



Executive Director Report

(Reporting Period: 15 June 2008 to 1 November 2008)

Major Issues

STCU Headquarters Building Situation.

On 17 June 2008, electrical service was restored to the 21 Kamenyariv Street building after the Landlord received his rental and utility funds from the Ministry of Education and Science and paid the outstanding electricity bill. Upon confirmation that the lease agreement was in force for the rest of 2008, and that all outstanding debts had been paid, the Executive Director lifted the Force Majeure suspension on 19 June. STCU resumed full office operations by the end of June, and approximately 130 suspended Ukrainian projects were re-activated. Most of the project managers of these suspended projects filed amendments for no-cost extensions of 2 months, to adjust their project schedules for the Force Majeure suspension period.

The Ukrainian Cabinet of Minister instructed the Ministry of Education and Science to re-locate STCU to new, government-controlled offices by the beginning of 2009. The Ukrainian Ministry of Education and Science and Kyiv Polytechnic Institute (KPI) proposed a plan to move STCU to temporary facilities on the KPI campus in January 2009, while a brand new office building (also at KPI) was constructed during 2009 to 2011/12, and into which STCU would be moved permanently.

The 26th GBM endorsed the idea of moving STCU to the new, permanent location at KPI once the new building was ready, but rejected the offered temporary KPI premises as not suitable for an intergovernmental organization with diplomatic status. The GB requested that the Ukrainian Party seek an extension of the Kamenyariv lease, or else find more suitable office premises (ready for immediate occupancy). This GB decision was reinforced to the Ukrainian Government via a 2 July 2008 letter from the Canadian, European Commission Delegation, and United States ambassadors to the Vice Prime Minister of Ukraine, as well as in a separate letter from the STCU GB Chairman to the Ukrainian GB member and to the Ministry of Education & Science.

However, in the ensuing summer months, the Ukrainian Government did not change its position. On 27 August, Dr. M. Strikha (First Deputy Minister of Education & Science) presented to the STCU with the same proposed temporary office location that was offered earlier (and rejected) by the STCU Governing Board. Mr. Strikha emphasized that the Ukrainian side had worked hard on interior renovation plans for these temporary premises so that the premises met as many of the STCU Basic Office Premises Requirements as possible, and explained that while not ideal, it was the only "realistic" option the Ministry could offer to STCU until the new permanent facility was built.

On 9 September, a diplomatic note from the Ukrainian MFA was received by the Canadian, EC, and U.S. missions, explaining the Ukrainian Government position on its offered permanent and temporary premises for STCU and requesting a response. In response, the three Funding Parties issued individual demarches, again rejecting the offered temporary premises for the same reasons given in the 26th Governing Board Record of Decisions. But the demarches emphasized the Funding Parties' desire to develop alternative options with the Ukrainian party so that a mutually satisfactory solution could be reached. The primary consideration, however, was that any facility that the Ukrainian side offered for STCU had to be at an equivalent level of suitability as the STCU's current 21 Kamenyariv building.



The European Commission was the first of the Funding Parties to issue its response demarche to the Ukrainian MFA (on 9 October), followed by a U.S. demarche from the U.S. Ambassador to Vice Prime Minister Nemyria during the around 23 October. While it is early, the verbal response from VPM Nemyria to the U.S. Ambassador Taylor was that the Ukrainian side was aware of the short-comings of the temporary premises, but that the Ukrainian focus rested more on the new permanent location as the ultimate solution.

Uzbek Situation

There has been no change in the STCU situation in Uzbekistan. The Economic Counselor from the Uzbek Embassy in Ukraine recently invited STCU DED Vic Korsun to discuss general commercialization topics, and Korsun used the opportunity to promote STCU proposals on informal technology transfer/IPR round-table meeting with scientists and government officials in Uzbekistan. But the Uzbek Embassy later informed DED Korsun that Uzbekistan could not approve such an activity at this time.

As 18 September, there were 14 active STCU projects involving Uzbek scientists; 9 Regular and 5 Partner Projects, totaling nearly US\$3.59 million and €400,000. Four of which are Ukrainian-Uzbek joint projects and one is a Georgian-Uzbek project. Six Uzbek projects (4 Regular and 2 Partner Projects, together totaling approximately US\$1.13 million and €130,000) remain in "Funded-Suspended" status due to the Uzbek authorities not allowing project funds to be transferred to the Uzbek project participants. If nothing changes, by the end of 2008 there will be roughly 8-9 active projects in Uzbekistan, with the last Uzbek project ending in September 2009. The STCU Regional Office in Uzbekistan reports that the Uzbek scientific community remains fully supportive of STCU activities, but that the higher levels of the Uzbek government have not changed their position on STCU. The STCU Regional Officer did report that it appears projects from similar organizations, such as the U.S. Civilian Research and Development Foundation (CRDF) were receiving Uzbek government concurrence, although there are very few of these projects and they appear to experience the same level of government scrutiny (and bureaucratic delays) as STCU experiences.

The STCU Information Office remains open but without a renewed agreement with the Uzbek Academy of Sciences to use their premises for this STCU office. Also, the STCU Internet Web Site still appears to be blocked within Uzbekistan.

Other Outstanding Party Issues

Status of Replacement for Ukrainian Deputy Executive Director. On 16 October, the Ukrainian Government sent to the STCU Executive Director a letter officially nominating Dr. Igor V. Lytvynov as the next Senior Deputy Executive Director (Ukraine) for STCU. The Executive Director forwarded this letter and a copy of Dr. Lytvynov's CV to the Parties for review and consideration.

Ukrainian MinEdScience Funds Held by STCU. No further news on a final resolution on the MES 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 US\$139,000 that the Ministry would provide in compensation for past rental payments by the STCU Parties. The Ukrainian GB member has reminded MES officials about these funds, but both he and the STCU Secretariat continue to wait for further communication from the Ukrainian government about these remaining MES funds.

Ukrainian Ratification of STCU Agreement: No further progress has been made regarding 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, which is the 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 with the Department of Legal Agreements of MFA for official certification. On the margins of the June 2008 Governing Board, letter from STCU was given to the Deputy Ministry of Education & Science M. Strikha, requesting the Ministry's assistance in pushing the Ukrainian Government on this issue. However, with the dissolution of the Ukrainian government and Parliament in September, and with the likelihood of new governmental elections in December, there is less chance that the MFA will be responsive to our requests.

Current Activities

Institute Sustainability Program Update

The STCU kicked-off its Institute Sustainability Program with a pilot phase that included 10 Ukrainian institutes selected by STCU. Some meetings were held in mid-September between STCU, the external consultant (University of Missouri's Institute for Technology Commercialization) and the invited institutes to begin the process of developing sustainability plan proposals. Institutes are now developing first drafts of their proposals for preliminary review in the first part of November, with a submission of the final full proposals to the Funding Parties planned for January 2009.

Targeted R&D Initiatives Activity Update

Azerbaijan. The current round of the Azeri Targeted Initiatives Program, which commenced on 10 July with a call for proposals, progressed through the proposal submission stage. By the beginning of October, 11 Full Form proposals were posted to the STCU web site for Funding Party review and decisions at the 27th GBM.

Moldova. In July 2008, DED (Canada) Landis Henry traveled to Chisinau to attempt to complete negotiation on an inaugural STCU-Moldovan Targeted Initiative program. However, during this trip, the President of the Academy of Sciences of Moldova (Dr. G. Duca) raised an objection to the process used by STCU, whereby the Academy screens the submitted proposals in order to meet the mutually agreed ceiling on the number of TI proposals sent to the STCU Parties. This new, last-minute objection derailed the process, and given the short amount of time left in the Moldovan fiscal year, the Academy asked that start-up of an STCU-Moldovan Targeted Initiative be postponed until 2009. In the interim, DED Henry will continue to work with the Moldovan Academy of Sciences to resolve this latest concern from the Academy's President.

Ukraine and Georgia. The next Ukrainian and Georgian Targeted Initiative rounds are due to start in November with calls for proposals. In light of the Funding Party statements about moving proposal cut-off dates further back from GBM dates, there is an increased urgency on kicking-off the Ukrainian/Georgian rounds in November.

However, there also is a growing feeling from the Funding Parties that the Targeted Initiatives program approach needs to change, and become more focused on collaborative research that is directly linked to the STCU nonproliferation objectives. There is also the evolution of the entire STCU approach to the project submission process that is currently reflected in the draft STCU strategic planning document, which could cause major changes in the Targeted R&D Initiatives program. With all this uncertainty, there is a question on how to handle the upcoming Ukrainian and Georgian Targeted Initiative rounds.

STCU Performance Surveys and Data Gathering



STCU's Performance Evaluation Officer completed a preliminary draft of the 2007 version of our Annual Institute Survey. The preliminary data appears to show no significant change in the percentage of Recipient Party institutes/technical units that have achieved a level of "self sustainable activity": in 2007, approximately 40% of surveyed units were judged to meet the "sustainable" level, compared to approximately 44% in 2006. Also, there was no significant change in the distribution of funding sources: in both 2006 and 2007, institutes/technical units reported receiving approximately 50% of their funding from their national governments, approximately 36-38% from STCU grants, approximately 6-9% from commercial sources, and approximately 3-8% from other non-governmental sources. Finally, although the Recipient Party institutes showed a general increase in international collaborations and scientific publications, the involvement of STCU in promoting these activities fell. These results may call into question the STCU's ability to influence the general situation of its Recipient Party entities (or indeed whether STCU will ever be able to influence these factors) at the current level of STCU program activity and in the current Recipient Party environments.

Partner Program/Sustainability Activity

According to the rate of new Partner Projects commenced and the number of Partner Project proposals under preparation for approval at the 27th GBM, STCU estimates that there will be less new Partner Project funding in 2008, as compared to past years. STCU projects that approximately US\$7 million (USD equivalent) in new Partner Projects will be approved for all of 2008, the lowest total since 2005 and a 25% reduction from last year's total of US\$9.41 million (USD equivalent). This also extends the reduction in annual Partner Project activity since the record-level of US\$10.59 million (USD equivalent) was achieved in 2006. This highlights the variability of Partner Project funding, and the difficulty in basing future STCU administrative planning on such an unpredictable (and now declining) project activity.

In September, the STCU also began the process of working with the current cadre of STCU-trained Chief Technology Commercialization Officers (CTCOs) to assist them in establishing a CTCO Association, to act as a forum for developing mutually supporting (and reinforcing) information exchanges and activities to encourage further development of the CTCOs.

Project Agreement Processing

STCU project processing continued to show improvement with the average processing time of the last 40 project agreements falling to a minimum of 89 days in mid-September (that average rose to 92 days as of 19 September due to the processing of projects approved at the June 2008 GBM). But of growing significance is the falling number of active STCU projects. This is due to the Funding Parties and Partners financing fewer Regular and Partner Projects since the time of the November 2006 GBM. Thus, the wave of active STCU projects—caused by the internal processing improvement and subsequent decrease in project backlog---peaked in March 2008 at 260 projects, and now will decline steadily to approximately 220 active projects by the end of 2008 and decline further during 2009.

	2006	2007	1 Jan 2008	1 Jul 2008	27 Oct 2008
Avg # of Active Projects per Month	220	247	243	255	244
Avg # of Days from GBM Approval to Project Agreement Signature	325	161	116	95	93
Min-Max # of Active Projects Over the Time Period	209-227	231-258	221-260		



Important Visitors/Meetings/Events

5th International Conference on Materials and Coatings for Extreme Performances (Crimea, 22-26 September):

In this event, STCU is using its budgeted Supplemental Budget – Conference/Workshops to finance its role as co-organizer of the conference. As co-organizers, STCU will have a session of the conference dedicated to featuring STCU activities and selected project presentations, as well as participation of other STCU recipient scientists. DEDs Landis Henry and Michel Zayet will make presentations during the conference.

EU Expert Reviewer Visit to Georgia (17-19 September): EU Expert Reviewer Dr. H. Holtbecker visited institutes in Tbilisi for fact-finding and orientation to assist in Dr. Holtbecker in his work on reviewing STCU project proposals from these institutes, as well as possible future assistance to STCU and the EU Party. Dr. Holtbecker was accompanied by DED (EU) Michel Zayet.

Institute Sustainability Program Kick-off Meeting (8 September): DED (US) Vic Korsun led a meeting that started the first-year pilot phase of the Institute Sustainability Program (this kick-off was delayed by several months due to the Force Majeure suspension period). Seven Ukrainian institutes participated in meeting, along with the STCU's consultants on ISP from the University of Missouri-Columbia and the State University of NY-Binghamton. The consultants will be working with institutes to assess the institute strengths that are needed for institute sustainability.

CTCO Follow-Up Meeting (9 September): DED (US) Korsun hosted a STCU-organized meeting with 13 CTCOs, to plan the creation of a Ukrainian CTCO Association similar to the Association of University Technology Managers (AUTM) in U.S. and Association of European Science and Technology Transfer Professionals (ASTP) in the EU. Other meeting participants included representatives from the Ukrainian Ministry of Economics, Ministry of Education and Science, the National Academy of Sciences of Ukraine, State Agency of Investments and Innovations, and mass media representatives. Participants expressed overwhelming support to form such an association, and STCU will assist an organizing committee to begin work on forming such an organization. and invited participants.

EU Expert Reviewer "SAC" Meeting (28 October): Dr. A. Syrota, Dr. H. Holtbecker, and Ms. E. Emeriau held general meetings with STCU staff on project proposals and other program activities in preparation for the upcoming 27th GBM. The reviewers also spent time visiting institutes in Ukraine, including the Odessa anti-plague institute.

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