

# EXECUTIVE DIRECTOR'S REPORT ON STCU ACTIVITIES

## 11<sup>TH</sup> BOARD (December 7, 2000)

### GENERAL COMMENTS

Several remaining outstanding issues were resolved in the second half of 2000 and reflected a continuation of the positive impacts from working closely with the support of the MFA in Ukraine. These positive developments continue to demonstrate that Ukraine is serious about their obligations and commitments and may in fact be a general reflection of the long awaited economic and structural reforms beginning to take place.

Following the successful completion of the 10th Board meeting in June (a record 48 regular projects approved) where over US\$ 6.7 million + Euro 1.4 million was committed to regular projects, a special EU nuclear safety project and partner projects, work continued on many initiatives, in addition to the normal post-Board activities.

Although the Secretariat continues to deal with the many every-day problems which make-up the regular activities of the Center, all new initiatives and project implementation have been effectively carried out and continue to be carried out in a business-as-usual manner. The Secretariat and Center staff performed at a high professional level throughout the year and not only completed all planned activities related to their normal operations but also successfully expanded and continued several major initiatives.

The Center project budgets are expanding at an accelerated rate, as year 2000 cash flows exceeded US\$ 10 million. In addition, over US\$1million in new Partner projects were signed in just the past 5 months.

### ACTIVITIES RELATED TO STAFF

An Advisory Committee meeting was organized in Kyiv on May 31, 2000, coincidentally with the 10<sup>th</sup> Governing Board meeting held on June 1. Following the meetings, delegates were provided tours at Chernihiv Center Obriv and at the Institute of Semiconductors where participants were shown results of Project #637, High Content Liquid Displays with a Memory.

The EU finalized selection of a new Deputy Executive Director. Esa Manninen of Finland was chosen and formerly approved at the end of August by the Executive Director and Governing Board. His contract began as of August 28, 2000, and following a three-week transition period with the previous DED, he officially began his duties on Sep.18.

Six new conferences with the Institute for Problems of Material Science, Kyiv; Institute of Hydromechanics, Kyiv; Kharkiv Institute of Physics and Technology (2), Kharkiv; State Scientific and Research Institute of Information Infrastructure, Lviv; and Heat Physics Department of Uzbek Academy of Sciences, Tashkent have been supported since the last report to bring the total for this year to seventeen.

The training program for STCU staff for year 2000 was recently completed. Since June, P.Melinik-Melnikov, the Sustainability Group Project Coordinator completed a one-week training course in Wheeling, WV, USA, to learn new aspects of technology commercialization, technology licensing and technology assessment to strengthen his abilities in his position. Administrative staff including J.Dmytrieva, E.Pustovoiit and T.Nychyperovych received important western exposure and training in their areas of responsibility for the first time, in the USA and UK. Professional Development conferences were attended by four project coordinators in Poland, the USA, Germany and the Netherlands, which helped to enhance the delivery of duties in their respective specialties and to maintain their level of knowledge in specific scientific fields.

With the departure of the STCU Partner Program accountant, Anatoly Ignatusha, internal competitions were held to fill resulting vacancies. Boris Rovinski was selected as the new Partner Program accountant, while Vladislava Zolotareva was hired as a new Project Accountant. Sveta Radzievskaya's training & development position as Receptionist was converted to permanent status and driver co-ordination duties transferred to the Administrative Group. On Dec.18, Zoya Turkovska will go on

maternity leave and will be replaced by Ekaterina Kozura, previously interviewed and hired as a STCU Temp.

An Advisory Committee meeting was hosted by the EU in Paris on September 23, 2000. The Secretariat was represented by the ED, new DED (EU) and CFO.

2 student interns, both women, were hired to assist with Center activities during summer vacation season and completed their terms at the end of August.

A family day boat cruise and picnic was held for staff on Jun.17; a family day at the football park was held on Sep.19; and a family picnic was held for staff on Sep.30 at a local sanitarium on the Dnipro River as part of the Center's morale boosting efforts.

An overnight Executive retreat was held for the first time for STCU management to discuss strengths and weaknesses of the Center, a re-organization of the Center and changes to Deputy responsibilities.

## EXECUTIVE ACTIVITIES

### Presentations/Meetings

Management staff, Technical and Financial Groups held an information presentation at STCU for Ukrainian National Space Agency Project Managers, Jul. 11

Management staff provided a briefing on STCU and its activities for Japanese Ambassador H. Honda, Kyiv, Aug.30

ED provided the opening address to the 6<sup>th</sup> STCU course for project participants "**How to Commercialize and Develop Innovations**", Kyiv, Sep.4

ED and Senior DED visited Ternopil State Technical University and Ternopil Academy of the National Economy to discuss project proposals and Partner opportunities; ED made a presentation to the 2<sup>nd</sup> **International Smakula Symposium "Fundamental and Applied Problems of Modern Physics"**, Ternopil, Sep.7

ED met with Turkish Ambassador Karaosmanoglu in a preliminary discussion to apprise him of STCU and its role in non-proliferation, Kyiv, Sep.12

ED and Senior DED met with Mr. Chalji, First Deputy Minister of Foreign Affairs, Ukraine and staff; Ambassador S.Pifer; USA; Ambassador D. Fraser, Canada; Ambassador P.Fieschi, France; and Counselor D.Ginglaris, EC, to discuss progress on Ukrainian issues, Kyiv, Sep.13

ED, Senior DED & DED (EU) attended international conference **Plasma Physics & Controlled Fusion** where ED made a presentation "STCU Contributions to Science and Plasma Physics" and introduced new DED (EU) to participants, Alushta, Sep.15

ED, Senior DED & DED (EU) attended international conference **Materials For Extreme Environments Performance and Ecologically Safe Technologies for Their Production & Utilization** where ED made a presentation "STCU Contributions to Science and New Materials & Coatings" and introduced new DED (EU) to participants, Ponizovka, Sep.18

Management staff provided a briefing on STCU and its activities for Canadian Minister of International Cooperation, the Honourable M.Minna; Canadian Ambassador D.Fraser; CIDA VP Eastern Europe, P.Daniel; Federal Members of Parliament, M.Solberg and Mme P.Picard; and Canadian Embassy staff, Kyiv, Sep.27

ED and DED (USA) attended NATO Round Table Discussion "NATO-Ukraine cooperation", Kyiv, Oct.5

ED and Senior DED attended a Parliamentary Committee on Finance and Bank Policy meeting in support of Mr.Yatskiv (Ministry of Science & Education) who was responding to questions with respect to the ratification of the STCU Agreement, Oct.10

ED and Senior DED attended a Parliamentary Committee on Foreign Affairs meeting in support of Mr. Dotsenko (Ministry of Science & Education) who was responding to questions with respect to the ratification of the STCU Agreement, Oct.18

Management staff provided a briefing on STCU and its activities for 3 representatives of the USA's Embassy staff, including USA AID Director of Office of Economic Restructuring, Oct.23

Management staff provided a briefing on STCU and its activities for 3 representatives of DOE's Kansas City Plant (and Honeywell), Oct.27

Management staff provided a briefing on STCU and its activities for new USA Ambassador Pascual, Kyiv, Nov.29

### Executive Trips

ED and Senior DED met with Moldavian MFA and parliamentary representatives to discuss possible accession of Moldova to STCU, Kishinau, Moldova, Jun.5

ED visited STCU projects at Institute of Physical Optics, Institute for Condensed Matter Physics, Institute of Geology and Geochemistry, and Lviv Center of Institute of Space Research, Lviv, Jun.21

ED visited STCU projects at Institute of Electron Physics and Institute of Solid-State Physics & Chemistry, Uzhhorod, Jun.29

ED and Senior DED met with the President of Marmara Research Center and Institute Directors, where ED made a presentation describing STCU and its activities, Istanbul, Turkey, Nov.23

### ISSUES

#### Banking Update

On August 17, 2000, STCU appeared in City Arbitration Court in defense of its claim for **State Joint Stock Specialized Import Export Bank of Ukraine (Ukrspetsimpex Bank)** to repay final amounts owing from debts. The bank filed several objections to the claim, the principal one being that they never "officially" received the order to transfer STCU funds on the proper "official" form (despite dozens of attempts to get them to receive our order and stamp it, they refused - nothing we could do to force them to accept it). The court first ruled that STCU's change in status had no bearing on the claim. STCU was requested to provide all original orders and return to court for a hearing on Sep.12, 2000. The defendants were requested to try and come up with an out-of-court settlement and to re-appear on Sep.18. On Sep.13, STCU received a proposal to consider from the bank and determined it was not sufficient. A counter proposal was provided to bank representatives and not accepted. On Sep.18, the court ruled in favour of STCU and its full claims against **Ukrspetsimpex Bank** and ordered the bank to repay final amounts owing from debts. The bank filed an appeal of this decision. When appropriate documents (provided by First Ukrainian Int'l Bank) were delivered to the NBU to garnishee accounts, they were returned for "errors". Documents have been revised and delivered again to the NBU although now no actions will be taken until a ruling on the appeal, which is expected in December.

#### Building/ Rent Update

On June 1, the STCU Governing Board determined that it was not appropriate for STCU to renew its involvement with the building issue through independent legal avenues. The First Deputy Minister of MFA was strongly encouraged to continue to assist STCU and to resolve this issue. On Sep.13, a progress meeting was held with Ambassador's and Mr.Chalij to further discuss this issue. In the end, the Ambassador's requested a diplomatic note re-affirming Ukraine's obligations to provide the facility. Mr. Chalij agreed to consider the possibility and indicated he would deal with the Canadian Ambassador as the principal contact on the form and content of this note. Unfortunately, this note has not yet been delivered. On Nov.3, STCU was unofficially advised of the status of the building situation by MFA representatives and urged to take legal steps as previously in June. The ED officially wrote Mr.Chalij and requested an update in order to inform and advise the upcoming Board meeting. No official response has been received to Nov.30.

### Re-registration of STCU as a Diplomatic Mission

Despite earlier being assured by MFA that STCU was de-registered as a local entity with the Ministry of Statistics, it was discovered that this in fact was not the case. Two months of additional work by STCU and MFA representatives finally resulted in written de-registration of STCU as a Ukrainian resident organization. The supporting documentation was delivered to tax, bank and customs authorities and helped to resolve final outstanding issues with these organizations. **This issue is now considered resolved.**

### Customs Delays

More than 18 project items were held up since April, 2000 while MFA worked together with STCU to establish new procedures for customs clearance. On July 22, 2000, a concise letter was delivered from the Deputy Minister of Justice to the Head of Customs supporting immediate resolution as per the terms of the Agreement. Rather than proceeding to expedite the process, Customs requested the opinion of the Cabinet of Minister's legal staff. On Aug.29, a letter from the Deputy Head of Customs was received by STCU providing for "temporary" registration of the new procedures. Following another month of intense effort, STCU was finally successful on Sep.22 and since this time customs clearance has been working smoothly. **This issue is now considered to be resolved.**

### Actions in regard to Currency Exchange Differences

As expected, EU projects financed from the 7<sup>th</sup> and 8<sup>th</sup> Boards were once again subjected to a budget reduction because of currency exchange differences. This time, the amounts were so large (\$252,000) that steps previously taken by the Center would not significantly change the impacts. An information session was again held for project managers on Nov.8 and budgets were reduced by appropriate amounts (total lost now \$314,000). Ninth Board projects were affected for the first time although through a combination of travel grant replacement, plus interest on EU project accounts and project budget management, the effects were minimized. This represents the final losses to Board 7 & 8 projects. A final reduction may be required for Board 9 projects next year. This will end the possibility of exchange rate losses. **This issue is now considered resolved.**

### Project #1248

Following receipt of an anonymous letter claiming various inappropriate activities by the Project Manager, STCU management carried out a deep audit in an attempt to confirm the allegations. Most accusations were not verifiable. However, it was determined that the Project Manager was inappropriately claiming work time during a four-month period of hospitalization and sick leave. The Director of the Institute was informed and appropriate penalties and disciplinary actions taken by the STCU. **This issue is now considered resolved.**

## MAJOR ACTIVITIES

### Database Project

The STCU continues to work on a major re-configuration of its databases. Presently, all databases have been rationalized and internet access prepared. In the next few months, security access to the information will be developed and the first phase of implementation completed.

### Nuclear Safety (formerly Y2K) Project

Contracts were received and signed by TACIS and STCU in early September for implementation of Addenda C work plans of the original 1999 STCU Y2K Program. Eighty percent of a total of 700,000 euro was received from the EU in October to complete remaining secondary nuclear safety remediation (Addenda C). Effective implementation was unfortunately delayed due to confusion within TACIS with respect to STCU purchasing requirements. Tenders for major computer purchases have now been advertised and work started at the NPP's.

## 1999 Audit

The 1999 audit has been completed and no significant issues were identified. Those minor items identified by auditors for actions have been addressed and where deemed appropriate, changes implemented. One item had significant cost ramifications to the Center and was discussed in detail at the September AC meeting. The STCU ED recommended that this one suggested item not be implemented at this time and the AC concurred.

## NEW DEVELOPMENTS

### Other Governments

**Japan's** Ambassador Honda visited the Center for the first time and was briefed on activities. He was requested to support the many strong Japanese-supported proposals forwarded to the Embassy and Tokyo for this Board.

The ED met with **Turkish** Ambassador A.Karaosmanoglu and provided a brief description of STCU's activities and broached the possibility of Turkey considering becoming a funding Party. The Ambassador was quite interested and it was agreed that the next step would involve the ED directly contacting the Marmara Research Center (of the Scientific and Technical Council of Turkey) to inform them of our role in science & technology as well as officially providing the Ambassador with more detailed information about the Center and accession procedures, which he would forward to Turkey. The ED and Senior DED traveled to Turkey on Nov.23 and presented STCU information to the Marmara Research Center as well as meeting and exchanging information with various representatives.

The ED and Senior DED visited **Moldova** and met with representatives of the Science Committee and Ministry of Foreign Affairs, as well as several institutes immediately following the June Board. All seemed anxious to join the Center but the remaining stumbling block seems to be the lack of appropriate legislation to allow for tax and customs duty-free activities. Government officials were optimistic that these issues would soon be resolved. A letter from the Chairman of the High Council for Science & Technological Development and the Chairman of the Commission for Culture, Science, Education and Mass-media of the Parliament was received on Nov.11 confirming interest and stating that work has begun on acceding to the Agreement in accordance with legislation of the Republic of Moldova.

On Sep.21, letters were delivered to the ED from the **Tajikistan** Minister of Foreign Affairs and Minister of Science (also President Academy of Sciences) requesting accession to STCU. Parties were immediately informed. Since this time, the USA, Canada and EU have supported an exploratory visit to exchange information by the ED to Tajikistan. A reply was sent to the Tajikistan Minister of Foreign Affairs and Minister of Science (also President Academy of Sciences) requesting a visit in early 2001.

Plans to establish Information Offices in **Uzbekistan** and **Georgia** are underway. Prior to finalizing agreements, the governments have been requested to provide appropriate documents confirming diplomatic privileges, customs clearance and tax exemptions, as per the Agreement. It has been made clear that when these documents are received, the offices will open. The government of Georgia on Nov.16 delivered diplomatic cards for each STCU Executive staff. The STCU is now preparing for an official delegation to visit Tbilisi to open the Information Office and expects to do so in late January.

### Sustainability Group Activities

Three "How to Commercialize Innovations" intensive workshops were provided by STCU and the International Center of Privatization, Investment and Management in Kyiv and Lviv in September and in Kharkiv in mid-December.

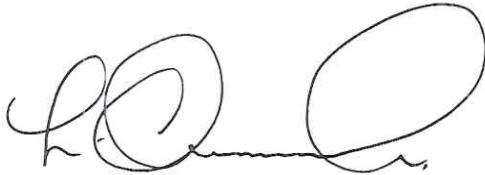
An "Intellectual Property Rights" seminar was successfully provided by STCU and the Uzbekistan Patent Office in Tashkent, Uzbekistan, Oct.3. The seminar was received with great interest and fully attended.

Ten new *partners* have been introduced since May, including AECL Chalk River Laboratories, Canada and Vansco Electronics Ltd., Canada; A.STUCKI Co., USA, K+S Services Inc.USA, and National Aeronautics Space Administration, USA; Warwick University, UK, Institute for Protection and Nuclear Safety (ISPN), France, HBS Bolzenschweiss-Systeme GmbH & Co.KG, Germany, Gesellschaft fur Anlagenund (GRS) mbH, Germany, and IMG (Institute fur Maschinen, Antriebe und elektronische Geratetechnik gGmbH), Germany.

Seven new *partner project contracts* were also signed with J.J.MacKay Canada Ltd. (P-046), Canada; General Electric (P-052), EOARD (P-060), and A.Stucki Co. (P-063), USA, Max-Planck Institute of Plasmaphysics (P-054), Germany, Aerosensing Radar-Systeme GmbH, Germany (P-050), and HBS Bolzenschwei-Systeme GmbH & Co.KG, Germany (P-059) for a total of \$627,140. In addition, three existing partner project contracts were extended with National Cancer Institute (P-003b) & (P-004b), USA, and Max-Planck Institute of Plasmaphysics (P-034a), Germany for a total of \$449,438.

#### **De-Registration of Projects**

Projects from the First and Second Calls which have been outstanding for several years were warned of de-registration. As a result, following a generous deadline, 10 were de-registered.

A handwritten signature in black ink, appearing to read 'Leo Owsjacki', with a large, stylized flourish at the end.

Leo Owsjacki  
Executive Director  
November 30, 2000

**PROJECT PIPELINE**

**PROPOSALS ABROAD FOR 11<sup>TH</sup> BOARD REVIEW**

*NUMBER OF PROPOSALS REMAINING FROM THE FIRST 10 GOVERNING  
BOARDS AND PRESENTLY UNDER EXTERNAL REVIEW (USA) 251*  
[1 - 3<sup>rd</sup> Brd.; 3 - 5<sup>th</sup> Brd.; 1 - 6<sup>th</sup> Brd.; 5 - 7<sup>th</sup> Brd.; 7 - 8<sup>th</sup> Brd.; 36 - 9<sup>th</sup> Brd.  
198 - 10<sup>th</sup> Brd.]

*NUMBER OF PROPOSALS REMAINING FROM THE FIRST 10 GOVERNING  
BOARDS AND PRESENTLY UNDER EXTERNAL REVIEW (EU) 24*  
[6 - 9<sup>th</sup> Brd.; 18 - 10<sup>th</sup> Brd.]

*NUMBER OF PROPOSALS SENT ABROAD FOR THE 11<sup>th</sup> BOARD (EU+USA) 220*

***SUBTOTAL (USA) 471***

***SUBTOTAL (EU) 244***

***SUBTOTAL (CANADA) 209***

*PROPOSALS REMAINING FROM THE 1<sup>st</sup> & 2<sup>nd</sup> CALLS AT STCU  
BEING PREPARED FOR THE 12<sup>TH</sup> BOARD 6*

**STATUS OF PROPOSALS FROM THE 3<sup>RD</sup> CALL**

*PROPOSALS SENT FOR EXTERNAL REVIEW (9<sup>th</sup>+10<sup>th</sup>+11<sup>th</sup>+12<sup>th</sup> Boards) 491*

*NUMBER OF PROPOSALS AT STCU UNDER PREPARATION 487*

*SUBTOTAL 978*

*PRESENTLY UNDER REVIEW BY THE COMMITTEE OF SCIENCE 12*

**STATUS OF REGULAR FUNDED PROJECTS (YEAR-TO-DATE)**

*TOTAL REGULAR PROJECTS FINANCED 294*

*ACTIVE REGULAR PROJECTS AS OF DEC 31/00 150*

*NUMBER OF REGULAR PROJECTS COMPLETED TO DEC 31/00 144*

**STATUS OF PREVIOUS BOARD APPROVED REGULAR PROJECTS**

*CONTRACTS FROM THE 9<sup>TH</sup> BOARD AWAITING WORKPLAN APPROVAL 3*

*CONTRACTS FROM THE 9<sup>TH</sup> BOARD AT STCU UNDER PREPARATION 1*

*CONTRACTS FROM THE 10<sup>TH</sup> BOARD AWAITING WORKPLAN APPROVAL 12*

*CONTRACTS FROM THE 10<sup>TH</sup> BOARD UNDER PREPARATION AT STCU 20*

*CONTRACTS FROM THE 10<sup>TH</sup> BOARD AWAITING ED SIGNATURE 16*