o In Georgia the distribution of governmental and non-governmental financing has remained similar throughout the annual surveys (61% and 66% in the 2006 and 2007 annual surveys, and 64% in 2008 survey), and in all the surveys the share of non-governmental financing is the largest among all the Recipient countries. So, for now Georgian TUs are the most STCU-oriented of all the Recipients, as the share of STCU grants in the aggregate Georgian TU budget (47% in 2006, 52% in 2007, 39% in 2008) was the most significant of the responding Recipient countries, except for Uzbekistan..

The TU respondents generally showed increases in the level of international collaboration and in scientific publication activity in 2008, as compared to 2007 and previous annual surveys. This was particularly true for participation in international scientific conferences, quantity of scientific articles and abstracts. But the 2008 survey showed no significant change in level of STCU impact on these activities from 2007 (when comparing the percentage share of the reported TU activities that received STCU support). For most of the responding TUs in the 2008 survey, STCU involvement has stayed approximately the same as in previous annual surveys across all International Collaboration categories (approximately 30% of all reported activities involved STCU support) and Scientific Publication categories (about 25% of all these reported activities involved STCU support).

Introduction

In October-November 2008, STCU conducted its fourth annual survey of Technical Units (TUs) with active STCU projects, to evaluate the units' level of self-sustainability and the impact of STCU activities. The term "technical unit" refers to an entity within the institute of NASU – the most often a research department or laboratory.

In November 2008, STCU received 210 answers with data on TU performance during the past year. The number of responses is similar to previous years (209 TUs in 2007, 218 in 2006). But in 2008, no survey evaluation was performed for Uzbekistan, as STCU received very few responses from Uzbek TUs and could not make any meaningful assessment.

The STCU annual survey methodology (including the methodology for sustainability evaluation) was developed in 2005 by joint effort between STCU and National Academy of Sciences of Ukraine (NASU) through the Dobrov Center for Scientific and Technological Potential and Science History Studies (Ukraine).

Evaluation of Technical Unit Self-Sustainability

Table 1. Description of Sustainability Evaluation Criteria

#	Criteria	Description
1	Presence of non-government financing	Reflects the level of intensity of relations between business or other NGOs and the unit. If these relations are stable, the unit could potentially commercialize its results or continue to receive other income
2	Share of budget devoted to applied research	Min 10% of TU budget; reflects more 'practical' orientation of the unit
3	Differentiation of sources of non-government financing	Presence of not less than two financing sources; reflects the possibility of the unit receiving money from different sources and allowing it to continue activities should one source disappear
4	Number of publications in referred foreign journals	At least two such publications per unit; reflects the unit's connection and credibility within external science communities
5	Presence of contract with a foreign partner	At least one contract per unit; reflects unit's capability to attract contract research from outside sources and foreign customers.
6	Number of technologies that are commercialized	At least one of such technology; reflects the unit's potential to commercialize R&D and attract external financing
7	Presence of young researchers in the TU	Not less than 5%; reflects unit's recruiting ability and attractiveness to new researchers, as a measure of the unit's long-term viability
8	Relatively young average age of TU researchers	Not higher than 55 years; reflects the unit's ability to retain newly recruited researchers, as well as its future R&D capability and viability

The first three criteria (highlighted above) represent an assumed minimum threshold for self-sustainability. The additional criteria provide a measure of the depth/strength of the technical unit's sustainability.

- Sustainable Technical Units: Units whose responses fulfilled Criteria 1-3 and at least one of Criteria 4-6.
- Extra Sustainable Technical Units: Units whose responses fulfilled all eight sustainability criteria.
- Non-Sustainable Technical Units: Units whose responses failed to meet Criteria 1-3.

The table below summarizes the share of respondent TUs that were determined to fall into one of the sustainability levels. A comparison to the 2006 and 2007 survey evaluations are shown in the following graphics.

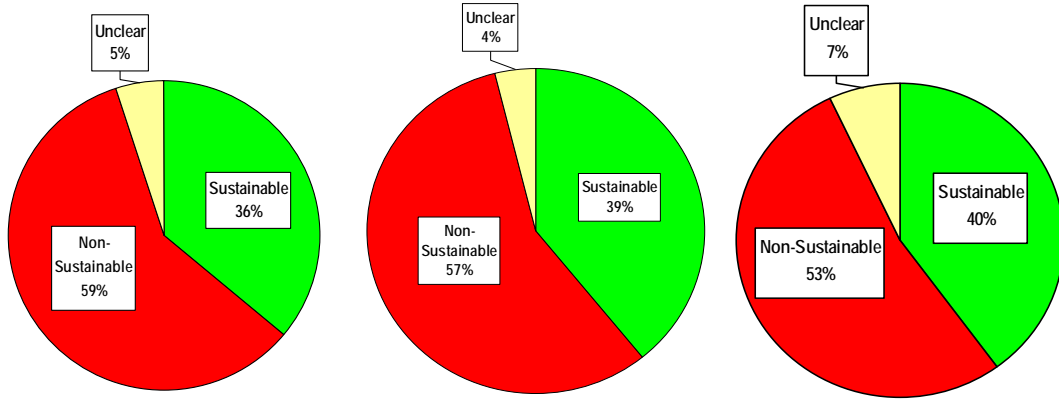
Table 1. Sustainability of Technical Units by Country and In Total, 2008

	Azeri TUs	Georgian	Moldovan	Ukrainian	Total
Sustainable Units	2 (15%)	8 (33%)	3 (60%)	71 (42%)	86 (40%)
<i>including Extra Sustainable Units</i>	<i>1 (9%)</i>	<i>2 (8%)</i>	<i>0</i>	<i>17 (10%)</i>	<i>20 (9%)</i>
Non-sustainable Units	11 (85%)	16 (67%)	2 (40%)	83 (50%)	112 (53%)
Units with unclear status (not enough data for ranking)	0	0	0	14 (8%)	14 (7%)

Table 2. Sustainability of Technical Units by Country and In Total, 2008

Source of Financing	Azeri TUs	Georgian	Moldovan	Ukrainian	Average %
National Government	46%	36%	38,5%	66%	47%
Non-government	54%	64%	61,5%	34%	53%
• <i>Share from STCU Grants</i>	<i>37%</i>	<i>39%</i>	<i>33%</i>	<i>22%</i>	<i>33%</i>
• <i>Share from Private Commercial Entities</i>	<i>16%</i>	<i>10%</i>	<i>21,5%</i>	<i>3%</i>	<i>13%</i>
• <i>Share from Other Domestic Non-Government Organizations (except STCU)</i>	<i>0%</i>	<i>2%</i>	<i>4%</i>	<i>1%</i>	<i>2%</i>
• <i>Share from Other Foreign Non-Government Organizations (except STCU)</i>	<i>1%</i>	<i>13%</i>	<i>3%</i>	<i>6%</i>	<i>5%</i>

Technical Unit Sustainability Comparison

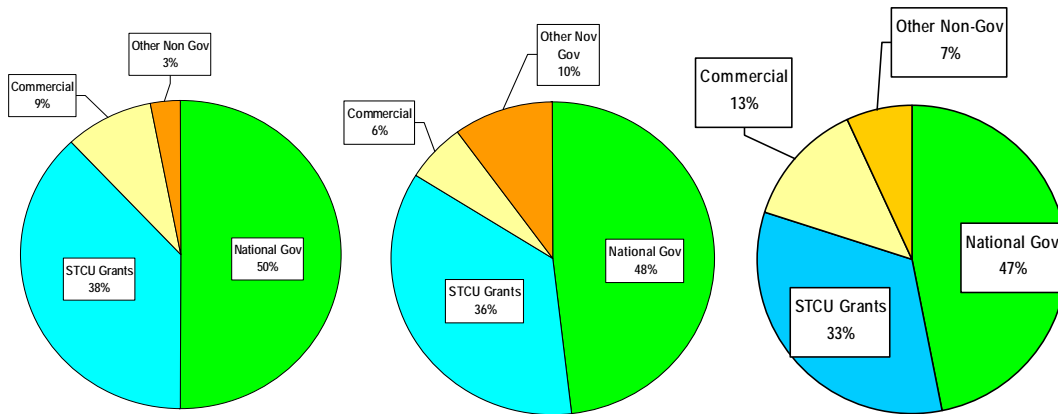


2006: 218 Responses

2007: 209 Responses

2008: 210 Responses

Technical Unit Sources of Income Comparison



2006: 218 Responses

2007: 209 Responses

2008: 210 Responses



AZERBAIJAN

Key Findings from Azeri Technical Units:

1. Thirteen (13) questionnaires were received from Azeri Technical Units (TUs) with active STCU projects in 2008, which is slightly more responses than in previous surveys (10 TUs in 2006 and 9 in 2007).
2. Of the Azeri respondents, 2 TUs (15% of the respondents) were evaluated as sustainable, which is 1 TU less than previous year. One TU was evaluated as extra-sustainable. Eleven (11) TUs (85% of respondents) were evaluated as non-sustainable. This is a slight decline from the sustainability levels evaluated in previous surveys. But an accurate comparison to the 2006 survey is difficult because 4 of the 9 respondents provided data about the entire institute, rather than about only the TUs with STCU projects. Moreover, the sample size of responding Azeri TUs is quite small for a statistically accurate conclusion.
3. Unlike previous years, in 2008 the majority of the Azeri respondents' financing (54%) came from non-governmental sources. This was due to an increased share of funding coming from private commercial entities.
4. In 2008, the responding Azeri TUs reported many more patents obtained than in previous surveys, as well as many more promising technologies. A larger percentage of these promising technologies were patented, implemented, and supported by business plans than reported in previous annual surveys of Azeri TUs.
5. International collaboration showed an increase from the 2007 survey levels, but the STCU impact on international collaboration was, on the whole, less than in previous surveys. Compared to previous surveys, the quantity of reported scientific publications (except abstracts of the conferences) increased, and while the share of publications receiving STCU support was roughly the same, the absolute number of publications connected to STCU assistance is larger.

Background

Thirteen (13) Azeri TUs, with 15 active STCU projects, provided responses for the 2008 survey. More Azeri TUs responded than in previous surveys (9 in 2006 and 10 in 2007), but the small number is nevertheless insufficient for making strong statistic conclusions. Further, a correct comparison of Azeri responses from the three surveys is difficult because in 2006, four of the responding TUs gave information about their whole institutes, rather than on the TU itself.

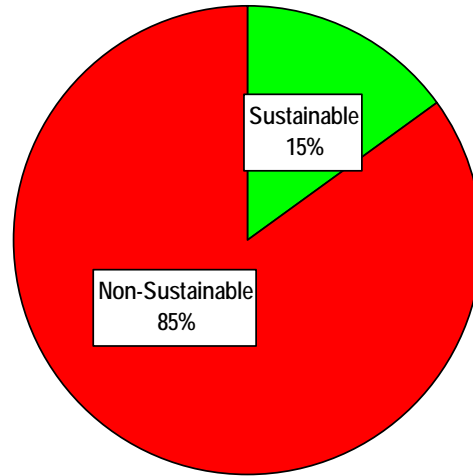
Technical Units Sustainability Evaluation

Using the sustainability criteria described earlier, the responding Azeri TUs were categorized accordingly, using the data drawn from their responses to the questionnaire. Of the Azeri respondents, 2 TUs (15% of the respondents) were evaluated as being sustainable, one less TU than in the 2007 results. But the small number of responding TUs makes it difficult to draw general conclusions about Azeri TU sustainability. One TU was evaluated as extra sustainable. However, Azeri TUs are, in aggregate, the least sustainable among all the responding Recipient Parties.

Table AZ-1. Sustainability Evaluation of Azeri Technical Units

	Total (% of Total)		
	2006	2007	2008

Sustainability of Responding Azeri TUs (2008)



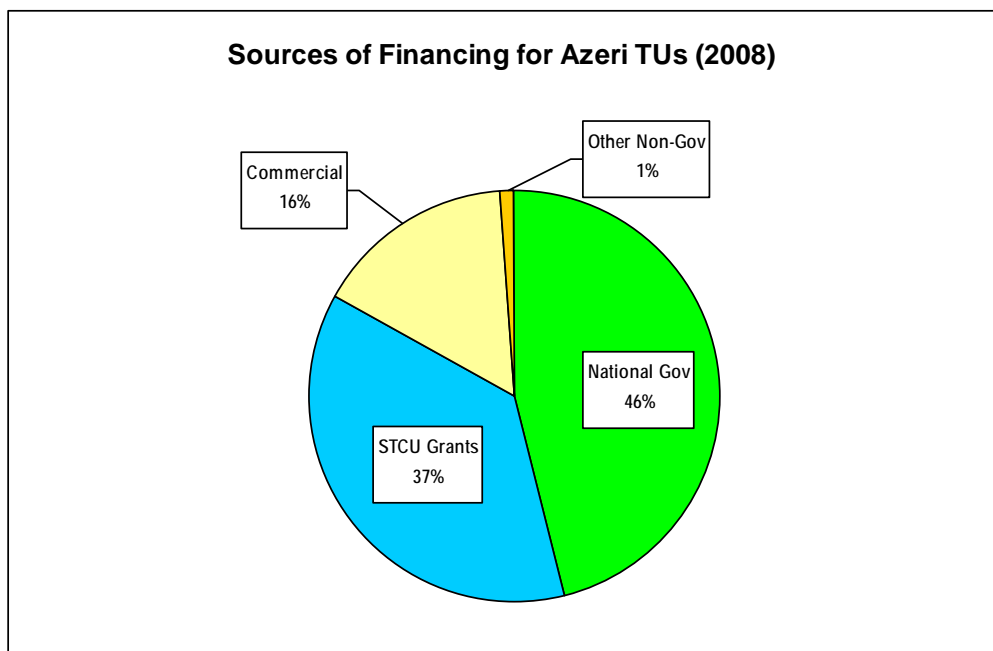
Sustainable Units	3 (33%)	3 (30%)	2 (15%)
<i>including Extra Sustainable Units</i>	1 (11%)	0	1 (9%)
Non-sustainable Units	6 (67%)	7 (70%)	11 (85%)
Units with unclear status (not enough data)	0	0	0

Financing Sources

Unlike previous years, in 2008 the majority of the Azeri respondents' financing (54%) came from non-governmental sources. This was due to an increased share of TU budgetary funding coming from private commercial entities. However, STCU grants still dominate the responding Azeri TUs' non-governmental budgetary financing, holding a 37% portion of the funding from all non-government financing sources.

Table AZ-2. Source of Budgetary Financing for Technical Units

Source of Financing (% of TU Budget)	2006	2007	2008
National Government	58%	53%	46%
Non-Government	42%	47%	54%
• <i>Share from STCU Grants</i>	21%	40%	37%
• <i>Share from Private Commercial Entities</i>	11%	2%	16%
• <i>Share from Other Domestic Non-Government Organizations (except STCU)</i>	8%	0%	0%
• <i>Share from Foreign Non-Government Organizations (except STCU)</i>	2%	5%	1%



Characteristics of Technical Units

Table AZ-3. Quantity of STCU Projects

	Total		
	2006	2007	2008
# of Responding TUs with 1 Project	6 (67% of total)	8 (80% of total)	11 (85% of total)
# of Responding TUs with 2 Projects	3 (33% of total)	2 (20% of total)	1 (7.5% of total)
# of Responding TUs with 3 Projects	-	-	1 (7.5% of total)
# of Responding TUs with 4 Projects	-	-	-
# of Responding TUs with 5 Projects	-	-	-

Areas of Research Focus

The main research areas reported by the Azeri respondents were physics (physics of crystals, plasma, solar, physics of biological systems), chemistry, and biology.

Collaboration with Foreign Countries

In 2008, the responding Azeri TUs reported scientific contacts with the USA (11 TUs), Russia and Germany (6 TUs), Ukraine (5 TUs), Belgium (3TUs). Other foreign country collaborations were Canada, Japan, Bulgaria, Korea, France, and Belarus.

Profile of Technical Unit Scientists

Table AZ-4. Average Age of Scientists in Responding Azeri TUs

	Average Age (years) 2006	Average Age (years) 2007	Average Age (years) 2008
All Researchers	44	45	44
Doctors of Science	53	62	52
Candidate of Science (PhD equivalent)	50	48	50

Table AZ-5. Proportion of Scientists in Responding Azeri TUs, by Age

	% of TU Staff 2006	% of TU Staff 2007	% of TU Staff 2008
Under 35 years old	12%	25%	22%
Retired	26%	35%	31%

STCU Impact on Promoting S&T Excellence

Technology Promotion & Patenting

In contrast to previous annual surveys, in 2008 many more promising technologies are reported by Azeri TUs. Only 3 Azeri TUs responded about having no technologies ready for market. In the 2008 survey, 78% technologies were reported as patented, 11% as having business plan, and 16% as being implemented in the marketplace. The responding Azeri TUs also reported many more national patents (14 of them) obtained in 2008. However, none of the reported technologies or patent applications made use of STCU assistance, and only one application for STCU technology promotion assistance was made by the responding Azeri TUs.

Table AZ-6. Technologies Reported by Responding TUs

	2006 (Total and % of Total)	2007 Total (and % of Total)	2008 Total (and % of Total)
Technologies, total	35	12	63
- implemented in market	2 (5.7%)	1 (8%)	10 (16%)
- patented	29 (83%)	5 (42%)	49 (78%)
- supported by a business plan	4 (11%)	0	7 (11%)
- supported by marketing research	2 (5.7%)	0	1 (2%)
- applied for STCU technology promotion assistance (e.g., patent support, etc.)	0	0	1 (2%)
- received STCU assistance	0	0	0

* Total percentage exceeds 100% because respondents could choose multiple categories in the question

Table AZ-7. Patenting Reported by Responding TUs

	2006		2007		2008	
	Total	with STCU Assistance	Total	with STCU Assistance	Total	with STCU Assistance
Patents Received	5	0	4	0	14	0
National (Azeri) Patent Applications	5	0	4	0	14	0
Foreign or International Patents Applications	0	0	0	0	0	0

Level of International Collaboration & Scientific Activity

The numbers on international collaboration reported by Azeri TUs varies much from 2006 to 2008. However, a correct comparison to the 2006 survey is impeded, as data in four questionnaires were given about the entire institute and not only about the TUs where the STCU projects were taking place. When comparing the 2007 and 2008 survey data, the reported Azeri TU participation in international conferences (100 conferences) and joint publications (23) are much more numerous in 2008, even though the number of 2008 respondent Azeri TUs is only slightly larger (10 TUs in 2007, 13 TUs in 2008). The STCU impact on international collaboration is, on the whole, less than in previous surveys, and much reduced in facilitating Azeri TU participation in international conferences, contracts with business partners, and training.

With the exception of abstracts to conferences, the 2008 survey showed the largest quantities of publications of all previous surveys. However, much of the increase came from a single Azeri laboratory, which reported 100 articles within the country and 120 publications abroad (about half the total reported by all respondent Azeri TUs). Compared to previous annual surveys, the percentage share of publications receiving STCU support remained roughly the same, but the absolute numbers of publications connected to STCU assistance was much larger in the 2008 survey, e.g. publication of 76 scientific articles, 115 abstracts to conferences were reported as having received STCU support.

Table AZ-8. International Collaborative Activities

	2006		2007		2008	
	Total	With STCU assistance	Total	With STCU assistance	Total	With STCU assistance
Participation in International Conferences	161	13 (8%)	65	24 (37%)	100	13 (13%)
• within the country	76	7 (9%)	33	13 (39%)	56	5 (9%)
• Abroad	85	6 (7%)	32	11 (34%)	44	8 (18%)
Joint Publications	137	5 (3%)	34	12 (35%)	23	10 (43%)
Joint Scientific Projects	30	10 (33%)	14	6 (42%)	23	9 (39%)
Contracts with Business Partners	20	3 (15%)	11	2 (18%)	13	0
• within the country	16	1 (6%)	5	1 (20%)	10	0
• From Abroad	4	2 (50%)	6	1 (17%)	3	0
Training abroad	0	0	6	2 (33%)	4	0

Table AZ-9. Scientific Publications

	2006		2007		2008	
	Total	With STCU assistance	Total	With STCU assistance	Total	With STCU assistance
Monographs	11	0	6	0	15	0
• within the country	9	0	6	0	15	0
• Abroad	2	0	0	0	0	0
Articles	233	10 (3%)	119	30 (25%)	395	76 (19%)
• within the country	184	6 (3%)	89	17 (19%)	220	39 (18%)
• Abroad	49	4 (8%)	30	13 (43%)	175	37 (21%)
Abstracts of the conferences	126	24 (16%)	101	31 (31%)	115	46 (40%)
• within the country	58	7 (12%)	57	16 (28%)	57	24 (42%)
• Abroad	68	17 (25%)	44	15 (34%)	58	22 (38%)

Summary of Responding Azeri Technical Units (2006 - 2008)

Total (or % of Total)	2006	2007	2008
TUs which responded to questionnaires	9	10	13
Source of Financing (% of TU Budget)			
National Government	58%	53%	46%
Non-government	42%	47%	54%
- STCU Share of Total (Government + Non-government Financing)	21%	40%	37%
- STCU Share of Non-government Funding Portion	50%	85%	69%
Technical Unit Sustainability Evaluation			
Sustainable Units	3 (33%)	3 (30%)	2 (15%)
<i>including Extra Sustainable Units</i>	1 (11%)	0	1 (9%)
Non-sustainable Units	6 (67%)	7 (70%)	11 (85%)
Units with unclear status (not enough data for ranking)	0	0	0
Areas of STCU Project and Supplemental Activities	# of TU activities with STCU Support (% of Total)		
Technologies that are Market-Ready	33	12	63
International Collaboration Connected with STCU			
Participation in International Conferences within Country	7 (9%)	13 (39%)	5 (9%)
" " " Conducted Abroad	6 (7%)	11 (34%)	8 (18%)
Joint Scientific Articles with Foreign Colleagues	5 (3%)	12 (35%)	10 (43%)
Participation in Joint Research Projects with foreign partners	10 (33%)	6 (42%)	9 (39%)
Contracts with Private Companies within the Country	1 (6%)	1 (20%)	0
" " " From Abroad	2 (50%)	1 (17%)	0
Participation in Training Programs Abroad	0	2 (33%)	0
Scientific Publishing Activity Connected with STCU			
Scientific Articles within the Country	6(3%)	17 (19%)	39 (18%)
" " Abroad	4(8%)	13 (43%)	37 (21%)
Abstracts Submitted to Conferences within the Country	7(12%)	16 (28%)	24 (42%)
" " " Abroad	17(25%)	15 (34%)	22 (38%)
Patenting Activity Connected with STCU projects			
National Patent Applications	0	0	0
Foreign/International Patent Applications	0	0	0



GEORGIA

Key Findings from Responding Georgian Technical Units:

1. Questionnaires were received from 24 Georgian TUs with active STCU projects in 2008, which is larger number than in previous surveys (18 TUs in 2006 and 2007). As Georgia also receives similar project funding and supplemental support from ISTC, this may influence any general evaluation of Georgia based from these STCU-focused results.
2. Of the Georgian TU respondents, 8 TUs (33% of the respondents) were evaluated as sustainable, 16 TUs (67% of respondents) were evaluated as non-sustainable. These are similar to the sustainability evaluations in the 2006-2007 surveys. But in 2008, 2 of the Georgian TUs (8%) were evaluated to be extra sustainable.
3. Non-government financing forms the biggest share (64%) of the responding Georgian TU budgetary financing. These results are similar to the 2006 and 2007 survey findings. The aggregate Georgian TU share of non-governmental financing is the largest percentage among the surveyed STCU Recipient Parties. STCU grants still make up a larger share of the responding TUs' total financing than the share received from the national government (39% from STCU vs. 34% from the government), but this STCU share decreased from the level in the 2006 and 2007 surveys. Financing from commercial sources and foreign non-governmental organizations has increased since 2006.
4. Georgian scientists reported more collaborative activities, and more articles and abstracts published, but the 2008 survey has 30% more Georgian TU respondents than the 2007 survey. The impact of STCU became more significant in 2008 than reported in previous surveys for some indexes and less for others.

Background

Questionnaires were received from 24 Georgian TUs with active STCU projects in 2008, which is bigger number than in previous survey (18 TUs in both the 2006 and 2007 surveys). As Georgia is the only Recipient Party that is also a member of STCU's sister center, the International Science and Technology Center (ISTC), it is possible that the results of these STCU-focused survey results underestimates the overall impact of "science center" activity in Georgia.

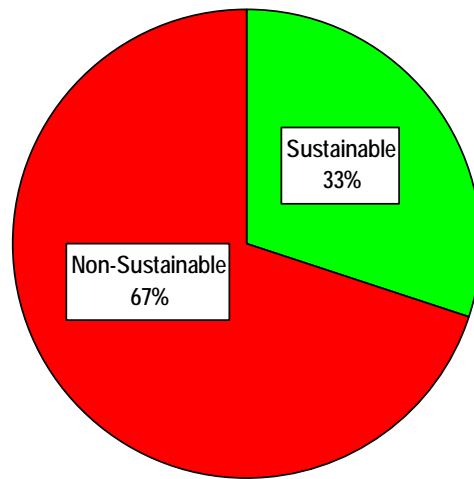
Technical Units Sustainability Evaluation

Using the sustainability criteria described earlier, the responding Georgian TUs were categorized accordingly, using the data drawn from the TU responses to the questionnaire. The percentage share of sustainable (33%) and non-sustainable TUs (67%) were the same as the 2007 survey results, but in the 2008 there are 2 responding Georgian TUs that were evaluated as extra-sustainable.

Table GE-1. Sustainability Evaluation of Georgian Technical Units

	Total (% of Total)		
	2006	2007	2008
Sustainable Units	7 (37%)	6 (33%)	8 (33%)
<i>including Extra Sustainable Units</i>	1 (5%)	0	2 (8%)
Non-sustainable Units	11 (57%)	12 (67%)	16 (67%)
Units with unclear status (not enough data for	1 (5%)	0	0

Sustainability of Responding Georgian TUs (2008)



ranking)			
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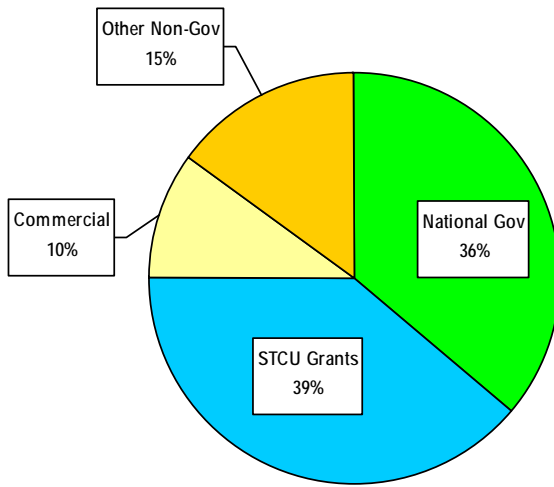
Financing Sources

Through all the annual surveys, non-governmental financing of the responding Georgian TUs formed the largest portion of the TU budgetary financing, amounting to 64% of the aggregate Georgian TU budget funding. STCU project grant funding remained a significant part of the aggregate Georgian TU financing (39%), and is 3% larger than the portion of aggregate TU financing coming from the national government. The percentage share of government and non-government financing remained close to the percentages of the 2006 and 2007 surveys. However, the share of STCU grants decreased between surveys, and there were increases in the share of funding from commercial sources and the share from other foreign non-government organizations (except STCU).

Table GE-2. Source of Budgetary Financing for Technical Units

Source of Financing (% of TU Budget)	2006	2007	2008
National Government	39%	34%	36%
Non-government	61%	66%	64%
• Share from STCU grants	47%	52%	39%
• Share from Private Commercial Entities	0%	3%	10%
• Share from Other Domestic Non-Government Organizations (except STCU)	2%	1%	2%
• Share from Foreign Non-Government Organizations (except STCU)	12%	0%	13%

Sources of Financing for Georgian TUs (2008)



Characteristics of Technical Units

Table GE-3. Quantity of STCU Projects

	2006	2007	2008
# of Responding TUs with 1 Project	16 (85% of total)	16 (88% of total)	21 (88% of total)
# of Responding TUs with 2 Projects	1 (5% of total)	2 (22% of total)	2 (8% of total)
# of Responding TUs with 3 Projects	1 (5% of total)	-	1 (4% of total)
# of Responding TUs with 4 Projects	-	-	-
# of Responding TUs with 5 Projects	1 (5% of total)	-	-

Areas of Research Focus

The main research areas reported by the Georgian respondents were biochemistry/biotechnology, physics, material science, genetics, medicine/pharmacology, and chemistry.

Collaboration with Foreign Countries

The Georgian TUs reported scientific contacts mostly with the USA (16 TUs), Germany, and Russia (6 TUs). They also reported collaborations with scientists from Canada, Ukraine, Great Britain, Spain, Italy, France, Belgium, Austria, Armenia, Greece, Israel, Poland, Portugal, Switzerland, and Japan.

Profile of Technical Unit Scientists

Table GE-4. Average Age of Scientists in Responding Georgian TUs

	Average Age (years) 2006	Average Age (years) 2007	Average Age (years) 2008
All Researchers	48	48	44
Doctors of Science	60	58	55
Candidate of Science (PhD)	49	45	41

Table GE-5. Proportions of Scientists in Responding Georgian TUs, by Age

	% of TU Staff 2006	% of TU Staff 2007	% of TU Staff 2008
Under 35 years old	36%	16%	16%
Retired	35%	20%	14%

STCU Impact on Promoting S&T Excellence

Technology Promotion & Patenting

The respondent Georgian TUs reported 75 market-ready technologies and 44% of these technologies are patented. Four of the technologies obtained national patents in 2008, and two of these national patents were obtained with STCU assistance. More so than in previous surveys, the respondent Georgian TUs reported more technologies in 2008 as being supported by business plans and marketing research (about one-fifth of the reported technologies).

Table GE-6. Technologies Reported by Responding TUs

	2006 (Total and % of Total)	2007 (Total and % of Total)	2008 (Total and % of Total)
Technologies, total	35	39	75
- implemented in market	9 (26%)	0	5 (7%)
- number of patents	24 (68%)	39 (100%)	33 (44%)
- supported by a business plan	2 (5.7%)	5 (13%)	15 (20%)
- supported by marketing research	-	5 (13%)	14 (19%)

- applied for STCU technology promotion assistance (e.g., patent support, etc.)	2 (5.7%)	1 (3%)	-
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* Total percentage exceeds 100% because respondents could choose multiple categories in the question

Table GE-7. Patenting Reported by Responding TUs

	2006		2007		2008	
	Total	with STCU Assistance	Total	with STCU Assistance	Total	with STCU Assistance
Patents Received	6	6 (100%)	8	2 (25%)	4	2 (50%)
National Patent Applications	11	8 (72%)	7	2 (29%)	4	2 (50%)
Foreign or International Patents Applications	-	-	1	-	-	-

Level of International Collaboration & Scientific Activity

Participation in international conferences remained the most popular collaborative activity among the respondent Georgian TUs, with the share receiving STCU support remaining generally the same as in 2006-2007. In scientific publications, there was a general increase, but this year we have 30% more respondents.

Table GE-8. International Collaborative Activities

	2006		2007		2008	
	Total	With STCU assistance	Total	With STCU assistance	Total	With STCU assistance
Participation in International Conferences	72	20 (28%)	115	27 (23%)	147	33 (22%)
• within the country	15	3 (20%)	29	11 (38%)	50	4 (8%)
• Abroad	57	17 (30%)	86	16 (19%)	97	29 (30%)
Joint Publications	110	23 (21%)	61	15 (25%)	75	27 (36%)
Joint Scientific Projects	28	5 (18%)	31	16 (52%)	40	18 (45%)
Contracts with Business Partners	6	2 (33%)	19	3 (11%)	4	1 (25%)
• within the country	2	-	14	2 (14%)	1	0
• From Abroad	4	2 (50%)	4	1 (25%)	3	1 (33%)
Training abroad	16	3 (19%)	10	1 (10%)	20	2 (10%)

Table GE-9. Scientific Publications

	2006		2007		2008	
	Total	With STCU assistance	Total	With STCU assistance	Total	With STCU assistance
Monographs	6	-	2	-	8	-
• within the country	4	-	2	-	8	-
• Abroad	2	-	-	-	-	-
Articles	149	35 (23%)	282	36 (13%)	360	39 (11%)
• within the country	63	19 (30%)	159	19 (12%)	234	23 (10%)
• Abroad	86	16 (19%)	123	17 (14%)	126	16 (13%)
Abstracts of the conferences	57	13 (26%)	135	18 (12%)	133	38 (29%)
• within the country	12	3 (25%)	37	6 (16%)	52	4 (7%)
• Abroad	45	10 (22%)	98	12 (12%)	81	34 (42%)

Summary of Responding Georgian Technical Units (2006 - 2008)

Total (or % of Total)	2006	2007	2008
TUs which responded to Questionnaires	19	18	24
Source of Financing (% of TU Budget)			
National Government	39%	34%	36%
Non-government	61%	66%	64%
- STCU Share of Total Budget (Government + Non-government Financing)	47%	52%	39%
- STCU Share of Non-government Funding Portion	77%	79%	61%
Technical Unit Sustainability Evaluation			
Sustainable Units	7 (37%)	6 (33%)	8 (33%)
<i>including Extra Sustainable Units</i>	1 (5%)	0	2 (8%)
Non-sustainable Units	11 (57%)	12 (66%)	16(67%)
Units with unclear status (not enough data for ranking)	1 (5%)	0	0
Areas of STCU Project and Supplemental Activities	# of TU activities using STCU Support (% of Total)		
Technologies that are Market-Ready	35	39	75
International Collaboration Connected with STCU			
Participation in International Conferences within Country	3(20%)	11(38%)	4 (8%)
" " " Conducted Abroad	17(30%)	16 (19%)	29 (30%)
Joint Scientific Articles with Foreign Colleagues	23(21%)	15 (25%)	27 (36%)
Participation in Joint Research Projects (with foreign partners)	5(18%)	16 (52%)	18 (45%)
Contracts with Private Companies within the Country	-	2 (14%)	0
" " " From Abroad	2(50%)	1(25%)	1 (33%)
Participation in Training Programs Abroad	3(19%)	1 (10%)	2 (10%)
Scientific Publishing Activity Connected with STCU			
Scientific Articles within the Country	19 (30%)	19 (12%)	23 (10%)
" " Abroad	16 (19%)	17 (14%)	16 (13%)
Abstracts Submitted to Conferences within the Country	3 (25%)	6 (16%)	4 (7%)
" " " Abroad	10(22%)	12 (12%)	34 (42%)
Patenting Activity Connected with STCU projects			
National Patents	8 (72%)	2 (29%)	2 (50%)
Foreign/International Patents	0	0	0



MOLDOVA

Key Findings from Moldavian Technical Units:

1. Questionnaires were received from 5 Moldavian Technical Units with active STCU projects in 2008. This was the second time that Moldovan TUs participated in the STCU annual survey. Due to the small size of the sample, it is difficult to draw general conclusions about the overall state of Moldovan TUs or STCU's impact on their activities.
2. Of the Moldavian respondents, three TUs (60%) were evaluated as sustainable and two (40%) were evaluated to be non-sustainable.
3. Unlike in the previous year, in 2008 governmental financing represented 54% of the aggregate budgetary funding for the responding Moldovan TUs. STCU grants formed a larger part of aggregate TU budgets (33%) in 2008 versus 2007, and this 33% share is about a half of all non-governmental financing received by the responding Moldovan TUs.
4. STCU assistance was provided for about one-fifth (20%) of all the publication activity and participation in international conferences reported by the responding TUs.

Background

This is the second year that Moldavian TUs participated in this STCU annual survey. Questionnaires were sent to 5 Moldavian Technical Units with active STCU projects in 2008, and all 5 TUs provided responses. Due to the small size of the sample, it is difficult to draw general conclusions about the overall state of Moldovan TUs or STCU's impact on their activities in 2008..

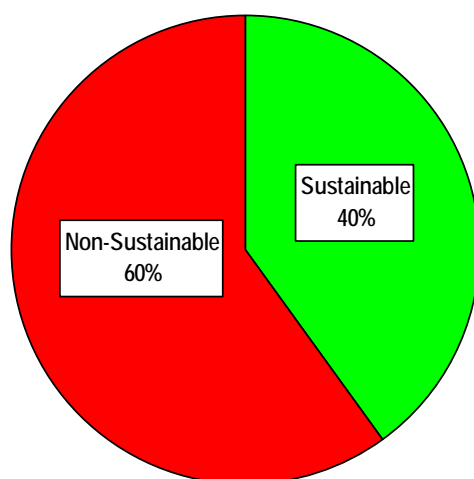
Technical Units Sustainability Evaluation

Using the sustainability criteria described earlier, the responding Moldavian TUs were categorized accordingly, using the data drawn from the TU responses to the questionnaire. Three Moldovan TU (60% of the respondents) were evaluated as sustainable and none was evaluated to be extra sustainable. However, the small size of the sample (4 responding TUs) makes it difficult to draw general conclusions about the state of self-sustainability of Moldovan technical units.

Table MD-1. Sustainability Evaluation of Respondent Moldavian TUs (2007)

	2007	2008
Sustainable Units	1 (25%)	3 (60%)
<i>including Extra Sustainable Units</i>	0	0
Non-sustainable Units	3 (75%)	2 (40%)
Units with unclear status (not enough data for ranking)	0	0

Sustainability of Responding Moldovan TUs (2008)

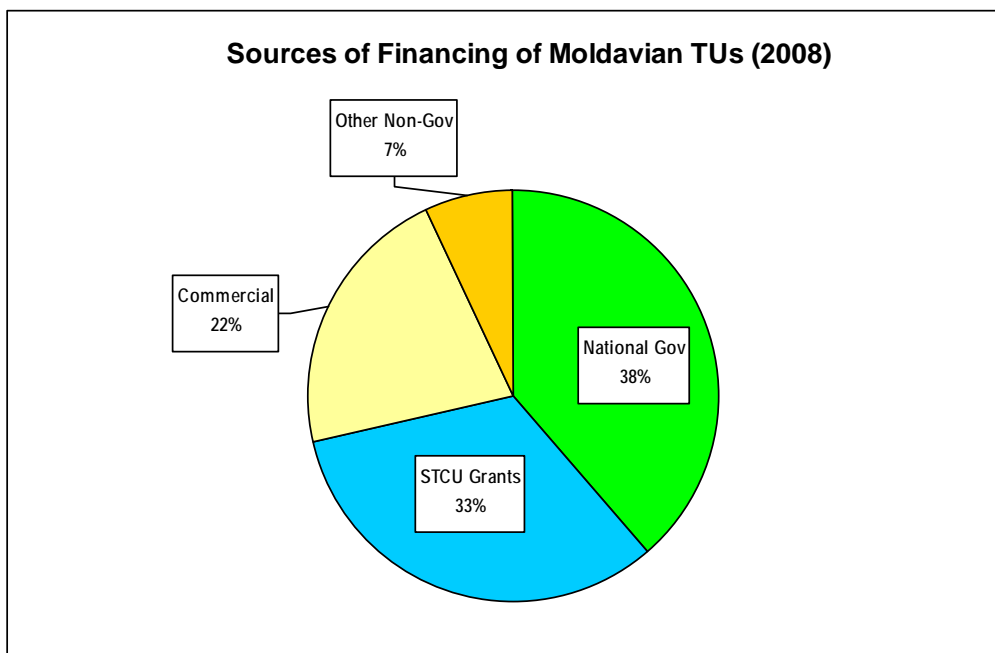


Financing Sources

Unlike in the 2007 survey, of the responding Moldavian TUs in the 2008 survey, non-governmental financing formed the largest portion of aggregate TU budgetary funding—amounting to about 62% of the budget. Among the sources of non-governmental funding, STCU grants made up 33% of the aggregate budget of the respondent Moldovan TUs, and more than a half of all non-governmental financing. In 2008, there was more income from other non-governmental sources—domestic and foreign non-governmental organizations—than in the 2007 survey. Surprisingly, in both the 2008 and the 2007 surveys, Moldovan TUs reported receiving a significant share of their budgetary funding from commercial sources, and is the largest percentage share of all the responding Recipient Party TUs (25% in 2007 and 21.5% in 2008).

Table MD-2. Source of Budgetary Financing Reported by Moldovan TUs

Source of Financing	2007	2008
National Government	54%	38,5%
Non-government	46%	61,5%
• <i>Share from STCU grants</i>	22%	33%
• <i>Share from Private Commercial Entities</i>	24%	21.5%
• <i>Share from Other Domestic Non-Government Organizations (except STCU)</i>	0%	4%
• <i>%Share from Foreign Non-Government Organizations (except STCU)</i>	0%	3%



Characteristic of Technical Units

Table MD-3. Quantity of STCU Projects Reported by Moldovan TUs (2007)

	2007	2008
# of Responding TUs with 1 Project	4 (100% of total)	5 (100% of total)
# of Responding TUs with 2 Projects	-	-
# of Responding TUs with 3 Projects	-	-
# of Responding TUs with 4 Projects	-	-

Areas of Research Focus

The main directions of research reported by the respondents were the same as in the previous year's survey: applied physics, medicine and electronics.

Collaboration with Foreign Countries

Similarly with the 2007 survey data, the main partners of the responding Moldavian TUs were the USA (reported by 3 TUs) and Germany (4TUs). Other contacts included France (2 TUs), Spain, Greece, Ukraine, and Russia.

Profile of Technical Unit Scientists

Table MD-4. Average Age of Scientists in Responding Moldovan TUs (2007)

	2007 Average Age (years)	2008 Average Age (years)
All Researchers	46	44
Doctors of Science	59	45
Candidate of Science (PhD)	49	30

Table MD-5. Proportions of Scientists in Responding Moldovan TUs, by Age (2007)

	2007 % of TU Staff	2008 % of TU Staff
Under 35 years old	19%	32%
Retired	8%	14%

STCU Impact on Promoting S&T Excellence

Technology Promotion & Patenting

In 2008, there were 9 technologies reported by the respondent Moldovan TUs as worth promoting to the market, and one-fifth of these technologies are patented. One Moldavian TU reported about receiving four national patents in 2008 and three of them with assistance from STCU.

Table MD-6. Technologies Reported by Responding Moldovan TUs (2007)

	2007 Total (and % of Total)	2008 Total (and % of Total)
Technologies	13	9
- implemented in the market	4 (31%)	2 (22%)
- patented	10 (77%)	6 (67%)
- supported by a business plan	1 (8%)	1 (11%)
- supported by marketing research	3 (23%)	2 (22%)
- applied to STCU technology promotion assistance (e.g., patent support, etc.)	0	0

* Total percentages exceeds 100% because respondents could choose multiple categories in the question

Table MD-7. Patenting Reported by Responding Moldovan TUs (2007)

	2007		2008	
	Total	With STCU assistance	Total	With STCU assistance
Patents Received	4	0	4	3 (75%)
National (Moldovan) Patent Applications	4	0	4	3(75%)
Foreign or International Patents Applications	0	0	0	0

Level of International Collaboration & Scientific Activity

This year STCU impact on participation of Moldavian scientists in the international conferences in Moldova and abroad is much more significant (about 20%). Share of STCU in other international activities is less this year. STCU impact on publication activity is about one fifths.

Table MD-8. International Collaborative Activities Reported by Moldovan TUs (2008)

	2007	2008
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	Total	With STCU assistance	Total	With STCU assistance
Participation in the International Conferences	36	2 (6%)	21	4 (19%)
• within the country	26	1 (4%)	12	2 (17%)
• Abroad	10	1 (10%)	9	2 (22%)
Joint Scientific Articles with Foreign Colleagues	14	5 (36%)	16	3 (18%)
Participation in Joint Research Projects (with foreign partners)	5	4 (80%)	5	3 (60%)
Contracts with Business Partners	2	0	0	0
• within the country	2	0	0	0
• From Abroad	0	0	0	0
Training Abroad	4	0	3	0

Table MD-9. Scientific Publications Reported by Moldovan TUs (2007)

	2007		2008	
	Total	With STCU assistance	Total	With STCU assistance
Monographs	1	0	0	0
• within the country	1	0	0	0
• Abroad	0	0	0	0
Articles	52	5 (10%)	38	7 (19%)
• within the country	25	1 (4%)	21	4 (19%)
• Abroad	27	4 (15%)	17	3 (18%)
Abstracts Submitted to Conferences	56	2 (4%)	17	4 (24%)
• within the country	37	1 (3%)	8	2 (25%)
• Abroad	19	1 (5%)	9	2 (20%)

Summary of Responding Moldavian Technical Units (2008)

	2007 Total (or % of Total)	2008 Total (or % of Total)
TUs which responded to questionnaires	4	5
Source of Financing (% of TU budget)		
National Government	54%	38,5%
Non-government	46%	61,5%
- STCU Share of Total Budget (Government + Non-government Financing)	22%	33%
- STCU Share of Non-government Funding Portion	48%	54%
Technical Unit Sustainability Evaluation		
Sustainable Units	1 (25%)	3 (60%)
<i>including Extra Sustainable Units</i>	0	0
Non-sustainable Units	3 (75%)	2 (40%)
Units with unclear status (not enough data for ranking)	0	0
Areas of STCU Project and Supplemental Activities	# of TU activities with STCU Support (% of Total)	
Technologies that are Market-Ready	13	9
International Collaboration Supported by STCU		
Participation in International Conferences within Country	1(4%)	2 (17%)
" " " Conducted Abroad	1(10%)	2 (22%)
Joint Scientific Articles with Foreign Colleagues	5(36%)	3 (18%)
Participation in Joint Research Projects (with foreign partners)	5(18%)	3 (60%)
Contracts with Private Companies within the Country	0	0
" " " From Abroad	0	0

Participation in Training Programs Abroad	0	0
Scientific Publishing Activity Supported by STCU		
Scientific Articles within the Country	1 (4%)	4 (19%)
" " Abroad	4 (27%)	3 (18%)
Abstracts Submitted to Conferences within the Country	1 (3%)	2 (25%)
" " " Abroad	1 (5%)	2 (20%)
Patenting Activity Supported by STCU		
National Patents	0	3 (75%)
Foreign/International Patents	0	0



UKRAINE

Key Findings from Ukrainian Technical Units:

1. In 2008 168 Ukrainian TUs provided data about their performance during the year and the role of STCU in it. This number compares well with previous surveys: 186 responses in 2005, 160 in 2005, 161 – in the 2006 survey. Ukraine is the only country which has the sample, which is big enough and which was surveyed during four years.
2. Of the Ukrainian respondents, 71TUs (about 42% of the respondents) were evaluated as sustainable, 83 TUs (about 50% of the total) were evaluated to be non-sustainable (compared to 49% in 2005 and 58% in 2006). . The percentage is similar with last year results. There is a slight increase of TU sustainability level through four surveys. 17 TUs were evaluated as extra-sustainable, which is the biggest number for the present moment.
3. STCU grant funding continues to be the largest portion of non-governmental funding received by the respondent TUs (63%), but represents only 22% of the total budgetary financing of the respondent Ukrainian TUs. It is still the smallest share of STCU funding among all the respondents from the Recipient Parties.
4. Responding Ukrainian TUs reported 604 technologies ready for market, with 40 % of technologies already applied in the marketplace, which is the biggest percentage for now. But only 13% are incorporated into business plans, and only 8% of them are supported by marketing research. These numbers are not statistically different from those in the 2006-2007 survey. However in 2008 much more patents were obtained with STCU assistance (about one third instead of about 17-18% in the past). Especially much assistance was received by scientists in obtaining international patents.
5. Through 2005-2008 the quantity of participation in international scientific conferences growth constantly and is maximal this year. Also the quantity of scientific articles and abstract generally increased in 2007-2008 versus the 2005 and 2006 surveys. Generally, STCU involvement has stayed approximately the same (approximately 30% of all reported activities) across all International Collaboration categories and Scientific Publication categories (about 25%).

Background

In 2008, 168 Ukrainian TUs provided data about their performance during the year and the role of STCU in it. This number compares well with previous surveys: 186 responses in 2005, 160 in 2005, 161 – in the 2006 survey. Ukraine is the only country which has the sample, which is big enough and which was surveyed during four years.

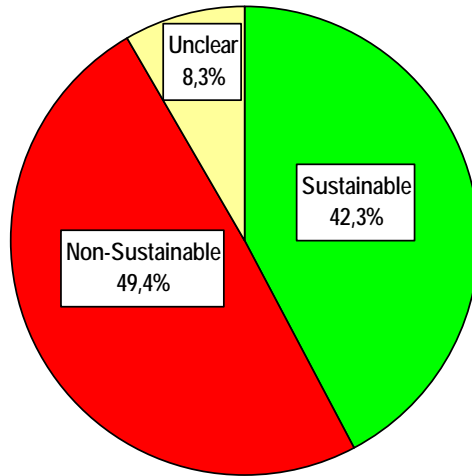
Technical Units Sustainability Evaluation

Using the criteria described in the beginning of the report 71 TUs (about 42% of total respondents) were evaluated as being sustainable and 83 TUs (about 50% of the total) were evaluated to be non-sustainable. The percentage is similar with last year results. 17 TUs were evaluated as extra-sustainable, which is the biggest number for the present moment. In the inaugural 2005 STCU survey, many TUs provided insufficient data for a sustainability evaluation. Therefore, comparisons between the 2005 evaluations and subsequent survey results are affected by these differences.

Table UA-1. Sustainability Evaluation of Ukrainian Technical Units

	Total (% of Total)			
	2005	2006	2007	2008
Sustainable Units	46 (25%)	63 (39%)	68 (42%)	71 (42.3%)

Sustainability of Responding Ukrainian TUs (2008)



<i>including Extra Sustainable Units</i>	0	7 (4%)	15 (9%)	17 (10%)
Non-sustainable Units	91 (49%)	92 (58%)	85 (53%)	83 (49.4%)
Units with unclear status (not enough data for ranking)	49 (26%)	5 (3%)	8 (5%)	14 (8.3%)

Financing Sources

Government financing still holds the largest share of Ukrainian TU funding (65% of total), and the 2008 survey showed the same level of it as in previous survey. The share is the biggest percentage of all the Recipient Parties surveyed

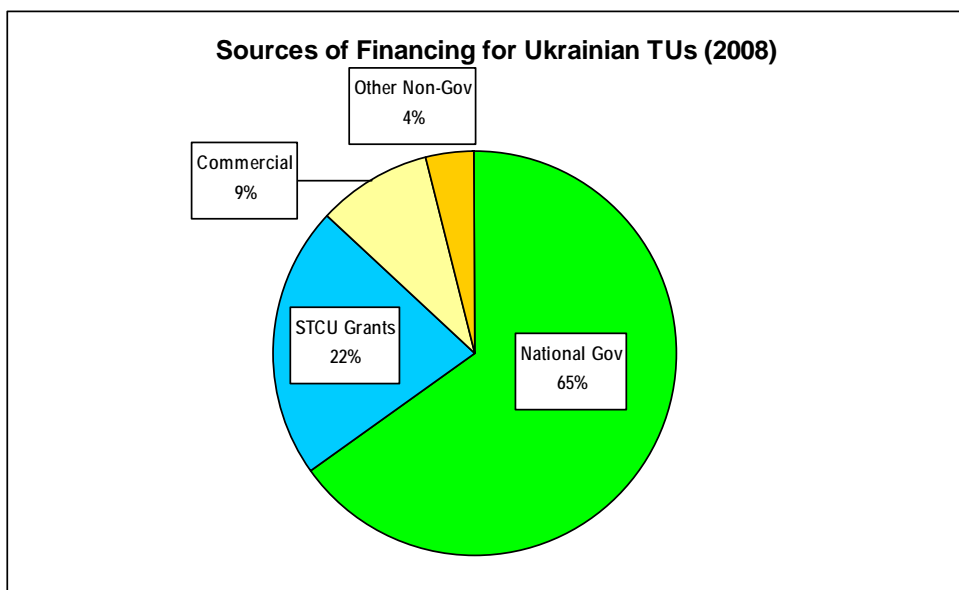
But this year it stays the only country, which has more than a half of its budget coming from governmental sources.

STCU grant funding continues to be the largest portion of non-governmental funding received by the respondent TUs (63%), but represents only 22% of the total budgetary financing of the respondent Ukrainian TUs. It is still the smallest share of STCU funding among all the respondents from the Recipient Parties.

Table UA-2. Source of Budgetary Financing for Respondent Ukrainian TUs

	2005	2006	2007	2008
National Government	59%	57%	65%	65%
Non-government	41%	43%	35%	35%
• Share from STCU Grants	20%	28%	21%	22%
• Share from Private Commercial Entities	10%	6%	4%	9%
• Share from Other Domestic Non-Government Organizations (except STCU)	Combined Data Provided: approx. 11%	4%	1%	1%
• Share from Other Foreign Non-Government Organizations (except STCU)		5%	9%	3%

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Characteristic of Technical Units

Table UA-3. Quantity of STCU Projects

	Total		
	2006	2007	2008
# of Responding TUs with 1Project	116 (73% of total)	118 (65% of total)	122 (73% of total)
# of Responding TUs with 2 Projects	31 (19% of total)	32 (18% of total)	35 (21% of total)
# of Responding TUs with 3 Projects	9 (6% of total)	7 (10% of total)	9 (5% of total)
# of Responding TUs with 4 Projects	2 (1% of total)	3 (4% of total)	2 (1% of total)
# of Responding TUs with 5 Projects	1(0.6% of total)	1 (3% of total)	-

* 2005 - Data Not Available

Areas of Research Focus

The majority of responding Ukrainian TUs reported working primarily in the physics area (nuclear physics, metal physics, bio-, quantum physics, phys-techniques etc), followed by material science, and then chemistry. Other TUs reported working in areas of biology, genetics, ecology, medicine, astronomy, electronics, etc.

Collaboration with Foreign Countries

The main partners of the responding Ukrainian TUs was the USA (reported by 94 TUs), followed by Germany (reported by 81/ TUs). There are also many contacts reported with Russia, France, the UK, Poland, Canada, Italy, Spain, Sweden, Austria, Japan, Bulgaria, and Greece.

Profile of Technical Unit Scientists

Table UA-4. Average Age of Scientists in Responding Ukrainian TUs

	Average Age (years) 2005	Average Age (years) 2006	Average Age (years) 2007	Average Age (years) 2008
All Researchers	48	46	46	44
Doctors of Science	60	64	59	58
Candidate of Science (PhD)	50	49	48	48

Table UA-5. Proportions of Scientists in Responding Ukrainian TUs, by Age

	%of TU Staff 2005	%of TU Staff 2006	% of TU Staff 2007	% of TU Staff 2008
Under 35 years old	29	25	22	20
Retired	24	20	21	20

STCU Impact on Promoting S&T Excellence

Technology Promotion & Patenting

The Ukrainian TU respondents reported 604 technologies with potential for the market in the 2008 survey, with 40% of these technologies already marketed and 81% patented. This is a significant increasing in comparison with previous annual surveys. But only 13% of the 2008 reported technologies are incorporated into business plans, and only 8% of them are supported by marketing research. About 6% of reported technologies received STCU

assistance in their promotion, which is not statistically different from the levels reported in the 2006 and 2007 surveys.

Table UA-6. Technologies Reported by Responding TUs

	2005 (Total and % of Total)	2006 (Total and % of Total)	2007 (Total and % of Total)	2008 (Total and % of Total)
Technologies	215	567	513	604
- implemented in market	<i>Data Not Available</i>	131(23%)	134 (26%)	240 (40%)
- patented	" " "	300 (53%)	291(56%)	487 (81%)
- supported by a business plan	" " "	55 (10%)	48 (9%)	76 (13%)
- supported by marketing research	" " "	42 (8%)	38 (7%)	49 (8%)
- applied for STCU technology promotion assistance	" " "	39 (7%)	24 (5%)	33 (5%)
- received STCU assistance		36(6%)	23 (4.5%)	39 (6%)

Comment: Total percentage exceeds 100% because respondents could choose multiple categories in the question

Through 2005-2008, the surveys found a decreasing number of total patents received during each year. However in 2008, many more patents were obtained with STCU assistance (about 32% instead of about 17-18% in the past), with significant increases in STCU assistance in obtaining foreign or international patents.

Table UA-7. Patenting Reported by Responding TUs

	2005		2006		2007		2008	
	Total	With STCU Assistance	Total	With STCU Assistance	Total	With STCU Assistance	Total	With STCU Assistance
Patents Received	367	64 (17.4%)	253	45 (17.7%)	221	28 (12.6%)	207	66 (32%)
National (Ukrainian) Patent Applications	283	58 (20%)	240	43 (18%)	205	24 (11.7%)	187	53 (28%)
Foreign or International Patents	84	6 (7%)	13	2 (15%)	16	4 (25%)	20	13 (65%)

Level of International Collaboration & Scientific Activity

Through 2005-2008 surveys, the quantity of participation in international scientific conferences grew constantly. Also, the quantity of scientific articles and abstract generally increased in 2007-2008 versus the 2005 and 2006 surveys. Generally, STCU involvement has stayed approximately the same (approximately 30% of all reported activities) across all International Collaboration categories and Scientific Publication categories (about 25%).

Table UA-8. International Collaborative Activities

	2005		2006		2007		2008	
	Total	With STCU assistance (% of Total)	Total	With STCU assistance (% of Total)	Total	With STCU assistance (% of Total)	Total	With STCU assistance (% of Total)
Participation in International Conferences	1136	416 (36%)	1406	294 (21%)	1073	346 (32%)	1383	292 (21%)
• within the country	579	182 (31%)	837	114 (14%)	525	133 (25%)	865	149 (17%)
• Abroad	557	234 (42%)	569	180 (32%)	548	213 (39%)	518	143 (28%)
Joint Publications	642	214 (33%)	958	284 (30%)	908	246 (27%)	749	235 (31%)
Joint Scientific Projects	157	78 (49%)	295	119 (40%)	267	114 (42%)	282	126 (45%)
Contracts with Business Partners	158	44 (28%)	226	78 (35%)	254	64 (25%)	195	51 (26%)
• within the country	80	22 (27%)	115	24 (21%)	176	22 (12.5%)	129	32(25%)
• From Abroad	78	22 (28%)	111	54 (49%)	78	42 (53%)	66	19 (29%)
Training abroad	84	19 (22%)	126	19 (15%)	103	6 (5.8%)	110	19 (17%)

Table UA-9. Scientific Publications

	2005		2006		2007		2008	
	Total	With STCU Assistance	Total	With STCU Assistance	Total	With STCU Assistance	Total	With STCU Assistance
Monographs	29	16 (55%)	97	12 (12%)	82	10 (12%)	84	13 (15%)
• within the country	23	14 (61%)	55	11 (20%)	65	7 (11%)	63	7 (11%)
• Abroad	6	2 (33%)	42	1 (2%)	17	3 (18%)	21	6 (29%)
Articles	654	165 (25%)	2135	496 (23%)	2338	479 (20%)	2231	431 (19%)
• within the country	376	90 (24%)	1349	278 (20.6%)	1410	277 (19%)	1453	260 (18%)
• Abroad	278	75 (26%)	786	218 (27.7%)	928	202 (22%)	778	171 (22%)
Abstracts of the conferences	596	196 (33%)	1625	470 (29%)	2621	589 (22%)	2217	557 (25%)
• within the country	297	74 (25%)	925	201 (22%)	1688	299 (18%)	1411	295 (21%)
• Abroad	299	122 (40%)	700	269 (38%)	933	290 (31%)	806	262 (33%)

Summary of Ukrainian Technical Units (2005 – 2008 Surveys)

Total (or % of Total)	2005	2006	2007	2008
TUs which responded to Questionnaires	186	160	161	210
Source of Financing (% of TUs budget)				
National Government	59%	57%	66%	65%
Non-government	41%	43%	34%	35%
- STCU Share of Total Budget (Government + Non-government Financing)	20%	28%	21%	22%
- STCU Share of Non-government Funding Portion	48%	65%	60%	63%
Technical Unit Sustainability Evaluation				
Sustainable Units	46 (25%)	63 (39%)	68 (42%)	71 (42,3%)
<i>including Extra Sustainable Units</i>	<i>N/A</i>	<i>7 (4%)</i>	<i>15 (9%)</i>	<i>17 (10%)</i>
Non-sustainable Units	91 (49%)	92 (58%)	85 (53%)	83 (49,4%)
Units with unclear status (not enough data for ranking)	49 (26%)	5 (3%)	8 (5%)	14 (8,3%)
Areas of STCU Project and Supplemental Activities	# of TU activities with STCU Support (% of Total)			
Technologies that are Market-Ready	215	567	513	604
International Collaboration Supported by STCU				
Participation in International Conferences within Country	182 (31%)	133 (25%)	114 (14%)	149 (17%)
" " Conducted Abroad	234 (42%)	213 (39%)	180 (32%)	143 (28%)
Joint Scientific Articles with Foreign Colleagues	214 (33%)	246 (27%)	284 (30%)	235 (31%)
Participation in Joint Research Projects (with foreign partners)	78 (49%)	114 (42%)	119 (40%)	126 (45%)
Contracts with Private Companies within the Country	22 (27%)	22 (13%)	24 (21%)	51 (26%)
" " From Abroad	22 (28%)	42 (53%)	54 (49%)	19 (29%)
Participation in Training Programs Abroad	19 (22%)	6 (5.8%)	19 (15%)	19 (17%)
Scientific Publishing Activity Supported by STCU				
Scientific Articles within the Country	90 (24%)	278 (21%)	277 (19%)	260 (18%)
" " Abroad	75 (26%)	218 (28%)	202 (22%)	171 (22%)
Abstracts Submitted to Conferences within the Country	74 (25%)	201 (22%)	299 (18%)	295 (21%)
" " Abroad	122 (40%)	269 (38%)	290 (31%)	262 (33%)
Patenting Activity Supported by STCU				
National Patents	58 (20%)	43 (18%)	24 (11.7%)	53 (28%)
Foreign/International Patents	6 (7%)	2 (15%)	4 (25%)	13 (65%)

Comment: Data on Ukraine covers three years. Surveys for other STCU Recipient countries were not conducted in 2005.

Summary Comparison of STCU Technical Units Survey – 2008

	Azerbaijan	Georgia	Moldova	Ukraine	Total, average %
# of TUs responses received	13	24	5	168	210
Source of Financing (% of TU budget)					Average %
National Government	46%	36%	38,5 %	65 %	46%
Non-government	54%	64%	61,5%	35 %	54%
- STCU Share of Total Budget (Government + Non-government Financing)	37%	39%	33%	22%	33%
- STCU Share of Non-government Funding Portion	69%	61%	54%	63%	62%
Technical Unit Sustainability Evaluation					Total, (% of total)
Sustainable Units	2 (15%)	8 (33%)	3 (60%)	71 (42,3%)	84 (40%)
<i>including Extra Sustainable Units</i>	1 (9%)	2 (8%)	0	17 (10%)	20 (10%)
Non-sustainable Units	11 (85%)	16(67%)	2 (40%)	83 (49,4%)	112 (53%)
Units with unclear status (not enough data for ranking)	0	0	0	14 (8,3%)	14 (7%)
Areas of STCU Project and Supplemental Activities	# of TU activities with STCU Support (% of Total)				Total
Technologies that are Market-Ready	63	75	9	604	751
International Collaboration Supported by STCU					Total (avg %)
Participation in International Conferences within Country	5 (9%)	4 (8%)	2 (17%)	149 (17%)	160 (13%)
" " Conducted Abroad	8 (18%)	29 (30%)	2 (22%)	143 (28%)	182 (25%)
Joint Scientific Articles with Foreign Colleagues	10 (43%)	27 (36%)	3 (18%)	235 (31%)	275 (32%)
Participation in Joint Research Projects (with foreign partners)	9 (39%)	18 (45%)	3 (60%)	126 (45%)	155 (47%)
Contracts with Private Companies within the Country	0	0	0	51 (26%)	51 (7%)
" " From Abroad	0	1 (33%)	0	19 (29%)	20 (16%)
Participation in Training Programs Abroad	0	2 (10%)	0	19 (17%)	21 (7%)
Scientific Publishing Activity Supported by STCU					Total (avg %)
Scientific Articles within the Country	39 (18%)	23 (10%)	4 (19%)	260 (18%)	326 (16%)
" " Abroad	37 (21%)	16 (13%)	3 (18%)	171 (22%)	227 (19%)
Abstracts Submitted to Conferences within the Country	24 (42%)	4 (7%)	2 (25%)	295 (21%)	32 (24%)5
" " Abroad	22 (38%)	34 (42%)	2 (20%)	262 (33%)	320 (16%)
Patenting Activity Supported by STCU					Total (avg %)
National Patents	0	2 (50%)	3(75%)	53 (28%)	58 (20%)
Foreign/International Patents	0	0	0	13 (65%)	13 (16%)

Summary Comparison of STCU Technical Units Survey – 2006-2008

	2006 4 countries (no Moldova)	2007 all 5 countries	2008 4 countries (no Uzbekistan)
# of TUs responses received	218	209	210
Source of Financing (% of TU budget)	Average %	Average %	Average %
National Government	48%	50%	46%
Non-government	52%	50%	54%
- STCU Share of Total Budget (Government + Non-government Financing)	36%	38%	33%
- STCU Share of Non-government Funding Portion	58%	76%	62%
Technical Unit Sustainability Evaluation	Total, (% of total)	Total, (% of total)	Total, (% of total)
Sustainable Units	78 (36%)	82 (39%)	84 (40%)
<i>including Extra Sustainable Units</i>	<i>9 (4%)</i>	<i>15 (7%)</i>	<i>20 (10%)</i>
Non-sustainable Units	129(59%)	119 (57%)	112 (53%)
Units with unclear status (not enough data for ranking)	11 (5%)	8 (4%)	14 (7%)
Areas of STCU Project and Supplemental Activities			
Technologies that are Market-Ready	531	628	751
International Collaboration Supported by STCU	Total (avg %)	Total (avg %)	Total (avg %)
Participation in International Conferences within Country	147 (21%)	147 (23%)	160 (13%)
" " Conducted Abroad	250 (33%)	233 (33%)	182 (25%)
Joint Scientific Articles with Foreign Colleagues	318 (24%)	366 (33%)	275 (32%)
Participation in Joint Research Projects (with foreign partners)	146 (41%)	157 (43%)	155 (47%)
Contracts with Private Companies within the Country	24 (11%)	29 (18%)	51 (7%)
" " From Abroad	47 (48%)	58 (26%)	20 (16%)
Participation in Training Programs Abroad	11 (8%)	26 (17%)	21 (7%)
Scientific Publishing Activity Supported by STCU	Total (avg %)	Total (avg %)	Total (avg %)
Scientific Articles within the Country	313 (19%)	339 (17%)	326 (16%)
" " Abroad	279 (27%)	261 (35%)	227 (19%)
Abstracts Submitted to Conferences within the Country	226 (20.5%)	343 (18%)	32 (24%) ⁵
" " Abroad	339 (38%)	352 (28%)	320 (16%)
Patenting Activity Supported by STCU	Total (avg %)	Total (avg %)	Total (avg %)
National Patents	51 (17,7%)	29 (18%)	58 (20%)
Foreign/International Patents	2 (0.6%)	6 (15%)	13 (16%)



Terms of Reference Pilot Targeted Research Program

1. Background

For several years, the STCU Funding Parties have expressed the view that STCU project activity needed to become less broad and more focused—in terms of the number of submitted proposals and the variety and breadth of proposed research—so as to better match project work to the Funding Parties' priority interests (and long-term budget restrictions). In particular, the draft STCU Strategic Concept for the post-2012 period includes "targeted research" as a pillar of programmatic activity for STCU.

The STCU Governing Parties also have expressed the view that the current STCU mission of countering knowledge proliferation from former Soviet WMD scientists is gradually being de-prioritized in light of more pressing contemporary challenges, such as counter-terrorism, nuclear material smuggling, bio-safety/bio-security, and climate change. The Parties discussion of "Science Center transformation" is centered on the assumption that STCU could contribute to these contemporary global concerns, if STCU program activities were appropriately expanded and directed toward those concerns. This view of transformation also includes expanding the base of donor participants in STCU program activities, as well as expanding the involvement of Recipient Party contributions to these same program activities.

2. Program Concept

This pilot program effort, titled "Targeted Research Program" (TRP), will seek to design a programmatic framework for focusing STCU project proposal submissions onto fields of research that are of priority interest to existing STCU Party programs, and other regional and multilateral programs. The goal of Targeted Research Program is to sponsor scientific research and technology development work (within the STCU membership) so that the expected results directly address an S&T-based need within a multilateral area of concern.

The Targeted Research Program pilot would make use of the existing Targeted R&D Initiatives Program, by establishing a more specific/restrictive set of research fields for the submitted Targeted Initiative call-for-proposals, and applying more restrictive guidance and criteria for accepting submitted proposals for further evaluation. Other elements of the Targeted Initiatives cycle, such as co-financing by the Recipient Party entity and the processes for proposal evaluation and funding decisions, would remain the same.¹

The specific research fields, and proposal preparation guidance and criteria, would be established prior to the modified Targeted Initiative call-for-proposals through the output of subject-matter expert workshops organized by STCU and involving relevant policy officials, program customers, and scientific experts from the STCU Parties and other key organizations (e.g., UN agencies, national, regional or international centers of scientific excellence, etc.). The

¹ If allowed by the Governing Board, the Targeted Research Program could also be opened to non-Funding Party donors, such as Partners or STCU Sponsors. All such non-Funding Party donors would be expected to be approved by the Governing Board, using existing procedures or GB-approved modifications to those procedures.

input of these stakeholders, experts, and participants in the chosen research field will help STCU and a small steering group (comprised primarily of the STCU Party expert reviewers and Targeted Initiative participant representatives) to design an agreed-to Targeted Initiative call-for-proposals within the specific research area of concern.

3. Legal Authority

The pilot Targeted Research Program will be proposed for Governing Board (GB) approval at the 28th STCU Governing Board Meeting. The pilot program will be incorporated within the Targeted R&D Initiatives Program during the 2009-2010 cycles, subject to GB approval of those Targeted Initiative cycles at the 28th and 29th STCU Governing Board Meetings. The pilot program will be governed by the Targeted R&D Initiative Program Terms of Reference. The Targeted Research Program pilot will be evaluated at various intervals by the Advisory Committee and at the 29th and 30th STCU Governing Board Meetings. A decision on whether to continue, expand, or discontinue the Targeted Research Program pilot will be considered by the Governing Board by the time of its 30th Meeting in the autumn of 2010.

4. Funding Authority

The TRP pilot will not be a separate STCU program, and therefore any funding support for TRP pilot activities shall come from existing STCU budgets, such as the Supplemental Budget – Seminars and Workshops, etc. Funds to support specific TRP pilot activities will be included in the budget requests for the relevant Supplemental Budget lines, and be subject to approval by the Governing Board at the time the Supplement Budget requests are made to the Board.

5. Program Management Authority

The Targeted Research Pilot Program will be incorporated within the existing Targeted R&D Initiatives Program, with administrative management responsibility delegated to the Deputy Executive Director (Canada) as part of the existing Targeted Initiatives Program. The management of the TRP Subject-Matter Expert Workshops shall be delegated to the Deputy Executive Director (EU), under the existing management authority for Seminars/Workshops.

Program activity approval authority will reside with the Executive Director, as it currently does with all STCU programs. All Deputy Executive Directors shall collaborate on the development of TRP program elements and shall assist in the implementation of the TRP program.

Should the Governing Board approve a full implementation of the Targeted Research Program concept, the STCU management Committee shall then revise the management authority delegation of the TRP program elements amongst the Deputy Executive Directors.

6. Financial Management Authority

Financial management authority for any TRP pilot activities shall follow the current STCU Standard Operating Procedures related to approved projects, AOB, and those Supplemental Budgets relevant to the specific TRP pilot activity (e.g., Seminars/Workshops). These funds are allocated by the Funding Parties as part of their Targeted Initiative project approval and funding contribution, and Funding Party contributions to the relevant Supplemental Budgets.

Pilot Targeted Research Program

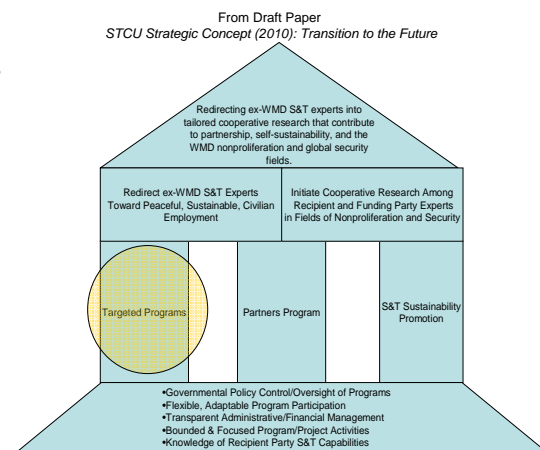
A Proposal to the STCU Governing Board from the STCU Secretariat

Propose To Make One Small Step Forward

-- Parties Have Requested More Focus in STCU Activities

-- Draft Post-2010 Strategic Concept Defines *Targeted Research* as One Pillar of Future Programmatic Activity

- Deliberately designed research solicitation that joins ex-Soviet WMD experts with Canadian, European, and U.S. scientists to produce science-based solutions to targeted priority interests in nonproliferation, regional stability, and global security cooperation



Targeted Research Program (TRP)

- Focused Programmatic Approach, Targeting Specific Nonproliferation/Threat Reduction Focus Areas
- Gradually Absorbs Regular Project and Targeted Initiatives Programs
 - Uses Existing Regular Project Process, including HGC Process, GB Approval Procedures, and Model Project Agreement
 - Retains the Targeted Initiatives Concepts of Area-Focused Call for Proposals and Shared Partnership through all-Party Involvement in Design, Implementation, and Shared Project Financing
- Systemic Framework for Linking Proposal Submissions to the S&T Needs in Specific Threat Reduction Priority Areas

Benefits of TRP

- **Replaces Current “Shotgun” Approach in STCU Project Solicitation**
 - Better Suited for Parties/Partners with Focused Interests, Tight Budgets
 - Tailored to Match the Contemporary Interests in Cooperative Threat Reduction
 - Flexibility: Each TRP Designed as Desired by the Parties
 - Expert Involvement Allows Better Matching of Project Work to Priority Needs, Program Interests
- **Matches Expectations to Reality = Deeper Cooperation, More Transparency**
 - All Stakeholders Involved and Held Responsible in All Stages
 - Available Funding/Funding Sources Are Identified Early
 - All Stakeholders Negotiate Acceptable Program Directions and Activity Levels, Based on Known/Realistic Funding Availability for Each TRP.

The Proposed TRP Process

1. GBM Kick-Offs Process, Defines Focus Area (e.g. nuclear forensics)

2. "Experts" Workshop Identifies the R&D Needs in Focus Area

3. Steering Group Plans Implementation of TRP

4. Proposal Solicitation Period

5. Steering Group Evaluates Proposal Submissions,
Makes Recommendations for Party/Partner Reviews

6. GBM Approves Proposals, Funding Commitments

TRP Experts Workshop

- Organized by STCU Secretariat
- Brings Together Policy Officials, Program Managers, S&T Experts in TRP Focus Area
- Also Invites Appropriate Donor & Recipient Party Science Leaders and National Agencies (i.e., Academies, Ministries) to Participate.
- Presents the Current State of Policy Direction and R&D Initiatives in Focus Area
- Through Panel Discussions or Small Issue Groups, Develops a Set of R&D Needs and Recommendations for Guiding the Design of the TRP Proposal Solicitation Plan

TRP Roles & Responsibilities

- **STEERING GROUP**

- Representatives from Each STCU Party Plus Outside Experts in the TRP Focus Area (e.g., experts on nuclear forensics R&D)
- Establishes TRP Implementation Plan, including Call for Proposal design/criteria, submission requirements/restrictions and timeline
- Identifies Possible Project Funding Contributors, including Partners, Donor and Recipient Party agencies, STCU Sponsors, and Other Potential Participants/Contributors
- Evaluates submitted proposals for recommendation to GB and other Contributing Participants (including recommending which proposals should be developed further using PDGs or other approach).

TRP Roles & Responsibilities (cont'd)

- **Governing Board**

- Establishes Each TRP and its Focus Area (e.g., nuclear forensics)
- Establishes the Steering Group
- Approves the TRP Implementation Plan and its Resources
- Sets the Minimum Project Funding Target based on Funding Commitments by Interested Contributors
- Approves TRP Project Funding

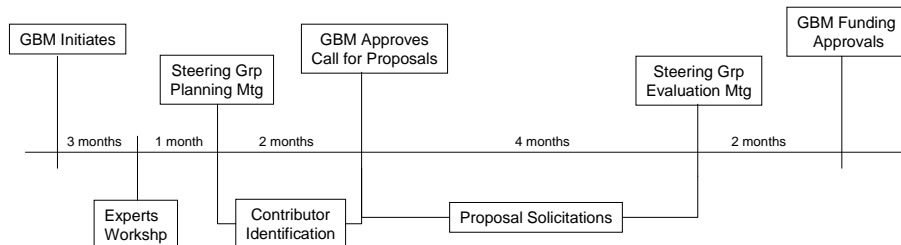
- **Secretariat**

- One DED Assigned Management Responsibility
- Small Number of Professional Staff Hired/Assigned per TRP; Assignments Dependent on S&T Specialty Area of the Staff
- Admin/Finance Staff Cover All Active TRPs

- **External Contributors/Sponsors**

- Both Existing Partners, STCU Sponsors, or other External Contributors Accepted by GB to Participate in Particular TRPs (a Status Less Formal and Continuous than a Partner)
- Choose Which Proposals to Fund Based on Their Own Interests/Priorities

Proposed TRP Process Timeline



“Small Step” Leads to “Stepping Out”

- TRP Can Grow to be an Adaptable and Flexible Tool
 - Each TRP Uses Same Process, But Goals/Input Up to the Parties
 - Can Focus on Functional Targets (e.g., counterterrorism, nuclear smuggling, dangerous environmental risks)
 - Can Focus on Geo-Strategic Security Needs (e.g., DPRK denuclearization, Iran nuclear issues, Middle East regional stability enhancement, etc.)
 - Can Focus on Single Countries, Regions, or Multi-Party Engagement (e.g., Afghanistan national stability enhancement, Middle East regional confidence building, India/Pakistan rapprochement support)
 - Each TRP Will Involve Existing Parties and Partners, But Can Also Invite Other Countries or Organizations (such as STCU Sponsors) That Are Interested in Participating in a Particular TRP
- Governing Parties Will Remain in Control Over When to Stand-Up a TRP, What Specific Goals Each TRP is to Address, and What Outside Organizations Can Participate/Contribute.

Program Opportunities and Risks

- **Opportunities:**
 - Can “Smart Size” the STCU to better match administration/staff to the number/types of TRPs (i.e., core staff supplemented by short-term TRP project officers)
 - Leverage its existing admin/financial procedures, processes, program expertise
 - “Dynamic” Flexibility in Matching Programs to Evolving Party Interests/Financing.
- **Risks:**
 - Too Few TRP Focus Areas Coming from the Parties,
 - Lack of Meaningful Participation Due to Political Barriers or Disinterest
 - Lack of Sufficient Financial Contributions
- **Possible Mitigation:**
 - Governing Parties underwrite STCU operations to maintain a core organization and a minimum level of program support
 - Develop Ways for STCU TRPs to Work on Programmatic Initiatives Outside of the STCU Membership (e.g., Ukrainian Experts Working in a TRP on nuclear site cleanup in DPRK)
 - GB Develops Procedures to Quickly, Easily Attract External Organizations to Participate (Something Less Complex than Current Accession or Partner Approval Processes)

But Start With Small First Steps

STCU Secretariat Proposes the Following Steps:

1. Use the Planned 2009 Seminar/Workshops to be Pilots for TRP Experts Workshops (workshops on nuclear forensics and bio-security)
2. Consult with ISTC Targeted Initiatives, Party Science Advisors, Others to Benefit from “Lessons Learned” in Similar Initiatives
3. Use upcoming 28th STCU GBM to Seek GB Approval of a Pilot TRP activity in nuclear forensics or bio-security
4. Use the EU-proposed Party Science Advisor meetings to Act as a Steering Group for the pilot TRP
5. Use upcoming Targeted Initiatives Cycles to Make “Trial Runs” of a TRP Call for Proposals (2009 Ukrainian and Georgian TIs are Planning to Issue Calls for Proposals at the 29th GBM)
6. Complete and Evaluate the TRP pilot by the 30th GBM.

STCU Sponsors

Article III(v) of the STCU Agreement authorizes the STCU to “receive funds or donations from governments, inter-governmental organizations, and non-governmental organizations. This authority is provided without requirement that a government providing funds or donations be a Party to the STCU Agreement. In order to permit a non-party government to provide funds or donations towards specific projects or activities, the following procedures are adopted by the Governing Board.

Procedures for Sponsoring Projects or Activities

A non-party government that desires to donate funds under these procedures shall be referred to as a STCU Sponsor.

The Sponsor shall notify the Governing Board through the Executive Director of its interest in providing funds to specific STCU projects or activities.

The Sponsor will agree to provide an additional contribution for the STCU's administrative costs associated with the proposed project or activity.

Projects or activities funded by a Sponsor will not convey intellectual property rights (IPR) to the Sponsor.

Except for IPR for the Sponsor, the provisions of the STCU Agreement and Statute will apply to projects or activities that are proposed and funded by a Sponsor.

The Sponsor and the Secretariat will develop procedures covering the provision of funds, including contribution for administrative costs, for projects and activities approved by the Governing Board.

Update on STCU Experts' Workshops



Workshops' Vision

- ✦ A context of re-focusing the Science and Technology Center's activities on the Non-Proliferation core mission
- ✦ Selecting topics of discussion based on national priority issues

Nuclear Forensics

Detection Methods

Identification Methods

Safe Storage and Transport

Biosafety & Biosecurity

Detection & Counter Measures against Infectious Agents (managing bio-risks)

Devpt. Standard. Implement. of Good Laboratory Practices and Other International Standards

Biosafety Issues for Zoonotic and Animal Diseases

Methodology Description

(i) Understand the R&D areas of highest interest in these areas.

Where are the world's leading experts targeting Nuclear Forensics / Biosafety and Biosecurity research efforts?

- What are the international priority needs/problems?
- What are the current priorities for the regions and countries that are within the STCU membership?

(ii) Identify the current level of R&D capability within the STCU Recipient Parties in these selected areas.

- What R&D programmatic efforts are being undertaken by the Recipients in this field, and which organizations are sponsoring these efforts?




(iii) Figure out R&D priorities that could be addressed through STCU-sponsored projects or programs.

- What other organizations or groups working in these fields might be interested in participating (incl. financial contributions) in an STCU targeted research program?

Identified Participants

- 1. Institute, Laboratories, National Academies of Sciences**
- 2. International (U.N.), and Intergovernmental Organizations (IAEA, ISTC),**
- 3. Governmental Ministries, Safety Agencies, Regulatory Committees,**
- 4. National Programs in the selected areas**

Expected Results

-  -1- Identify the unmet Research Needs and Priority Activities in both targeted fields in STCU Territories
-  -2- Create a basis for a Targeted Topical Call for Projects
-  -3- Offer an Opportunity to Exchange for a Science / Government audience that would not otherwise have had the chance to gather and discuss.



Update on STCU's ISP Institute Sustainability Program, CTCO Program and Partner Projects

GBM Meeting
June 4, 2009 Baku, Azerbaijan

Presented by
Vic Korsun, US Deputy Executive Director
www.STCU.int vic.korsun@msn.com



Institute Sustainability Program – Pilot

- Focus on Building Institute Capability (i.e., Not with Individual Scientists)
 - Similar Concept as in CTCO Program: Focus on Improving those Institute-wide Functions that Contribute to Institute Self-Reliance
- Limited in Scope first year and for Selected Institutes.





6 institutes prepared ISP proposals

	Organization	US list	FWS	# Proposals sent	# of projects	Commercialization potential	CTCO
1	I.M. Frantsevich Institute of Problems of Materials Science		948	191	69	48.76	V
2	V.E. Lashkaryov Institute of Semiconductor Physics		421	102	37	47.49	V
3	O.V. Palladin Institute of Biochemistry		39	19	8	54.4	
4	Institute of Physics	V	309	84	30	34.14	V
5	O.Ya. Usikov Institute of Radiophysics & Electronics	V	516	107	31	43.13	V
	B.I. Verkin Institute for Low Temperature Physics & Engineering	V	178	59	13	25.53	
6	Institute of Technical Mechanics under NAS & NSA of Ukraine	V	249	60	17	46.26	



Major Obstacles/Barriers to Institute Self-Sustainability as Expressed by ISP Institutes

– Legal, Infrastructure, Marketing

- Inadequate international IP rights protection.
- Investors are fearful because the legal climate in Ukraine is so uncertain and treacherous.
- Institutes have no legal right for commercial activity.
- Inadequate modern equipment at institutes.
- Laws related to IPR protection of is uncertain and contains significant gaps.
- Lack of scientific standardization, certification and international regulations observance (ISO, GMP, GLP).
- Regulation of venture commercial activity at institutes penalizes everyone – scientists, institutes and investors.
- Not enough trained personnel connected with commercialization activity.
- Laws related to foreign companies (taxation, banking and finance restrictions, currency control issues, etc.) are onerous and difficult to deal with.
- Need for marketing and promotion of institute services and intellectual property products.
- Laws related to IP transfer and licensing are unclear and confusing.
- Limited ability to attract investors and partners to visit institutes, meet scientists..

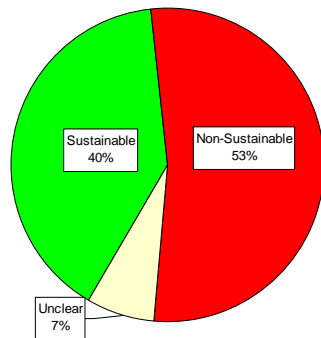




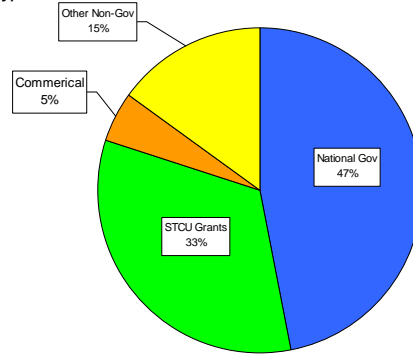
Transition To Sustainability Takes Time & Constant Effort...Or Bigger Effort



Institute Sustainability Estimate (2008 Annual Survey)



Sources of 2008 Financing For All Responding TUs



After 13 Years of STCU Operations, FWS Still Working on Becoming Self-Reliant (STCU Programs Too Small for Immediate Impact?)



ISP Proposal 11 sections

1. Institute overview
2. Institute opportunities
3. Institute current business model
4. Strategic Growth Plan
5. Goals for institute growth
6. Milestones and period for Strategic Growth Plan
7. Obstacles to growth
8. Overcoming obstacles
9. Collaborators
10. Budget
11. How the institute will continue the Growth Plan after the ISP project is completed?





ISP Proposal Evaluation Criteria by Funding Parties

1. Do the proposed project activities assist the institute in becoming financially self-sustainable without significant STCU funding?
2. Expected Impact from project.
3. Non-proliferation/conversion -- contribution to STCU's non-proliferation mission, contribution to reorientation of former weapons scientists of the institute.
4. Does scope of project contribute to programs the STCU is already funding?
5. Quality of the proposal.
6. Scientific excellence.
7. Collaboration quality.
8. Quality of project implementation (management, consortia, resources)
9. Low funding level -- \$300,000-400,000 USD.
10. What is the host country's contribution to project activities?
11. How will the institute continue sustainability activities after the ISP project is completed?



Proposal Process

Done - Call for Proposals to 7 institutes	Sept. 15
Done - First draft ISP presentation for review by consultants and collaborators	Nov.
Done – Institutes completed 6 ISP proposals; HGC obtained; submitted for evaluation.	Feb. 15, 2009
Done – Reviews by the Parties	April-May
Done – 6 Institute Directors to make presentations to STCU of their Strategy for Self-Sustainability and financial diversification of institute.	May 7 in Ottawa
GB approvals	June, 2009





Update on STCU's CTCO *Chief Technology Commercialization Officer Program*



Chief Technology Commercialization Officer (CTCO) Program

- 50 CTCO's in Ukraine, Georgia, Azerbaijan and Moldova.
- On-going training at various venues in Ukraine and west.
- Preparing on-line training course.
- Forming a Tech Transfer Association in Ukraine, then possibly else-where. Organizing committee formed:
 - By-Laws prepared, officers elected, dues collected, registration in process now.
- CTCO's have helped write Strategic Plans for the ISP Program.
- Focus on CTCO's to go to trade exhibitions to represent institutes and promote institute technologies and services.





As a Supplement to the CTCO Program –

Matchmaking & Promotional Event Support (MPES)



11



MPES Pilot Initiative Objectives

To improve CTCO's and Scientists ability to seek out
potential partners and follow-up to partner projects

- Run as an adjunct to the Road Shows Program
- MPES will address giving more responsibility to the CTCO's and scientists.



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CTCO's eligibility for promo events

- Major technology exhibition in their technological area
- A schedule of set-up meetings with western companies (potential partners) during event
- Several letters from companies expressing interest to meet with scientist
- TPF and comparison matrix
- FWS, CTCO and ISP institute with STCU regular/partner projects
- Follow-up actions plan to obtain Partner Projects



Additional criteria

- Availability of good printed ad materials about technology and Institute (IPF)
- Possibility of product showcase during event
- Good (decent) command of English
- Enthusiasm
- Networking skills





Actions after Promo event

- In first two weeks after event scientist must submit financial and tech reports
- Follow-up tech reports must be submitted to STCU after half-year and one year after event
- If there are no Partner Projects (or licenses or other forms of commercialization) scientist's rating for future MPES grant's is decreased



Partner Program Summary 2009





Partner Program Summary

- Partner Project funding decreased from 2007:
 - approximately \$7.0 million in 2008
 - compared to \$9.4 million in 2007.
- In 2008, all Partner Projects represented 46% of total amount of new STCU project funding.
- First time since 2005 that % of Partner funding was less than half of all funding provided by STCU Parties.



Financial Crisis Giving Rough Start to 2009

- 1 steady NGP project cancelled outright,
- 1 NGP was terminated early,
- 1 NGP proposal cancelled.
- Government Partner NCI from US will not give new funds this year (first time in 11 years) on Chernobyl study
- However, we're expecting an increase in US DOE IPP funding this year compared with the previous year.





Partner Projections for 2009

- New Partner Project funding expectations may be lower for 2009 compared with 2008:
 - 2008: \$ 7.0 million and 2009: \$ 4-5 million
- As of 1 April, approximately \$2.4 million in new Partner Projects are slated for approval at GBM-28,
 - as compared to the approximately \$4.4 that was approved a year ago, at the June 2008 GBM-26.



Partner Projections for 2009 (cont'd)

- Additional \$4 million in Partner Project proposals are in the pipeline, but not all of these proposals may be funded in 2009.
- We are projecting that approximately \$4-5 million in new Partner Projects will be approved in 2009, significantly lower since the record-level of \$10.6 million in 2006.
- Such variability of Partner Project activity makes it difficult to plan new STCU activities.
- Today's climate is very difficult for any prognosis. Taking into account current world-wide economical situation we could not expect any increase in Partner funding and especially in NGP sector.
- It is clear that today we need support from our funding parties for any new STCU activities.





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Targeted Initiatives Update

Landis Henry
(Nov. 2008 – June 2009)

Moldova

Moldovan Academy of Sciences (MAS)

- Signed Agreement (March 2009) with MAS for new Targeted Initiative Program
- Launch “Call for Proposals”, March 2009
- Total Budget \$300k
- Revised TI Cycle (9 months)
- 3 Priority Areas identified
- Funding decision at 29th GBM (6 projects)

Azerbaijan

Azerbaijan Academy of Sciences (AAS)

- 27th GBM, 7 TI Azeri Projects approved (\$295,824 / Euro 38,838)
- Launch New “Call for Proposals”, (3rd Call) March 2009 using revised format (9-month cycle)
- Funding decision – 29th GBM, total budget \$900k (9 projects)
- To facilitate greater transparency and accountability STCU reach agreement with AAS on expanded audit procedures

Georgia

Georgian National Science Foundation (GNSF)

- Nov. 2008, 3rd “Call for Proposals”
- Total Budget \$700k
- March 23 Projects submitted to STCU and transmitted to Funding Parties for technical and policy review
- Funding decision 28th GBM (10 projects)
- To facilitate greater transparency and accountability STCU reach agreement with GNSF on expanded audit procedures (March 2009)

Ukraine

National Academy of Sciences of Ukraine (NASU)

- Nov. 2008, 5th “Call for Proposals”
- Total Budget \$1,200k
- March, NASU transmitted 23 projects to STCU for technical and policy reviews by all Funding Parties
- Funding decision 28th GBM (12 projects)
- Reached agreement with NASU on ways to facilitate greater transparency and accountability for co-financed projects

Targeted Initiatives

- Ukraine, Georgia and Azerbaijan will provide STCU with financial data showing their contribution to co-funded projects in compliance with the signed “Statement of Intent to Cooperate”
- STCU working with all Partners (NASU, GNSF, AAS, MAS and Western Funding Parties) to ensure relevance of program to their S&T priorities
- Other organizations in Recipient States continue to express interest in joining program

Targeted Initiatives

- Concerns -

- NASU has pledged \$600,000 to the 2009 / 2010 cycle
- GNSF, AAS and MAS all expect to continue program into 2009 / 2010
- NASU has again tabled a request to have the % of FWS reduced in the TI projects from 50% to 40%
- Recipient Parties request feedback from GB re funding in 2010 and 2011. Information needed for budget submission

Targeted Initiatives

6-month Summary

- Successful completed 2nd Cycle with the AAS (Nov. 2008) and launched our revised program with a new “Call for Proposals” with the AAS (Mar. 2009)
- Signed “Statement of Intent to Cooperate” with the Moldovan Academy of Sciences.
- With exception of Uzbekistan, TI projects in all STCU Recipient States. President of Azeri Academy urges STCU to try establish program with Uzbekistan scientific community
- In 2009, the Recipient Parties ((NASU, GNSF, AAS and MAS) will contribute a combined **total of \$1,550,000** to the program

Targeted Initiatives

6-month Summary, continued

- March - combined total of 46 (Ukrainian and Georgian) new TI Projects transmitted to the Parties. Funding decision 28th GBM
- Expanded cooperative audit procedures for TI projects established with NASU, GNSF and AAS. New procedures will facilitate greater transparency and accountability of the two financial halves of these projects