

**DRAFT MINUTES of the EIGHTH MEETING  
of the STCU GOVERNING BOARD**

Kyiv, Ukraine

May 26-27, 1999

Wednesday, May 26th, 1999

**OPENING SESSION**

Dr. John Boright, US Board Member and designated chair of the Governing Board meetings, opened the meeting at 9:00 A.M. Those present included:

**CANADA**

EMIL BARAN, Board Member

Rea Lalande, Canadian International Development Agency

**EUROPEAN UNION**

JEAN GABOLDE, Board Member

MICHAEL BIERHOFF, Embassy of Germany, representing the EU Council Presidency

Didier Gambier, Directorate General XII

**UKRAINE**

VICTOR BAR'YAKHTAR, Board Member

**UNITED STATES**

JOHN BORIGHT, Board Member

Jim Noble, US Department of State

**OBSERVERS**

**GEORGIA**

√ Amiran Bezhuashvili, Attache of the Georgian Embassy

**JAPAN**

√ Yuji Kurakawa, Ambassador Extraordinary & Plenipotentiary

**UZBEKISTAN**

Shamansur Shakhaliyov, Ambassador Extraordinary & Plenipotentiary

**THE STCU SECRETARIAT OFFICIALS**

LEO OWSIACKI, Executive Director (Canada)

Borys Atamanenko, Senior Deputy Executive Director (Ukraine)

Arthur DuCharme, Deputy Executive Director (United States)

Frantisek Janouch, Deputy Executive Director (European Union)

John Murtha, Chief Financial Officer (United States)

Marianna Carbe', Chief Administrative Officer (European Union)

**INVITED HONOURABLE GUESTS**

Naxim Ibragimov, Ambassador Extraordinary & Plenipotentiary, Azerbaijan

Derek Fraser, Ambassador Extraordinary & Plenipotentiary, Canada

Andre Vanhaeverbeke, Ambassador Extraordinary & Plenipotentiary, European Community

Eberhard Heyken, Ambassador Extraordinary & Plenipotentiary, Germany

√ Goran Jacobsson, Ambassador Extraordinary & Plenipotentiary, Sweden

Steven Pifer, Ambassador Extraordinary & Plenipotentiary, USA

Valentin Zaichuk, Minister, Ministry of Education, Ukraine

Gennadij Dovgal, Chief Department of Science, Cabinet of Ministers, Ukraine

Sergiy Pasichnyk, Department of Science, Cabinet of Ministers, Ukraine

Volodymir Seminozhenko, Head Commission of Science, Supreme Rada, Ukraine

√ Anatoly Shevtsov, National Institute for Strategic Studies, Administration of the President of Ukraine, Ukraine

#### ACCOMPANYING DELEGATES

- √ Don Osman, University of Manitoba, CANADA
- √ Edward Deksnis, Directorate General XII, EUROPEAN UNION
- √ Tor Larsson, Scientific Advisor, EUROPEAN UNION
- √ Vachtang Tarunashvili, Advisor of the Ambassador, GEORGIA
- √ Ritsuko Inoue, Third Secretary, Embassy of Japan, JAPAN
- √ Rui Matsukawa, Official, Int'l Science Cooperation Division, Ministry of Foreign Affairs, JAPAN
- √ Cynthia Mentz, US Department of State, UNITED STATES
- √ Eileen Vergino, Lawrence Livermore National Laboratory, UNITED STATES
- √ Steven Gitomer, Los Alamos National Laboratory, UNITED STATES
- √ Jerkin Zahidov, State Committee for Science and Technology, UZBEKISTAN

\* √ Symbol indicating the actual attendees at the Board Meeting.

Dr. Boright, chair of the Eighth Meeting of the STCU Governing Board, delivered brief welcoming remarks to all Board Members and honorable guests attending the meeting, expressing his congratulations to all participants and their efforts supporting the Center. He confirmed that over \$25 million had been committed to STCU to date. Dr. Boright welcomed important Ukrainian visitors and with everybody's agreement asked them to make their speeches to the Governing Board at the end of the round of welcoming remarks.

Opening remarks were made in turn by the STCU Executive Director, members of the Governing Board, Observers and distinguished Ukrainian guests.

Mr. Leo Owsiacki, the STCU Executive Director, started his remarks by expressing his great pleasure to welcome all delegates to Kyiv on the 8<sup>th</sup> Board Meeting. Besides the Board Members and the Secretariat, Mr. Owsiacki welcomed the Observers from Uzbekistan, Georgia and Japan, as well as the Honourable Guests invited to attend Board proceedings. These are individuals from various countries, including Ukraine, who have in some way played significant roles in the Center activities. At the end Mr. Owsiacki welcomed all accompanying delegates, who provide significant support to the Center activities and who make a significant contribution to the process of proposal review and selection.

Mr Michael Bierhoff, on behalf of the German presidency in the European Union, welcomed the Board members, observers and guests. He further indicated his pleasure to participate in the STCU activity at the Board Meeting as a member, confirmed commitment to accomplish the STCU objectives and in particular it's long-term objective of civil activities of former weapons of mass destruction scientists, supporting the Non Proliferation goals of the Center and it's activities. In that regard, the presidency expressed its intention to strongly support the Center in addressing problems encountered, such as the rent issue, by defending the Center position at the appropriate level. He also reminded the government of Ukraine to meet their obligations and appealed to them to provide the attention to STCU that it deserves.

Dr. Gabolde in his opening remarks on behalf of the EC executive body expressed pleasure to work on strategy and vision of the STCU activity and being a formal part of the STCU is pleased to announce that the amount of money designated to the STCU activities in the next year will be 3 million ECU. He underlined that the European Union had started a process of more tid relationships and important meetings with Ukraine, which would offer the opportunity to discuss STCU issues and activities.

Mr. Emil Baran in his opening remarks on behalf of Canada highlighted his pleasure to welcome the members of the Eighth Board meeting and guests, and welcomed on board the new Chief Administrative Officer, representing the European Union, Marianna Carbe'.

Dr. Bar'yakhtar, on behalf of Ukraine expressed thanks again for the support for Ukrainian scientists formerly involved in activities connected with weapons development, underlining how important the STCU is for Ukraine. Dr Bar'yakhtar mentioned the meeting attended by Leo Owsiacki and himself with Mr. Smolyi, with the purpose to solve STCU problems. Said he spoke with Mr. Pustovoitenko, but at this date no concrete

results were noticed unfortunately. He also mentioned that a letter from scientists from Kharkiv was sent to President Kuchma.

Mr. Zahidov, State Committee for Science and Technology of Uzbekistan, expressed his pleasure and honor to welcome all participants of the STCU Governing Board. The government pays great attention to the participation of its institutions and individual scientists in STCU projects. He assured all that the scientific cooperation in the frame of the Center was of great importance for Uzbekistan to support highly skilled scientists and engineers for the country, which had been involved in large scale military activity in Soviet times. The STCU projects are a good opportunity to establish international scientific cooperation between Ukraine, Uzbekistan and other countries. Mr. Zahidov expressed his hope that a branch STCU office could be opened very soon in Uzbekistan and assured that the government of Uzbekistan would take all necessary steps to develop and widen the cooperation and was looking forward to working with the STCU to develop and implement new scientific technologies.

Attache Bejuashvili of the Embassy of Georgia in Ukraine expressed pleasure to be present at the Governing Board Meeting and hoped to have a better and deeper relationship in future. Thanked the Board for supporting Ukrainian and Georgian science.

Mrs. Ritzuko Inoue, announced that the Japanese Ambassador would be present in the second half of the day and expressed her wish for a future expansion of the Japanese contribution to the STCU activities.

Dr. Boright closed the welcoming remarks with a special thank you to the Ambassador of Sweden, Mr. Goran Jacobsson.

#### ADMINISTRATIVE TOPICS

Dr. Boright moved to approve the minutes of the Seventh STCU Board of Governors Meeting. The minutes were approved as presented.

The STCU Executive Director presented an overview of the activities of the Center which were provided in detail in an accompanying handout.

The Executive Director reported that first half of 1999 continued to reflect the busy activities of the Center and was characterized by several significant crises that consumed much of the Secretariat's time and energy. However, despite the two major issues that the Center is currently dealing with and the many daily problems which make-up the regular activities of the Center, all new initiatives and project implementation have been effectively carried out.

He went on to describe in detail both positive developments and work of the Secretariat as well as details of the issues faced by the Center in the previous six months.

The ED informed about meetings with the Ambassador of Azerbaijan requesting consideration to the possibility to join the STCU. The USA State Department has been approached by the Government of Moldova with an expression of interest in joining the STCU. Senior USA government officials are still considering this request. The Deputy Prime Minister of Moldova has formally requested STCU to consider including Moldavian scientists in joint research works. Several meetings have been held with the Ambassador of the Republic of Korea to discuss possible participation in the STCU. He has recommended to his government that they participate and the possibility is now being reviewed among interested Ministries in the Republic of Korea.

ED informed that the new call has begun, and the Center expects some proposals to be through review system in Ukraine available for the Board December Review as well. ED described the 3rd Call-for-Proposals status, and if everything would be reviewed as was sent out for this Board, approximately 170 old proposals will be left for the 9th Board.

#### Reactions to the ED report

Mr. John Boright asked for more details about the rent and VAT issues and the Ratification process started by the Ministry of Foreign Affairs.

Dr. Gabolde made a remark about the fact that it would be desirable to receive one month in advance the ED report, so more efficient comments could be provided, and assures the ED to consider it as a sign of his interest to the importance of this meeting. ED agreed that information has to circulate in time, but events are often going ahead, and 4 reports during the year are presented to the attention of the Advisory Committee. ED confirmed he will provide a draft 1 month in advance of meetings.

Mr. Emile Baran considered one week in advance a sufficient frame for the presentation of the ED report.

Dr. Gabolde reinforced the necessity to receive the ED report one month in advance. Also made his comments about the STCU Web Site, finding that it should be improved and constantly up-dated. Mr Gabolde underlined the importance of up-dated information and links, using different experiences, that would increase the synergy of the activities of the STCU, ISTC and TACIS program. ED agreed and said that this is also the Secretariat view and is being addressed already - as resources allow, further improvements will be made.

Dr. Bar'yakhtar was satisfied with the time frame at his disposal for the review of the ED report before the Board Meeting, and encouraged as well the STCU Secretariat to improve the STCU Web Site.

#### Report from the Secretariat:

**Arthur DuCharme** – reported on STCU Staff training initiatives, describing some of the continuing successful efforts of the Secretariat to identify worthwhile opportunities for staff training, both in Ukraine and abroad. Some of the training is paid or co-financed by other organizations. A key training Course in Business Development Tools and Practices in the Science and Technology Sector will be provided to the 5 members of the Sustainability Group at Dalhousie University in Halifax, Canada during the period July 10-29, 1999. A 5 day course on "Technology Commercialization" was held in Kiev in March, which was organized by the US Civilian Research and Development Foundation; STCU Project Liaison Officer Olga Baydulova was able to participate. The STCU Computer System Administrator participated in an administration course of MS windows 4.0 SK, SUPP Windows NT 4.0 SK held earlier this month in Kiev. Tamara Leschenko the Administrative Assistant to the Ukrainian Deputy, will participate in the Visiting Fellows Program at the Center for Nonproliferation this summer in Monterey, California. The trip and instruction will be financed by Monterey Institute. Natalya Mikhailovskaya, one of the STCU Project Coordinators, has been selected for the summer 1999 International Women in Science and Engineering Leadership Program. The travel and course are paid by Iowa State University and UNESCO.

**Arthur DuCharme- Sustainability Group Activities.** Dr. Arthur DuCharme described the Partner Program status and operational issues, as well as other Sustainability Group activities. A table was presented that detailed the status of the STCU partner projects and proposals: from 19 partner projects approved by the Board; 15 are currently in place, and several proposals are in process. He described several other activities of the Sustainability Group: Besides implementing and monitoring operation of partner projects, the Group implements the patent support project, organizes and operates business training, and facilitates travel grants. A marketing workshop on "How to commercialize Innovations" was recently conducted by Mr. Terrence Sellen (CIDA contractor) for 8 selected scientists who worked in STCU projects already completed. The Sustainability Group also works to sustain currently running projects to promote their eventual commercialization. The Group maintains technical databases and is involved in the presentation of results surveys and results management of the completed projects. The group reports directly to the Executive Director. The Sustainability Group has arranged for the approval of 4 STCU travel grants and support to 4 Ukrainian patent applications. The travel grants are only for specific meetings with foreign business partners. The STCU web side has also recently been upgraded to better advertise available Ukrainian technologies.

Dr. John Boright thanked Arthur Du Charmc for the valuable work done on Staff Training opportunities, hoping that these opportunities are not only open to the STCU staff. He also encourages the work done by the Sustainability Group. Dr. Boright asked for more details concerning the role of the Project Managers and Project Coordinators, and how the communication goes between the 2 groups. Dr. Boright stressed the importance of an up-dated web site for communication purposes for the scientific community.

Dr. Arthur Du Charme replied that the 10 STCU Project Coordinators work closely with over 200 Ukrainian Project Managers that lead scientists in their work. Both groups must have administrative skills. Almost all of the Project Managers can be reached by E-mail, but they usually don't have ready access to a data base of collaborators abroad; this is one reason why the STCU role as a liaison is very important.

The ED observed that the commercialization seminars were offered to over 60 scientists, but some Institutes would not let them participate.

Dr. Gabolde appreciated the Training opportunities offered to the STCU Staff, and commented that it is important to organize Management courses in Ukraine as well.

The ED added that when Ukrainian staff is sent abroad, one of the main reasons is to expose the STCU staff to a western management point of view. Usually programs are developed in collaboration with universities where these courses are already held.

Mr. Emile Baran drew attention to the STCU Web Site. In his opinion, it is not just enough to update it, it is also important to maintain it on a regular basis and recognize this takes much time.

Dr. Tor Larsson asked for more details about the Travel grant program and if there are special conditions for this travel.

Dr. Du Charme answered that prospectively, this fund could usefully be as much as \$60000 because of the demand. He said that the ED very carefully approves travel grants to ensure that they relate to business or results management activities; i.e., that the proposed travel relates to the Center's activity with a company or an institution that is going to help Ukrainians in further research or move their product and technology to market. The Center is looking now for some other applications of travel grants, including conferences where suitable industry representatives might be participating.

The problem is that originally we based our support only on the Canadian and USA travel grant budget, and therefore only a limited amount of money was allocated for these trips to the West. Now, since the EU has joined the STCU, we can possibly expand the travel grant options.

ED – added if the Board or Advisory Committee Members wish for certain Ukrainian scientists to come to their countries upon request, we will certainly strongly support this.

**New Call for Proposals Update-** Dr. Borys Atamanenko reported that the Ministry of Sciences, National Academy of Science and different organizations in Ukraine published the STCU Announcement about the 3rd Call-for-proposals. The ED gave an interview to the newspaper SVIT, where detailed information was provided to the scientific community on the proposal submission process. Dr. Atamanenko provided information stage by stage on how the system works: the 26 of April –the proposal registration started (at Lviv, Kharkiv, Dnipropetrovsk and Kyiv Offices), then a Preliminary screening followed, ending with the registration of the Short-Form Proposal at the STCU. The next stage was a formal letter sent to the Project Manager from the ED, confirming registration and transmitting the registration number. After this, followed the preparation of the Full-Form Proposal by the scientists. Once completed, the Full-Form Proposal is submitted to the State Committee on Science and Intellectual Property for Ukrainian Government approval. Once the Project Team receives this Governmental Concurrence, the proposal is sent to the STCU for transmittal to the Parties for expert review.

#### **Preparation of Proposals for external review. Proposals sent out for External review:**

Dr. Atamanenko provided a Call-for-Proposals History:

1st Call (May 1995) 346 proposals

2nd Call (December 1996-February 1998) – about 1000 proposals

3rd Call (April-May 1999) - approximately 229 proposals to date.

The ED added a couple of points to Mr. Atamanenko's presentation, underlining some improvements that were made. Now the STCU requires the State Committee on Science to register the date of proposal submission, and they have access to our registration database. So, in this way we can follow the proposals

itinerary. Another improvement is represented by the fact that the Center is able to verify that all necessary information is in the proposal, as well as fixing the title. So now proposals that have received Governmental Concurrence are exactly those sent for review abroad.

Dr. Frantishek Janouch added that the STCU project Coordinators check all the information, obligatory for each proposal, and give very useful recommendations that makes this process much easier. This saves a lot of future work.

Dr Gabolde commented that the 3rd Call has the same number of proposals as the first.

ED pointed out that a large number of proposals usually is submitted during the last day of the Call.

Dr. Gabolde asked about the success rate for the proposals?

ED explained that the first Call was an exception because a large amount of money was initially available for financing projects – the success rate then– 1/2. But now this success rate is only 1/18 or 1/19, and he considered this rate comparable to the success rate in the West and still rather good.

Dr Boright expressed his thought about the fact that the Evaluating process is still too long, but considered that 1/19 and below is rather reasonable. And the Board would still continue to follow this rate.

Dr. Gabolde explained that in the EU the rate is between 1/9 – 1/8, and it is still considered as a low level, and underlined that the Proposal preparation and review is a very expensive process. For this reason, it is very important to introduce criteria of evaluation, thus promoting an auto-evaluation that scientists could follow, and understand when they meet criteria.

Dr. Boright agreed with Mr. Gabolde's suggestion, and added that it is very important, even for unsuccessful proposals. He drew comparisons with the National Science Foundation's experience in the US.

ED reinforced a couple of key points, first reminding that the whole scientific community in Ukraine is desperate and scientists think that they have a real chance of working on an STCU project. The ED also agreed with Dr. Boright and Dr. Gabolde suggesting that the Donor countries jointly should develop priorities, a suggestion already advanced in the past. In this way, we could reduce the number of projects, taking into account the peculiarities of the country we are working in.

Dr. Janouch proposed to develop a well-defined set of criteria and to include these criteria in the announcement.

Dr. Gambier emphasized that he is dealing with projects everyday, and their success rate is low not because projects are not good enough. It is low because not enough money is available. This is the first element that should not be forgotten.

The second element – the criteria itself. We believe that we are in a learning process involving the Ukrainian scientific community and western community. We need to judge each other. Mr. Gambier wondered how long it would take to define these criteria. One would have to understand who needs to be involved and how many committees should meet in Brussels. Dr. Gambier pointed out that it is a long process and that he is not sure we are ready to solve this problem now. We need our industries and collaborators to establish a network on research programs. We have the EU Program that could be an excellent vehicle to try to help us.

Dr. Tor Larsson added that the lack of money is not the only reason why the success rate is low; in his opinion, a factor is that in western countries costs are also growing.

ED said that every opportunity was being used to present these statistics and to stress the average team-size and the amount of money available to the scientific community.

Dr. Gabolde, concerning available funds, added that if Parties do not have enough money, priorities also may change. He added as well that we are suffering from lack of money and from the problem of getting efficiency out of the money.

Dr. Victor Bar'yakhtar said that there are priorities approved by the Parliament of Ukraine in the field of energy production, and he understood that we need to have our own priorities, but on the other hand we have to meet as much as possible our goals to support scientists, and in doing so we may sometimes have to consider a project as a special case.

Dr. Bough suggested to further discuss this issue over dinner.

**Model Project Agreement.** Dr. Janouch presented the model of the Project Agreement, which was circulated several times previously to the members of the Advisory Committee and Board, and was discussed several times at previous Board meetings. Mr. Janouch explained that we started essentially from adopting the Moscow Agreement and made some changes that we found necessary. Essentially in this agreement, we have only one recipient of money, only one organization, and one project manager. Some small stylistic or editorial remarks were also made, taking into account the recent accession of the EU. The version hereby presented is the one that the Advisory Committee agreed to be the one submitted to the Board for approval as effective on June 1, 1999. Dr. Janouch emphasized that this is an extremely important document for the STCU. This Agreement has two Annexes: one - List of people, the milestones and two - divided into 5 parts (parts a,b,c, d and e - on intellectual property). We are now using the text for the latter Annex which was edited by Mr. Hightower, but does not include the EU point of view. Dr. Janouch's suggestion was to receive Board approval making this Agreement effective of June 1, 1999, and to work further on small editorial things, expecting to obtain comments from all members of the Advisory Committee later. Next week, or in two weeks, there will be held a meeting between US and European experts about part E (intellectual Property), so probably then we could reach some final text agreement for that part.

Dr. Gabolde said that as soon as the EU gets the ok from experts, than the document can be fully approved very quickly.

Mr. Janouch emphasized that this text is effective as of June 1, 1999, and continued ahead with his next report to the Board

#### **1998 Annual Report.**

The third Annual Report will be of about 80 pages. Last minute small corrections were made today. The AR will be printed around June 12-15 and then distributed. As the ED reported, it will be the thinnest and the cheapest for content the STCU ever produced. Comparing costs, we have saved this year about 32-40%. All comments received at the Advisory Committee in Washington were incorporated. Some of the tables were simplified.

**Ukrainian funding commitments and VAT status.** Dr. Borys Atamanenko made his presentation, starting by reiterating the Ukrainian Government obligations to provide the STCU with a separate building, VAT reimbursement, etc. Dr. Atamanenko considers that all problems unsolved at this date are linked to the yet uncompleted ratification of the STCU International Agreement. Ukraine is also not fulfilling completely its obligations as a result of several economic problems, difficulties, and often changing legislation. Mr. Atamanenko presented a table comparing the Ukrainian Government contributions over the last 4 years.

Mr. Murtha explained that for 1999, the STCU originally requested 550000 Hr., but because of the exchange rate change, we actually will need 600000Hr to cover our rent and security fees. The Ukrainian Government sent us only 290000Hr.

Dr. Atamanenko continued his report about the VAT Law of Ukraine from December 1, 1998, and it's effect on the STCU. Dr. Atamanenko mentioned letters sent to the Ukrainian Government, first one to President Kuchma, then to Mr. Pustovoitenko, but without any tangible results. Ambassadors of the USA and Canada have made several demarches, sending their Notes to the MFA. So far, there have been no results. A meeting was also held by Mr. Owsiacski with MFA representatives. The information on VAT, rent, etc. was presented. The meeting was fruitful, in the sense that all Ukrainian officials agreed that all these issues can be solved by

obtaining ratification of the International Agreement establishing the STCU in Ukraine. A full set of documents for the Ratification process, that the Minister of Justice is now reviewing, was already presented.

**Mr. Shevtsov, on Behalf of the Secretary of the National Security and Defense Council**, referred to Mr. Horbulin's attention to STCU activities. Mr. Shevtsov informed us that Mr. Horbulin addressed a letter to the Cabinet of Ministers concerning the outstanding issues related to the STCU, hoping to receive a result soon. Concerning the Ratification process, Mr. Shevtsov explained, that with the difficult economic situation in the country and the Presidential electoral Campaign, this was not the easiest period to solve the Ratification issue, and to get a decision from the Ukrainian Parliament, but confirmed the support of the National Security and Defense Council. Personally, and as the Director of the National Institute of Security, Mr. Shevtsov offered his support.

Dr. Boright emphasized that the situation is very serious, and needs an urgent administrative solution.

Dr Gabolde also pointed out that it's really important to solve the problem, because only six months are left. It would be legally impossible to use any other money to pay for the rent in the year 2000, and reinforced that we have been placed in a position to accept that solution as only a temporary solution for this year; it was a kind of compromise, but we are protected by an international agreement and we can not do it the same way next year. We can not do something against the Agreement because our financial controller and political bodies do not agree. So either the Ukrainian Government has to fulfill its obligation or we have to stop the Center's activity.

Mr. Jim Noble added that it is absolutely incomprehensible for the financing parties to accept that Ukraine can not pay \$200000 in exchange for receiving \$25 mil. We can not explain it to anyone, but we understand the problem that Mr. Shevtsov mentioned, and we ask for his help and Mr. Horbulin's support.

**Y2K Initiative.** **Dr. Frantisek Janouch** reported that this project was introduced at the Washington Meeting of the Advisory Committee in April. We were following the ISTC experience in preparing a project for assisting in solving the Y2K problem in Russia. Coming back from Washington, the STCU investigated the situation here in Ukraine. Most of the people contacted are working for ENERGOATOM at the Supporting Institute of Nuclear Power Stations, as well as at several other institutions. It was clear that there is a great concern about situation with Y2K in Ukraine, and that nothing had been done yet. Here in Ukraine, there were some letters sent from the Nuclear Regulatory Commission, indicating that Nuclear Power Stations had to show their readiness for the year 2000. A special Commission was held involving several ministers, set up by President Kuchma. The STCU has been thinking about what to do and what could be its role in this process. In a very close collaboration with Ukrainian specialists, it was agreed that the Ukrainian team should present a proposal which would try to help to achieve Y2K readiness at Ukrainian Nuclear Power Plants. The STCU responsibilities were restricted. So when the restrictions of area were considered, it was decided to orient the proposal to Nuclear Safety. The STCU received the original proposal from a group lead by the proposed Project Manager, Igor Klimenko, from the Nuclear Power Plants Supporting Institute. This project would cost several hundred thousand dollars. We thought it would be reasonable if the STCU would keep a close eye on monitoring and having control of the finances, but of course not working directly on the technical part. During preparation of the project, STCU representatives met with different people and were visited and encouraged very much by a group from the Department of Energy (USA) that came to Ukraine with the same mission, to see what will happen on 31.11.99, 23:59 and to help head off any problems. The Department of Energy supported this project as it was written, and provided the Center with technical advice. Most encouraging was the fact that they are ready to contribute several hundred thousand dollars, being already prepared to have a Y2K project in Russia, Ukraine and other new CIS countries. The Department of Energy also confirmed, that if the STCU project would be approved, they would send us a coordinator that could assist in the monitoring process. We received an e-mail indicating that this person is ready to come and start to work with the Center. This proposal was also agreed on and in some part improved by Mr Libby from Vienna (International Atomic Energy Agency). After discussing this topic with the members of the Advisory Committee, it was decided that this project is too large and that it would be advisable to split it into several projects and to start each following stage after the completion of the previous one. These pages (see attached documents) show the amendment to the STCU Project 001.



The project for the Initial Stage is the Initial inventory, which, as we estimated, will be completed during approximately 2 months by the efforts of 450 persons from 15-17 institutions, Nuclear Power Stations etc. This project would require about \$170000.

The Stage 0001-\$ follows— Selection and scanning tools (Department of Energy will finance the training courses and purchasing). After the tool's selection, people will be trained within two weeks in the following directions: how to use and how to operate these tools. And after the problems are identified, several separate projects will be run for different power stations. Each of these projects should be concluded by a report that has to be submitted to the Financing Parties. This report needs to be approved by the financing parties before starting the next stage. In reality, only 6 months are left to fulfill the entire program. Therefore we can not wait for a long time before approval of the contract. Dr. Janouch suggested that this approval be done electronically.

Mr. Jim Noble agreed that it can be done.

Dr. Janouch added that the project has already started as far as its preparatory phase. The software has been evaluated and a team has been selected.

Dr. Boright thanked Mr. Janouch for his report, and asked if Mr. Klimenko was the Project Manager for the other 5 projects, and added that the approval of each stage report must be done immediately. He also asked what was the total financing requested for the second part?

Dr. Janouch answered that Mr. Klimenko is the Project Manager for all the 5 projects.

Dr. Gabolde said, that due to the piece of information we have now, the inventory stage already exists and is partially completed. Instead of saying: "the project that would develop inventory" we should say: "that it would complete inventory". He also agreed that we have very short period of time to act.

Dr. Janouch underlined that he needs the support of the GB and the Advisory Committee. Mr. Klimenko was chosen because he has access to all of the Nuclear Power Stations in Ukraine that are working with the STCU. He is very well connected in this area.

Dr. Bar'yakhtar expressed support for Dr. Janouch's work.

Dr. Boright expressed his worries about responsibilities.

ED informed the Board that the Center has also delegated 2-3 persons from the staff for the Y2K project, and reminded everyone that the Center still does not have Ukrainian governmental permission for this work and that we should obtain this concurrence. A draft of the previous version was presented. Work has to start as soon as the funding is available.

Dr. Boright expressed his concern, because as presented, it sounds as if the STCU implements this project itself.

The ED answered that the Center is playing just the part of an administrator.

The decision of the Board was, making a summary of all discussed, was that the Y2K project is an important and urgent project. The STCU will perform the function as a funding source.

Mr. Murtha confirmed that the STCU is acting just as a funding authority.

Dr. Gabolde suggested how to share the participation during this first stage of the project: the Inventory could be shared in the following way between Canada, USA and EU (10% / 45% / 45%), Training stage —shared between the USA and EU (50% / 50%), Nuclear power plant stage — between USA, EU and Canada (45% / 45% / 10%), in another scenario (without Canada) — 50% / 50%.

Dr. Boright suggested that they approve a Board document to that effect by the end of the day.

Dr. Janouch pointed out one practical question, encouraging the Parties to start immediately to review the contract, considering that the approval of a contract is usually a very long procedure. In this case, this approval is needed within a couple of days after sending it out. This is condition #1 for the project to be implemented successfully.

Dr. Boright welcomed the Ambassador of Japan Mr. Kurokawa.

**Administrative issues- Rent & lease situation. Marianna Carbe' (see attached report)**

The Advisory Committee Members proposed to the Board that they issue a joint statement to be addressed to the Ukrainian Government outlining their understanding of the issues.

Dr. Boright proposed first to complete the joint statement discussed, proposing the draft decision document.

Dr. Bar'yakhtar expressed his intention to sign this document and that he would like all donor country representatives to sign it.

It was decided by common agreement that the document should be signed by all Parties.

The ED recommended to address this Statement as separate letters to the President, Prime-Minister and Nuclear Security Council Chairman.

A discussion was held on whether or not to indicate the amount required from the Ukrainian Government in order to cover the financial obligations that Ukraine has not fulfilled, and in which currency.

Dr. Boright pointed out that it is impossible to predict in the future what will be the hryvna to dollar ratio.

Marianna Carbe' mentioned that there are some doubts about whether our Landlords want to have the Agreement in hryvnia. But because of Ukrainian law, we have to pay the amount due for rent in hryvnia.

The ED emphasized that now the STCU has a Lease Contract expressed in dollars, and we are paying according to the dollar equivalent. He also expressed his preference that the new lease contract to be signed by a Ukrainian Governmental Representative.

Dr. Boright asked for details about how the payment process presently works.

The ED explained that the money flows directly from Treasury to the Landlord and that it is impossible to get money for from 2-5 months, and even after this, we can not make a payment because the Treasury does not accept the contract the STCU signed with the landlord. So there are many complications for the new lease. It is also very important to remember that this lease expires in a year's time.

Dr. Boright said that the discussion actually has become more frustrating than useful. He expressed his personal concern, thinking that we have not really achieved the result we wanted in the draft. Unfortunately, he pointed out that this is not just a question of \$50000. Dr. Boright proposed to complete the agenda and to continue discussion in the afternoon.

Dr. Gabolde considered the statement acceptable, warning that we should consider closing down the Center if the Agreement is not respected. The EU is in a similar position, and would be unable to continue financing, and Dr. Gabolde has to report very quickly to the Commission.

The ED considered this as the right time to take immediate action. Reminding everyone that the Presidential election is coming very soon, his opinion is that these issues should be resolved before that time.

The discussion is postponed until the afternoon.

Dr. Boright proposed to quickly move through the items that are listed after lunch in the agenda and to make sure that those not covered are discussed during the executive dinner in the evening.

The attendees proposed to change slightly the title of the next issue in:

**"Presentation of new STCU sponsors and partners and approval of modified sponsor guidelines".**

(The list of Canadian Partners is attached in the Board binder.)

All the Board members voted to approve the document presented.

Dr. Boright concluded that the Board approves new sponsors and partners as presented.

**Next Agenda item is the Statement of the Japanese Ambassador (JA).**

Mr. Kurakowa started his speech with some short remarks and announced Japanese funding for new projects #1578 - \$180000, #862 - \$190000. He then continued with few words on his own behalf, communicating that he will soon leave Kyiv by the end of July, and will be unable to be at the next GBM. The Ambassador expressed his appreciation for Japan's participation within the framework of STCU activities. Recognizing that the current formula of participation of the Government of Japan is not sufficient, but hoping in a more fruitful cooperation in the future, Mr. Kurakowa concluded his speech by thanking all those who were very cooperative to the Embassy and to himself.

Dr. Boright thanked Mr. Kurakowa for all his personal efforts supporting the STCU, and said that all are particularly pleased that Mr. Kurakowa announced some funding here in his last meeting at the GBM.

Dr. Boright made a few short remarks about the next 3 topics on the agenda, considering it as Board essential routine, and suggested simply to note that Item 3, 3, 4, 5 have been addressed and will be presented in a written Board Record Decision. Not seeing any need to discuss these items, he moved to the Financial topics.

**Banking Update, John Murtha (See attached report)**

Mr. Murtha explained that Bankers House (the first STCU bank) is having its' accounts frozen, as a result of this the STCU opened new accounts in a second bank the "First Ukrainian International Bank." In January, accounts were frozen again and the Financial Department was not able to make payments. Also, the amount of STCU money in the Bank was restricted.

ED requested to go ahead and make the duplicate payments to the approximately 800 scientists. The money lost at this date is some Canadian funds and a few Swedish dollars as well, but principally (90%) of it is USA money.

All agreed to make payments.

Dr. Boright proposed to move to the **Budget Update - Item 4.2.**

**The statement on the STCU activity was presented by J. Murtha- 2 pages (see attached report)**

Dr. Boright asked attendees if there were any comments or questions about the Budget.  
(no answer)

Mr. Murtha explained the ongoing 1998 Audit update, and that a final result has not yet been presented by the auditors. The auditors have not yet finished their work, and are supposed to visit the STCU in early June.

**CFO Status.** The ED informed the Board that Mr. Murtha would leave the Center in a couple of months and added words in recognition of John Murtha's work, underlining his significant contribution to the Center. Unfortunately, Mr. Murtha had to face the most serious and difficult financial issues the Center had to deal with since its beginning. The ED took this opportunity to thank him for his efforts.

(Applause)

John Murtha said a few words about his work at the STCU, which he considered as the most interesting experience of his life.

Mr. Jim Noble thanked Mr. Murtha for his efforts.

Dr. Bar'yakhtar joined Mr. Noble in thanking Mr. Murtha.

Dr. Boright opened the project approval and funding portion of the meeting.

(All the Project Coordinators invited)

## PROJECT APPROVAL AND FUNDING

The ED read out the approved new projects. Dr. Boright moved to have the project funding approved. The Board approved the motion by signing the table of funded projects.

At the end of this round the Party representatives exchanged remarks related to project selection, funding and related activities.

## FINAL TOPICS

Dr. Boright opened discussion on the date of the next Board of Governors Meeting. It was agreed by the Board members that the 9th Board of Governors Meeting would be held on December 9th, 1999 with location in the STCU premises in Kyiv.

The record of decisions of the 8th Board of Governors Meeting was approved and signed by all Board members and noted as a good way to regularize decisions.

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

Dr. Boright then opened the meeting for concluding remarks.

Mr. Emil Baran stated his appreciation for the Executive Director's strong management style and new significant regularities such as job descriptions, changes to salary, bringing transparency to the organization, making new processes such as recording of Board decisions clearly, etc. and encouraged him to follow this direction in future.

Dr. Bar'yakhtar underlined the good work done.

Mr. Michael Bierhoff, on behalf of the German presidency in the European Union, thanked the Board members and participants for an interesting and good experience.

Dr. Gabolde, on behalf of the EC executive body, confirmed the interest of the EC in participation in the Board activities and in continuing its activity through the STCU.

The STCU Executive Director highlighted the tremendous work and support of the Center's staff. He welcomed Miss Marianna Carbe' as Chief Administrative Officer, and also thanked the STCU Secretariat for the preparations for the Board.

Dr. Boright expressed his satisfaction in the continuing progress since the beginning of the STCU. He said that the Center is in a good position and has received real recognition of its work. He underlined that the focus should now be on maximizing the delivery of benefits to Ukraine, Georgia and Uzbekistan. He closed the meeting by thanking all the participants in the 8th Meeting of the Governing Board.