



**STCU TWENTY SIXTH GOVERNING BOARD MEETING
LIST OF PARTICIPANTS AND INVITEES**

CANADA

Mr. Henry Mantsch, Advisory Committee Member
Ms. Sabine Hey, Foreign Affairs Canada, Global Partnership Program, Advisory Committee Member
Ms. Ann Polack, Board Member

EUROPEAN UNION

Mr. Milos Prišlan, European Presidency
Mr. ZORAN STANČIČ, Deputy Director-General, Directorate-General for Research, European Commission, Chairman of the Board
Mr. Robert Burmanjer, Head of Unit DG RTD D3, Directorate General for Research, European Commission, Board Member
Ms. Nadege Corere, European Commission
Mr. Tarik Meziani, Research Program Officer, Unit D3: Multilateral Cooperation Activities, Directorate General for Research, European Commission, Advisory Committee Member

UNITED STATES

Mr. Victor E. Alessi, President & CEO, United States Industry Coalition, Inc., Board Member
Mr. Charles Jacobini, Coordinator, Science Centers Program ISN/CTR, US Department of State, Board Member, Advisory Committee Member
Ms. Cassandra Waite, US Department of State
Mr. James Noble, Program Director, US Department of Energy/Initiatives for Proliferation Prevention Program
Ms. Regina Carter, Science Brookhaven National Laboratory at US Department of Energy
Mr. Upendra Rohatgi, Science Brookhaven National Laboratory at US Department of Energy

FUNDING PARTIES

EU DELEGATION OF THE EUROPEAN COMMISSION TO UKRAINE

Mr. Ian Tindall Boag, Head of Delegation

UNITED STATES

Mr. Douglas Kramer, Counselor for Economic Affaires

CANADA

Ms. Abina Dann, Ambassador

OBSERVERS

AZERBAIJAN

Mr. Kavkazlu Eguna Adil Kuzu, Counselor



GEORGIA

Mr. Zurab Popyrija, Counselor on Humanitarian Issues

MOLDOVA

Mr. Petr Tishakov, Counselor for Economic Affairs

UZBEKISTAN

Mr. Ilhom Haydarov

THE STCU SECRETARIAT OFFICIALS

Mr. Andrew A. Hood, Executive Director, United States

Mr. Michel Zayet, STCU Deputy Executive Director, European Union

Mr. Landis Henry, STCU Deputy Executive Director, Canada

Mr. Victor Korsun, STCU Deputy Executive Director, United States

Mr. Curtis "BJ" Bjelajac, Chief Financial Officer, United States

Mr. David Cleave, Chief Administrative Officer, European Union

Ms. Iryna Rogovchenko, Assistant

INVITED HONOURABLE GUESTS

Mr. Maxim Strikha, First Deputy Minister of Education and Science of Ukraine

ACCOMPANYING DELEGATES

Mr. Jurgen Sanders, European Commission Science Advisor

AGENDA
26th Meeting of the STCU Governing Board
Kyiv, Ukraine
Thursday, 19 June 2008

1. Opening Session

- 1.1 Opening Remarks from the GB Chair (Chairman, Governing Board)
- 1.2 Welcome from the Executive Director (Andrew Hood)
- 1.3 Opening Remarks from other GB Members/Invited Observers (GB Members/
Other Officials)

2. Administrative Topics

- 2.1 Adoption of the Agenda
- 2.2 Approval of the Minutes of the 25th GB Meeting: 15 November 2007, Kyiv, Ukraine
- 2.3 Approval of Executive Staff and Chief Officer Nominations

3. Morning Session

- 3.1 Executive Director Report (Andrew Hood)
- 3.2 Update on the STCU Headquarters Building (David Cleave)
- 3.3 2007 Audited Financial Statements & Management Letter (Curtis Bjelajac)

Lunch

4 Afternoon Session

- 4.1 Update on STCU Strategic Planning (Andrew Hood)
- 4.2 Advance Guidance on 2009 Budget Planning Process (Andrew Hood/Curtis Bjelajac)

5. Review and Approval of Project Funding Decisions

6. Review and Approval of Record of Decisions

7. Review and Approval of Press Statement

8. Closing Session

- 5.1 Final Issues/Statements from GB Members (GB Members)
- 5.2 Final Remarks from Executive Director (Andrew Hood)
- 5.3 Closing Remarks from the GB Chair (Chairman, Governing Board)

**Summary of the 25th Meeting
STCU Governing Board
November 15, 2007
Kyiv, Ukraine**

Board Members: Canada: Mr. Roman Waschuk (Board Member); European Union: Mr. Zoran Stančić (Board Member for the European Commission and GB Chairman), Mr. Licínio Bingre do Amaral, Counselor from the Embassy of Portugal in Ukraine (Board Member representing the EU Council Presidency); Ukraine: Mr. Yaroslav Yatskiv (Board Member); USA: Mr. Victor Alessi (Board Member).

Party Representatives: EU: Mr. Robert Burmanjer, Mr. Tarik Meziani, Mr. Hans Spoor; Canada: Ms. Sabine Hey; USA: Mr. Charles Jacobini.

Observers: Mr. Ian Boag, Head of Delegation (EU Delegation of the European Commission to Ukraine); Ms. Abina Dann, Ambassador (Embassy of Canada to Ukraine), Mr. Douglas R. Kramer, Counselor for Economics (Embassy of USA to Ukraine), Mr. Sergey Voytovsky, Second Secretary, (Embassy of Moldova to Ukraine); Mr. Yuri Karlash, Deputy Director of the Department (Ministry of Education and Science), Mr. Victor Lavrynenko, Head of the Department (Ministry of Foreign Affairs of Ukraine); Mr. Yevgeniy Dudchenko, General Management for Rendering Services to the Foreign Representatives (GDIP)

Accompanying Delegates: Mr. Steven Gitomer, US Department of State Science Advisor; Mr. Jurgen Sanders, European Commission Science Advisor, Ms. Nadege Corere, European Commission.

STCU Secretariat: Mr. Andrew Hood, (ED - USA); Mr. Borys Atamanenko (SDED - Ukraine); Mr. Michel Zayet (DED – EU); Mr. Landis Henry (DED – Canada); Mr. Victor Korsun (DED-US); Mr. Curtis Bjelajac (CFO - USA); Mr. David Cleave (CAO - EU), Mrs. Tatyana Khmelevskaya (EA - Ukraine); Mr. Charles Rostron (IT Manager - USA).

1. Opening Session

1.1. Mr. Zoran Stančić opened the session of the 25th STCU GB meeting, thanked the Ukrainian Government for hospitality and the STCU for the 25th GBM hosting.

1.2. On behalf of the Secretariat Mr. Hood welcomed the GB members, AC members and guests at the 25th GB meeting. Mr. Hood emphasized the importance of this meeting as the situation with the STCU building was becoming critical. Also, Mr. Hood stressed that the STCU was looking for the Parties' guidance in terms of future concept of STCU organization in the coming years, particularly to assist in future program and performance-based budget planning.

1.3. Mr. Stančić opened the floor for opening statements by the other Governing Board representatives and invited guests:

- New Canadian Governing Board Member, Mr. Roman Waschuk (Foreign Affairs Canada, Global Partnership Program), expressed his pleasure to participate in the 25th GBM. Mr. Roman Waschuk also stressed the importance of solving the problem of the STCU's building.
- Amb. Dann welcomed everyone in Kyiv and underlined the importance of the meeting. Amb. Dann amplified her remarks by stating that while all the STCU programmatic efforts were rightly focused on the industrial area, global partnership, commercialization, supporting market reform and developing science in Ukraine, that the main task of the Governing Parties should remain

focused on not allowing the proliferation of weapons scientists and that this must always be kept at STCU's forefront.

- Mr. Yatskiv welcomed the GBM participants in Kyiv and passed greetings from the Ministry of Education and Science of Ukraine and its First Deputy Minister, Mr. Gurzhiy. Mr. Yatskiv stated that the Ukrainian science community continues its appreciation of the STCU's activity, in particular the new form of cooperation – the Targeted Initiatives Program.
- Mr. Alessi underlined the important work done by the STCU and its staff, namely the Targeted Initiatives Programs. Mr. Alessi mentioned that the Government of Ukraine also contributed to the STCU's success, and that Ukraine was making tremendous progress in its development and STCU was a part of that growing prosperity.
- Amb. Dann raised the issue of the outstanding problem of the renewal of the lease agreement for the building from which STCU conducts its operations. H.E. asked about the feedback on the joint letter addressed to the First Deputy Prime Minister, Minister of Finance.
- Mr.V. Lavrynenko informed all present that the First Deputy Prime Minister had read the letter signed by three Ambassadors and that his resolution was positive, i.e. that required money would be allocated in the budget.
- Amb. Dann commented that there was a possibility that the budget would not be adopted by the end of the year 2007 and that would make impossible to pay the property owner.
- Mr. Lavrynenko together with Mr. Dudchenko assured all the present that everything would be settled.
- Mr. Yatskiv supported them and informed that the GB Members might consider this part of the STCU lease issue solved.

2. Administrative Topics

2.1. The Agenda was adopted without changes.

2.2. The Minutes of 24th GBM were approved after some changes in grammar.

2.3. Governing Board confirmed extension of DED-EU Michel Zayet for an 18-months term and of CFO (USA) Curtis Bjelajac for a 6-month term beginning on January 1, 2008. Mr. Stančič took special note of these nominations to stress that both Mr. Zayet and Mr. Bjelajac had accomplished very good work in STCU and the Governing Board was quite pleased and satisfied with their performance.

NB: During the course of the GB meeting, a special presentation ceremony was held for the departing DED (Ukraine), Mr. Borys Atamanenko. On behalf of GB, STCU Secretariat and all the present, Mr. Stančič thanked Mr. Atamanenko for his long service and fruitful work for STCU, and presented him with a plaque in appreciation for Mr. Atamanenko's tenure as the Senior Deputy Executive Director of STCU for over 14 years.

3. Reports from the Secretariat

3.1 Mr. Hood submitted his Executive Director Report covering the period from last GB Meeting:

- Update on Current STCU Headquarters Building Crisis: Mr. Hood informed the Board that the situation with the building lease renewal entered a critical period. Mr. Hood reported that STCU received assurances that a draft renewal agreement was agreed in principle by the Landlord, GDIP, and the Ministry of Education and Science. However, it appeared that the Ministry of Finance refused to approve the financial terms of the draft lease agreement. Mr. Hood underlined that the current lease's extension expired on 31 December 2007, and the Landlord already had written a letter of notification that should the lease expire without a replacement, the STCU would need to vacate the Kamenyariv St. premises starting 1 January 2008. Mr. Hood noted the written and verbal communications to the Ukrainian Government from the of the STCU Governing Board Chairman and the Canadian, EU Delegation, and U.S. ambassadors sent a letter to the Ministry of Education and

Science of Ukraine, urging that the Ukrainian Government push to resolve the lease renewal issue as quickly as possible. Mr. Hood also said that the Ukrainian government appeared to have reached an impasse within its own bureaucratic system, and that the current process of forming a new Ukrainian government after the 30 September parliamentary elections was not helping focus the Ukrainian Government's attention on this problem. Mr. Hood informed that a more detailed summary of the issue would be presented during this meeting, including information on the contingency actions taken by previous Governing Boards during the STCU Headquarters building crisis of 2002-2003.

- *Uzbek Situation:* Mr. Hood informed the Board that there had been no positive change in the STCU's situation in Uzbekistan since the last Governing Board meeting. Mr. Hood informed that STCU Finance Office reported that as of 23 August 2007, project funds transferred by STCU to Uzbekistan for work performed on 6 projects had been returned to STCU by the Uzbek government-run bank. Mr. Hood mentioned that STCU had no official notification from the Uzbek side to change the status of those projects, by ED decision those six Uzbek projects (4 Regular and 2 Government Partner, together totaling US\$1.3 million) had been moved to the "Funded-Suspended" status in the STCU Project Database. Mr. Hood said that those six "suspended" Uzbek projects were the most recent Uzbek projects to commence, suggesting that STCU-Uzbek projects not started prior to 1 December 2006 may never be allowed to start by the Uzbek government.

Mr. Hood informed the Board that STCU Information Office remained open but without a renewed agreement with the Uzbek Academy of Sciences to use their premises for this STCU office. Also, Mr. Hood mentioned that the STCU Internet Web Site still appeared to be blocked within Uzbekistan

- *Changes to the STCU E-Mail System:* In accordance with the STCU IT Group recommendations, on 14 August, STCU moved its email system from the in-house computer server to the Google GMail site, and the IT Group is working on completing this transition with the many STCU IT-based functions that use e-mail. This transition will mean that STCU staff will be reachable through the STCU email system even if the IT system at the STCU Headquarters were to go down (such as in the event electrical power is cut to the building). But the STCU web site and the STCU project and financial databases would still be vulnerable, as these IT functions could only be hosted on the in-house STCU computer servers. The STCU Management and IT Group continue to study options for improving the safety and reliable operation of these internal IT functions.
- *Targeted R&D Initiative:* Mr. Hood informed the Board that on 11 June 2007, there was an official signing ceremony of the Statement of Intent to Cooperate between STCU and the Academy of Sciences of Azerbaijan. ASA President Kerimov signed on behalf of Azerbaijan. Mr. Hood said that the inaugural STCU- Azeri Targeted Initiative continued through its proposal solicitation process, and 12-15 project proposals had been sent to the western Parties for consideration on 1 September 2007.

Mr. Hood also reviewed the negotiations with the Moldova Academy of Sciences (MAS) for an inaugural STCU-Moldovan Targeted Initiative. After the 24th GBM recommended to refuse the MAS proposal to change the funding scheme to 70% STCU/30% MAS for this first round, Mr. Hood mentioned that the MAS President subsequently sent STCU a letter requesting that the STCU-MAS Targeted Initiative be postponed until 2009, in the hopes that the MAS would secure more state funding in 2009 to finance a Targeted Initiative round in that year.

- *STCU Performance Surveys and Data Gathering:* Mr. Hood briefed the GB meeting's participants on the 2006 round of its annual survey of STCU project managers as part of the STCU Performance Measures Program, evaluating the performance and impact of STCU activities on participating

scientists and institutes/technical units. A final report had been reviewed and posted onto the STCU web site.

- Project Agreement Processing: Mr. Hood informed that STCU continued productivity improvements as well as improved management visibility into the internal STCU Project Processing system. STCU was in the process of implementing its latest version of the STCU project software that will incorporate parts of the Partner Project processing system, so that this important STCU activity can be monitored alongside the Regular Projects. Further, over the summer STCU staff achieved marked improvement in project processing times, and came tantalizingly close to the internal performance goal of 100 days or less (on average) in moving projects from GB approval to project commencement.
- Important Visitors/Meetings/Events: Mr. Hood briefed the GB participants to some very important visitors, meetings and events, notably a October visit of a Ministry of Unification delegation from Republic of (South) Korea Ministry of Unification, which, in connection with the Six Party negotiations on denuclearizing North Korea, were gathering information on ISTC and STCU as part a fact-finding effort on WMD scientist redirection and cooperative threat reduction.
 - Mr. Stančič asked the Secretariat to continue efforts to find solution to the “building” problem and to keep the Governing Parities informed of any developments.

3.2 Mr. Cleave presented the report on the current situation with the STCU premises lease. Since the discussions made at the last AC/GBM, the STCU has received 2 additional letters from the MES. The first dated 25th May 2007 advised that they had made considerable efforts to make it possible for STCU to continue its operations in the current building, by meeting with GDIP and the Landlord, that the MES had confirmed the local property valuations to support an increase in lease costs, and that MES had sent of a request to the Ministry of Finance for approval to include the indicated increased lease amount in the state budget. MES also confirmed that it had sent a letter request to Cabinet of Ministers to adjust both the increase in lease amount and to have GDIP sign the new lease for a period of 3 years (i.e., the lease would be valid from end of 2007 to end of 2010).

The second MES letter, dated 11th June 2007, repeated the earlier statements that MES had confirmed full payment for the current lease to the Landlord, and that the MES requests to CabMin and MinFin were awaiting official notification.

As was agreed at the last GBM, the Governing Board Chairman sent a letter, dated 25 July 2007, on behalf of Board to the Ukrainian Government (via MES First Deputy Minister Ghourzhiy) the government to resolve this building lease issue as soon as possible.

As per the 24th GBM Record of Decision, STCU provided an update to the Governing Board on the status of the STCU building lease negotiations by 1 September. A meeting took place on 5 Sep 2007 at the Ministry of Science & Education offices, along with officials from GDIP and the Landlord. That meeting concluded that:

- MinFin refused the MES request on new lease agreement terms because it could not support the double-digit increase and some of the Landlord’s other conditions.
- The Lease and User Agreement was extended from 1 November until year’s end (31Dec 2007) and MES had paid the Landlord up to that 31 Dec date.

- GDIP made a plea to the CabMin to intervene with MinFin to keep STCU in the present building and to find finances for the lease.
- GDIP would continue negotiations with the Landlord to seek a decrease in the lease amount requested and other terms not accepted by MinFin.
- MES (Ghourzhiy) suggest follow up meeting on 21 September.

However, instead of a meeting, MES/Mr. Ghourzhiy sent a letter to STCU dated 13 Sep 07 repeating that the lease was extended and paid in full until 31 Dec and that a letter addressed to CabMin had been sent with a request to entrust GDIP to solve this issue.

No further news was received, and with the 25th GBM approaching, STCU requested a meeting with all parties plus a representative from MFA. The meeting, which took place on 22 Oct 07, concluded the following:

- The Landlord reduced his asking lease amount slightly, fixed for a 3 year period. . The related request to MinFin to reserve state budget funds are in place but MinFin had not provided a response.
- MFA agreed to send its own letter to CabMin in support of STCU and will request the necessity to finance the building lease facility and to appoint a permanent governmental interlocutor for STCU issues at the Vice Prime Minister level.
- MFA advised Landlord to be patient as dealing with Government as its processes involving budget funds are always slow. MFA anticipated that any response to their letter would not come until mid-November.
- Mr. Krivanos (Director of GDIP) believed that it would be helpful to push the Ukrainian Government on this issue by having the STCU Party Ambassadors engage MinFin directly. Likewise, the Ukrainian Government's representative on STCU's Governing Board should also voice his support for STCU with the relevant Authorities.
- At the request of STCU, another follow up meeting was requested for mid/end November.
 - Mr. Stančić on behalf of all GB Members welcomed the continued steps and efforts made by the Secretariat to resolve the problem of lease Agreement prolongation and requested the STCU Secretariat to keep all parties informed on the results of the of the efforts in relation to the extension of the building user agreement.

3.3 Mr. Bjelajac presented the 2008 Budget Request for each department. Also on behalf of the STCU Management, Mr. Bjelajac presented Terms of Reference for the new Supplemental Budget line - Institute Sustainability Program, and presented recommendations for changes/eliminations other existing Supplemental Budget Lines.

- **The Board approved the 2008 Budget Request as presented.**

3.4 Mr. Cleave presented the results of Tender for New External Financial Auditor Contract and indicated that Evaluation Committee had recommended Lubbock Fine as auditors of the year ended December 31, 2007 and December 31, 2008.

4.1 Mr. Hood presented Future Party Plans & Strategy for STCU Program. Mr. Hood pointed out that because of the Secretariat's careful budget planning coupled with its prudent projections on near-term project and supplemental program workload, the STCU has been able to meet its administrative management and financial control obligations for 2007, and is confident that it can deliver the needed administrative operational services in 2008 with a flat (year-on-year) AOB request. However, the Secretariat has a growing concern about planning for the future, particularly in 2009 and beyond.

The STCU faces two divergent trends: on the one hand, currently high levels of active projects driven by record levels of Partner Project activity; and on the other hand, clear signs of overall funding reductions from the traditional Funding Parties, along with the experience that Partner Project funding levels tend to be volatile over a several year period. In facing these operational tensions between 2008 and 2010, STCU Management will be struggling to maintain adequate program management while adjusting to a declining (and probably more volatile) level of activity.

Mr. Hood stressed that STCU Management can only meet this challenge by having a feasible, long-term target to plan towards, i.e., knowing—clearly and directly—what the Governing Party intentions are for the future STCU program. Mr. Hood also tabled a draft strategic concept paper based on this a “Expand STCU Mandate” concept that had been outlined in the STCU ED's white paper presented at the 24th GBM. Mr. Hood hoped that by tabling a draft vision and mission for a post-2010/2012 STCU, it would serve as a catalyst for the Governing Parties to deliberate and eventually approve its own strategic plan and vision for STCU.

- Mr. Stančič thanked the STCU and the Executive Director taking this step and for keeping the initiative on STCU strategic planning before the Governing Board. Mr. Stančič proposed that the Advisory Committee take the ED's tabled draft and use it as the starting point for developing a consensus strategic concept paper for presentation to the Board, with a progress report at the next GBM. The GB approved this proposal.

4.2 Mr. Bjelajac presented the 2007 Financial Report. Mr. Bjelajac presented the detailed items of AOB expenditures, noting that there were specific AOB lines that would be overspent by greater than 10% of their budgeted amount: Telecom Services, International Travel, Local Travel, and Subscriptions and Publications line items.

4.2 Mr. Landis Henry presented the Targeted Initiatives (TI) Update report. Mr. Henry noted the successful conclusion of the 3rd Round of the TI Program with the National Academy of Sciences of Ukraine, which resulted in a total of approximately US\$1 million in joint funding. Mr. Henry mentioned other significant outcomes from the 2007 TI Program: completion of the 1st cycle of the TI Program with Georgian National Science Foundation (GNSF), agreement with Azeri Academy of Sciences and launch of new TI. Mr. Henry updated the Board on the recently launched TI Program with the Azeri Academy of Sciences and negotiations with Moldova Academy of Sciences. Mr. Henry stressed that the success of the Targeted Initiatives Program continues to attract expressions of interest for additional Targeted Initiatives from other governmental organizations of Ukraine (Ministry of Environmental Protection, Ministry of Health, and Agrarian Academy of Sciences).

- Mr. Stančič commented that the TI program was very successful and on behalf of EC expressed the satisfaction of the Program's implementation and asked the Secretariat to continue the program carefully and with constant control.

- Mr. Hood raised a concern that the popularity of the Targeted Initiatives Program had invited many other proposals to STCU for similar efforts. Mr. Yatskiv informed the GB that the General Director of the National Space Agency of Ukraine (NSAU) had written to him and to the STCU Executive Director, proposing a NSAU-STCU Targeted Initiative.
- Mr. Stančič, speaking for the EU Party, stated that at this point, it was preferable not to have the Targeted Initiatives Program expand further, as expansion would risk diluting and distracting the focus of STCU and Targeted Initiatives from the primary STCU mission and from providing feasible, sustainable program activity. Mr. Hood asked that, to be clear, if this prohibition on further program expansion included proposals from other governmental agencies, and specifically meant the NSAU proposal described by Mr. Yatskiv. Mr. Stančič said, yes this meant any further expansion, including the NSAU proposal.

4.4 DED (US) Vic Korsun reported on the Sustainability and Partners Program Activity, indicating that the STCU Partner Project activity in the 2007 was holding close to the strong pace of 2006 (when STCU saw all-time record Partner Project funding) and Non-Gov Partner funding exceeds all of 2006. Mr. Korsun informed that in 2007 25 new Non-Gov. Partner Projects were started, (totaling \$3,849,773 + €752,592) and 25 new Gov. Partner Projects or project extensions were started, (totaling \$4,365,290).

Mr. Korsun also reported on Chief Technology Commercialization Officer (CTCO) Program. Mr. Korsun informed that Georgian and Azeri CTCO institutes were evaluated and in process for signing MOU's with STCU. Mr. Korsun indicated that Institute Profile Forms (one page institute information) being developed to promote institutes and their capabilities.

Mr. Korsun also presented the STCU plans regarding CTCO for 2008: to provide the CTCO Tech Transfer Training course in Tbilisi and Baku, jointly with ISTC; to conduct in Ukraine a follow-up assessment of the CTCO's and their activities at their institutes, using the same external U.S. consultants; with the Ukrainian CTCOs, plan and create a CTCO and Tech Transfer association in Ukraine, and hold annual meetings; to hold a one-day symposium for CTCO's in Tbilisi and Baku at the end of 2008 and to include CTCOs in Partner promotion road shows to give them basic real-life experiences with commercial customers.

4.5 DED (EU) Michel Zayet updated GB members on Recent Science Promotion Roadshows. Mr. Michel Zayet reported that there were two STCU promotional Raodshows underway in the US: the Silicon Valley Open Doors – 2007 and a nanomaterials technology trade show in Pittsburg. Mr. Michel Zayet informed that STCU Promotional missions created opportunities, they operated as a platform so exchanges can take place effectively.

- Mr. Stančič thanked the STCU Secretariat for the great job on all Science Promotion Roadshows

5. Approval of Projects and Project Funding Sheet

The Project Funding Sheet was signed.

6. Approval of Governing Board Record of Decision

The STCU Governing Board approved and signed the 25th GBM Record of Decisions

7. Approval of Press Release

The Press Release was approved.

8. Closing Topics

8.1 The Board approved the date and location of the next (26th) Governing Board Meeting and AC meeting: **Baku, Azerbaijan during the period 2 - 6 June 2008**, with possibility of having some connected events.

The 25th GBM was then adjourned.

Executive Director Report

(Reporting Period: 15 November 2007 to 15 June 2008)

Major Issues

Update on Current STCU Headquarters Building Lease.

Pre-Force Majeure Declaration

Over the New Year holiday break, and through the month of February, there was slow movement on finalizing the draft lease renewal agreement between the 21 Kamenyariv St. building Landlord, the Ukrainian State Public Enterprise General Direction of Kyiv Municipal State Administration for Serving Diplomatic Missions (GDIP, the lessee of the Kamenyariv site), and the Ukrainian Ministry of Education and Science (the financier of the lease on behalf of the Ukrainian government). After a written intervention to the First Vice Prime Minister/Minister of Finance by the ambassadors of Canada, the European Delegation to Ukraine, and the United States, the Ministry of Finance of Ukraine confirmed that funds for the proposed lease were available in the 2008 state budget of the Ministry of Education and Science.

There was a significant delay throughout the January – February 2008 period in resolving the financial and legal issues between MES and GDIP, and several steps backward in the process during these interactions. Then in April, STCU learned from the MES that a decision (apparently prompted by GDIP) was made to go back to the very beginning of the STCU lease situation by seeking a change the 2002 Ukrainian Cabinet of Ministers decision that would transfer lease responsibilities from GDIP to MES. This change required another Cabinet of Ministers decision, which started a new round of Ukrainian bureaucratic processes.

This delay raised the level of frustration of the Landlord, prompting him to enter the STCU premises during the weekend of 2/3 February, shutting down the STCU central heating boiler, and padlocking the boiler room door. STCU staff removed the padlock the following business day and restored the heat, but it was a demonstration of what the Landlord was minimally capable of doing to increase the pressure on STCU and the Ukrainian government. Later, the Landlord provided STCU with copies of the overdue debt warnings on the 2-months of gas and electric debt at the Kamenyariv premises, which the Landlord stated he would not pay. This led the Executive Director to send official letters to the Ministries of Foreign Affairs, Education and Science, GDIP, National Academy of Sciences of Ukraine, Vice Prime Minister Vasynyuk, and the Presidential Secretariat of Ukraine, warning that any cut-off of utilities due to these unpaid bills would constitute the Force Majeure situation defined in the 25th GBM Record of Decisions, and the STCU headquarters would begin suspending operations and all Regular and Government Partner Projects in Ukraine.

Force Majeure Declaration

On 8 April 2008, the local electric company cut power to the STCU headquarters building. The STCU Executive Director informed the Ukrainian Government and Governing Board that, in accordance with the instructions of the 25th GBM, he was declaring “Force Majeure” and was suspending all STCU HQ office operations. The ED sent individual letters of suspension to each Project Manager, Institute Director, and Partner of approximately 130 active STCU projects that involved solely Ukrainian scientists (the total amount of project funds suspended totaled approximately \$5.5 million US and €5.3 million). Included in the suspension were Regular Projects and Governmental Partner Projects (with the exception of DOE/IPP Partner Projects, which was confirmed by written procedure by the Governing Board).

Many other activities were affected by the Force Majeure: the lack of electricity meant that no local financial transactions could take place, thus planned project-related travel and STCU program-related travel plans had to be altered or cancelled because there was no way to ensure when travel vouchers could be paid by STCU. Because of the prohibitive cost of keeping project-purchased equipment in Customs storage, the ED, CFO, and Customs Officers developed a schedule for printing and signing Customs Clearance forms to clear such

equipment. Project monitoring for April (where travel advances were already paid by STCU) were allowed to continue as planned, but other planned project activities were postponed. Finally, the IT Group discovered that in order for the STCU email to work over the long term, and for a banner to be kept on the STCU web site, the STCU computer server had to be moved to STCU's local telecom provider to hook up the server to the providers' computer system.

There were several starts-and-stops during the Cabinet of Ministers' consideration of the new decree on STCU, which apparently re-opened old debates about STCU and Ukraine's need for such an organization. But after at least 3 separate CabMin decisions, and the continued phone calls and communications to MES, to MFA, and to the Vice Prime Minister's office by the Canadian, EU, and U.S. diplomatic missions, by the beginning of June, the final CabMin decree was approved. As of today, MES has stated that it's ready to pay the Kamenyariv Landlord the rent and utility monies. MES also stated its proposal to relocate STCU to new premises that are more under MES control on the campus of Kyiv Polytechnic Institute, because the long-term ability of MES felt it could not afford to pay the privately owned Kamenyariv building over the long term.

The Kamenyariv Landlord was on vacation until 12 June, so until after that day, it is unlikely that further steps can be taken in MES paying the rent to the Landlord or in reconnecting the STCU building to its electrical service

Uzbek Situation

Since the last Governing Board meeting, the STCU status in Uzbekistan can be summarized as follows:

- The Executive Director sent yet another letter to the Uzbek Ministry of Foreign Affairs, officially inquiring about the status of STCU diplomatic accreditation. This has become an annual letter since 2006, when STCU first requested a renewal of its diplomatic accreditation in Uzbekistan. To date, STCU has received no official response to its previous letters to the Uzbek government. As an added incentive, the ED included in the letter a proposal for STCU to host a small round-table meeting on technology transfer and commercialization of science issues. The hope is that a small event, centering on a topic that seems to have interested the Uzbek government in the past, might be allowed and would therefore be a first, small step toward improving the Uzbek-STCU situation.
- As of 1 March 2008, there are now 20 active STCU Projects with Uzbek participants, down from the 40 active projects reported at the last GBM. Of the 20 projects, 15 are solely Uzbek projects, 4 are Uzbek-Ukrainian projects, and one is an Uzbek-Georgian project. Also, among the 20 active projects are 8 Partner Projects. There are still 6 Uzbek projects (4 Regular and 2 Government Partner, together totaling approximately US\$1.3 million) in Funded-Suspended status due to the Uzbek authorities not allowing project funds to be transferred to the Uzbek project participants.
- The active Uzbek projects continue as normal, except for the delays in recipient scientists receiving their grants or travel advance funds, due to the examination of incoming foreign grant funds by the state-run Uzbek banks. However, a team of Uzbek scientists did recently travel to the United States for a conference using STCU Travel Grant funds approved for release by the Uzbek state bank. The scientists had requested the funds in April for this trip, which occurred in September.
- There are still the several unofficial reports of an Uzbek government decision to see STCU project activity die out by the end of 2008. The last project proposal to receive Uzbek Host Government Concurrence was on 16 January 2006; no new Uzbek proposals have been submitted to STCU since that date. According to the STCU Project Database, 9 active Uzbek projects are currently scheduled to continue beyond 1 January 2009, with the last project end date being 1 September 2009. If it is true that the Uzbek government is working to end all STCU project activity by the close of 2008, STCU would still expect to see modifications to the schedules (or forced suspension) of these 9 projects.

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

Other Outstanding Party Issues

Status of Replacement for Ukrainian Deputy Executive Director. In a telephone conversation with Ukrainian Governing Board member, Dr. Yatskiv reported that he had sent a letter to the Ukrainian government—to the Vice Prime Minister whose portfolio includes STCU business—notifying them of the need to identify a new Ukrainian DED for STCU. Dr. Yatskiv had not heard a response as of the end of January, but promised to follow up. He did warn that the process may take a long time.

Ukrainian MES Funds Held by STCU. No further news on a final resolution on the MES funds held by STCU. The STCU Secretariat continues to wait for word from the Ministry on its proposal for fairly disposing of both the 299,000 UAH held by STCU and US\$139,000 that the Ministry would provide in compensation for past rental payments by the STCU Parties. The STCU Secretariat continues to wait for further communication from the Ukrainian government about these remaining MES funds.

Ukrainian Ratification of STCU Agreement: No movement on resolution to the conditions placed on the Ukrainian Law ratifying the STCU Agreement. Therefore, no further progress has been made regarding the Ukrainian government issuing a clear statement on its concurrence to the 1997 Protocol to the STCU Agreement which allowed the European Union to accede to the STCU Agreement. When last reported, a new Ukrainian translation of the STCU Statute, Article XIII (on IPR from projects) was with the Department of Legal Agreements of MFA for official certification. The MFA translation department had stated that this certification would be made earlier than October 2006, but no further word has come since that time. STCU DED (EU) Michel Zayet has the lead for moving this issue forward on behalf of the STCU.

Current Activities

Institute Sustainability Program Update

With the program approval at GBM 25, and the start of the 2008 fiscal year, the STCU took steps to implement the Institute Sustainability Program. The first step was to issue a contract tender for an external consultant that would assist STCU staff in evaluating institute self-sustainability capacity and needs. This tender process was in its final selection phase as of 1 March.

The second step was the start of a general socialization process with key national stakeholders in the Recipient Parties. The point of the presentation was to familiarize the STCU national contacts in the Recipient Parties with the intent and design/structure of the program (particularly the program's down-selection process to a limited number of institutes). DED Vic Korsun presented an introductory presentation of the program to Azeri and Georgian governmental and National Academy of Sciences officials, and DED Landis Henry gave the same presentation to the Moldovan Academy of Sciences officials. A presentation to the Ukrainian national science officials was intended to take place in March, but has been somewhat pushed aside by the ongoing STCU HQ building issue.

The next steps will be to arrange for the series of round-table/workshop discussions on institute sustainability (what does it mean, what can institutes improve to become more sustainable, what roles do STCU, the institute, and the national authorities have in contributing to improved sustainability, etc.), followed by the consultant evaluation of several selected institutes. At the end of this process (which is scheduled for 3-6 months), STCU staff in consultation with the Parties and the national stakeholders, will issue invitations for

specific institutes to submit Sustainability Plan proposals based on the suggestions of the consultant studies and other information.

A further update will be given at the 26th GBM in June.

Targeted R&D Initiatives Activity Update

Ukraine and Georgia. The current rounds of Ukrainian and Georgian Targeted Initiatives are underway and on schedule, with STCU having received Full Form Proposals from both the National Academy of Sciences of Ukraine (NASU) and the Georgian National Science Foundation (GSF). These Full Forms will now be distributed to the Parties for their review and funding consideration at the 26th GBM in June.

As a reminder, the targeted funding amounts for these Targeted Initiative rounds are US\$1.2 million for the Ukrainian rounds (US\$600,000 from NASU, US\$600,000 from STCU) and US\$500,000 for the Georgian round (US\$300,000 from GNSF, and US\$300,000 from the STCU).

Moldova. In February 2008, DED (Canada) Landis Henry and Senior Specialist Alex Sich traveled to Chisinau to, among other business, consult with Moldova about a possible STCU-Moldovan Targeted Initiative. The President of the Academy of Sciences of Moldova (Dr. G. Duca) stated to the STCU delegation that (1) Moldova was still interested in initiating a Statement of Cooperation with STCU on a Targeted Initiative for Moldova, and hoped that such a Statement could be signed by STCU and the Academy by the time of the 26th GBM in June; (2) the Moldova Academy of Sciences was prepared to accept the Targeted Initiative terms of 50-50 co-sharing of project funding, and was prepared to approach the Moldovan parliament with a request for funds for the Moldovan share of any STCU-Moldovan Targeted Initiative; (3) given the time of year, any such Moldovan funds would be available for projects only in 2009, but this would fit a schedule whereby funding decisions on STCU-Moldovan TI proposals were made at the 27th GBM in the Autumn of 2008.

The only issue in question was the amount that the Academy of Sciences should request of the Moldovan Parliament. Here, Dr. Duca stated his belief that he could get as much as US\$500,000 from the Parliament for a STCU-Moldovan TI projects in 2009. This struck the STCU delegation as odd, seeing that the 2007 attempt to negotiate a Moldovan Targeted Initiative with a inaugural round of US\$300,000 in total (US\$150,000 each from STCU and the Academy) was postponed due to lack of funds on the Moldovan side. It is also an open question as to how much the STCU Funding Parties want to pledge as the target funding goal for this first-ever Moldovan TI round. But Dr. Duca seemed confident that, if the STCU Parties could support up to US\$500,000 from their side, he could use this position to secure a matching US\$500,000 from the Moldovan Parliament.

Thus, there is a need now for the STCU Funding Parties to come to a consensus on what top-level dollar amount they would be willing to set as the goal for any inaugural STCU-Moldovan Targeted Initiative. This will set up the next step in STCU discussions with the Moldovan Academy of Sciences on this issue.

STCU Performance Surveys and Data Gathering

In-house evaluations were completed on several STCU programs and events: the Targeted Training Program, the Travel Support Program, and the STCU workshop/technology exhibition events in Hannover Messe (April 2007), Chisinau (28-31 May 2007) and Baku (October 2007). Based on these internal evaluations, the STCU Performance Officer made the following, general conclusions:

Workshop/Technology Showcase Events:

1. Participants generally found STCU's organization of the event to be very good, and most noted the good preparation, administrative, and logistics support provided by STCU to them.

2. These events provided the STCU-sponsored scientists with opportunities to learn about, and gain actual experience in, interacting with foreign private sector entrepreneurs, commercial technology companies, and about the importance of technology transfer, IPR protection, mechanisms for commercializing research results, methods for attracting financing, etc. The events also served the purpose of promoting STCU to these foreign groups, and promoting STCU supplemental program capabilities to Recipient Party scientists and officials.
3. Some new collaborative relationships were encouraged, which may lead to a few new Regular Project proposals (in truth, of the three events evaluated only the Hannover event was designed to offer significant Partner Promotion opportunities). The events appeared to be less effective in recruiting new Partners or Partner Projects from these events, although there were expressions of interest. The most effective Partnering activity occurred with those STCU scientists who had already established a rapport with a non-governmental entity and used the STCU event to solidify agreement on further work (either as an STCU Partner Project or outside of STCU).

Chief Technology Commercialization Officer (CTCO) Training:

1. The majority of the CTCO training participants felt the STCU-sponsored training courses met their expectations. All felt they received a good theoretical understanding of technology transfer and commercialization issues.
2. Appraisals and review testing by the CTCO trainees themselves and knowledge test showed, now the scientists have got just the theoretical knowledge and they need now to practice much in order to be the professionals in the area of commercialization. The majority of the trainees appeared encouraged enough by the STCU CTCO program effort to take self-initiated steps in expanding their tech transfer knowledge and practical application, special literature, on-the-job practice, and additional training.
3. Many felt that practical results of the CTCO program would not be forthcoming and many aspects of encouraging technology transfer in Ukraine depended on the policies and legal frameworks of the Ukrainian national government, National Academy of Sciences, and institutes. Some felt that they already have some practical results to show, but others felt that they were still a year or so away from seeing practical results.

Travel Support Grants Program:

1. The program was evaluated as relevant to its objective stated of "*building sustainable partnerships*", in that the program facilitated opportunities for STCU Travel Grant Recipients to find partners & collaborators abroad, exchanging scientific information and professional experiences, and increasing general awareness about STCU activities.
2. In all regular travel grants, the events planned were fulfilled accordingly to agenda with numerous cases of additional opportunities or events added to the agenda. Constructive information exchanges between STCU scientists and foreign collaborators and potential Partners was cited as very important element, contributing to better science and new perspectives and opportunities for further research.
3. While many proposals for new foreign collaborations and Partnering were reported from the Travel Grant recipients, the program was evaluated as less effective in establishing actual new Regular Projects and Partners/Partner Projects. Those travels were evaluated as effective in these areas were those where much preparation work was done by the Travel Grant recipients prior to the travel. There was little tangible practical activity resulting directly from the STCU-sponsored travel, but there did seem to be an increase in potential for further collaborative research or partnership development, stemming from the meetings and interactions that occurred during the travel.

While these are generalizations, the evaluations do suggest that STCU workshop and “roadshow” events tend to achieve only immediate results, such as interaction, networking, and experiencing the environment. But deeper, longer-term integration of STCU scientists to foreign collaborators or Partners require more time and sustained effort, beyond the scope and timeframe of any single STCU event. There is a possibility that the connections made during these STCU events take a relatively long time to develop into active collaborations and research partnerships, and therefore these evaluations (performed only months after the events or travel) may not reflect the actual impact and long-term effectiveness of the Travel Support and Workshop/Seminar programs. Nonetheless, the evaluations do give us an indication that such STCU-organized and/or sponsored events should aim for simpler goals, and perhaps more realistic expectations on the part of STCU and the Parties as to the likely outcomes of these activities.

Partner Program/Sustainability Activity

In the first three month since the last GBM, the Partner Program is showing roughly the same level of funding activity as was seen during the same period in 2006-2007, with slightly less new Government Partner Project funding being started but a continued rise in new Non-Government Partner Project funding. This rough estimate may suggest that, as in 2007, the total Non-Government Partner funding will equal or exceed Government Partner funding.

	25 th GBM (17 November 2007) to end of February 2008	23 rd GBM (16 November 2006) to end of February 2007
New Government Partner Projects	\$1,692,697 and € 24,000	\$2,017,400 and € 0
New Non-Government Partner Projects	\$1,829,956 and € 333,469	\$1,463,708 and € 293,394

In February, STCU launched its first electronic newsletter designed for the science and business community, as part of the STCU public outreach effort to commercial S&T customers, as well as to the general public. The e-newsletter, which will be issued on a regular schedule (the rate of which has yet to be determined) will feature STCU current events, upcoming news, and opportunities for potential future collaborative work or Partner interest and recruitment.

Project Agreement Processing

STCU reached more of its internal goals for improving the speed, accuracy, and management visibility of its the internal project processing. In December, STCU moved its Partner Project process into electronic format, so that all Partner-related review and approval steps—nomination of an entity for Partner status, dissemination of Partner Project proposals for Party review, and internal concurrence and signature of final Partner Project Agreements—is done via web-based and email-based processes. STCU Management can now monitor the status of Partner Projects, and address processing issues rapidly, in the same way that Regular and Targeted Initiative projects are managed.

Now that all STCU project processing has move from a total paper-based process to a nearly total electronic process, STCU management anticipates further gains in internal productivity and efficiency. As an example of the gains already made, STCU achieved a key internal performance goal that it set for itself in the summer of 2006: to move Regular Projects from GBM approval to Project Agreement signature in less than 100 days. On 1 March 2008, with the ED signature of the last Regular Project Agreement from GBM 25, the average processing time of the last 40 project agreements stood at 95 days. Of note, the number of active Regular Projects would have been higher than 260, but the number of Regular Projects that closed was greater that the number of new projects activated, resulting in a net loss of 5 active projects between February and March. Below is a table demonstrating the changes in STCU internal productivity:

	2006 (avg. monthly total - June to December)	1 Jan 2007	1 July 2008	1 Jan 2008	1 Mar 2008
# of Active Projects	220	231	248	243	255
Avg # of Days from GBM Funding Approval to Project Agreement Signature	325	272	164	116	95

Important Visitors/Meetings/Events

STCU Delegation Participates in European Training on intellectual Capital readiness at WIPO-World IP Organization, 19 November 2007, in Geneva, Switzerland Under its Chief Technology Commercialization Officer (CTCO) Program, STCU sponsored 3 Ukrainian institute technology transfer officers for intellectual property training that was jointly organized by the World Intellectual Property Organization (WIPO), United Nations Economic Commission for Europe, the European Business Angel Network, and Metagroup. In addition to the training, the STCU delegation had opportunities to meet many representatives from European investment groups, including many European "business angel" investors.

Technology Transfer Presentation to National Academy of Sciences of Ukraine. On January 29, 2008 Vic Korsun, STCU Deputy Executive Director (USA) had a talk "CTCO: Chief Technology Commercialization Officer in Ukraine or Technology Transfer & Commercialization in Ukraine through International Cooperation" at meeting of Editorial board of "Science and Innovations" magazine of National Academy of Sciences of Ukraine. President of NASU Academician Boris Paton, Academician Yaroslav Yatskiv and other Academicians of NASU participated at meeting.

Visit of U.S. Delegation to STCU. Representatives of the U.S. State Department's Science Centers Program and Drs. Debroah Ball and Theodore Gerber visited STCU on 21 February, along with ISTC Deputy Executive Director Laura Williams. This was a follow-up/informational meeting in conjunction with a field survey study of scientists and STCU activities in Ukraine, which was conducted under the guidance of Drs. Ball and Gerber during 2006.

Slovenian Science Conference (10-12 March, Ljubljana). This thematic international conference was designed by STCU in partnership with the Jozef Stefan Institute, in conjunction with the Slovenian Presidency of the EU and includes sponsored support and participation of the ISTC. The conference, focusing on three thematic science areas (on Biotechnology, Nanotechnology, and Space Technology showcased EU cooperation through the two Science Centers and promoted research opportunities between European, Russian, Ukrainian, and other countries' institutes, government agencies, and private sector entities. The key speakers featured welcoming comments from Mr. Janez Potocnik, EU Commissioner for Science and Research.

STCU Partnership Promotion Mission to GLOBE 2008 (12-14 March, Vancouver). STCU will participate in this GLOBE 2008 Trade Fair and Conference, bringing a delegation of STCU recipient scientists (sponsored by the Canadian Party) to participate and demonstrate their technologies and research potential. ISTC will also be participating in this event.

STCU Participation in the “Canada-Ukraine Business Summit” (11-14 March). STCU worked closely with the Canadian Embassy of Ukraine and various governmental agencies of Canada to showcase STCU scientists and their R&D capabilities at this Canadian-Ukrainian trade promotion event.

Andrew A. Hood
Executive Director



List of STCU Staff Departures & Moves since January 2008 – June 2008

<u>Staff Name / Position Date Left</u>	<u>Replacement / Date</u>
• Filipp Chuyko – Project Accountant Jan 08	Tatyana Kmelevskaya (Internal) Feb 08
• Tatyana Kmelevskaya – ED Executive PA Feb 08	Iryna Rogovchenko (Internal) Mar 08
• Iryna Rogovchenko – Receptionist Mar 08	Oleksandra Pedchenko (External) Mar 08
• Alexey Tokovenko – Project Accountant Mar 08	Inna Hrabchuk (Internal) April 08
• Inna Hrabchuk – UA Authorities Payment Accountant April 08	Larissa Maiboroda (Internal) April 08
• Larissa Maiboroda – CAO Secretary	Oleksandra Pedchenko (Internal) April 08
• Oleksanadra Pedchenko – Receptionist Mar 08	Olga Semchuk (External) April 08
• Yuri Pikhno – Database Administrator – June 08	Vacancy
• Taras Kolosenko – Programmer / Analyst – June 08	Vacancy
• Oksana Bogatyrova – Webmaster – June 08	Vacancy
• Oksana Chernuk – Procurement Officer Jun 08	Vacancy
• Tatiana Teryakhina – GB Manager – June 08	Vacancy
• Tatyana Khmelevskaya – Project Acct. – June 08	Vacancy



COMMENTS ON CURRENT SITUATION.

- In June, STCU saw 6 full-time staff depart, (approx. lost 11%). STCU Management is attempting to deal with the impact of these sudden, multiple staff departures. STCU had expected staff turnover (even planned for it in the 2008 budget), but not such a sudden turnover within specific functional areas (e.g., the IT group).
- Departing staff left because of much-higher salaries offered by local market. Due to budget constraints over the past 2 years the STCU salary levels have fallen well below local (Kyiv city) private sector market levels. However, other considerations were equally important, such as personal situations impacted by external forces such as state-provided service factors, high local inflation rates (particularly in local transportation, housing, and food sectors) and revaluations of the USD to Ukrainian hryvna exchange rates.
- The 2-month Force Majeure break aggravated the situation, both in terms of timing of the notices (many notices were received all at once when STCU offices re-opened) and in terms of growing uncertainty about the STCU's long-term future.
- The current gaps in the IT and Finance will mean certain support functions will be downsized. Additionally, some regular program activity budgeted for the last half of 2008 will have to be curtailed or postponed due to lack of administrative support resources. Typical admin functions--such as travel advances or reimbursement, vendor services procurement for conferences or Partnership Missions, or maintenance of STCU web site and project database functions--will suffer until STCU absorbs the staff turnover.



Update on Current STCU Headquarters Building Lease.

Force Majeure Declaration

On 8 April 2008, the local electric company cut power to the STCU headquarters building. The STCU Executive Director informed the Ukrainian Government and Governing Board that, in accordance with the instructions of the 25th GBM, he was declaring "Force Majeure" and was suspending all STCU HQ office operations. The ED sent individual letters of suspension to each Project Manager, Institute Director, and Partner of approximately 130 active STCU projects that involved solely Ukrainian scientists (the total amount of project funds suspended totaled approximately \$5.5 million US and €5.3 million). Included in the suspension were Regular Projects and Governmental Partner Projects (with the exception of DOE/IPP Partner Projects, which was confirmed by written procedure by the Governing Board).

A diesel generator was installed for the week of 8th-11th April to enable STCU to power down it's operations, and to inform all parties, project managers, government and non-government partners, .

Thereafter, the building has been closed except for limited maintenance checks, cleaning. Staff stayed at home and monitored their e mails from home. Management liaised via phones & e mail and occasional meetings.

Planned Project Monitoring carried on as usual during April.

The ED gave regular weekly updates to all concerned. Regular contact was kept with the Ambassadors who regularly assisted in meeting with the Government Officials and informing them about our case.

Mr. Ian Boag of the European Delegation was very active in contacting the Vice Prime Minister Nemyrya and other Heads of Delegations.

Many other activities were affected by the Force Majeure: the lack of electricity meant that no local financial transactions could take place, thus planned project-related travel and STCU program-related travel plans had to be altered or cancelled because there was no way to ensure when travel vouchers could be paid by STCU. Because of the prohibitive cost of keeping project-purchased equipment in Customs storage, the ED, CFO, CAO and Customs Officers developed a schedule for printing and signing Customs Clearance forms to clear such equipment. Project monitoring for April (where travel advances were already paid by STCU) were allowed to continue as planned, but other planned project activities were postponed. Finally, the IT Group discovered that in order for the STCU email to work over the long term, and for a banner to be kept on the STCU web site, the STCU computer server had to be moved to STCU's local telecom provider to hook up the server to the providers' computer system.

There were several starts-and-stops during the Cabinet of Ministers' consideration of the new decree on STCU, which apparently re-opened old debates about STCU and Ukraine's need for such an organization. But after at least 3 separate CabMin decisions, and the continued phone calls and communications to MES, to MFA, and to the Vice Prime Minister's office by the Canadian, EU, and U.S. diplomatic missions, by the beginning of June, the final CabMin decree was approved. MES stated that was ready to pay the Kamenyariv Landlord the rent and utility monies. MES also stated its proposal to relocate STCU to new premises that are more under MES control on the campus of Kyiv Polytechnic Institute, because the long-term ability of MES felt it could not afford to pay the privately owned Kamenyariv building over the long term.



During this interim period these are some of the main points which occurred and which are briefly outlined below:-

On 17th April The Landlord sent a letter to MES stating/demanding that if the lease was not signed within 7 days then STCU should vacate Kamenyariv by 30th April;

On 24th April the Landlord signed a lease with MES retroactive to 1st January 2008. However the lease agreement needed to be verified (stamped), by 4 other UA Authorities and then go back to CabMin for final verification.

On 7th May CabMin approved the resolution proposal to only approve the "principle" of authorizing MinEdScience to take responsibility for the STCU lease issue. Now there needs to be CabMin approval of the actual arrangements between MinEdScience and the Landlord (i.e., the approval to implement the lease agreement and authorization for payments). Thus this 1st decision was only to approve the idea in principle and not to actually approve the content details.

A CabMin edict signed by the Prime Minister Yulia Timoshenko noted to resolve the STCU situation and also look and come up with a long term solution proposal within 3 months.

On this last issue the landlord then advised STCU that maybe this 3rd / last decision item may be changed to extend the lease but would need a new CabMin decree. This started a new round of questions / delays.

The Kiev City Mayoral elections were at this time taking center stage and keeping government parties busy. Thus STCU's situation was therefore not a priority and getting signatures as required on the lease was proving difficult. Plus there were several holidays during May which interfered with the process.

On 28th May CabMin finally approved the payment of monies for the lease. This in principle meant that payment could go ahead and there should be no other obstacles. Although some minor administrative issues and signatures were still required.

On 29th May the Landlord went on holiday till 12th June.

The issue of extending the Force Majeure to Partner projects was raised with the GB and also asking the GB to consider issuing instructions on whether to suspend all remaining non-Ukrainian projects, if the power continues to be off.

The ED asked for the generator to be brought back in to help prepare for the coming AC/GB.

The Generator was installed on 12th June. Vital IT equipment kept at our telephone provider to allow e mail access was taken back and reinstalled.

Staff were called back in to resume work on 13th June for limited operations, (i.e. payment of bills, AC/GB preparation etc).

During the week of 9th June MES confirmed it had paid the Landlord.

The Kamenyariv Landlord was on vacation until 12 June, but returned on 11th and confirmed receipt of the funds. On 13th he paid all outstanding dues to KievEnergo including the fine for non/late-payment, STCU currently awaits resumption of electrical power which is anticipated sometime on or after 17th June.

On Friday 13th the ED, CAO and Maintenance Officer met with Vice Minister Maxim Strikha, the Rector of KPI and discussed KPI's proposal for STCU's temporary and permanent office relocation to the campus of KPI.



The temporary solution is half of a fourth floor office space (total 483sqm) of a KPI campus building. The office needs renovation which will take several months. This can only commence once the STCU Board agree to accept this KPI proposal (and specify STCU's agreement in the Record of Decision), which will be used by MES to send a letter to the GofU to adopt the proposal, approve it and allocate separate budget funds to finance the renovation. Essentially this space can only be used for work places.

As this office space is quite small (half of current Kamenyariv building size), STCU has to send to KPI its minimum building specification requirements, (vis-à-vis, office requirements, power, communications entrances, parking, security, location etc), to see if KPI can accommodate all STCU's minimum requirements). The CAO will draw up these specifications.

Additionally, KPI has offered the use of it's meeting / conference rooms, auditorium facilities to compensate STCU for the temporary office's lack of space. Details on this have not yet been discussed.

The longer term solution will be a brand new building to be built on the current campus site construction starting sometime in 2009 and taking 2.5 to 3+ years to build. KPI say they can allocate 1000sqm to STCU.

The ED voiced concern that the GofU should make some sort of formal commitment to reserve this future space as without that and with time and people moving on the original agreements could well be forgotten.

MES advised that if this long term proposal was also acceptable by the GB then this should also be recorded and noted in the Record of Decisions and which MES will get the GofU to agree and approve this proposal and to allocate a special STCU building budget for this purpose which will be mentioned in the law on the budget of Ukraine to stand and confirm as a GofU commitment to this proposed offer.

The STCU awaits for resumption of full electrical power, and will commence the administrative requirements in respect of follow up to MES and KPI's temporary and permanent office proposal, to which the AC/GB will be informed and to which the GB will have to make a decision on the recommendation of the STCU Secretariat in order to start the process of securing new office premises.

Whilst the Secretariat welcome the proposals offered which shows a positive sign from MES & GofU, this is only the start and the due process of getting final GofU approval and commitment of budgetary funds for renovation and further setting aside funds for the new building. If history is anything to go by this will take some time and there is some concern that the year end deadline may not be met.

The temporary office space would have to be ready in December in order that a full move of the office, fixed assets and equipment could be made before the expiry of the lease on 31st December 2008.

There is a Secretariat recommendation that MES consider a fallback solution of a possible current lease extension in case the new office premises will not be ready in time as we made end up again in another Force Majeure situation with the Landlord demanding our vacation of our current building.

Also what is not currently clear is that while renovation of the new temporary office should be done, no discussions or decisions have yet been made about what STCU may have to also spend in respect to cabling for IT and communications and or any other expenses.

THE CABINET OF MINISTERS OF UKRAINE

INSTRUCTION

No. 773-p dd. 28 May 2008

Kyiv

Of Amendments to the Instruction of the Cabinet of Ministers of Ukraine No. 602 dd. 25 October 2002

The second paragraph of the Instruction of the Cabinet of Ministers of Ukraine No. 602 dd. 25 October 2002 (602-2002-p) "On Accommodation of the Science and Technology Centre in Ukraine" shall be reworded to read as follows:

"The Ministry of Education and Science shall, subject to the approval by Kyiv City Administration and the Ministry of Foreign Affairs, enter into a lease agreement for this facility for 2008."

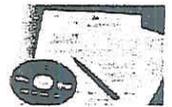
Y. Timoshenko
Prime Minister of Ukraine

Ind. 28

ро внесення зміни до розпорядження Кабінету Міністрів ...| ві... <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=773-2008-%FC>



Кабінет Міністрів України; Розпорядження від 28.05.2008 № 773-р



Картка | Документи | Історія | Пов'язані док-ти | Публікації |

Документ 773-2008-р, редакція від 28.05.2008, чинний



Сторінки: [1]



КАБІНЕТ МІНІСТРІВ УКРАЇНИ

РОЗПОРЯДЖЕННЯ
від 28 травня 2008 р. N 773-р
Київ

Про внесення зміни до розпорядження
Кабінету Міністрів України від 25 жовтня 2002 р. N 602

Абзац другий розпорядження Кабінету Міністрів України від 25 жовтня 2002 р. N 602 (602-2002-р) "Про розміщення Українського науково-технологічного центру" викласти в такій редакції:

"МОН за погодженням з Київською міськдержадміністрацією та МЗС укласти договір оренди цього будинку на 2008 рік."

Прем'єр-міністр України

Ю.ТИМОШЕНКО

Інд. 28

Сторінки: [1]

КАБІНЕТ МІНІСТРІВ УКРАЇНИ

РОЗПОРЯДЖЕННЯ

від «___» «_____» 2008 р. № _____

Київ

Про внесення змін до розпорядження Кабінету Міністрів України
від 25 жовтня 2002 р. № 602-р

1. Абзац другий викласти в такій редакції:
«МОН за погодженням з Київською міськдержадміністрацією та МЗС укласти договір оренди цього будинку на 2008 рік».
2. У абзаці третьому:
 - цифру «2002» замінити на «2008»;
 - слова «з урахуванням умов зазначеного договору оренди» вилучити.
3. Доповнити розпорядження абзацом четвертим такого змісту:
«Фонду держмайна разом з НАН за погодженням з МЗС протягом трьох місяців вирішити питання розміщення Українського науково-технологічного центру в 2009 та наступних роках на умовах, визначених угодою про створення Українського науково-технологічного центру, що затверджена Указом Президента України від 04 травня 1994 р. № 202/94.»

Прем'єр-міністр України

Ю.ТИМОШЕНКО

Ю. Тимошенко
(Ю. Тимошенко)
10.04.08

В. Кличко
10.04.08

М. Кучма

STCU Strategic Concept (2010): Transition to the Future

Recognizing that the global security environment is constantly evolving, but also recognizing that nonproliferation of WMD expertise in the former Soviet Union remains a vital component of this evolution, the Science & Technology Center in Ukraine shall move into its next phase as an intergovernmental organization dedicated to making a better and safer world. The cornerstone of this next phase shall be the tailoring STCU activities to address specific priorities of the Governing Parties in the fields of WMD nonproliferation and security cooperation. This focusing of activities shall continue preventing the proliferation of ex-Soviet WMD expertise but also seek to encourage specific cooperative partnerships among all the STCU Parties, which will address contemporary global security concerns via science research and technology development.

The STCU shall be guided by a new strategic vision that is consistent with STCU's founding mandate and with the program evolution necessary to continue meeting the STCU Parties' emerging priorities and contemporary political and economic environment:

The Science & Technology Center in Ukraine...

For a better, safer world, redirecting former weapons-of-mass-destruction scientists and technicians into tailored cooperative research that builds partnerships, strengthens self-sustainability, and contributes to today's WMD nonproliferation and global security needs.

Context

Since 1995, the STCU has made significant progress toward the objectives defined in the STCU Establishing Agreement: STCU is established in five former Soviet states and has engaged over 8300 former WMD and delivery system S&T experts in collaborative, non-weapons research with peers from Canada, Europe, and the United States; STCU supplemental activities have helped to integrate these former Soviet military scientists into international S&T communities; STCU helped to create the conditions needed to foster stable employment and financial situations for these scientists, focusing their talents on solving problems of national, regional, and international interest; and STCU contributed to the development of a culture of responsible nonproliferation norms, science excellence, and international standards within this formerly isolated community of ex-military scientists.

However, STCU now faces a changing strategic environment, both obvious in the changing global security priorities as well as demonstrated in several recent, program-level trends:

- The security environment facing the STCU Parties (including cooperative threat reduction and WMD nonproliferation) has become more global in scale, with new, emerging concerns for STCU Party security & stability. These emerging (and sometimes competing) security priorities were, in part, the rationale behind the some of the reductions in traditional Funding Party financial contributions. Further, the Funding Parties began requesting a narrower, more holistic focus in STCU programs, such as on "institute sustainability" (i.e., self-reliance from STCU grant funding).

- In 2006, Partner Projects (i.e., projects financed by individual government programs or non-government/private sector organizations) reached record funding levels for a single year and, for the first time in STCU history, exceeded the annual amount of traditional Regular Project financing (projects financed by the core STCU Governing Party agencies—U.S. Department of State Science Centers Program, EU Stability Instrument, and Canadian DFAIT IGX Program). This milestone reflects one of the 2004 STCU near-term strategic objectives: to increase Partner activity, both as a mechanism for building self-sustainability among ex-military scientists and for expanding STCU to a broader community of users.
- Beginning in 2005, former Recipient Party governments began to share the financing of STCU projects with the core Funding Party agencies, starting under the STCU Targeted R&D Initiatives Program. This milestone reflects another of the 2004 STCU near-term strategic objectives: to expand the utility of STCU to all of its Parties and evolve STCU Recipients toward becoming more equal partners with STCU Funding Parties.
- Recent STCU Partners have been using STCU as a program implementation mechanism for pursuing security-related science solutions by using the capabilities of STCU's ex-WMD scientists. A recent Partner Project from the U.S. Department of Energy Global Threat Reduction Initiative, focused on reducing the civilian use of weapons-grade uranium in research, is a good example of this combination of forces.

Notwithstanding these operational trends, the current STCU nonproliferation mission continues to be relevant:

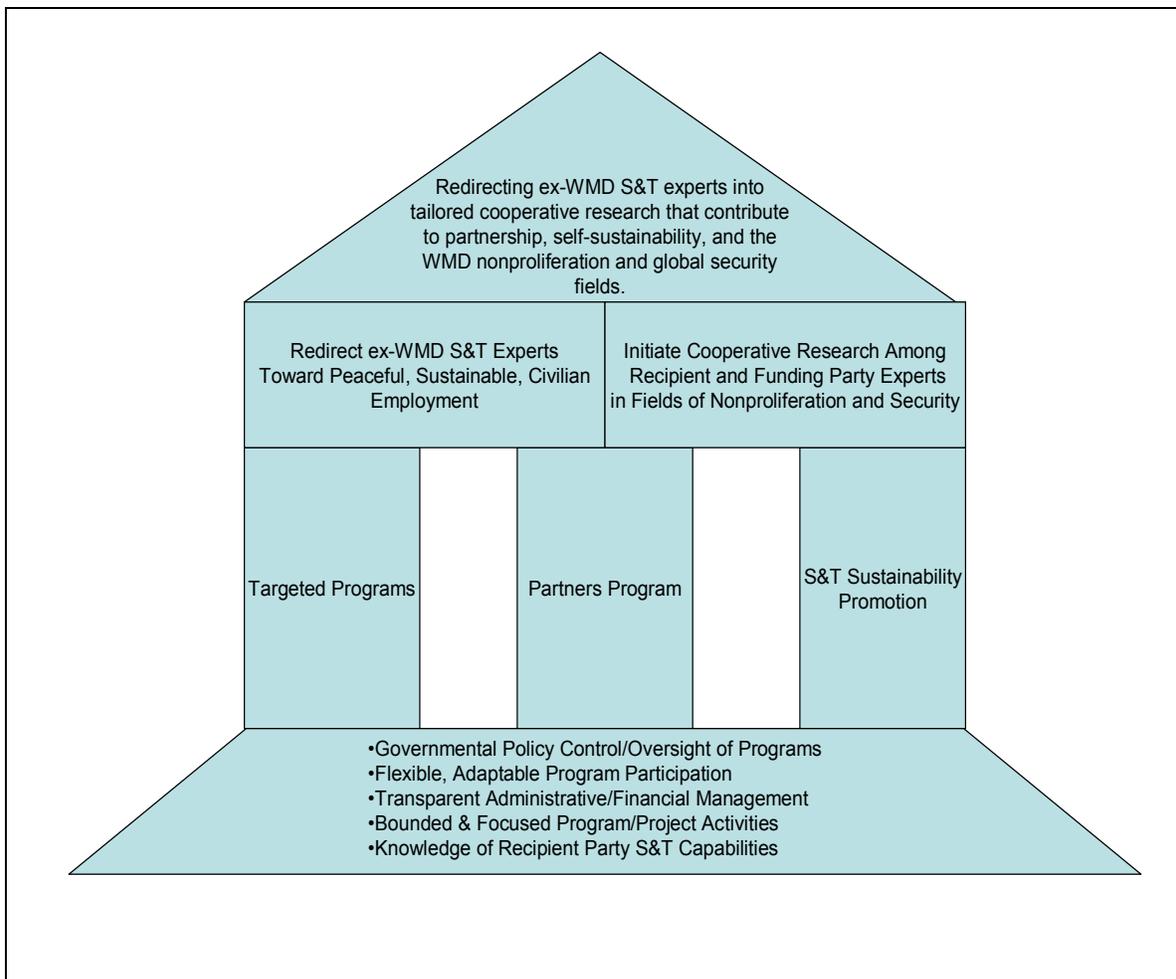
- STCU has only begun engaging ex-Soviet weapon scientists in Azerbaijan and Moldova.
- The G8 Global Partnership Against Weapons and Materials of Mass Destruction is expected to continue through 2012, and could be extended and expanded if G8 negotiations result in such an expanded mandate.
- Annual surveys of STCU projects indicate that roughly one-half of former Soviet military R&D technical units (institutes, departments within institutes, etc.) have not yet achieved a level of self-reliance that would assure a stable employment situation for their scientists and technicians (including former weapon scientists). Further, STCU grant funding made up over one-third of the research income received by these R&D units in 2006, demonstrating the significant impact of STCU grant funding on these units.
- Data gathered in the 2006 STCU Governing Board request for information indicated that while STCU is “discovering” fewer ex-WMD scientists each year since 2003, new FWS still continue to be identified in STCU project proposals, even in long established Recipient Parties such as Ukraine. This same 2006 data showed that even in the two largest STCU Recipients (Ukraine and Uzbekistan), STCU projects had engaged only about half of the identified former weapon scientists. For smaller STCU Recipients, the percentages of FWS engaged by STCU projects are even smaller.

- The growing ability of Recipient scientists to attract Partner Projects on their own, the increasing capabilities of Recipient institutes, and Recipient Party interest in co-financing STCU projects with Funding Parties demonstrate that former WMD scientists, institutes, and their governments are now able to participate effectively in equal partnerships on S&T topics of mutual interest.

These two trends—evolving Party priorities and a continuing ex-WMD scientist nonproliferation mission—shows that the STCU is transitioning away from the time-urgent, widespread engagement of the WMD proliferation risks of the post-USSR crisis, and toward a more measured, focused effort where all STCU members are engaged as equal partners, working with confidence and trust through the STCU investment in redirected ex-WMD S&T expertise.

Evolution of STCU toward its Next-Phase Strategic Vision

The aim, therefore, would be to adjust the STCU activities toward a more tailored approach, directly linking specific strategic objectives to specific program priority areas, or “pillars”:



This transition needs a guiding strategic vision—one grounded in the core STCU mandate but also one that clearly directs the STCU’s participants, staff, and stakeholders towards the evolving priorities of the STCU Parties. This new STCU vision can be stated as:

The Science & Technology Center in Ukraine...

For a better, safer world, redirecting former weapons-of-mass-destruction scientists and technicians into tailored cooperative research that builds partnerships, strengthens self-sustainability, and contributes to today’s WMD nonproliferation and global security needs.

The STCU mission statement that translates this vision to the program level would read as such:

STCU shall seek to make tangible contributions to WMD nonproliferation and related global security needs through multilateral cooperative actions that redirect ex-WMD researchers, technicians, and similar weapons specialists into tailored program activities which build science-based governmental and commercial partnerships, strengthens the former weapon scientists’ self-sustainability in peaceful, civilian research, and that make meaningful cooperative S&T contributions to contemporary needs in WMD nonproliferation, regional stability, and global security. As working with former WMD scientists and technicians, in fields related to international security, involve politically sensitive considerations—such as research with dual-use potential—STCU shall continue to be directed by close intergovernmental involvement, active collaboration of external experts, and strict policy oversight.

STCU will pursue the two strategic objectives of (a) permanent redirection of former WMD scientists to peaceful, sustainable, civilian employment; and (b) initiate programs of research that partner redirected ex-WMD scientists with Canadian, European, and U.S. experts to produce science-based contributions to priority areas of WMD nonproliferation, regional stability, and global security:

- *Targeted Research: Through deliberately designed research solicitation, ex-Soviet WMD S&T experts and Canadian, European, and U.S. scientists will be joined in active collaboration to produce science-based input and solutions to targeted, specific priority interests in the fields of WMD nonproliferation, regional stability, and global security cooperation;*
- *Partnership Promotion: Governmental and Non-Governmental/Commercial Sector entities will be solicited to contribute their specific technical requirements and funding for contract-based R&D projects that make good use of the ex-WMD S&T experts experience and talents. In turn, through STCU assistance, direction, and oversight, these Partner activities shall be directed to best develop self-reliance and confidence within these formerly isolated military scientists and technicians, so that they can work responsibly and successfully in the community of contract customers and competitive research grants program.*
- *Sustainability Development: Ex-WMD scientists, technicians, and ex-military R&D institutes shall be engaged in skills and capacity development programs that will build self-*

reliance, science excellence, and technology transfer expertise so that these target groups become credible, competitive participants in international science and technology communities.

Underpinning these priority program directions, STCU shall continue to be guided by the core values that created the high level of political confidence and general trust in STCU, since its establishment in 1993:

- All STCU activities are defined, approved, and governed by its intergovernmental policy decision-making process and close intergovernmental political and programmatic oversight;
- The STCU programmatic framework is sufficiently flexible to accommodate customer initiatives and needs, so long as these are first deemed consistent with the STCU mission and policies as determined by the STCU's intergovernmental Governing Board review process.
- STCU's projects and program activities shall be administratively controlled and overseen by a set of intergovernmental Governing-Board-approved regulations and standard operating procedures that meet the highest levels of modern, transparent, and professional international standards.
- STCU shall rely on its operational field experience and networks with the ex-Soviet WMD scientific communities of the Recipient Parties, as well as its relationships with policy and technical experts in the Governing Parties, to guide and inform all STCU stakeholders in making appropriate, well-considered, and cost-effective decisions on new and existing program activities.

Possible Implications for the STCU Organization

During the next 5-7 years, STCU shall pursue a near-term program strategy that maintains critical aspects of the STCU nonproliferation mandate, but also narrows and focuses the program directions towards facilitating cooperative S&T research partnerships applied to areas of national, regional, and global security. This will mean that current STCU programs and procedures will need to be modified, and the STCU administrative structure (staff, processes, etc.) will change in accordance with these programmatic modifications.

Some study will be needed to define the needed modifications, but these could include the following:

1. The current STCU Regular Project "continuous open call" process and Targeted R&D Initiative Program would be melded into a set of "Targeted Research Programs" approach. The current open solicitation of research proposals (where the only criteria is a sufficient percentage of former weapon scientists on the project team) would be terminated. In its place would be "programs of research" whereby an area of science-based research in a selected field of security would bound and guide a narrower, more deliberate competitive proposal solicitation. The projects proposals solicited within each Targeted Research Program would be competitively screened and selected based on a set of definite, expert-provided technical goals and specifications. The program and its projects would be guided

throughout the entire process by a group of outside experts and collaborators (possibly a formal Steering Group, or something similar) from all the Governing Parties and involved Recipient Parties, with Recipient Parties expected to contribute financially to the selected projects (as in the current Targeted Initiatives Program).

The potential areas for such “Research Programs” must be defined to match the needs of the global community with the S&T research strengths of STCU Recipient Parties. But some areas for STCU could be: **nuclear forensic technologies** for rapidly detecting, identifying, characterizing, and assessing nuclear material being illicitly smuggled; **bio-threat diagnostic technologies** for rapid detection, identification, characterization, and assessment/evaluation of emerging biological threats; **environmental surveillance and analytic technologies** for terrestrial and space-based monitoring, detecting, and characterizing of environmental events that could indicate a terrorist act or other broad-area civil security threat.

2. Sustainability Promotion would continue to prepare groups of former weapon scientists and institutes for becoming more self-reliant as reliable centers of R&D program management that can serve Governmental and Non-Governmental Partners and their specific R&D needs. Emphasis will continue on building the competitive advantage of ex-military institutes to perform quality contract R&D work for Non-Governmental/Private Sector Partners. Current Partnership Promotion efforts would continue to attract Non-Governmental Partner project funding (e.g., facilitating preliminary commercial matchmaking, assisting in intellectual property protection and in finding commercial licensing opportunities). But more emphasis will be directed toward recruiting Governmental Partners that are focused on contributing to regional and global security concerns conducive to multilateral S&T solutions (e.g., nuclear safety, bio-security, environmental security, etc.). This would mean more focus on working closely with the Governing Party representatives to forge linkages with other governmental or inter-governmental agencies and programs.
3. STCU internal administrative processes would need to adjust to manage “fewer but larger and more complex” programs. This is different from the current STCU “project volume-based” management system, which relies heavily on IT-based systems to manage volume flow, requires a large number of “back-office” operations to process financial and procedural steps, and promotes a less-involved relationship between STCU staff, the project participants, foreign collaborators, and Partners. For example, STCU would need the type of staff member and internal processes that are appropriate for dealing with governmental agencies working on a long-term program plan, where higher level of active customer service is needed to instill confidence and trust in the STCU system.

As in the past, the STCU must continue to implement programs that meet its strategic objectives in the most effective and efficient manner, and be able to measure its progress and adjust as necessary to maintain progress. The organization must strive to place the most qualified people into the jobs that best fit their experience and capabilities. Finally, the STCU must continue to exercise best practices and meet the highest professional standards demanded of any organization financed with the public funds of governments. It is its professional integrity, along with its demonstrated successes, that makes the STCU an attractive implementing tool.

A Look Ahead to 2009 Budget Request

The STCU executives and chief officers have begun the initial planning for the 2009 budget to be submitted officially in late August. This report provides a first look at the budget discussions thus far, in order to provide the Secretariat with reactions and comments that will guide the STCU's upcoming planning sessions.

The Executive Director has developed a schedule which initiated budget planning in the latter part of June, and will continue until the beginning of September. The ED also provided general guidance to the DEDs and chief officers for their planning purposes:

- AOB total request for 2009 shall attempt to be no greater than US\$1.60M, a reduction of 5.88% from the approved 2008 AOB (US\$1.7M).
- A number of full-time and temporary staff positions will be recommended for elimination.
- Party-Designated Supplemental Budget lines will be carefully reviewed with each Party, with the intent of establishing a plan of activities and associated estimated expenses that will make use of these budget lines during 2009.

At this early point in the planning process, it appears that nearly all the AOB line categories for 2009 can be held to their 2008 requested total, although there will be some increases and decreases in specific AOB. All of the Supplemental Budget lines will be decreased or held to the same funding total as approved in 2008. Some preliminary highlights of interest to the Parties are:

1. Particular attention will be paid to the Local Grant Payments budget line in order to ensure that the STCU is paying salaries that will keep the most valued grantees, as well as eliminate those positions that are no longer required.
2. The first year of program funding for the new Institute Sustainability Program will need to be evaluated to guide the request for new Supplemental Budget funds in 2009. The Force Majeure period has delayed start-up of this program by at least 3 months, so the first year of program will not be implemented as planned, and this delay will need to be taken under consideration in evaluating the program's progress and the planned 2009 budget request for its Supplemental Budget line.

In thinking ahead, the Secretariat has a question about the budget situation for 2010 that we hope the Governing Parties will be able to address by the time of the 27th GBM. In 2007, STCU saw \$16.83 million USD in new project funding, quite a bit less than the record \$19.82 million USD committed in 2007. If 2008 continues this downward trend in new project funding commitments, the administrative needs of STCU will start falling rapidly starting in the last quarter of 2008 and into the beginning of 2009. However, in 2008, STCU saw steady levels of Partner Projects (particularly Non-Governmental Partner Projects), continued interest in Targeted Initiatives, and the start-up of activities under the new Institute Sustainability Program. This means that the STCU will need to manage a decline in 2009 administrative operations (including possible reductions in staff) while looking forward to the possible demands of continued activity levels in Partners Program and emerging Supplemental Budget programs.

A key planning feature in this 2009 administrative outlook is the expected financial contributions from the Funding Parties, as much of the project funding reduction from 2006 to 2007 was a in Regular Projects (which includes Targeted Initiatives): from \$9.23M USD in 2006 to \$7.42M USD in 2007 (in comparison, Partner Project funding saw a slightly smaller reduction, from \$10.59M USD in 2006 to \$9.41M USD). STCU needs to ensure adequate management and financial control over these new projects and programmatic activities, while perhaps dealing with further declines in Funding Party financial contributions

(implying more pressure to reduce the STCU AOB level even further below its current level). As was the concern for 2009 outlined in the September 2007 Advisory Committee, this dichotomy of a continuing need for minimum management and fiscal oversight against potentially fewer funds from the Funding Parties creates a growing risk for STCU.

With this concern in mind, the STCU has these questions (a number of them the same as in September 2007) for the STCU Funding Parties:

1. Does the European Union know what the total amount of BFA 2008 will be (greater or less than the 2007 total of 3.40M EUR)? Does the EU know the breakdown of this BFA by Article 1.1 and Article 1.2? Does the EU have an idea of the same for BFA 2009? If you look at the trend of the last four BFAs, will the 2008 BFA continue its trend downwards?
 - BFA 2005 = 5.50M EUR
 - BFA 2006 = 4.95M EUR
 - BFA 2007 = 3.40M EUR
 - BFA 2008 = ???M EUR

As you can see above, the BFA has decreased by 38.2% over the last two years (BFA 2007 to BFA 2005). Will this trend continue?

2. Canada and the STCU need to sign a new MOU for the period of April 1, 2008 to March 31, 2010. Given that April 1, 2008 is three months ago, does the Canadian Party have an idea what the budget amounts will be for the new MOU for the Canadian fiscal years beginning April 1, 2008, and April 1, 2009? If you see the point 3 below, it is shown that Canadian Party has provided approximate \$3.7M USD for the last MOU; is the new MOU scheduled to be more, less, or equal to this amount?
3. In the recently expired MOU between Canada and the STCU for the Canadian Fiscal Year of April 1, 2006 to March 31, 2008, the amount available is 4,289,600 CAD. To date, the following amounts (USD is actual amount and CAD is an approximation using the foreign exchange rate indicated in table) have been committed by Canada:

	Actual Amount in USD	Approximate CAD (1 USD = 1.062 CAD)
CA's share of 2006 AOB and SB	\$346,389.53	367,865.70 CAD
CA's share of 2007 AOB and SB	\$625,766.24	664,563.70 CAD
CA approved projects 23 rd GBM	\$140,002.00	148,682.12 CAD
CA approved projects 24 th GBM	\$578,630.00	614,505.06 CAD
CA approved projects 25 th GBM	\$931,962.00	989,743.60 CAD
CA's share of 2008 AOB and SB	\$607,789.61	645,472.60 CAD
Project #4687 & #4440	\$490,000.00	520,380.00 CAD
Total	\$3,720,539.38	3,951,212.28 CAD

4. At the 23rd STCU Governing Board Meeting (November 2006), the State Department issued guidance that its contributions to the STCU would substantially decrease compared with previous years. Indeed, as shown by the figures below, the State Department transferred about 48% less in new funds in 2007 than it did in 2005, and the lowest amount of new USDOS program funds since prior to 2000.
 - 2004 = \$9,950,259
 - 2005 = \$5,000,000
 - 2006 = \$5,650,000
 - 2007 = \$2,714,238
 - 2008 = \$????????

Are the fund amounts to be provided for 2008 and 2009 by the USDOS known at this time? Are the figures known by year? Given that the FY2008 has been approved by the US government, can the US Party provide the exact amount of funds for 2008 that will be sent to the STCU?