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State of the STCU

by
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for presentation at the meeting of the
Governing Board of the STCU
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The following comments refer to the present state of the STCU and describe some of more important achievements, successes, problems and difficulties that have occurred since the second Meeting of the Board of the Directors in Kyiv, on 10-11 May 1996.

Brief General Statement:

The Centre can now be considered to be nearly "fully operational": it is officially recognized and well regarded as an effective, efficient, helpful, honest and independently operating intergovernmental organization in Ukraine. The Centre has now carried out nearly all major aspects of its mandate: from calls for proposals, internal reviews of projects, management of Board meetings, development and finalizing of project agreements, financing of accepted projects, carrying out monitoring missions of financed projects as well as helping the participation of third parties in Center projects. We have yet to experience a project completion. The Center now has a full complement of highly qualified executives provided by the Parties, as well as an excellent, and growing, complement of trained Ukrainian professional staff.

Any problems, that appear to be not yet fully overcome, usually occur either as a consequence of the Ukrainian governmental, legal and financial environment that keeps changing - sometimes in an unpredictable fashion - as Ukraine struggles along its difficult path towards a stable, democratic, market economy, or, as result of delays by the Parties in providing those funds that were approved and allocated to specific projects.

As a result of the concerted effort by all Members of the Board of Directors, at the second Meeting of the Board in May 1996, in producing an internal "Two-Year Review of the STCU", the Secretariat was able, with the invaluable assistance of the staff of the Ukrainian Ministry of Foreign Affairs, to obtain official continued support for the STCU, recognition of all provisions enumerated in the Agreement, and, most notably, an *indefinite prolongation* of the STCU Agreement. This was a very important event!

At this point in its development, the Secretariat has begun evaluating various long-term planning options that might lead to the Centre's self-sustainability.

FORMAL ORGANIZATIONAL STATUS (Repeated for new participants)

- a) The STCU is legally registered as an intergovernmental organization (the first such) in Ukraine. It has full right to act as a legal entity.
- b) The STCU is registered as a RESIDENT of Ukraine.
(This has a series of implications)
- c) Most exemptions provided for in the Agreement are being recognized even though we are considered "Resident". The one outstanding issue to still be resolved is the problem of the refunding of the Value-Added Tax on in-country STCU purchases.
- d) Expatriate staff recognition/registration as per Agreement seems to have been achieved.

FACILITIES

- a) The new STCU building at Laboratornyj Provulok 3 is fully furnished, equipped and operational.
- b) The high quality and standard presented by our building has made a clearly visible positive impact on our scientific client population, in their attitude towards the STCU and in terms of influencing them regarding their understanding of how a good office should look like and how it should function. The effect on all visitors - local government and organizations has been similarly noted.
- c) The construction of a new roof that will result in the addition of a new 3rd floor to our building has begun. This floor will have a mostly open-area architecture, with work spaces created by dividers. It will give us some room for expansion to accommodate additional staffing requirements with the advent of additional Parties and expanded work resulting from our future monitoring activities and the maintenance of the Data Base project. We intend to move the administrative and financial units onto the new floor. The first and second floors will then be dedicated to project management. Construction is expected to be completed by April 1997.
- d) The STCU computer network works well and the e-mail system is fully operational.
- e) As of this week we have been connected by cable to an Internet server, although Internet access is not yet operational.

PARTIES:

- a) The STCU continues being supported and funded by the four initial Parties: Canada, Sweden, Ukraine and the United States of America.
- b) The European Community has officially stated its intent to seek accession as a full member of the STCU with significant funding commitment, but the actual accession seems to have been delayed by several bureaucratic problems, to at least the Spring of 1997. We hope that full formal acceptance can take place at the May 1997 Fourth Meeting of the Board. The EC has been invited to the present Board Meeting with "Observer" status.
- c) Japan has indicated interest in participating in the STCU but we have had no official word since the second Board Meeting during which Japan had an observer. An "observer" status invitation has also been extended to the Japanese embassy.
- d) The United States of America has nominated:
 - a) Dr. Arthur DuCharme, a highly experienced scientist from Sandia National Laboratories, formerly Senior Project Officer with the ISTC in Moscow, for the position of Deputy Executive. Dr. DuCharme has been with the STCU since 26 Aug 96.

b) Mr. William Luke, a highly experienced auditor with DOD and who has been working with the STCU as a financial consultant, for the position of Chief Financial Officer.

UKRAINIAN GOVERNMENT ISSUES:

a) We have recently received 130,000 hryvnias, or \$60,000, (the second instalment of the Ukrainian government's allocation for 1996). In total, we have now received \$100,000, if we include the first instalment of about \$40,000 equivalent. This amounts to 80 % of budgetary allocation, a very high percentage when compared to other government commitments and allocations. We are very pleased with this development.

b) There is rumour of a pending Presidential decree that will eliminate all special taxation and customs duty relief for organizations providing aid at a non-profit basis. This may become a very serious problem, but we do not think it will apply to the STCU because of the separate intergovernmental Agreement we have.

FINANCING AND FINANCES:

a) Our financial group has been working very closely with Bankers' House, our Ukrainian bank, to help them develop better systems to handle our money flow and to minimize errors.

b) Additional training has been given to the financial staff on the new accounting system has been installed.

c) All signed projects are being normally financed.

d) Contributions from one donor country have not yet been received for the last signed project.

e) An additional financial person (with two years' experience on similar systems at the ISTC) has been hired (starting 01 Feb 97).

STAFFING:

a) The STCU's staffing plan has been reviewed and certain adjustments have been proposed to the original plan in order to accommodate our growing activities.

Full time staff number

Part time staff number (including security guards and drivers)

b) Civil Law (consulting-type) contracts are signed with all Ukrainian staff.

c) A standardized job classification and pay matrix has been established

d) A policy manual has been developed

i) As of 10 December 1996, the continuity for the staffing of the positions of Executive Director has not yet been fully finalized.

a) The staffing continuity for the position of General Administration Officer has been secured until 31 March 1997. Mr. Lubomyr Banias will be continuing in that position, financed by Canada.

j) Two Ukrainian scientists have been hired for Project Officer positions.

k) Dr. Borys Atamanenko, Sr. Dep. Exec. Dir. (Ukraine) participated in the Stockholm Advisory Committee Mtg and then in a three-week training/familiarization effort in North America. During this time he visited all major donor organizations and entities involved with the administration and funding of the STCU project as well as with the evaluation of scientific projects.

PROJECTS-RELATED MATTERS:

- a) 164 projects have been sent for donor review (30 considered at Board #1 Mtg 15.12.95, 62 at Board Meeting #2 and 72 for consideration at the present Board #3 Mtg.
- b) A total of 49 Ukrainian projects (out of 92) have been approved for financing at Boards #1 & 2, for a total of over \$6,100,000, plus one special Canadian "Cooperation Grant" project of \$100,000 and a similar Swedish one for \$30,000.
- c) 49 Project Agreements, have been signed and all are being financed.
- d) The relationship with Ukrainian State Security and related committees seems to be working reasonably well with a steady flow of projects coming to us with approvals. There is a high probability that this process may be improved even further by one of two possible changes: a transfer of this activity to the new Ministry of Science, or the handling of this matter by the Academy of Sciences of Ukraine.
- e) On 05 December 1996 we issued a Second Call for Proposals which appeared in the official government newspaper "Uriadovy Courier", accompanied by a very good article that appeared in the same paper two weeks earlier. We provided a window from 16 Dec 96 to 28 Feb 97 for submitting new proposals. We calculate that the first projects from this new batch may start coming in from "Security" in May-June 97. This seems to be right in line with our prediction of the time when we will probably run out of present projects
- d) We need better information as to the rate that projects can be handled by the Donor parties in their evaluations.

SPECIAL ISSUES & COMMENTS:

- a) Although we lean towards with holding of training seminars in Ukraine for our staff and for Ukrainian scientists in the area of "appropriate project submission" in-house , we may request assistance in these areas.
- b) Dr. Borys Atamanenko, our Senior Ukrainian Deputy Executive Director took part in an extended training/familiarization visit to the USA (Washington-State Dept and DOD, Baltimore-CMS, Los Alamos), Canada (Ottawa-CIDA/NSERC, Winnipeg-UofM) and Sweden (Defense Research, MFA), and Sweden (MFA, FOA, Management Advisory Committee Mtg.) This provided an excellent opportunity to practise the use of English.
- c) We have completed the production of a promotional TV-video program on the subject of "Achievements and Capabilities of Ukrainian Science and Technology". This video is available in english and in Ukrainian in a short promotional 12 min version as well as in a more usual half-hour, extended format. We hope these videos will help in generating interest among Western organizations to enter into R&D cooperation agreements with Ukrainian scientists and research establishments.
- d) Three meetings have been held of an ad-hoc "Management Advisory Committee", one in Washington in January 1996, one in Stockholm in September 1996 and one just before this Board meeting in Kyiv. Agreement seems to have been achieved that such a committee may be useful in working with, and helping the Secretariat in identifying important issues, particularly those that may require the marshalling of additional Western human resources.

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STCU

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