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# УНТЦ

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15-16 May 1997

## State of the STCU

by

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for presentation at the 4th meeting of the  
**Governing Board of the STCU**  
15-16 May 1997  
Kyiv, Ukraine

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 third Meeting of the Board of the Directors in Kyiv, on 12-13 December 1996. Some general items of information are provided for the sake of completeness.

### BRIEF GENERAL STATEMENT:

1. The STCU is "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 all major aspects of its mandate: from (2) calls for proposals, internal reviews of projects, management of Board meetings, development and finalizing of project agreements, financing of accepted projects and carrying out monitoring missions of financed projects. The only thing we yet have to experience is a project completion, the first being due in Spring 1998.

2. The Center now has a full complement of highly qualified executives provided by the Parties, as well as an excellent, trained, Ukrainian professional staff, numbering approximately 35.

3. The STCU has launched a full-scale effort aimed at encouraging participation of third parties as "Partners" in Center projects, or on their own specific RD&D projects. We already have two signed Partners (both of which are requested to be approved at this Board). Approval for other industrial Partners is also being requested. We will probably have several others ready for approval (electronically) by the end of this month.

4. In response to a Canadian "Demand-Pull" initiative, the STCU is cooperating closely with the University of Manitoba's Mr. Terry Sellen, a highly experienced industrial venture consultant, in developing (in the initial phase) a roster of about eight small-to-medium Canadian industries wishing to do RD&D work with Ukrainian scientists, either on their own specific projects and needs or, associated with STCU-financed projects.

We believe that this, and the previous initiative (3) offer a real hope for long-term, useful existence of the STCU and a chance for near self-sustainability. We are firmly convinced that the human and physical infrastructure, objective and dedicated work approach and excellent financial control of funds, developed at the STCU over the past two and one-half years, is much too valuable a resource to be simply wound up and disbanded, once major funding from donors slows down as the major initial mission may have been accomplished. Therefore, the initiatives described in (3 and 4) are very important to our (and Ukrainian scientists') long term success.

5. As part of this effort, the STCU has, with its own administrative budget, begun the development of an extensive Data-base of Ukrainian scientific institutions and scientists, their achievements, capabilities and interests. This information will be made available through our newly established Internet Home Page at [www.stcu.kiev.ua](http://www.stcu.kiev.ua)

6. Any problems, that appear to be not yet fully overcome, again usually occur as a consequence of the Ukrainian governmental, legal and financial environment that keeps changing - sometimes in an unpredictable fashion - as Ukraine continues its struggle towards a stable, democratic, market-oriented society.

7. It is a pleasure to report that recently, we have not been experiencing any delays by the Parties in providing those funds that were approved and allocated to specific projects. The Ukrainian scientific community and we, appreciate this cooperation.

#### FORMAL ORGANIZATIONAL STATUS (partly repeated for completeness)

- 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 - not all easy for us)
- c) Privileges and exemptions specified in the Agreement are being recognized even though we are considered "Resident", and even though the President's Decree of 17 December 1996 cancelling all previously allocated special privileges, was initially interpreted by Ukrainian Customs and Taxation authorities as applying to the STCU also.
- d) We are pleased to inform the Board that through a very intensive lobbying effort of the STCU and of some important Ukrainian scientific and technological organizations (such as the Southern (Rocket) Design Bureau "KB Pivdenne, the Kharkiv Physico-Technical Institute, several Kyiv scientific establishments, and the Science Committee of the Verkhovna Rada - all orchestrated by the STCU's staff, we were able to obtain clarification from the "powers concerned" regarding our status. We were informed that the Presidential decree does indeed not apply to us and that all privileges and rights given to the STCU in the Agreement are still valid.
- e) The one unresolved outstanding issue continues to be the problem of the refunding of the Value-Added Tax on in-country STCU purchases.
- f) Expatriate staff recognition/registration as per Agreement has been achieved.

## INFRASTRUCTURE

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, resulting in the addition of a new 3rd floor to our building, is nearly completed. This floor gives us room for expansion to accommodate additional staffing requirements due to the possible advent of new Parties to the Agreement and to significantly increased work load resulting from our future monitoring activities, the maintenance of the Data Base/Demand-Pull project, and the extraordinary response to our Second Call for Proposals. We will move the administrative and financial units onto the new floor. The first and second floors will then be dedicated to the scientific project management activities.

d) Our e-mail and Internet connections work very well and have clearly shown to us the power of modern electronic communication, information access and transfer. We believe our STCU Home Page on the Internet with the Data-base on Ukrainian scientific institutes and Ukrainian scientists, will be a major help in bringing information about Ukrainian scientific and technological capabilities to the world and, in this manner, greatly increase the opportunities for identifying possible cooperants and "Partners". It should be noted, that this modern communication does, however, impact our budget line significantly.

## PARTIES:

a) The STCU continues being supported and funded by the four initial Parties: Canada, Sweden, Ukraine and the United States of America. We have had no recent instances of project funding delays due to the Parties not transferring allocated funds in time.

b) The United States has committed additional funds to the Center. We understand that future commitments will be on an annually requested basis.

c) Canada has indicated its intent to continue participating in the STCU, to continue financing the position of Executive Director, and to provide a suitably qualified executive for that position. Indeed, the search for such a candidate is already under way. Similarly, Canada has indicated its continued support (until 31 December 1997 only) of the position of General Administrative Officer and to continue to provide the present, experienced executive for that position until that date. A new CIDA-STCU project has been submitted to the Canadian Government for consideration and approval. Early approval is hoped for.

d) The European Community has officially confirmed its intent to seek accession as a full member of the STCU with significant funding commitment. Actual accession had been delayed by several bureaucratic problems. We hope that full formal acceptance can take place at the May 1997 Fourth Meeting of the Board, or very soon after. The EC has been invited to the present Board Meeting with "Observer" status.

e) After inquiries from the STCU, Japan has again indicated interest in participating in the STCU either as a Party, or, initially, as a Partner. The present Ambassador, His. Exc. Kurokawa, seems to have accepted this as a useful participation by his country. As a result, we have again invited Japan to take part in the Fourth Board Meeting as an "Observer".

f) We have also received indications that Uzbekistan is preparing to apply to accede to the STCU.

g) As mentioned in the initial paragraphs, the STCU now enjoys the full complement of Western staff, as defined in the Agreement and Statute. This has greatly improved the quality of its production effort.

#### UKRAINIAN GOVERNMENT ISSUES:

a) Our battle with the Presidential Decree of 17 December 1996 that eliminated all special privileges (taxation and customs duty relief) for organizations providing aid at a non-profit basis, has been "won". We operate with all privileges granted in the Agreement, under a series of letters/orders from appropriate ministries. We would like to underline that this was a major, well-orchestrated effort on our part (championed by Dr. Borys Atamanenko and his dedicated staff) and by many of the organizations that have been involved with the STCU. In order to even further stabilize this situation we have embarked on a course of action that will, we hope, culminate in full ratification of the STCU Agreement, by the Verkhovna Rada.

b) We had several meetings with MFA, Verkhovna Rada, Min. Science to push forward the process of the ratification of our Agreement by the VR. This important effort is being fought by us on a wide front.

c) A very important and extraordinary meeting of the Verkhovna Rada's (Parliamentary) Committee on Science and Education (with the participation of many Members of Parliament, Chairman Pavlovskiy of the Nuclear Safety Parliamentary Committee, members of State Security, Cabinet of Ministers) was held in the STCU Board room for the sole purpose to get better acquainted with the STCU, its work, its successes and its difficulties. The final objective was to prepare a document with appropriate recommendations to be forwarded to the Cabinet of Ministers and the Presidential Office regarding improving operating conditions for the STCU. Topics discussed included: history and operation of the STCU, involvement of Ukrainian government, security review process and methods for improvement, second call for proposals results, status of granted privileges in areas of taxation and customs duties, facilities, continued funding support and status review of the STCU's Agreement ratification.

This meeting was very successful. The Committee prepared a very supportive report and proceedings were published in a full-page article in the widely read Parliamentary newspaper Holos Ukrainy (Voice of Ukraine). A recommendation was sent

forward to accelerate the ratification process and, in the meantime, to ensure that the STCU's privileges were honoured.

We believe that having such a meeting on our premises was a real coup for us, as this was a first for Ukraine. It is worthwhile to underline the excellent preparatory work done in this matter by Dr. Borys Atamanenko and Mrs. Svitlana Us of his Project Officer group.

d) We are also indebted to Mr. Androschuk, of the Parliamentary Committee on Science and Education for his unrelenting dedication to the organization and success of this meeting.

#### FINANCING AND FINANCES:

a) AUDIT 95-96

This will be given in detail by Bill Luke, our CFO. It may, however, be worthwhile to mention that the Auditors have not found anything of consequence that could be considered troubling. This, indeed, is very refreshing, and an indication that the finances entrusted to the Secretariat are being correctly handled.

b) Our financial group has made an informal trend analysis of how our administrative expenses relate to our total activities. As expected, after an initial period where there were great expenditures due to the set up of the STCU, as the project funding amounts increased, our administrative budget proportion decreased dramatically and shows an asymptote trend towards about 16%. This is acceptable, considering the environment in which we operate.

*L. Meyer comes for high rate  
(since projects)*

c) Our financial group continues working very closely with Bankers' House, our Ukrainian bank, to help them develop better systems to handle our money flow and to minimize errors. We are now getting much better control and good quality reporting.

d) Additional training is planned for the financial staff during 1997.

e) All signed projects are being normally financed.

f) The executive director, the chief financial officer and the chief administrator provided signed financial disclosure forms as requested by the auditors.

✓g) The STCU has received \$30,000 from NATO to support a conference on Magnetism to be held in Crimea, late in May.

#### 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 complement is now about 35.

Part time staff number 12 (including security guards and ground keepers)

b) Civil Law (consulting-type) contracts are signed with all Ukrainian staff and, except for some updating and improvement that may be required with time, have been well accepted by our staff. Indeed several Western organizations (including embassies) have asked us for a copy of our contract, as they think it is very appropriate to the local environment. A CIDA expert who recently observed several projects was also of that same opinion

c) The standardized job classification and pay matrix that has been established, seems to work very well. We did make a small adjustment to reflect some high academic qualifications of some of our project management officers.

d) We continue developing our policy manual as required.

e) Prof. Ostap Hawaleshka's appointment as Executive Director of the STCU has been extended by one year to 31 December 1997. The position will, as before, be financed in full by Canada.

f) CIDA (Canada) has begun advertising for a suitable Executive Director, to start in 1998. Excellent terms of reference/core responsibilities/job requirements have been developed for this search. The position will be advertised in the Canadian newspapers Globe and Mail and La Presse.

g) The staffing continuity for the position of General Administration Officer has been secured until 31 December 1997, financially supported by Canada with Mr. Lubomyr Banias will be continuing in that position.

h) The Lviv Field Office has been formally established as of 01 January 1997. It is well located in the Institute of Applied Mathematics. Dr. Bohdan Kotlarchuk, a senior physicist, who has been working part-time as our representative since fall 1995, was hired as our Field Project Officer. The office has been furnished with basic modern equipment (computer, printer, fax). We feel that this will make an important difference in increasing the awareness of the STCU in the Western region of Ukraine. Dr. Borys Atamanenko is the STCU deputy executive director responsible for this office.

i) We have also selected and hired Dr. Victor Stepanenko, also a highly qualified physicist, for our field office in Kharkiv (he has already spent three days training with our project officers). The Kharkiv Field Office will be located in the Institute of Monocrystals as this location seemed to be the most appropriate to our evaluation team. The office is being equipped at this moment. There is no doubt that such an office will greatly improve our dealings with the large number of Kharkiv scientists and their projects. Dr. Arthur DuCharme is the STCU deputy executive director responsible for this field office.

j) The Dnipropetrovsk Field Office is being finalized shortly. A suitable site seems to have been located and interviewing of candidates will be done by Drs. Atamanenko and Janouch in Dnipropetrovsk starting about 28 May 97. The large number of projects from this area will make this location quite busy.

k) The STCU executive staff (except for Mr. Lubomyr Banias, our General Administration Officer) took part in an Advisory Committee Meeting in Ottawa during March. This was a very useful meeting. It was extremely well organized by Canada (Real Lalonde and Bill Singleton).

l) Following the above meeting we all participated in Strategic Analysis of the "Strengths/Weaknesses and Challenges/Opprtunities" of the STCU. This session was ably directed by an experienced consultant hired for that purpose by CIDA. An excellent summary of this analysis is available on request.

m) We are very proud that STCU is (probably) the first "Western" organization in Ukraine to have introduced a comprehensive medical coverage plan for all its staff (including primary dependents). This is truly a correct step in the right direction in employer/employee relations.

n) Five of our project officers attended a 10-day training program in Stockholm. During that time they were shepherded by F. Janouch, our DED, who made sure that all went according to plans. Our staff had an excellent opportunity to study how R&D projects are handled, financed, carried out and monitored in Sweden. They inspected a series of scientific and governmental establishments. From all reports, the study trip was very successful. We, therefore, plan to send to Sweden, the second batch of project officers, in the Fall of 1997.

**PROJECTS-RELATED MATTERS:**

a) We continue reviewing projects and will maintain our "regular" rate of mailing them out for external review. The donor Parties will develop their own schedule for reviewing these projects.

b) We continuously try to update proposals sent out for external review with any new support or explanatory information we receive. We **STRONGLY URGE** the Parties to refer to such additional information when making decisions regarding the acceptability of projects for funding support. We do not make these comments lightly.

c) **Overall Status (Pipeline) of STCU Projects as of 30 April 97:**

| PROJECT PIPELINE as of 30 April 1997 |  |
|--------------------------------------|--|
| To End of Board#3                    |  |
| 164                                  | Total # Projects sent out previously for External Donor Review to-date (30 for Board #1, 62 for Board #2, totalling 92, plus 72 for consideration at Board # 3 held on 12-13 December 1996 (actually 77 were sent, since 5 additional "rewrite & resubmit" projects coming from the previous Boards were also sent out for a second look). |
| After Board#3:                       |  |
| 101                                  | # "New" Projects sent for review after Board #3  |
| 15                                   | # "Rewrite" Projects sent for review after Board #3  |
| 116                                  | # "Total" Projects sent for review after Board #3  |
| 31                                   | # Projects with Security Clearance being reviewed internally at the STCU.  |
| 35                                   | # Projects still at Ukrainian State Security. (A number of these will never materialize).  |
| -----                                |  |
| <u>346</u>                           | # Projects received, in STCU-review, sent out, or in "State Security"  |
| <u>346</u>                           | # Total of Projects Received during First CFP.   |

NOTE: 7

# Projects previously sent out that were not fully reviewed by Donor countries for Board 3 Meeting in December 1996. These will probably be reviewed by the Parties for Board 4.

d) General Project Statistics

STATISTICS RE PROJECTS REVIEWED, APPROVED & FUNDED, 30.04.97

BOARD #1

30 # Projects reviewed at Board Meeting  
12 # Projects accepted for funding  
1 # Special Canadian Cooperative Travel Grant project  
12 # Contracts signed out of these 12  
12 # Projects/Contracts out of these 12 actually being financed

BOARD #2

62 # Projects sent for donor review.  
36 # Projects accepted for funding  
1 # Special Swedish Cooperative Travel Grant project  
36 # Contracts signed out of the 36 approved  
36 # Projects/Contracts out of these 36 actually being financed  
2 # Special Canadian. Cooperative Project Grants approved  
2 # Special Swedish Cooperative Project Grants approved.

BOARD #3

72 # New Projects sent for donor review.  
5 # Former projects re-submitted after "Rewrite"  
77 # Total Projects sent for donor review  
31 # New Projects approved for funding  
5 # "Old" Projects approved for funding after "Rewrite & Re-Submit"  
36 # Total Projects approved for financing at Board #3  
27 # Project Agreements signed out of 36 projects approved at Board 3  
9 # Project Agreements not yet signed out of 36 approved at Board 3  
7 # Projects that were not reviewed in time by all donor Parties (these should be reviewed at Board #4 in May 1997).

TOTALS

164 # Projects reviewed by Donors  
85 # Projects approved  
4 # Special Canadian and Swedish travel grant projects approved  
76 # Projects Agreements signed  
76 # Projects actually being financed (Boards #1-3)  
950 # Scientists actually being supported (Boards #1-3)  
9 # Project Agreements (Board #3) still to be signed  
700 # Scientists that will be supported by Board #3 projects  
1,650 # Scientists that will be supported once all Board #3 projects signed.



e) Second Call for Proposals CFP2

**SECOND CALL FOR PROPOSALS, "Status at STCU as of 30 April 1997**

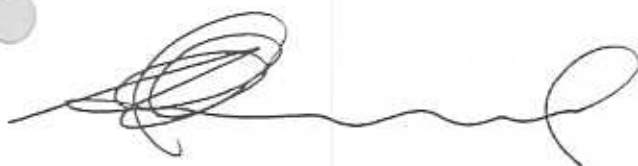
775 # (approximate) Short form "Unrestricted Summary" projects received & registered as part of CFP#2 response. These include a certain number of projects that we previously had on hand, but which had been registered under a "temporary" designation.

**GENERAL COMMENTS:**

a) The issue of "Partnering" keeps arising. We will eventually need some SIMPLE mechanism to obtain approval of "Partner" status of a third-party organization (industrial or governmental) from all of our Parties. We want to avoid getting involved in "production" or "manufacturing" matters, in order not to jeopardize the privileges granted to us in our Agreement. This would seriously harm the scientists whom we support and severely hamper our operations while greatly increasing costs in an ever tightening financial environment.

b) We will soon (Spring 98) have the first series of project completions. Some of these may result in the development of patentable intellectual property. We have noted that, at the moment, there are no provisions nor funds available to assist the developers with the first level of IP protection - patenting in Ukraine and the CIS. We believe that it may be worthwhile to establish a small fund (through an internally proposed project) to assist with these matters on those projects that have no provision for this.

c) We also are evaluating the possibility to "force" the inclusion of small provision for patenting within the budget of any new Project Agreement to be signed.



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Science and Technology Centre in Ukraine-STCU  
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STCU Board Meeting No.4

stcu/board/stcubrd4