

EXECUTIVE DIRECTOR'S REPORT ON STCU ACTIVITIES 9TH BOARD (December 15, 1999)

GENERAL COMMENTS

The second half of 1999 continued to reflect the busy activities of the Center and was characterized by the continuation of several significant crises and the addition of more problems that consumed much of the Secretariat's time and energy.

Following the successful completion of the 8th Board meeting in late May (24 projects approved), work continued on many initiatives, including registration of 1120 new proposals from the 3rd Call, in addition to the normal post-Board activities.

I am, however, pleased to report that all of the new issues that the Center encountered in the Fall were successfully resolved by the Center's actions and with the assistance of various individual Ukrainian officials. Although the Secretariat continues to deal with several outstanding issues remaining from early in the year, and 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 initiated several major new unplanned programs, despite the heavy burden of issues it faced throughout the year.

ACTIVITIES RELATED TO STAFF

The 8th Board and accompanying advisory committee meeting were held on May 25-27 at the STCU and successfully completed with the approval of 24 new regular projects and 3 Partner projects. The EU, USA, Canada, Japan & CERN funded projects for a total of \$3,715,789. A tour of a STCU project, demonstrating electro-welding conversion was coincidentally provided at Paton Institute. An advisory committee meeting was also organized in Lviv on Sept. 22 & 23 and included a tour of laboratories and STCU projects at the Karpenko Physical-Mechanical Institute of the NASU and the State Science-Research Institute on Information Infrastructures.

2 STCU staff completed training in the USA at the Monterey Institute for International Studies and International Women in Science & Engineering Leadership Program in Des Moines, Iowa. Three student interns completed summer jobs and a 2-½ week business-training course for the Sustainability Group (5 staff) was successfully completed at Dalhousie University in Halifax, Canada. New, comprehensive English training courses were recently made available to staff at the STCU at three levels. Evaluations and progress will be monitored during the course of the training. A 1-week training opportunity was extended to M. Dzubinska in London, England, to obtain in-depth project management training. Support is also being provided to 6 accounting staff of the Financial Group to assist them in obtaining certification by the Association of Chartered Certified Accountants.

Curt Bjelajac accepted the USA supported position of Chief Financial Officer and began his new duties on June 16, 1999. 2 STCU staff resigned from their positions for personal reasons late in the year. Competitions were held internally and externally to quickly fill these positions with qualified individuals.

Ukraine was hit by a 3-week gasoline crisis in mid-July. Prices increased by up to 500% in 2 days. Currently gasoline prices are 50% above prices prior to the crisis.

Thirteen conferences were supported in 1999 with State University, Chernivtsy; Taras Shevchenko University, Kyiv; Institute for Problems of Materials Science, Kyiv; Scientific and Technical Center on Export and Import of Special Technologies, Hardware and Materials, Kyiv; Physical Technical

Institute, Kharkiv; Institute of Surface Chemistry of National Academy of Sciences of Ukraine, Kyiv; Institute of Semiconductors, Kyiv; Institute of Physics, Kyiv; Ukrainian Division of SPIE and International Lab, Kyiv; Institute of Biomedical Equipment and Technologies of Ukraine, Kyiv; Institute for Metal Physics, Kyiv; and Institute of Physics & Technology, Kharkiv

EXECUTIVE ACTIVITIES

Presentations/Meetings

Management staff provided a 1-hour presentation for Moldavian Ambassador Alexei Andreyivsky, Jun.15

ED met with Polish Ambassador Jerzy Bahr to discuss possibilities of Poland's interest in joining the STCU as a Financing Party, Jun.16

ED participated with various Military Attaches and Ambassadors at the Canadian Embassy in the International Land Mines Report provided by a Canadian retired General, Jul.23

Management staff provided a 1-hour presentation and briefing of issues for visiting European representatives, Mr. T. Summa and Mr.D.Ginqlaris of the Delegation of the European Commission in Ukraine, Jul.27

DED F.Janouch presented a progress report on STCU Y2K activities to a local G8 Committee on Ukraine Y2K Preparedness, chaired by Mr.B.Steen of the Canadian Embassy, Aug.19

ED and Senior DED met with the Director of the Ukrainian Space Agency, Mr.Nehoda, and other executives together with USA representatives to discuss future collaboration with NASA and STCU, Sep.20

ED provided a presentation to 9 businesspersons representing 6 small Canadian firms visiting as part of a CIDA supported business development mission related to Partnering, Sep.27

ED made a Welcoming Address to the SPIE Kiev-Aerosense Partner Conference, Oct.4

ED attended CUBI Chamber Business meeting at the Canadian Embassy and presented a brief progress report on STCU Y2K activities, Oct.15

ED and representatives from STCU Financing Party embassies attended a briefing by USA Ambassador Pifer in regard to the new USA approach to issues faced by STCU, Oct.28

Management staff provided a 1½-hour presentation and briefing on STCU activities, issues and Y2K progress to British Ambassador Roland H. Smith (also Mr. S.J. Butt and Mr. V.Kyrylenko), Nov.3

ED met with new Japanese Ambassador Hitoshi Honda to discuss continuing relations between STCU and Japan, Nov.3

ED hosted a working dinner for USA Ambassador Pifer, Japanese Ambassador Honda, Canadian Ambassador Fraser, Finnish Ambassador Isoaro and EU, Delegation of the EC in Ukraine Second Secretary, Ferruccio Bogo, to discuss a coordinated response to issues faced by the STCU, Nov.4

ED and Senior DED met with Ukrainian Minister of Education and Ukrainian Board Member to discuss STCU issues, Nov.9

ED presented Welcoming Address to STCU "IPR Protection and Related Business Opportunities" seminar, Nov.16

Management staff provided a 1½-hour presentation and briefing on STCU activities, issues and Y2K progress to Canadian International Development Agency Country Program Manager, N. Rivard-Royer and Senior Project Officer, J. Hosten-Craig as well as to NATO Liaison Office Head, S. Pond and Officer, Lt.Col. G.Bachman, Nov.24

ED provided an interview discussing the conversion aspects of STCU, which was broadcast on Swedish national Sveriges Television, Nov.26

ED provided an interview discussing Y2K and the STCU with Scottish BBC Television, which will be broadcast in early December, Nov.28

ED and Senior DED attended several meetings with Mr. Chalyj, First Deputy Minister of Foreign Affairs and other Ukrainian officials, to discuss resolution of issues with respect to Ukrainian obligations, Dec.1,2,3

STCU staff provided a tour of projects to several high level Canadian International Development Agency officials in Kharkiv, Dec.6

Executive Trips/Presentations

- ED and Senior DED visited the ISTC Branch Office and Institute "Sosna" in **Minsk, Belarus**, to discuss possible future collaborative projects which might have regional impacts on Ukraine, Russia & Belarus, May 31
- ED met with the Director of the International Development & Research Council and staff to discuss possible opportunities for future collaboration or partnerships, **Ottawa, Canada**, Jul.6
- ED met with Mr. Koniukhov and various senior officials in **Dnipropetrovsk**, to present and promote Partner Program possibilities, Aug.2; also met with Project Managers in **Sevastopol** and **Odesa** to discuss project details and progress
- DED A.DuCharme attended a two day conference, Preparing the Electric Systems of North America for Year 2000, in **Chicago, USA**, Aug.5,6
- DED F.Janouch participated in a one week conference, Accelerator Driven Transmutation Technologies, in **Prague, Czech Republic**, Jun.2-8
- DED F.Janouch made a presentation to the Hydrogen Materials, Science & Chemistry of Metal Hydrides Conference, **Kasiaveli**, Sep.5
- ED made a presentation to the XVI International Seminar on Charged Particle Linear Accelerators held in **Alushta**, Sep.9
- ED attended Y2K status meeting hosted by IAEA and Financing Party representatives in **Vienna, Austria**, Sep.17
- ED made STCU presentation to the Plenary Session of the International Conference on Optoelectronic and Hybrid Optical/Digital Systems for Image/Signal Processing in **Lviv**, Sep.23
- DED F. Janouch met with European representatives to discuss various STCU related issues, **Brussels, Belgium**, Oct.18-20
- ED and CFO visited **Washington, D.C.** to finalize DOE contract for partner projects; ED met with NASA representative to discuss new Space MOU between USA and Ukraine and STCU's role, Oct.18 & 19
- CFO and CAO visited EC headquarters to meet with representatives and discuss work-related issues, **Brussels, Belgium**, Oct.21-22

- ED and DED F. Janouch met with State Design Office "Pivdenne" senior officials in **Dnipropetrovsk** to present and promote Partner Program possibilities, Oct. 26
- ED and DED F. Janouch met with Director of Hydrophysical Institute and Project Managers in **Sevastopol** and **Odesa** to discuss project details and progress; to present Partner Program information to 35 scientists; and to meet with Director of "Musson" Enterprise to discuss partner possibilities, Oct.29
- DED F. Janouch traveled to monitor the Russian part of a joint project and discuss joint project processing with ISTC managers, **Moscow, Russia**, Oct.30-31
- ED and DED F. Janouch traveled to **Stockholm, Sweden**, to meet with MFA representatives to discuss issues and with industrialists NUTEK, Institute for Metals Research, and Foundation for Strategic Research to promote the Partner Program as well as meeting with Deputy Director I. Tersman of the Dept. for Int'l and Security Affairs, Ministry of Defense, Nov.25-26

FINANCIAL MATTERS

The 1998 USA Department of Defense audit was completed in June and the final report issued in September. No significant issues were reported.

Current spending is about \$265,000 below budget. A telephone provider issue developed in August and resulted in the acceleration of the previously planned STCU communications upgrade. Funds budgeted for replacing and upgrading the switchboard were fully utilized and funds for replacing the telephone provider services were transferred from the staff training line to telecommunications following a request to the Board. The 2000 budget is presented and is planned to be about the same as the revised budget for 1999, despite several significant increased costs not previously required (ie. audit) and several requested increases to support successful initiatives.

The first formal request for budget funds from Ukraine for rent, utilities and security requirements in 2000 was made in June for the amount of 804,069 Hr.. No official response has been received to date. The Hryvnia has devalued a further 25% since this request was made. The budget process does not allow the Center to base their request on real predicted values for the hryvnia in 2000 but on values predetermined by the government.

Banking Update -

In early June, 1999, meetings were held to discuss an appropriate repayment plan of Bankers House debt obligations with officials of the newly restructured State Joint Stock Specialized Import Export Bank of Ukraine (Ukrspetsimpex Bank). Terms were negotiated and agreed-to formally in mid-June. The first tranche of 80,000 Hr was paid on July 1 as required. Although the bank was apparently prepared to make the second tranche payments on Jul. 31 and Aug. 1, the Center chose to delay payment until new problems with the Regional Tax Inspection authorities could be resolved. STCU subsequently requested a portion of this amount to be transferred but the bank did not respond to the request. In mid-August a meeting with bank officials was held in regards to payment and the Center was assured the transfers would be made by August 20. No funds were transferred and no additional payments have been made to STCU since this time. A follow-up meeting was finally arranged in October to discuss the situation. The bank informed the STCU that Mr.Schiller (CEO) is now the Deputy and Mr.Adler (previous Deputy) is now the CEO and indicated that they were preparing a new survival plan to deliver to the NBU and requested that STCU convert debt to preferred shares. STCU determined that this was not a feasible approach and instead met with NBU Deputy Rybachuk to renew requests for NBU assistance in recovering funds. A letter was subsequently delivered to Mr. Yushchenko reminding him of his earlier promise to assist and asking for help once again. In the meantime, all scientists previously owed grants were paid and their debt added to STCU's, as previously approved. The NBU subsequently provided written notification on Nov.23 that they had no responsibilities or could interfere with commercial banking operations and suggested that STCU should apply to Arbitration Court.

Rent/Security Update-

At the end of May, following the 8th Board meeting, a letter was drafted and signed by all Board Members and delivered to President Kuchma, and Prime Minister Poustovoitenko requesting resolution of the problem. Although no response was received, a monthly payment of the regular budgeted amount was made for the first time in 2 months in June, in addition to 100,000 Hr. The total amount was the equivalent of about one-quarters rent. As such, a letter was delivered to the Cabinet of Ministers thanking the government for making the quarterly installment due July 1 but re-iterating the fact that they remained approximately \$106,000 in arrears. The Center made another emergency quarterly payment due Oct.1 in the amount of \$36,000 when no funds were received from Ukraine. Importantly, the Hr again collapsed by 25% in late July and this will mean further shortfalls by year-end. The budgeted July, August, September, October and November payments have not yet been received.

Discussions with the landlords have progressed to a point to where they are now within the realm of negotiating reasonable terms. They are prepared to consider a 5 year lease; their starting point is \$18/m² but with an inflation adjustment of some sort built into the contract; they are prepared to sign in Hr; and to include a Ukrainian government representative in the negotiations. A letter has been sent to the Deputy Minister of Foreign Affairs, requesting that an individual be named representing the Ukrainian government in lease negotiations.

The Ukrainian government finally responded to requests for payment of obligations in early December when Mr. Chalyj, the First Deputy Minister of Foreign Affairs requested a meeting with the ED. Mr. Chalyj promised to take over the STCU lease and all dealings with the landlords. He also promised that the balance of the 290,000 Hr budgeted for STCU for 1999 would be paid by year-end but did not recognize any further debt. In addition, he promised that should the Ukrainian government not come to an amicable agreement with the landlords, they would find a suitable alternative facility and ensure that STCU could remain at the present location until it was in a move-in condition. Written confirmation is now awaited. The last Ukrainian budget payment was made in June. The debt to STCU by Ukraine to December 31, 1999, stands at \$140,000 (1998-\$ 50,000 + 1999- \$90,000).

800,000 Hr was previously requested by STCU for the 2000 budget year.

MAJOR ACTIVITIES

1998 Annual Report

2,500 copies were printed and delivered to the Center on time and immediately distributed to interested parties. The costs of producing this report were reduced by 62% from the previous year from \$24,200 to \$9,200. Response to the report was favorable in all cases.

Third Call-for-Proposals

The 3rd Call-for-proposals was completed on May 31, 1999, as planned. Although only open for a 5 week period, 1120 proposals were received and registered by the Center. By the end of August deadline, 990 full form proposals were submitted to the Committee of Science for Ukrainian government concurrence. The first 21 Ukrainian approved full-form proposals have been sent abroad for technical review for the 9th Board.

Y2K Project

Following a Board decision at the end of May supporting STCU efforts to assist Ukraine with Y2K preparedness at 5 NPP's, STCU staff coordinated preparation of 8 Y2K projects by Ukraine. These projects were approved and funded by the USA (+DOE), EU and Canada for a total of \$2 million. STCU staff worked closely with DOE, EU and Ukrainian experts to coordinate preparation of the proposals. The projects were initiated within an extremely short time period and were underway by mid-July. Initial monitoring was completed at 4 power plants in August and all work is on schedule.

A new monitoring plan has been prepared and implemented to verify progress on remediation activities to year-end. Approximately 400 scientists and engineers are employed on these projects, 50% of whom were previously involved in WMD activities. All projects, including mission-critical remediation are complete or underway and expect to be completed on schedule. Results of the work are already evident as new public statements by various country experts describe the new "low" risk in Ukraine for disruptions at NPPs, as related in news articles.

STCU Web Site Update

Center staff completed a major revision and update of the STCU web site and activated this new version on November 23, 1999. A second phase of improvements to the site will begin in the new year.

ISSUES

Tax Inspection Claims

The State Tax Agency of the Moscow Region of Kyiv inspectors notified STCU that they would begin a tax inspection early in 1999. This was the first time that such an inspection was conducted at the STCU and may have been triggered by an audit of customs receipts for chemicals brought into the country by the STCU and/or in response to a formal request for repayment of >1,000,000 Hr in VAT owed to STCU by Ukraine. In the past, a number of similar small scale inspections (currency etc.) have occurred at the STCU. The inspection encompassed all taxes (income, VAT, etc.) according to Ukrainian Law and began on March 3, 1999, and finished on June 30, 1999. During this time, Tax Inspection sent letters to the Ministry of Justice and Ministry of Foreign Affairs to find out the ratification status of the STCU. In other words, the ratification status of the STCU affects the STCU's tax-exempt status in their eyes. In addition, letters were sent to a number of institutes throughout Ukraine to verify that the STCU was indeed a non-profit institute, which provides capital to finance scientific projects throughout Ukraine. The Ministry of Justice replied that they had no information on the ratification status of the STCU and referred the issue to the Ministry of Foreign Affairs which provided a letter stating that the STCU was not ratified by the Verhovna Rada, but that work is ongoing to obtain said ratification. All letters to the Institutes provided the response that, indeed the STCU is a non-profit entity and that all funds were provided for grantee payments, equipment purchases and other non-profit purposes. Having obtained the information that the STCU was not ratified, the tax inspectors completed their audit and produced an AKT dated July 16, 1999, demanding that the STCU pay:

✓ Profit Tax	239,670.00
✓ Fine on Profit Tax (30%)	71,901.00
✓ VAT Tax	137,921.40
✓ Fine of VAT Tax (100%)	137,921.40
✓ Interest on Taxes	<u>324,294.55</u>
Total UAH	911,708.35

The tax inspectors deemed any inflow of cash (payments by funding parties and partners) as income to the STCU and any outflow of cash as expenses (project payments and administrative payments). The resulting difference is either profit or loss. The STCU spent less money than received, resulting in income in the eyes of the tax inspectors. According to a letter issued by the tax inspectors dated July 23, 1999, STCU was required to sign the AKT within 10 days of issue agreeing to the terms or the tax inspectors would have the right to attach and freeze the STCU's bank accounts.

In accordance with Article X of the Agreement, STCU is not required to pay any taxes and/or deductions for local, regional and national purposes. During the last five years, STCU has paid VAT in the amount of UAH 1,330,869.84. This VAT was included in the price of goods and services. This amount is due to STCU, and as of today, is still outstanding.

Actions:

A letter was immediately delivered to the Cabinet of Ministers disputing all claims made and referred to the tax-exempt status of the STCU as cause for refusal to pay any taxes. STCU subsequently cleared out all bank accounts except for \$1,000 and as of August 2, paid by cash for project and administrative expenses, or withheld payment altogether. On July 28, Mr. Tyhypko sent a letter to the head of the State Tax Inspection requesting that they abide by all terms of the Agreement which is binding while the ratification process is on-going. On August 11, the Center began flowing \$10,000 every 4 days through its bank in an effort to maintain minimum operations. A meeting was held in August with the Head of the Regional Tax Inspection to discuss the situation. He verbally stated that the AKT had been cancelled and would not be acted upon by him and had been initiated by an overzealous deputy. No written confirmation was forthcoming. As a result, wire transfers were increased to \$50,000 and then \$90,000. Meetings since this time suggested that no written cancellation would be forthcoming in the near future. Discussions with the USA and EU AC members resulted in a decision to risk \$150,000 weekly transfers (minimum required to operate) at this time. On September 23, a letter was received from Mr. Azarov, the Head of State Tax Inspection "suspending" the AKT. *This problem was finally resolved by official letter from Mr. Azarov, on October 26, 1999, in which he formally cancelled the AKT.*

New Presidential Decrees Affecting Customs

In May/June, the Cabinet of Ministers of Ukraine introduced 3 different new taxes affecting Customs Clearance procedures that negatively impacted STCU. The first, called the "Gerbovyi sbir" (stamps) was announced on May 13, 1999, and was officially put into force by decree on Jun.23, 1999. This new tax was applied to all goods or equipment which were not already covered by "akziznyi obligations", which means all possible goods, materials, and equipment (ie. everything). The second taxation was introduced by decree on May 19, 1999 and stated that 2 % of the total value of each invoice accompanying goods etc. should be paid to the budget. This decree would be effective from 01.01.99 to 31.12.99 and there would be no exemptions. The 3rd taxation included a charge of 5 ECU per each plumb Customs Inspectors put on trucks at Customs Control at the borders and was effective by decree on July 7, 1999. This taxation had a minor effect on STCU since truck deliveries only occur 3-4 times per year. The decision was made not to pay these taxes and all goods were held-up at Customs.

Actions:

Letters were immediately sent to the Minister of Foreign Affairs and Cabinet of Ministers requesting that they provide a resolution, which would be recognized by the Customs officials, exempting the STCU from these taxes. The Minister of Foreign Affairs subsequently wrote to the Cabinet of Ministers (19.07.99) explaining that the STCU was a valid organization and on the basis of our agreement is not obligated to pay taxes (among other things). Since this time, a letter was sent from Deputy Premier of the Economy, Mr. Tyhypko on July 28, 1999, to the head of Customs, re-iterating that the STCU Agreement was valid as long as the ratification process is on-going and all aspects should be adhered to. On August 17, 1999, a first shipment was cleared through Customs. On Aug.31, formal documents were received from Customs confirming our exempt status and normal clearance procedures were re-instated. *This issue is resolved and now closed.*

Telephone Services Provider Replacement

Telephone services were cut by Rostok providers on Aug.19, 1999. Negotiations began immediately with potential alternate providers and continued to the end of October. It was discovered that Rostok also inserted recordings to callers saying the STCU was disconnected for non-payment of bills. Since there was no way to stop this, E-mails were sent to main Institutes and interested parties on Aug.20 warning of service interruptions until Sep.1 and apologizing for the inconvenience. These actions apparently occurred as a result of STCU inquiries requesting explanations for excessive charges for the past 3 years and a desire to have a written contract clearly identifying charges and rates. The company subsequently sent several threatening letters requiring STCU to begin paying \$2200/month for internet cable access to our provider, Lucky Net (this issue was apparently brought to the courts by

STCU 3 years ago with a verdict delivered that Rostok had no rights to these access routes). It is suspected that the company subsequently cut the Internet access cable 3 times. STCU responded with a letter stipulating that STCU always paid its phone bills and their quarrel over access routes was with the Pechersk Administration or Ukrainian government. Telephones unexpectedly started functioning again on August 31 and the Internet on September 1. Rostok faxed STCU a letter saying they had received a \$2135 mystery payment and assumed it was from us and thanked us for our continuing service. STCU provided no such payment. A contract to provide new lines and equipment upgrades to STCU was signed with Golden Telecom on Sep.17 and STCU received Board approval for a budget revision to allow for the unexpected change in provider.

Telephone services were replaced in mid-November and a letter was faxed and delivered by courier to Rostok formally providing 10 days notice of termination of our business relationship together with an invoice for lost-business costs incurred as a result of their illegal cutting of phone service. Three months of past-due bills were applied against these charges and the balance requested to be paid. No response has been received and *the issue is considered resolved.*

Project #378

This issue was previously described. An interim financial audit-monitoring trip was completed. No irregularities were found and the complainant "forgot" why he complained. *This issue is resolved and now closed.*

Partner Project #P-24

All payments were finally received for this project on Aug.30. Authorization to re-start work was issued the same day. The project has since been completed to the satisfaction of all parties. *This issue is resolved and now closed.*

USA Visa Problems

The USA rejected a visa support letter signed by a STCU Executive for scientists (not currently on STCU projects) planning to travel to the USA for a conference. US Embassy officials were not satisfied with documentation provided by the scientists. Subsequent meetings with the head of the Consular section and the ED and CAO clarified the matter and a new, controlled system for visa support letters was agreed-to. *This issue is resolved and now closed.*

NEW DEVELOPMENTS

Ratification

The documents supporting ratification of the STCU Agreement have been completed and approved by the 9 Ministries and organizations with a vested interest. They are now resting with the Ministry of Foreign Affairs, which has recommended not pursuing ratification until after the presidential elections. An elected Deputy should present the document to Parliament or the head of the Science and Technology Committee of the Parliament, Mr.Seminozhenko. Mr.Seminozhenko was recently appointed to replace Mr.Smoli as Deputy Prime Minister responsible for science and technology in the Cabinet of Ministers and apparently holds both positions at this time.

Other Government Relations

A follow-up letter was received from the Azerbaijan Minister of Foreign Affairs requesting that STCU consider allowing Azerbaijan to join. Further action awaits Governing Board direction. Information was provided to the Moldavian Ambassador describing the accession process and requirements.

The Japanese Ambassador was transferred to a new posting and a new Ambassador arrived in early September. The ED met with the new Ambassador, Mr. Honda, and invited him to attend a briefing at the Center at his convenience. It was also presented that several Japanese corporations had expressed

an interest in becoming Partners but that without full Party status, this was not possible. It was suggested that perhaps Japan might be ready to consider such a relationship.

NAUDEI

Letters were received by the Canadian and USA Ambassadors from Roman Shpek, Chairman of this agency, suggesting that STCU's problems are a result of non-registration with his agency. In the past two years, no official contact or requests to register were received from this agency and no Ukrainian government officials suggested that problems encountered in 1999 could be resolved by this agency. The STCU is however, investigating the advantages and/or disadvantages in doing so and will continue to look at any valid options which might alleviate problem resolution. The USA Ambassador responded officially that advice would be sought from the MFA; that the STCU would continue to investigate and discuss the pros and cons of registering; and that only the Governing Board could make the final decision on this issue.

Update on Resolution of Rent & VAT Issues

Following up on STCU on-going efforts to resolve rent/lease and VAT issues, the Canadian, EU, USA and Ukrainian Parties undertook intensive efforts to resolve outstanding issues pertaining to Ukrainian government support for the STCU. The Canadian, EU and USA Ambassadors met with First Deputy Minister of Foreign Affairs, Mr. Chalyj and the STCU Executive Director, resulting in a tentative action plan regarding issues of building rent and return of VAT

Sustainability Group Activities

Eight new partners have been introduced since the 8th Board, including Solanum PEI Inc., Canada; Orenda Aerospace Corporation, Canada; II Systems, Canada; Optiweld, Canada; TIMET Corp., USA; STERIS Corp., USA; and Max Planck Institute, Germany. The European Office of Aerospace Research and Development (EOARD) was also confirmed as a USA agency which may use the expedited Partner procedures to fund research projects.

Five new project activities were approved with Minnesota Mining & Manufacturing Co. 3M, USA (P-020); Tesseral Technologies Inc., Canada (P-025); National Advanced Coatings Corp., Canada (P-027); TIMET Corporation, USA (P-032); and with Max Planck Institute, Germany (P-034). Two previously approved projects with the National Cancer Institute, USA (P-003 & P-004) were extended.

On November 15, the SG organized a seminar "IPR Protection and Related Business Opportunities", for about 40 STCU project scientists. From November 29th to December 4th, the SG coordinated and presented, together with the Business Incubator Development Program in Ukraine the previously developed intensive training course, "How to Commercialize Innovations".

PROJECT PIPELINE

PROPOSALS ABROAD FOR 9TH BOARD REVIEW

NUMBER OF PROPOSALS REMAINING FROM THE FIRST 8 GOVERNING BOARDS AND PRESENTLY UNDER EXTERNAL REVIEW (USA ONLY) [1 - 3 rd Brd.; 4 - 5 th Brd.; 2 - 6 th Brd.; 18 - 7 th Brd.; 29 - 8 th Brd.]	54
NUMBER OF PROPOSALS REMAINING FROM THE FIRST 8 GOVERNING BOARDS AND PRESENTLY UNDER EXTERNAL REVIEW (EU ONLY) [1 - 5 th Brd.; 6 - 7 th Brd.; 16 - 8 th Brd.]	23
PROPOSALS REMAINING FROM THE 8 TH BOARD (EU+USA)	4
<u>NUMBER OF PROPOSALS SENT ABROAD FOR THE 9th BOARD (EU+USA)</u>	<u>153</u>
SUBTOTAL (USA)	211
SUBTOTAL (EU)	180
SUBTOTAL (CANADA)	140

OF PROPOSALS SENT ABROAD FOR THE 10th BOARD (EU+USA) 40

STATUS OF PROPOSALS REMAINING FROM THE FIRST 2 CALLS

PROPOSALS AT STCU BEING PREPARED FOR THE 10 TH BOARD	24
<u>PROPOSALS CURRENTLY AT THE COMMITTEE OF SCIENCE</u>	<u>20</u>
SUBTOTAL	44

STATUS OF PROPOSALS FROM THE 3RD CALL


PROPOSALS SENT FOR EXTERNAL REVIEW (9 TH +10 TH Boards)	60
<u>NUMBER OF PROPOSALS AT STCU UNDER PREPARATION</u>	<u>334</u>
SUBTOTAL	394
PRESENTLY UNDER REVIEW BY THE COMMITTEE OF SCIENCE	596

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

TOTAL PROJECTS FINANCED	217
ACTIVE PROJECTS AS OF JAN. 1/00	98
NUMBER OF PROJECTS COMPLETED TO DEC. 31/99	119

STATUS OF PREVIOUS BOARD APPROVED REGULAR PROJECTS

CONTRACTS FROM THE 7 TH BOARD AWAITING WORKPLAN APPROVAL	3
CONTRACTS AT STCU UNDER PREPARATION (7 th BOARD)	1
CONTRACTS FROM THE 8 TH BOARD AWAITING WORKPLAN APPROVAL	6
CONTRACTS AT STCU UNDER PREPARATION (8 th BOARD)	2


Leo Owsiacki
Executive Director
December 14, 1999