

EXECUTIVE DIRECTOR'S REPORT ON STCU ACTIVITIES - 6TH BOARD

June 8 & 9, 1998

GENERAL COMMENTS

Much of the first 2 months of the year was spent trying to resolve the many holdover issues from the previous year; putting into place a new management style while continuing to oversee the daily operations of the Center; and meeting with individuals in Ukraine who play some role in Center activities. Significant problems with finding suitable accommodations were finally resolved at the end of January. Daily tutoring sessions in the Ukrainian language were started as well and continue today. The breadth of issues requiring daily attention to maintain a smoothly running operation was far greater than initially, perhaps naively expected, and some of the planned initiatives in December have been delayed as a result.

ACTIVITIES RELATED TO STAFF

Difficulties in obtaining proper medical care were encountered with many staff at the American Medical Clinic where the STCU had previously established a plan. Letters were written detailing the complaints and expressing our concerns as to the inability of the AMC to deliver on their promises. Alternatives were subsequently investigated. A meeting was held with AMC to discuss the complaints but sufficient concerns remained to proceed with an alternate arrangement. A new medical plan was eventually agreed to with the Borys Clinic and dental care arranged as a separate policy. A staff meeting was held to discuss the plan and to provide staff with an opportunity to question Borys administration and doctors. A subsequent vote provided majority support for proceeding. As a result, a letter was sent to AMC confirming non-renewal of our contract and a new 1 year contract signed with Borys to provide medical coverage beginning Apr.1, 1998. Medical + dental costs will remain close to the same level as last year. The new medical plan and selected clinic has been performing satisfactorily. It was determined to provide access to these plans to 2 additional individuals employed on long term, part-time, contracts as a mechanism for rewarding good work for regular but part-time employees. A separate dental coverage plan has been established through development of a new policy for all staff within the limits of the original combined health/dental plan budget.

In February, 8 staff traveled to Stockholm, Sweden as part of a staff educational exercise approved in 1997. Following the trip, a trip summary was requested and submitted by the individuals. Each had indicated that the trip provided significant new insights for them as to practices in the west. An intensive staff training exercise for Project Officers has been prepared to improve the delivery of their job functions and will be carried out in July and August of this year. 9 Project Officers will spend an intensive 2 ½ weeks attending courses provided by the University of New Mexico, in Albuquerque, New Mexico, USA.

A Management Committee was established, chaired by the Executive Director and comprised of the Ukrainian Senior Deputy Director, USA Deputy Director, Swedish Deputy Director and CFO. This group meets weekly to discuss new and ongoing issues, hiring requests, problems, significant expenditure requests etc.. Minutes are recorded.

A contract was negotiated and signed with Lubomyr Baniias to provide Administrative services and advice to the Executive Director and V.Slootsky initially. At the same time, major administrative decision making was transferred to the Executive Director. The contract was initially for a 3 month period, working 3 days/week, with the possibility of extension for an additional 3 months. This contract was subsequently extended to mid-June. Bill Luke was appointed Acting CFO and CAO on May 1, 1998, and has been streamlining and organizing Administration staff activities since this time. The position of CFO was recently offered to Mr. John Murtha of the USA and has been accepted. A contract is presently being drafted. Lubomyr Baniias will complete his tenure as Administration Advisor on June 15, 1998.

Hiring procedures were changed as of Jan. 1, 1998, to ensure that for any mid- to long term contract positions, competitions would be held to ensure the most qualified candidate was hired. Existing staff would also be encouraged to compete if they were interested and qualified. Short term contracts and hourly short term jobs require approval of the Executive Director and justification required for discussion by the Management Committee. Advertisements are required to be posted at selected sites and STCU only.

Contract extensions and merit increases now require a written performance appraisal and interview by Management responsible for the staff prior to Executive Director approval.

The role of Field Office staff was redefined and new duties assigned on a pilot basis in order to maximize effectiveness of their presence in these locations and better justify having these positions in place. A pilot project was initiated to include them in proposal preparation, contracting and monitoring activities. This pilot was successfully completed and these changes have now been put into force.

STCU support for science conferences in Ukraine is now provided on the basis of written requests and applicability to STCU projects following review and discussion by Management Committee. Besides providing funds, the help of a STCU clerical employee is now offered to conference organizers both as an incentive for those employees who do not have the opportunity to travel in Ukraine as well as to demonstrate to Institutes that assistance may provided by means other than cash.

All written policies affecting STCU operations have been compiled in a policy binder. Many unwritten policies were previously acted on and have been applied to this time. These policies will all now be reviewed and modified as necessary to reflect current management practices. These changes will be implemented over the next 6 month period.

Landscaping of the back of STCU was completed in May.

The STCU internet site was hotlinked to the ISTC site and updated with new information.

PRESENTATIONS

A new set of presentation slides was assembled in order to provide a consistent message on STCU activities. Any non-Secretariat member of STCU were advised not to publicly present information about STCU activities without prior approval. The Secretariat provided the following presentations:

- o 1 and ½ hour briefing & tour was provided to the new US Ambassador and staff in January
- o 1 and ½ hour briefing & tour was provided to the Japanese Ambassador & staff in January
- o 1 and ½ hour briefing & tour was provided for the Canadian Minister of International Cooperation and Development, VP CIDA and Canadian Ambassador and staff in March
- o 1 hour briefing and all day meeting with Japanese Ministry of Foreign Affairs representative re: Japanese funding was held in March
- o 1 and ½ hour briefing & tour was provided to the new Ambassador of the Republic of Korea in May
- o 1 and ½ hour briefing was provided to the Finnish Ambassador in June

ADMINISTRATIVE & FINANCIAL MATTERS

a) Budget

Budget expenditures are now reviewed monthly by Management Committee. First and second quarter expenditures are in line with forecasts and projected annual expenditures are forecast to be well within budget. Significant variances are in 2 areas: \$18K spent in 1997 in advance of 1998 staff training was unexpectedly required to be charged against 1998 because of accounting regulations; however, it is expected that a similar amount will be saved in the communications area to offset this amount. As a result, funds budgeted for staff training for 1998 were recommended to be increased by the \$18K with the understanding that the telecommunications line will be decreased by a similar amount. This change was approved at the March Advisory Committee meeting and is now reflected in a revised budget.

Sweden initially agreed to absorb support costs for the EU administrative share of the Deputy Executive Director position from Jan.1/98-Mar.31/98 and subsequently agreed to continue to provide the funds to support this position for a further 3 months to June 30/98. Funding beyond June 30 is an issue.

b) Projects

Delays were experienced with committed \$US for US funded projects approved at the December Board. The length of delays caused some concern in that they were longer than usual and it should be noted that similar future delays between expenditure authorization and project initiation could result in problems. Funds have since been disbursed.

c) VAT

Efforts were renewed to obtain refunds for VAT paid unnecessarily in the past. Embassies were canvassed to determine their method of reimbursement. At this time it was discovered that a new law passed in late 1997, resulted in Embassies no longer receiving VAT rebates. While Embassies worked towards resolving this issue, the STCU prepared a new request for payment. All unpaid receipts have been collected and compiled and will be submitted together with a formal request for reimbursement as per our Agreement to the Minister of Foreign Affairs and Minister of Finance.

d) 1998 New Government Commitments

The USA has approved and deposited new funds of \$6 million for 1998
Canada has approved approximately \$3.1 million for 1998-2000
Sweden has agreed to cover administration costs to the end of June, 1998. 1998 funds apparently reflect completion of the original Swedish commitment. Japan has agreed to provide funds in support of STCU projects, beginning with this Board.

e) New Work Plan Process

The USA requested initiation of a new additional process for work plan review in late February. Delays were experienced with these new procedures for reviewing of work plans prior to Executive Director approval. Of six work plans electronically provided, 3 were reviewed and approved within 20 days. The remaining 3 were approved within 41 days. Problems with e-mail addresses and incompatible software may have caused the lengthy delays.

MAJOR ACTIVITIES

1997 Annual Report

Work on the 1997 Annual Report was started near the end of January with a planned release date for the June Board meeting. A very rough First Draft, which represented approximately 70% of the content was distributed in Brussels to the Advisory Committee for comment on report focus. Because of the extremely tight time lines, comments were requested by April 21. The focus of the report was to be on the projects themselves and the objectives of the work as a prelude to attracting more partner project interest. For future reference, it should be noted that at least 6 months is required to produce this report and work should ideally begin October of the preceding year in order to release the report in March or April of the following year.

The amount of staff time devoted to this publication has been significant over the past month and confirms that 6 months are required from the planning to publication period. It is proposed that discussions on the general focus and format of the 1998 report be carried out together with the Advisory Committee and started by late September. This suggestion stems from some disagreement between the Advisory Committee and Secretariat on the 1997 report content. Two copies of the new report will be ready for the Board meeting. 1500 copies will be ready for distribution the following week. Only 50 copies of the 1996 report remain.

Audit

The United States Department of Defense auditors arrived and completed the 1997 financial audit of STCU activities in March. Only a few minor items were discovered and were resolved on site. A few problems were identified with some of the first Center projects which were a result of previous decisions and start-up inexperience. A commitment to fund and perform the 1998 audit was also made by the US DOD.

Minutes

The minutes of the December/97 and March/98 Advisory Committee meetings and the 5th Governing Board meeting in December/97 were completed and are available.

Ratification

The efforts started the previous year to have the STCU charter ratified by Parliament were continued. Meetings were held with various high level government representatives during the first 3 months of the year to try and push it through the system prior to elections in March. This was done with the feeling that if not passed by the end of February, nothing would happen to the end of 1998, as is the case with most newly elected governments. Unfortunately, ratification was not obtained and because of many questions raised pertaining to the tax exempt status of the Center by different officials, I believe it best to let it wind its way through the system without additional prodding at this time.

New STCU Projects

Although a budget was provided for a Patenting project in December, 1997, no plan was in place for delivery. A.Ducharme was assigned the responsibility of developing a draft process plan for supporting patenting efforts for STCU projects. The patenting project previously submitted for funding and discussion has now been defined and implemented. A new travel grant project has been drafted and is ready for approval as per the previous Advisory Committee meeting. New funds will be required to implement this project this year

Executive Director Trips

Washington- The Executive Director was invited to Washington by the US representative at the beginning of his tenure to meet with State Dept. and Dept. of

Energy officials to both discuss STCU and meet individuals responsible for various aspects of the program.

Lviv- The Executive Director made a first visit to Lviv in February to meet with Institute Heads and tour work of STCU funded projects and registered proposals. A presentation was made to several Institutes and gatherings. The Branch office was also visited.

Moscow- the Executive Director and Swedish Deputy Executive Director met with ISTC to discuss topics of mutual interest and establish closer ties. A process for more effectively dealing with joint Russian/Ukrainian projects was discussed. A tour of 1 Institute was completed and included discussions of potential joint projects. A reciprocal visit by ISTC Executive staff was discussed for Kyiv in early May to continue dialogue.

Orlando-Washington- The Executive Director was invited to present the keynote address at the 12th Annual International Symposium on Aerospace/Defense Sensing, Simulation and Controls AeroSense Conference, **Laser Radar Technology and Applications**, in Orlando, USA, in April. At the same time, one of two candidates for the CFO position was interviewed. A one day stop was made in Washington to interview the 2nd candidate and to discuss with US officials the two candidates.

o attended a CIDA Management meeting at the Canadian Embassy in April
o visited Chornobyl Atomic Energy Station and Slavutych Center in May

ISSUES

Problem Projects

During the previous six months, significant problems were encountered with the following projects: Project #631, Project #344, 3M Partner Project, and Project #386. All problems were resolved except for the latter project which is being dealt with at this time.

Partner Project Approvals Process

This issue first developed upon discovery of a letter in late January addressed to the previous Executive Director and dated Dec.26, 1997, from the Deputy Minister of Science. The letter was accompanied by an attachment listing partner projects approved at the December Board and indicated that none had received approval by the Ministry of Science. As I was drafting a response, I received a much stronger letter on Jan.27,1998, expressing their strong interest and, in fact, requirement to approve these partner projects. My response was to write, recognizing the validity of some of the questions dealing with process and approval authorities and suggested a meeting with myself & Victor Baryakhtar in mid-February. Scheduling problems delayed the meeting to Feb.24, at which time I, with B. Atamanenko, met with V.Baryakhtar, the Deputy Minister of Science and Minister's Advisor to try and resolve the issue of approval authority. To this time I had signed 3 or 4 contracts provided to me on the

basis of Board approval. At the meeting, it was agreed that the Ministry of Science would approve partnering projects, including the previously approved projects, but only if they could show that this could be done within a very short time frame (2 weeks) and as a 1st priority on receipt. Additionally, I requested A. Ducharme to work with a designated Ministry of Science individual to work on drafting a formal process guideline which would be used in future and try and think of some way to provide financial support for the additional work required of reviewers. It was stated that any such recommendation would require Board approval. On Mar. 2, all projects were provided with a letter stressing the immediate need for approval of 2 National Cancer Institute projects within 2 weeks as well as Canadian funded projects or risk seriously damaging the Program. At the end of 2 weeks no progress was observed and steps were taken to accelerate the decision process. When approvals were not received by the end of March and Canadian funded projects were threatened, the Executive Director signed contracts, on the basis of previous Board approval. On March 30, a meeting was held with B. Paton, the President of the National Academy of Sciences, who confirmed that he would be the approval authority for all partner projects with Institutes under his jurisdiction. Since the March Advisory meeting, a letter was received from the first Deputy Minister of Science indicating that the projects submitted for approval to the Board in December were approved. This was subsequently confirmed by the Ukrainian Board member, Mr. Baryakhtar.

Because of the problems caused by the inability of the Ministry of Science to review projects in a reasonable time frame as they had initially agreed to, Mr. B. Paton requested the Cabinet of Minister's to allow the NAS to review and approve Partner projects proposed with any Institutes of the NAS. The Cabinet of Ministers subsequently requested that NAS proceed with defining the process. This was completed cooperatively with STCU staff and has been submitted to Cabinet of Ministers for approval.

EU Accession

Despite attempts by the STCU to help accelerate EU efforts to complete accession, little progress has been made to this date. Following an unexpected further delay on a vote for formal accession of the EU by the European Parliament in mid-February and the potential loss of 3 million ECU's budgeted tentatively for 1998, several actions were taken. The 3 Ambassadors in Kyiv, related to Parties of the STCU, were informed and requested to try to influence the EU decision in Brussels which resulted in an additional delay in accession. The Acting EU Ambassador was also contacted and it was mentioned that each subsequent delay by the EU, after having publicly announced their intentions, could be detrimental to the EU image in Ukraine. At the Advisory meeting in Brussels in March, senior EC management assured the Parties that the EU is joining and it is simply a matter of waiting for the internal processes to be completed. They indicated that they hoped formalities would be completed by mid-summer, in time to fund projects at the December Board.

CFO Position

A new CFO has been selected by the United States, Mr. John Murtha. He has accepted the offer of employment and will begin his duties at the beginning of August. A seven week transition period will ensure a smooth transfer of responsibilities from the current incumbent. A final decision as to merging CFO and CAO positions will wait until the end of the current year. The EU earlier indicated their willingness to fund a new CAO position. However, with the initial, time-consuming requirements of building the Center completed, it is thought that each of these 2 positions currently require approximately ½ time work. As such, the idea of combining the two positions was put forward for discussion at the March Advisory Committee meeting.

NEW DEVELOPMENTS

Georgia & Uzbekistan Status

Uzbekistan provided the requested letter of agreement to abide by the STCU Agreement articles and terms in January and are now officially members. Projects have been received and forwarded for review. Georgia provided the requested letter of agreement to abide by the STCU Agreement articles and terms in March and are now officially members. Projects have been received and forwarded for review.

Canadian Land mine Interest

The Canadian Ambassador indicated a strong interest by Canada in potentially funding projects related to destruction and detection of land mines. Contacts were established with an Institute previously at the forefront of Soviet development in this area. A meeting was arranged for 3 Canadian military personnel with scientists in Lviv to discuss possible project proposals. Although encouraging discussions took place, no further actions will occur without some indication of Canadian funding to support these projects.

Japan Status

Japan has indicated that they are prepared to fund STCU projects beginning with the June Board. However, Japan still has encountered difficulties in seeking a more formal association with STCU at this time. As such, a process for non-Party governments to contribute funds has been developed for approval at the June Board as well as a draft MOA between Japan and STCU as to the terms surrounding the contribution.

Republic of Korea

An initial briefing was provided to the new Ambassador of the Republic of Korea shortly after his arrival in Kyiv. He was interested in participating as an observer at the next (December) Board meeting. Unfortunately, the short time frame prior to this Board would not allow participation at this time.

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New Process

As stated in December, the current flow of registered projects versus the numbers reviewed for each Governing Board has resulted in unacceptable time delays in informing proponents of decisions. A new process has been implemented, based on December/97 discussions and subsequent input from the USA. This is an acute problem which must be dealt with immediately. The proposed process will be fine-tuned at this meeting and may still be modified. It now relies on the Parties to follow through with a commitment to quickly (within 4 weeks) screen approximately 275 proposals this summer and reduce the number to a manageable short list for technical review for the December Board.

CURRENT PROJECT STATUS/ACTIVITIES

It was decided at the end of January to stop registering new projects. Since the deadline for receipt of project proposals expired over 1 year ago, projects continued to be accepted and this contributed significantly to the existing backlog problem. Scientists are still encouraged to continue to work with STCU staff to develop new proposals for a subsequent Call for Proposals, perhaps in one years time.

STATUS OF PROJECT PIPELINE

<i>NUMBER OF PROJECTS PRESENTLY UNDER EXTERNAL REVIEW FOR THE 6TH GOVERNING BOARD</i>	139
<i>[of these, 68 remained from those previously sent; 61 new sent since Jan.1/98 + 10 Georgian & Uzbek projects]</i>	
<i>NUMBER OF PROJECTS SENT ABROAD IN PREPARATION FOR SCREENING FOR THE 7TH BOARD</i>	160
<i>NUMBER OF PROJECTS CURRENTLY AT STCU BEING PREPARED FOR SCREENING FOR THE 7TH BOARD</i>	212
<i>NUMBER OF PROJECTS CURRENTLY AT THE MINISTRY OF SCIENCE FOR REVIEW</i>	50
<i>NUMBER OF PROJECTS REGISTERED AT STCU BUT NOT YET SUBMITTED TO MINISTRY OF SCIENCE</i>	434

- 115 to be sent

STATUS OF REGULAR FUNDED PROJECTS

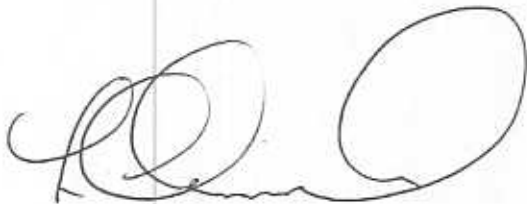
<i>NUMBER OF PROJECTS COMPLETED SINCE JAN.1, 1998</i>	10
<i>TOTAL NUMBER OF COMPLETED PROJECTS</i>	13
<i>PROJECTS PRESENTLY UNDERWAY</i>	128
<i>ADDITIONAL NUMBER OF PROJECTS WHICH WILL BE COMPLETED BY DEC.31/98</i>	47

STATUS OF 5TH GOVERNING BOARD APPROVED REGULAR PROJECTS

<i>SIGNED CONTRACTS</i>	<i>18</i>
<i>FINANCED CONTRACTS</i>	<i>15</i>
<i>CONTRACTS UNDER PREPARATION</i>	<i><u>4</u></i>
<i>TOTAL</i>	<i>22</i>

STATUS OF PARTNER PROJECTS APPROVED AT 5TH GOVERNING BOARD

<i>APPROVED</i>	<i>12</i>
<i>CONTRACTS SIGNED</i>	<i>10</i>
<i>CONTRACTS IN PREPARATION</i>	<i>2</i>



Leo Owsiacki
Executive Director
June 5, 1998