

**MINUTES of the SIXTH STCU
BOARD OF GOVERNORS MEETING
Kyiv, Ukraine
June 8 - 9, 1998**

Monday, June 8, 1998

OPENING SESSION

Dr. John Boright, US Board Member and designated chair of the Governing Board meetings, opened the meeting at 9:03 A.M.. Those present included:

CANADA

EMIL BARAN, Board Member
Michael Sperber, Canadian International Development Agency
Don Osman, University of Manitoba

SWEDEN

MARTIN HALLQVIST, Board Member
Tor Larsson, National Defense Research Establishment

UKRAINE

VICTOR BAR'YAKHTAR, Board Member

UNITED STATES

JOHN BORIGHT, Board Member
Jim Noble, US Department of State
Cynthia Mentz, US Department of State
Eileen Vergino, Lawrence Livermore National Laboratory
James Arzigian, Sandia National Laboratory

OBSERVERS

EUROPEAN COMMUNITY

Didier Gambier, Directorate General XII, EC

JAPAN

Yuji Kurakawa, Ambassador Extraordinary & Plenipotentiary
Hiroyuki Imahashi, First Secretary, Deputy Head of Mission

UZBEKISTAN

Davron Hodzaev, 1st Secretary Uzbekistan Embassy, Kyiv
Jerkyn Zahidov, Chairman, State Committee for International Relations
Gulnara Rashidova, State Committee for Science and Technology

GEORGIA

Valery Chechelashvili, Ambassador Extraordinary & Plenipotentiary
Amiran Bejuashvili, Embassy of Georgia in Ukraine

STCU SECRETARIAT OFFICIALS

LEO OWSIACKI, EXECUTIVE DIRECTOR
Borys Atamanenko, Ukrainian Senior Executive Deputy Director
Frantisek Janouch, Swedish Deputy Executive Director
Arthur DuCharme, US Deputy Executive Director
Bill Luke, Chief Financial Officer
Lubomyr Banias, recording secretary

GUESTS DURING THE MEETING INCLUDED:

Nikita Konstantinov, Programme Officer, Delegation of the European Commission in Ukraine
John Didiuk, Political Section, Embassy of the United States of America in Ukraine
Anatoly Shevtsov, Executive Director, National Institute of Strategic Studies of Ukraine
Yuri Dotsenko, First Deputy Minister, Ministry of Science and Technology Affairs of Ukraine
Gennadiy Myroniuk, Cabinet of Ministers of Ukraine

Dr. Boright, chair of the Sixth Meeting of the STCU Governing Board, delivered welcoming remarks. He indicated that the Governors were pleased with the Center and highlighted their satisfaction at the number of projects; the number of Ukrainian scientists participating in the STCU program; and the number of firms involved in the Partnering program.

Opening remarks were made in turn by members of the Governing Board, the STCU Executive Director, and observers.

Ambassador Hallqvist in his opening remarks on behalf of Sweden recognized the new style of leadership at the STCU secretariat, mentioned that Sweden was quickly moving towards the end of their mandate with the STCU, and highlighted that Sweden was looking forward to provide continued support through the European Community initiative.

Mr. Emil Baran, on behalf of Canada, welcomed Leo Owsiacki - the STCU Executive Director to his first board meeting in his new position. He further welcomed Georgia and Uzbekistan as members and recognized Japan's developing role in supporting the STCU. He closed by complementing the Ukrainian Government in their continued support of the STCU

Dr. Bar'yakhtar in his opening remarks on behalf of Ukraine indicated that the conditions in Ukraine as they pertain to Government financing of research and development were worsening and were almost non-existent. Because of these conditions, scientists working on applied science in Ukraine have reduced in number from 40,000 to less than 8,000 in the past few years. For this and other reasons, the importance of the work of the STCU and funding partners is beyond measure in maintaining some stability to the deteriorating conditions within the scientific community in Ukraine.

Mr. Leo Owsiacki, STCU Executive Director, welcomed the Board members, observers and guests.

Mr. Jerkyn Zahidov, Chairman, State Committee for International Relations of Uzbekistan, indicated that Uzbekistan was happy to be with the STCU and that everyone was eager to develop the first joint project. He closed by suggesting that the next Board of Governors meeting be held in Tashkent.

Ambassador Kurakowa of the Japanese Embassy in Kyiv addressed the Board outlining how the work of the past two years by the Embassy resulted in Japan being able to financially support projects at this Board meeting. He indicated his pleasure in working with the STCU in the future.

Dr. Gambier of the European Community outlined the progress of activity for Europe becoming part of the STCU. He indicated his pleasure at hosting the STCU Advisory Committee meeting in Brussels in April of 1998 and the work of the Secretariat in assisting with their accession.

ADMINISTRATIVE TOPICS

Dr. Boright moved to approve the minutes of the Fifth STCU Board of Governors Meeting. The minutes were approved. Dr. Boright advised the Board members that an Executive Session of the Board is to meet following completion of the day's agenda.

Leo Owsiacki, Executive Director of the STCU presented a general report on the overall status and activities of the Center. His report provided general comments dealing with the transition associated with the placement of a new Executive Director such as putting in place a new management style and maintaining daily operations and the impact of this activity on time and planned activities.

His report detailed activities related to staff such as maintaining proper medical care by changing plans from the American Medical Center to the Ukrainian Borys Medical Center; staff educational programs in Stockholm Sweden and the proposed training program in Albuquerque, New Mexico, USA; the establishment of a STCU Management Committee; administrative changes in having Mr. Bill Luke acting Chief Administrative Officer as well as Chief Financial Officer; and the potential hiring of a new Chief Financial Officer.

He further reported about the changes in hiring procedures and the development of written performance appraisals for contract extensions and merit increases. The terms of reference of Field Office staff were also redefined.

STCU support for science conferences continues based on written requests. A policy binder has been prepared compiling all written policies affecting STCU operations and a review is being carried out to conform them to current management practices. Landscaping has been completed on the STCU property and the STCU Internet site has been hotlinked to the ISTC site.

Details were presented on the new set of STCU presentations and where they were presented.

Mr. Owsiacki continued on his report on administrative and financial matters. Budget expenditures are reviewed on a monthly basis and reports are made to the Management Committee. Concern over long delays of project funds were expressed. The VAT remains unpaid by the Ukrainian authorities and work towards this resolution is continuing. Additional funding support by the supporting Governments was presented and the activity of a new work plan process with the USA was outlined.

The major activities of the STCU were outlined such as the work on the 1997 Annual Report, the results of the 1997 audit, the activity on the ratification of the STCU charter by Parliament, and new STCU projects.

Details were presented and distributed on the business trips carried out by the Executive Director.

Significant issues were outlined in detail such as problem projects, the Partner Project Approval Process, and the EU Accession. The selection of the new Chief Financial Officer was also presented.

On reporting on new developments, Mr. Owsiacki reported that Uzbekistan and Georgia have completed the administrative requirements and are full members of the STCU. Canada has indicated a strong interest in funding projects through the STCU regarding land mine detection and destruction. Japan has indicated that they are prepared to fund projects at the June 1998 Board meeting. As a result, a process for non-party government contributions is being developed. The Republic of Korea has indicated an interest in the STCU. A new process has been implemented on the project flow through.

In conclusion, Leo Owsiacki presented the current project status and activities and presented the statistics on the project pipeline, regular funded projects, 5th Governing Board approved projects, and the Partner Projects approved at the 5th Governing Board.

Dr. Boright congratulated Leo Owsiacki on a most thorough report. During the discussion that followed, it was confirmed that the STCU could be a vehicle for any joint Canadian/Swedish activity on potential land mine projects.

REPORT FROM THE SECRETARIAT

Arthur DuCharme presented his report on the staff training program to be held with the University of New Mexico in Albuquerque USA. The detailed curriculum and advantages to staff in upgrading were discussed. In addition, the staff training program in Sweden was also presented.

The budget of \$20,212 US for the two training trips of 13 STCU officers was approved by the Board.

Arthur DuCharme continued with his report on the status of the three STCU field offices and their changing roles. In general, the field offices have been a tremendous help to the organization and the changing roles are to have the field personnel share in the work carried out by Project Officers.

A break from the agenda was approved and the chairman, Dr. Boright introduced the Georgian Ambassador to Ukraine, Valery Chechelashvili. The Ambassador addressed the Board and presented greetings from the Government of Georgia. He thanked the Board for giving Georgia the opportunity to be part of the STCU and looked forward to future cooperation on scientific projects.

Arthur DuCharme continued with his report on the IP developments and issues. He explained that as a consequence of activities since the last Board meeting, the Secretariat has prepared a proposal for the STCU under the title "Patent and IPR Protection for STCU Project Participation". The proposal details were presented to the Board.

The proposed project "Patent and IPR Protection for STCU Project Participants" was approved by the Board.

Bill Luke presented a report on the consolidation of the position of Chief Administrative Officer with the position of Chief Financial Officer.

Frantisek Janouch presented a report on the STCU implementation of a project screening process. As a consequence, it is expected that the backlog of projects on hand can be quickly reviewed and that a call for new proposals may be required in the spring of 1999.

The screening process as presented was approved by the Board.

Arthur DuCharme presented a report on the Partner Program and its activity since the last Board meeting. Data showing project implementation was presented as well as information on the Ukrainian Government concurrence process. Details were also presented on the "piggy-back" partner project concept and how it can work with current projects.

Frantisek Janouch presented a short report on the activity of the Swedish Travel Fund. He further presented the details on the STCU "Travel Grant Fund for Ukrainian Scientists" proposal. This project is to assist Ukrainian scientists who are involved with approved projects or in the development of new proposals to travel to the U.S. and Canada.

The proposed approximately \$20,000 project "Travel Grant Fund for Ukrainian Scientists" was approved by the Board.

Leo Owsiacki gave a report to the Board on issues connected with immunities and privileges accorded the expatriate staff of the STCU. The Executive Director requested the assistance of participating countries through their Embassies to "convince" the Ministry of Foreign Affairs to provide the immunities and privileges as outlined in the STCU agreement.

Frantisek Janouch made a presentation on the status of the 1997 STCU Annual Report. Two sample copies were displayed and it was reported that the 136 page document will be completed by June 23, 1998 for distribution to the Parties.

NEW APPROVALS

Dr. Boright opened the discussion on approvals of new STCU Partners and Partner activities. Jim Noble presented the profiles of three US firms for Partner considerations. These firms are as follows:

Consortium Service Management Group (CSMG)

VEECO

Lawrence Livermore National Laboratory

Ambassador Hallqvist presented the profile of a German firm - Ultrasonics Steckmann GMBH - for Partner consideration.

Jim Noble presented FED Corporation and its proposed activities with Ukrainian scientists.

The Board approved all submitted partners and partner activities.

Jim Noble presented a document outlining a proposal for STCU Sponsors - participation by non-Party governments. The document outlined procedures for non-Party governments in sponsoring projects or activities through the STCU.

The Board approved the proposal and its procedures.

Ambassador Kurakowa of the Japanese Embassy in Kyiv addressed the Board. He indicated his pleasure in announcing on behalf of the Japanese Government that Japan will be supporting four projects at this Board meeting and will be contributing \$300,000 US to these projects. He stated Japan's position in the conversion process principle in the STCU mandate, and towards the non-proliferation of nuclear weapons throughout the world. He closed by thanking the STCU Secretariat and the Donor Parties for working towards a compromise which would allow Japan's participation in the STCU.

Dr. Bar'yakhtar thanked the Japanese Ambassador on behalf of the Board and Ukrainian scientists.

FUTURE CONSIDERATIONS

Dr. Gambier made a short presentation on the status of the European Community accession. He indicated his optimism that activities will result in a formal application within the near future. He further thanked Sweden for their cooperation and support during this transition.

A general discussion was carried out on the topic of establishing a vision statement for future strategic planning. It was concluded that more time would be required by the Board to deal with this issue.

FINANCIAL TOPICS

Bill Luke presented an update on various financial topics.

He reported that in restructuring the system of holding project moneys in Ukraine, approximately one million US dollars was diverted from being held in the Ukrainian bank to being held at Banker's Trust. He further reported on the interest generated from the diversion.

The results of the 1997 Audit carried out by the Defense Contract Audit Agency were presented and discussed. It was reported that the audit was satisfactory with no serious problems encountered. Further, it was reported that the agency is prepared to carry out the 1998 audit at no cost to the STCU.

The Board approved the Defense Contract Audit Agency as the auditors for the STCU for 1998.

Bill Luke continued in reporting that the 1998 expenditures to date were under what was originally established and that projections indicated that the year may result in the STCU being slightly under budget.

The problem of recovering the VAT from the Ukrainian Government was discussed and it was decided that the Secretariat should prepare an action plan to be supported by the Donor Parties to attempt to obtain the refund.

Tuesday, June 9, 1998

PROJECT APPROVAL AND FUNDING

Dr. Boright was obliged to leave the meeting because of other commitments.. Ambassador Hallqvist was approved by the Board as chairman and the Board meeting continued.

Ambassador Hallqvist opened the project approval and funding portion of the meeting.

Leo Owsiacki read out the approved new projects totaling 31 which resulted in a total grant value of \$3,647,454 US. Ambassador Hallqvist moved to have the project funding approved. The Board approved the motion.

Leo Owsiacki then presented the Partner Project Funding Table to the Board which summarized the activity of the STCU approved Partners. The table identified 4 project activities resulting in a funding package of \$361,050 US. The Board approved the presented Partnering (Project) Activity.

FINAL TOPICS

Ambassador Hallqvist opened discussions on the date of the next Board of Governors Meeting. It was agreed by the Board members that the 7th Board of Governors Meeting be held on December 7 - 11, 1998.

The Press Statement was circulated and following minor changes approved by the Board for appropriate distribution.

Ambassador Hallqvist then opened the meeting for concluding remarks.

Yuri Dotsenko, First Deputy Minister, Ministry of Science and Technology Affairs of Ukraine, presented greetings to the Board on behalf of his Minister. He indicated that his ministry is fully interested in the ongoing development of the STCU and will assist in any way possible to its sustainability and growth.

Anatoly Shevtsov, Executive Director, National Institute of Strategic Studies of Ukraine, gave greetings on behalf of the National Security Council of Ukraine of which he is a member. He indicated his administration's wish to work closely together with the STCU in its growth and development.

Gennadiy Myroniuk, gave greetings on behalf of the Cabinet of Ministers of Ukraine indicating that his office will continue to pursue the ratification of the STCU agreement.

Jerkyn Zahidov, chairman of the Uzbekistan State Committee for International Relations, greeted the Board on behalf of the Minister of Foreign Affairs of Uzbekistan and expressed his wish for ongoing cooperative project activity with the STCU.

Amarin Bejuashvili, representing the Embassy of Georgia, thanked the Board for the opportunity to participate in the meeting and looked forward to future activity with the STCU.

Ambassador Hallqvist, on behalf of Sweden, extended sincere thanks to John Boright for his council and chairmanship of the Board Meetings; Emil Baran for being the "local" North American representative, Victor Ba'yakhtar for his valuable assistance in Ukrainian matters; the Funding Partners - Canada and the United States of America for their full cooperation with Sweden over the past several years on the STCU development; the Advisory Committee for their administrative support as representatives of the Funding Parties; Leo Owsjacki, the current Executive Director, for his new initiatives; Professor Ostap Hawaleshka, the former Executive Director, for his ability to pioneer and establish the activity of the Center; and the staff of the STCU for their dedication and hard work. He further indicated that he was glad to see the STCU grow with the demonstrated interest from Uzbekistan, Georgia, Japan, and Europe. In conclusion, Ambassador Hallqvist, on behalf of Sweden, thanked Tor Larsson for his dedicated work to the STCU and Frantisek Janouch as Sweden's Deputy Executive Director at the Center.

Dr. Ba'yakhtar thanked Ambassador Hallqvist for his invaluable assistance in the establishment of the STCU from its conception.

Ambassador Hallqvist adjourned the Sixth Meeting of the Governing Board at 12:30 P.M..