

**MINUTES of the TENTH MEETING
of the STCU GOVERNING BOARD**

Kyiv, Ukraine

June 1, 2000

Kyiv, Ukraine

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:

EMIL BARAN, Board Member, CANADA

Sara Camblin Breault, Canadian International Development Agency

JEAN GABOLDE, Board Member, EUROPEAN UNION

LUIS-BRITO CAMARA, First Secretary Embassy of Portugal, Representing the EU Council Presidency, Board Member
Didier Gambier, Directorate General XII

VICTOR BAR'YAKHTAR, Board Member
UKRAINE

JOHN BORIGHT, Board Member
Jennifer Brush, US Department of States
Jim Noble, US Department of State
UNITED STATES

OBSERVERS

GEORGIA

Malkhaz Chachava, Ambassador Extraordinary & Plenipotentiary

UZBEKISTAN

Shamansur Shakhililov, Ambassador Extraordinary & Plenipotentiary

SPONSORS

Hitoshi Honda, Ambassador Extraordinary & Plenipotentiary (unable to attend),
Embassy of Japan

✓ Ritsuko Inoue, Third Secretary, Embassy of Japan

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)
Curtis Bjelajac, Chief Financial Officer (United States)
Marianna Carbe', Chief Administrative Officer (European Union)

INVITED HONOURABLE GUESTS

- ✓ Derek Fraser, Ambassador Extraordinary & Plenipotentiary, Canada
Andre Vanhaeverbeke, Ambassador Extraordinary & Plenipotentiary,
European Community (Ferruccio Bogo, Second Secretary, European Community
attended instead)
- ✓ Goran Jacobsson, Ambassador Extraordinary & Plenipotentiary, Sweden
Antonio Faria E. Maya, Ambassador Extraordinary & Plenipotentiary, Portugal
Steven Pifer, Ambassador Extraordinary & Plenipotentiary, USA
Alexej Andrievsky, Ambassador Extraordinary & Plenipotentiary, Moldova
Mikola Zhulinsky, Vice Premier Minister of Ukraine, Ukraine
Vassilji Kremen, Minister of Education and Science, Ukraine
Olexander Chalyi, First Deputy Minister, Ministry of Foreign Affairs, Ukraine
Volodymir Gorbulin, Presidential Administration of Ukraine, Ukraine
First Deputy Head of the Commission for Science and Technology,
- ✓ Yaroslav Yatskiv, Deputy Minister of Science and Education, Ukraine

ACCOMPANYING DELEGATES

- ✓ Don Osman, University of Manitoba, CANADA
- ✓ Tor Larsson, Scientific Advisor, EUROPEAN UNION
- ✓ Manfred Bauer, Legal Advisor, EUROPEAN UNION
- ✓ Jorma Karjala, Directorate-General Research, EUROPEAN UNION
- ✓ Cinthia Mentz, US Department of States, UNITED STATES
- ✓ Andrew Hood, US Department of States, UNITED STATES
- ✓ Peter Molton, Scientific Advisor, UNITED STATES
- ✓ James Arzigian, Scientific Advisor, UNITED STATES

Mr. Boright, chair of the 10th 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 in their efforts supporting the Center. In particular, he pointed out the absence of Mr. Chalyi, First Deputy Minister, Ministry of Foreign Affairs, Ukraine. Mr. Boright also remarked concerning two issues of the greatest importance that would be discussed at the meeting: the building issue and a US delay in funding.

Mr. Owskiacki, the STCU Executive Director, started his remarks by expressing his great pleasure to welcome all delegates to Kyiv for the 10th Board Meeting. Besides the Board Members and the Secretariat, Mr. Owskiacki welcomed the Observers from Uzbekistan, Georgia and Japan, as well as the Honourable Guests invited to attend Board proceedings. The first half of the year 2000, Mr. Owskiacki said, was extremely successful in terms of resolution of many issues, some of which had been unresolved

since the day the Center was established. Mr. Owskiacki also appreciated the MFA's effort to work together with the STCU in order to resolve those outstanding problems, one of which still remains unresolved. He thanked the STCU Executive and staff for the diligent work done.

Mr. Boright welcomed Ambassador Fraser, Jacobsson and Yaroslav Yatskiv, the First Deputy Minister of Science and Education of Ukraine.

Mr. Yatskiv thanked the STCU for its remarkable work and for his invitation to the meeting. He highlighted the importance of the STCU's role for Ukraine and for all its scientists. He also thanked the MFA for its help to the STCU and expressed his hope that the building issue would soon be resolved.

Mr. Gabolde welcomed the success of the STCU. He stressed how important is the Center's activity and talked about the EU and its special Summit Meeting of 15 Countries in Lisbon. He pointed out the political, social and economic significance of science, technology, innovations and education and underlined the necessity of continuing efforts for its development.

Mr. Boright confirmed the importance of Mr. Gabolde's words and suggested that the availability of that declaration can be useful for the Center.

On behalf of the scientists **Mr. Bar'yakhtar** expressed his pleasure that the STCU gained political significance and has started to play a very important role in the scientific community. He underlined the importance of moral and ideological support from the STCU staff. He stated that he values Mr. Owskiacki's input as the STCU head and congratulated Mr. Yatskiv on his new important position in the government of Ukraine. He pointed out that the STCU now has two hands of support: Mr. Chalyi, and Mr. Yatskiv. Mr. Bar'yakhtar stated that the current relations between the STCU and scientific and government community is at a new stage and will be more successful in the future.

Mr. Boright agreed with Mr. Bar'yakhtar's words and added some additional thoughts concerning his endorsement of the quality of scientific capability displayed by the STCU proposals.

Mr. Baran confirmed that the STCU has made substantial progress over the last 6 months. The best example, in his mind, is that other diplomatic missions in Kyiv have started to ask for advice on how to achieve such progress. Among the STCU's advancements, Mr. Baran mentioned continuation of staff development and training, successful conclusion of Y2K and even some progress toward resolving the problem of the premises. He pointed out the exceptional role of the STCU's management in making such progress. He discussed a new system of funding and the official sustainability of the STCU. Mr. Baran underlined that Canada is very committed to work with the STCU and is planning substantial financial support that will soon be announced. He welcomed Jennifer Brush to the Advisory Committee.

Mr. Boright thanked Mr. Baran for his words and introduced the next item of the agenda. He welcomed the observer parties and their possible comments.

-Observers declined comment.

ADMINISTRATIVE TOPICS

Mr. Boright moved to the Administrative topics, with the approval of the December 1999 Board Meeting Minutes. He expressed his overall satisfaction with the Minutes.

-The minutes were approved as presented. Mr. Boright proposed to move on to the next agenda item.

Mr. Owsiacki presented the Overview of Activities from the Executive Director. (see attached report)

Mr Boright welcomed any comments.

Comments to the report

Mr Gabolde characterized Mr. Owsiacki's speech as a detailed one. He strongly encouraged the STCU to combine the information office in Georgia for the STCU and the ISTC since funding countries of both entities are nearly the same and the goals are the same. Reasons he mentioned were to avoid duplication and to provide good management. He repeated that he does not see any sense in organization of two separate information offices doing the same job. He stated that this is his personal position.

Mr. Owsiacki responded that he agrees completely, underlining that the STCU together with the ISTC had prepared a draft memorandum of understanding about the procedures of working through a single office. However the Georgia Government representative has informed the ISTC that they are not going to support this idea. Thus the principle of separate offices was recommended through the Advisory Committee.

Mr. Boright commented on the unsolved Building issue and suggested to prepare some generally agreed upon statement of the Board that would be conveyed to Mr. Chalyi, including as well an expression of appreciation for what was done, so far, in case Mr. Chalyi would not attend the meeting.

Mr. Owsiacki agreed that the building issue would be the major discussion item and was on the agenda under Ukrainian Issues Progress Report.

Mr. Bar'yakhtar proposed to wait for Mr. Chalyi and in case of his further absence, to involve into the discussion Mr. Yatskiv.

Mr. Boright expressed his pleasure concerning the presence of Mr. Yatskiv, since it would be really useful to have him involved in the discussion. He announced the next agenda item "Staff Training Issues" and welcomed Mr. Du Charme to report on it.

Staff training initiatives. Arthur Du Charme (see attached report)

Mr. Du Charme explained how the STCU considers it very important to support training initiatives not only for scientists, but also for the staff at the Center. He said that the STCU management is trying to use the training budget to support staff goals and aspirations in their job position. He made an example of the successful job related training of the Executive Director Administrative Assistant at a Canadian University and the Project Manager Melnik-Melnikov at the National Technology Transfer Center in the USA. Mr. Du Charme underlined that inexpensive training opportunities could also be highly beneficial. As an example of such training, he outlined training of the Administrative Assistant of Mr. Atamanenko, Ms. Leshchenko, who would go to the UK and, receive free of charge training. Mr. Du Charme presented another example of training opportunities within Ukraine where our Project Liaison Officer from the Sustainability Group would soon start her study at the International Study Center in International Marketing in order to gain more extensive knowledge on how to attract business partners to the Center. Additional training opportunities for Administrative Department staff were also mentioned. Mr. DuCharme also provided information about ACCA (Association of Certified Chartered Accountants) studies being undertaken by the STCU Financial Department. Moreover, one of the STCU project accountants, Anatoly Ignatusha, recently won a fully paid US fellowship leading to a two year MBA in accounting. This summer, the STCU will employ 2 Intern college students. Mr. Du Charme underlined that staff training initiatives are an important factor of support increasing morale and job attraction for the staff. As a result, the STCU staff performance is constantly improving.

Comments to the Report

Mr. Owsiacki added that Mr. Ignatusha's success is a perfect example of two things: the professionalism of the STCU staff and the fact that the Center training initiatives support and promote our staff to advance themselves.

Mr. Gabolde added his great pleasure to see the STCU Web Site enormously improved. He thanked the Secretariat for that progress.

Sustainability Group Activities. Arthur du Charme (see attached report)

Mr. Du Charme provided a brief history of the Sustainability Group. He outlined areas of the Group activity that include partner projects, technology commercialization instruction, marketing training for project managers, travel grants and patent support. He informed that since the last board, 7 new partner activities were approved for a total of \$450K. Partner projects currently total over \$2.2M and form a significant portion of the overall STCU funding base. Mr. Du Charme provided a brief overview of travel grant activity of the Sustainability Group and mentioned that this year the STCU supported 12 travel grants to send scientists to meet potential partners in the US, Canada, Germany, Spain and the UK. The Sustainability Group also supports patent activity which is a key to some partner program development in commercialization. In areas of training this year, the STCU Sustainability Group, with the help of both western and local experts

performed two key seminars on Intellectual Property Rights Protection and Related Business Opportunities in Kharkiv and Dnipropetrovsk, Ukraine. The Group also plans to arrange a workshop or seminar in Uzbekistan later this year on business related topics. Mr. Du Charme also pointed out the necessity to find and fund a western oriented person for a position similar to the Senior Technology Implementation Manager at the ISTC.

Comments to the Report

Mr. Owskiacki expressed his agreement concerning Mr. Du Charme's words about necessity of such a specialist.

Mr. Du Charme pointed out the increasing importance of that function in Moscow. He proposed to enter this point into the next budget. On the Web Site issue, Mr. Du Charme outlined its successful improvement in details and mentioned the Sustainability Group involvement in this process. He underlined the importance of the updated STCU Web Site in more extended advertising for technologies and in attraction of alternative source funding.

Mr. Gabolde recognized the Sustainability Group's importance and activities.

Mr. Baran emphasized training of scientists and supports the staffing proposal.

Mr. Camara commented on the extreme importance of such Sustainability Group activity as helpful training for scientists.

Mr. Boright added similar comments and announced a break.

Annual report 99. Arthur du Charme (see provided report)

Mr. DuCharme provided copies of the CD ROM and the New 1999 Annual Report.

Comments

Mr. Boright expressed his compliments for the result achieved, considering this latest version very functional, and asked if soon it will be on the STCU Web Site.

Mr. Owskiacki confirmed; very soon.

Mr. Baran asked about costs of this 99 Annual Report, and mentioned with pleasure the constant efforts of the Secretariat to maintain costs at a reasonable level.

Y2K Report and Extension. Mr. Janouch (see provided report)

Comments to report.

Mr. Boright underlined the importance of the extraordinary work accomplished.

Mr. Owskiacki added that the Ukrainian Government has not publicized enough on its efforts as a Ukraine success story and has missed this opportunity.

The Center did invite various Ukrainian Authorities and involved people for a conference in the middle of February, showing results and progresses achieved, and also the press.

Mr. Boright asked how the press reflected the event.

Mr. Bar'yakhtar said that the lack of Ukrainian publicity was also due to the fact that the Ukrainian Government changed its top level people, but agreed that STCU efforts weren't recognized enough.

Mr. Gabolde said that it is clear that the Center has been very careful not to take the responsibility, and now that the result is successful, Ukraine has to provide advertisement itself. He also commented concerning the Addendum C work, and said that the EU is processing the financing through TACIS, having expectation for its implementation.

Mr. Bar'yakhtar said that maybe it would be useful for the Board Member to address a letter to Mr. Yushchenko, Chairman of Committee for Chernobyl problems about this project.

Mr. Janouch found this a good idea, emphasizing especially the aspect that Ukrainian experts have done great work.

Ukrainian Issues Progress Report. Borys Atamanenko (see provided document).

Mr. Owsiaci presented the year 2000 update on outstanding Ukrainian government obligations background.

Mr. Bjelajac emphasized the difficulty to release funds for debt last year in this year budget, and will continue to work on this with the MFA.

a) Administrative Group Changes and Activities
Information document provided by Ms Carbe'.

b) Payment Rent Debt for the STCU for 1998 and 1999
Mr. Bjelajac will provide details later.

c) Provision of a Suitable Building for the STCU
Ms Carbe' presented the provision of a suitable building for the STCU.

d) Rent /Security update.
Ms. Carbe' reminded that at the 9th GBM in December 1999 the Government of Ukraine had declared, that is taking direct responsibility for the STCU headquarters facility and that the "building is no longer an headache for the STCU". In February 2000 the STCU received a letter from the Landlords advising the STCU to vacate the premises, and informing STCU that all utilities would be disconnected. The Landlords announced that they would take possession again of the building as of 1 June. MFA advises the STCU to engage a lawyer in order to submit a suit Arbitration Court.

- The Board considered it mandatory, that Ukraine respects its commitments and that financing of projects is dependent on the solution of the building issue.

d) VAT and the Banker's House Debt Issues
Were discussed by **Mr. Bjelajac**.

e) Customs Stoppages

Ms Carbe' presented a new issue related to the STCU's Customs problems, considering this issue quite a major problem if the Ukrainian Authorities do not solve the problem in the near future.

Discussion / Comments

Mr. Bar'yakhtar thanked Mr. Owsicki and the STCU's staff for their effort to solve the discussed problems. He reminded the audience that the former Minister of Education has made several promises concerning the quick solution of the building rent problem, but that so far has brought no results. He indicated that the only person with power to solve the problem is Mr. Chalyi. Recently the special committee for Science and Education in the Verhovna Rada suggested to modify paragraph 2 of the Statute of the STCU with respect to IPR. Mr. Bar'yakhtar asked Mr. Owsicki to consider and accept this proposition.

Mr. Boright had some questions about the VAT rate, and how the Bankers House Lawyer was hired. These questions were answered satisfactorily.

Mr. Bjelajac , explained that the reason for such selection was low bid ,extensive experience and knowledge of the lawyer in dealing with similar situations and, his agreement to work with the STCU on a commission basis.

Mr. Boright noted that according to Mr. Atamanenko's presentation on STCU registration as a diplomatic mission, the process gave even better results than expected. Due to this Mr. Boright suggested to prepare a brief statement before the end of the day to bring to Mr. Chalyi's attention. Such a document should contain thanks and appreciation for the accomplishments, on one hand, and a reminder about the open rent problem, on the other hand.

Mr. Gabolde commented that preparation of such a statement is mandatory, particularly stating Ukraine is obligated to resolve the building issue.

Mr. Boright asked about the customs stoppage problem.

Ms Carbe' explained that one and a half months passed before the Customs Authorities started to request the necessary documents and to set new procedures for the STCU, but customs clearance is still impossible at this time.

Mr. Owsicki added that in a week he may call the Ambassadors to help with resolution of this problem.

Mr. Boright emphasized the importance of the soonest resolution of this problem for successful continuation of the STCU activities. He also informed the Board members about the congressional hold on FY 2000 money that applies to the December 1999 approved projects, and hoped the US representatives could clear up the situation.

Mr. Gabolde underlined that it was decided earlier not to sign projects until the building problem is solved. Therefore, there is no reason now to unfreeze the money and to start the projects.

Ms Brush expressed the American side's readiness to unfreeze the funds as soon as all necessary conditions would be satisfied.

Mr. Gabolde indicated that it is a political sign.

Mr. Owskiacki commented that money frozen in December was not publicized anywhere. Scientists are not aware of this. However, they are starting to ask about the reason for delay in the signing of their contracts. The problem Mr. Owskiacki encounters is the problem of tactics. He will inform scientists about the fact that everything approved on the 9th and 10th Board is frozen because of the building issue only as a last resort. He welcomed comments.

Mr. Noble pointed out that there was no intent to keep this information secret, as well as there was not a reason to disclose it. Scientists are the first who will suffer from the shortage of funding. If the building problem remains open, either the program will be stopped or it will be seriously damaged. It applies to all the parties, all the projects, all funding partners and ongoing projects. Thus it is necessary to find the best way to disclose the information in order to get the point across. Mr. Noble asked Mr. Owskiacki to show any written statement to the Party representatives before its distribution.

Banking Update Mr. Bjelajac (see provided report)

Mr. Bjelajac, summarized the previous situation and moved to the present situation by saying that in March the Center put out a request for proposal for legal services. Mr Datsjuk, representing the company Yumas, won the competition. He has considerable experience, as well as other clients who are dealing with the same problem, and with Bankers House. An official claim was submitted to Banker's House, and at the beginning of May, the STCU received 600,000 Hryvnia. The lawyer advised us that the bank would try not to go to Court. Mr. Bjelajac also introduced a request discussed and agreed to at the Advisory Committee, which suggested utilizing part of the money refunded by Bankers House in order to compensate scientists, who lost money due to devaluation. The STCU previously compensated the scientists for the nominal (Hryvnia) value of the debt. This amount was less in real value (U.S. Dollars) than at the time the Bank went bankrupt. This proposal was approved.

1999 AUDIT UPDATE Mr. Bjelajac (see provided report)

To date the results of the audit are successful. Soon the STCU will receive the final opinion, and the auditors have indicated that this will be a clean opinion. Disclosure of the building issue will be included as a possible future impact to the existence of the STCU.

BUGDET UPDATE Mr. Bjelajac (see provided report)

It was commented that the Secretariat expects an under-spend of 5 10% by the year end.

Telecommunication costs were reduced even more than originally expected. The Center is expected to recover the investment made in the new phone system, within the next year. To date VAT recovered for 1999 and 2000 was \$18,670.

New Approvals

Discussion

Mr. Owskiacki introduced new STCU Partners for confirmation.

Mr. Owskiacki explained that every Partner contacts their Government and accepts to meet our Agreement conditions, then each government informs the STCU, and the Center informs all other parties about the new Partner. In 30 days, if no objections are received, the Partner is confirmed.

Mr. Noble mentioned the Partner collaboration of NASA and 3 million dollars in new funding through STCU.

Mr. Owskiacki expressed his pleasure to work with NASA and Ukraine Space Agency and also asked about possible EU space interest.

Mr. Gambier said that European Space Agency is a separate body.

Mr. Gabolde commented on the new IPP Partner approval, considering it interesting and reflected about the terms, work force and time needed. Taking into account consequences that this participation may bring, STCU should do an analysis of anticipated work load and impacts.

Mr. Boright confirmed availability of US funds for 99.

Mr. Gabolde thanked him for this information, and said the EU position now is to freeze money on account of the Building issue, and explained that there was no other way to act and explain to the EU Council that the problem is still not solved.

Ms. Brush proposed to approve, subject to available funds, to sign new projects.

Mr. Owskiacki said that the issue about funds frozen in December was not publicized, but if funds from the 9th /10th Board would be frozen for projects this should be announced at some point. He also asked the Parties if this had to be announced as related to the Building issue.

The chairman introduced the Project Approval and Funding procedure.

Final remarks

Mr. Boright congratulated the staff and Secretariat for all the efforts made in organizing the 10th Board Meeting, and for the hard work shown during the past year.

Mr. Baryakhtar joined Mr. Boright in his congratulations to the Center.

Mr. Gabolde on behalf of the EC executive body confirmed the Interest of the EC in participation in the Board Activities and complimented once more the Executive Director, and Secretariat for the work done.

Mr. Baran expressed his satisfaction for the continuing progress since the beginning of the STCU. He said that the Center is in a good position and has received real

recognition for its work. He underlined that the focus should now be on maximizing the delivery of benefits to Ukraine, Georgia and Uzbekistan

Mr. Boright announced, after a set of consultations among the Board Members, that the date and location of the next board is 7 December, 2000.

Mr. Owsjacki thanked Mr. J Noble and Mr. Janouch for their outstanding support to the Center over the past years.