

DRAFT MINUTES of the FIFTH STCU  
BOARD OF GOVERNORS MEETING  
Kyiv, Ukraine  
December 15 - 16, 1997

Monday, December 15, 1997

OPENING SESSION

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

Canada

Emil Baran, Board Member  
Michael Sperber, Canadian International Development Agency

United States

John Boright, Board Member  
Jim Noble, US Department of State  
Angela Jeffries, US Department of State  
Robert Burkette, US Department of State  
Peter Molton, Pacific Northwest National Laboratory  
Eileen Vergino, Lawrence Livermore National Laboratory

Sweden

Ambassador Martin Hallqvist, Board Member

Ukraine

Victor Bar'yakhtar, Board Member

STCU Secretariat

Ostap Hawaleshka, Executive Director  
Leo Owsiacki, Executive Director (Designate)  
Borys Atamanenko, Ukrainian Senior Deputy Director  
Frantisek Janouch, Swedish Deputy Director  
Arthur DuCharme, US Deputy Director  
Bill Luke, Chief Financial Officer  
Lubomyr Banias, Chief Administrative Officer

Observers

European Community

Didier Gambier, Directorate General Xii, EC

Japan

Hiroyuki Imahashi, Charge d'Affaires of the Embassy of Japan

Uzbekistan

Alisher Agzamkhodjaev, Charge d'Affaires of the Embassy of Uzbekistan  
Gulnara Rashidova, Technical and Educational Committee of Uzbekistan

Georgia

George Katamadze, Council to the Ambassador of Georgia

STCU Board of Governors Meeting

Dr. Boright, chair of the Fifth Meeting of the STCU Governing Board delivered welcoming remarks. Dr. Boright indicated that the Governors were pleased with the Centre and that the Secretariat had done well in its work. He further indicated that this meeting was notable in that it marked the "passing of the torch" with the introduction of the new Executive Director, the acceptance of new countries as partners with STCU, and the need to review resources as we proceed into future work. Dr. Boright asked Prof. Ostap Hawaleshka, Executive Director for opening remarks. Prof. Hawaleshka welcomed everyone to the Fifth Governing Board, especially the observer parties.

Opening remarks were made in turn by members of the Governing Board and observers.

Mr. Emil Baran indicated his pleasure with the work carried out by the STCU. He indicated that the STCU was successful in its pioneering work in Ukraine relative to its programs and looked forward to being part of the ongoing review carried out by the Board to ensure that the programs continued to serve Ukraine's changing needs.

Ambassador Hallqvist reviewed Sweden's commitment to the STCU remarking that Sweden was proud to be one of the founding organizations taking active part in its establishment. He went on to say that Sweden was looking forward to continued involvement as part of the European Community initiative..

Dr. Bar'yakhtar welcomed everyone to the meeting and indicated his sadness at the leaving of Prof. Ostap Hawaleshka. He welcomed the incoming Executive Director and looked forward to the work of the Fifth Governing Board..

Japan's representative, Mr. Hiroyuki Imahashi, thanked the STCU for being invited as observer and reconfirmed Japan's interest in activity with the STCU in funding Ukrainian projects.

The European Communities representative, Dr. Didier Gambier, expressed his regrets that the European Community was not ready at this meeting to formally join the STCU. He went on to say that basically all approvals are in place and the delay was due to the slow bureaucratic process.

Mr. Alisher Agzamkhodjaev, representative for Uzbekistan indicated his pleasure at being able to participate as an observer and looked forward to his country being accepted as a partner with the STCU. He expressed his country's pleasure in working with Ukrainian scientists on research projects. He further thanked Prof. Hawaleshka and the STCU Secretariat for all their work in helping Uzbekistan to join the STCU.

ADMINISTRATIVE TOPICS

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

Prof. Hawaleshka, Executive Director of the STCU presented a general report on the overall status of the organization. His report indicated that the STCU is fully operational and that all major tasks of the STCU have been carried out with the exception of project closure. As of today, the Center funds 119 research and development projects engaging over 2,200 Ukrainian scientists with a total funding level of \$14,200,000. The partnering program is developing successfully with care not to stray into pure commercialism. The Center is close to having its Agreement ratified by the Verhovna Rada (Ukrainian Parliament). Further, all internal procedures regarding the possible accession of Uzbekistan and Georgia are completed and all that is required is the "Document of Accession". The Secretariat has completed the STCU First Annual Report for 1996 which includes a history of the organization.

Points of concern raised by the report were that although the STCU's achievements are generally impressive, the effort to date involves 2,200 Ukrainian scientists out of approximately 20,000 who previously worked on weapons of mass destruction and only affects 10-15% of the target population of the STCU mandate. The funding, as of today, has not kept pace with the needs of this security-related mission.

The report outlined some suggestions for possible courses of action. The Ukrainian authorities should take a more pro-active role in promoting and lobbying parties for increased support and participation. The Ukrainian Government should consider becoming an active co-funder of research and development activities through the STCU. An all out effort should be made to bring the European Community into the STCU as well as making Japan an active participant in STCU funding of project activities. All Parties should review their present funding levels and consider improving them. Identification of other possible donor countries should be attempted, and the "Partnering" activities should increase.

The Executive Director's report closed by thanking all who contributed to the success of the Center including the Founding Parties, the Ukrainian authorities, the STCU Executive Staff, and the Ukrainian staff of the STCU.

The Executive Director provided his good wishes to Mr. Leo Owskiacki, the Executive Director (Designate), with best success in the future.

#### REPORT FROM THE SECRETARIAT

Prof. Hawaleshka opened the presentation by suggesting that most general issues on administration are not problematic. The STCU organizational chart was presented to provide the Board with an update as to the staffing levels. The one ongoing concern is the inability to solve the "value added tax" which STCU pays on Ukrainian purchases from which, by agreement, the STCU should be exempt. The only way to resolve the problem would be to have the Ukrainian authorities develop a "refund" system on taxes paid. This is to be worked on in the future.

Dr. Janouch presented a report on Proposal and Project status. The second call for proposals resulted in the STCU having currently 927 proposals on hand. Assuming the Secretariat can continue to prepare about 240 proposals per year for review, the last proposals from this submission will be reviewed in the years 2001 to 2003. This will result in a two to three year waiting period for scientists who submitted proposals to find out their assessment results. It is suggested that some form of pre-screening should be carried out to speed up the selection process.

Dr. Janouch continued to give a detailed review of the type of projects which have been submitted for joint venture consideration between Ukrainian scientists and Russian, Georgian, Uzbekistan, and Estonian scientists, respectively.

Dr. DuCharme was then asked to present the status on project monitoring. Tables were presented which showed the results of 48 projects that were monitored to date and no significant problems were identified. As a result, it is proposed that long term projects be monitored only once a year.

Dr. DuCharme responded to questions from the Board members on specific activities carried out during the monitoring process. It was agreed that the Parties do want to see the results of the monitoring program.

#### STCU PARTNERS

Dr. DuCharme continued to report on the STCU Partnering Program. The Partnering Program is expanding rapidly with increasing interest from organizations and businesses in countries represented by the funding Parties. Technical teams have been identified in response to Partnering proposal development. The Secretariat has a two person group that provides initial information to prospective Partners. The STCU has a WEB site which provides information on the Center and its projects, and detailed information to assist in Partnering.

STCU Board of Governors Meeting

Two Partnering agreements have been implemented. Two projects have been approved out-of-cycle by the Governing Board, and two projects are now ready for Board approval. Canada has indicated that five companies will be named to the Board for approval. These five companies and their Ukrainian project teams have prepared six project proposals. Further, a Swedish firm has also requested Partner status to be approved at this Board meeting. Ukrainian Government approvals are being carried out through Dr. Bar'yakhtar.

The Board members were presented with examples of the information on the web site. Discussions pertaining to this information took place.

Dr. DuCharme presented the Board with the STCU Partner Document which consisted of the Partner Proposal Preparation Instructions and the Partner Project Agreement. Following a review and general discussion, the Board approved the document and requested assurance that the terminology specifically say that STCU will not support any projects which may be remotely construed as weapons related research and development. Following a discussion by all Board members regarding the administration costs associated with Partnering projects, it was agreed that the 5% administration fee be maintained until experience shows that this figure requires revision.

The Board proceeded to consider approval of STCU Partners.

Mr. Emil Baran nominated five Canadian companies including: Integrity Testing Laboratories Inc., Quantic Electroscan Inc., Intermedic Medical Systems, CORETEC Inc., and Satlantic Inc. as STCU Partners.

Ambassador Hallqvist nominated PF 2000 IT Services AB as a STCU Partner.

Mr. Jim Noble introduced General Electric Company and Phygen Inc. as STCU Partners.

The Board approved all nominations.

#### FINANCIAL TOPICS

Mr. Luke presented a report about the local banking situation. In the presentation, he stated that the banking operations are proceeding smoothly and that grantees and vendors providing goods and services are receiving moneys within a reasonable period of time due to a computer automated system developed with the bank. An effort will be made to increase earnings on banked moneys.

Mr. Luke continued with the 1997 STCU Budget update. The projected 1997 expenditures from the budget is estimated at \$885,508 compared to \$1,055,700 approved.

The 1998 budget, following discussion and input by all Parties is proposed at \$1,038,500.

Following clarification of some line items, the Board approved the 1998 Administrative Budget of \$1,038,500.

#### FUTURE CONSIDERATIONS

Because the European Community was not prepared for accession to the STCU at this Board meeting, Dr. Boright suggested that the agenda item be suspended and that it should be replaced with the agenda item "Strategic Priorities". The Board approved the change.

Dr. Boright started the discussion by suggesting that because of the foreseeable financial limitations, strategic priorities are required. The immediate consideration is the treatment of proposals submitted and what must be done to proposal flow to accommodate limitations. All Board members as well as representatives of the Secretariat and Advisors, discussed the "pros and cons" of various methods of potentially screening applications while maintaining the Secretariat at "arms length" to the decisions.

The representatives of Georgia joined the meeting and as a consequence, Dr. Boright gave the representatives the opportunity to address the Board. Mr. George Katamadze, Council to the Ambassador of Georgia, presented a short review of the current economic and social condition of the country of Georgia. He thanked the Board for the opportunity for Georgia to become a member of the STCU and look forward to having Georgian scientists working on STCU projects.

The Georgian and Uzbekistan representatives were advised that their joining the STCU was approved in principal, and all that was required was the "Document of Accession" from both countries.

The discussion returned to the strategic priorities agenda item. The need for geographic distribution of projects was discussed by the Board. A review of this distribution was carried out and opinions presented for consideration as to how this may enter into the screening process and criteria.

The question of the Parties developing criteria for the Secretariat to use for a preliminary screen was discussed and the advantages and disadvantages of such a mechanism considered. The criteria should be well-defined and designed to satisfy the needs



of all the Parties. The document should be short, and ideally designed to consider content, budget, scientific credibility, capability, and other conditions identified by the Parties. The purpose of such a screening exercise would be to reduce the number of current proposals to a reasonable number having the best chance of obtaining support from the Parties.

The profile of the people involved in the proposed screening process was discussed.

Dr. Boright summarized, indicating that these discussions were intended to serve as "food for thought" and that all Board members should think through the arguments presented so that consensus could be reached in the future when the topic is raised again. However, it was clear that the Parties recognized that a mechanism is required to deal with a large number of proposals with limited resources. It appears that a general solution could be the creation of an efficient screening process, developed by the Parties, and utilizing criteria suitable to all.

#### PROJECT APPROVAL AND FUNDING

Prof. Hawaleshka read out the approved new projects numbering 25 including a \$20,000 contribution to a Patent Fund project which resulted in a total grant value of \$2,598,637 US. Dr. Boright moved to have the project funding approved. The Board unanimously approved the motion.

Prof. Hawaleshka then presented the Partner Project Funding Table to the Board which summarized the activity of the STCU approved Partners. The table identified a total of 11 project activities, resulting in a total Partner funding package of \$1,059,084 US. The Board unanimously approved the presented Partnering (Project) Activity.

#### FINAL TOPICS

Mr. Emil Baran formally nominated Mr. Leo Owsicki as the Executive Director of the STCU effective January 1, 1998. His position, sponsored by Canada, would be for a three year period. The Board approved the nomination.

Following the passing of the "bylava" - Ukrainian symbol of leadership - from Prof. Hawaleshka to Mr. Owsicki, Mr. Owsicki provided a brief insight to the process which selected him for the position. He indicated that he looked forward to the job and the opportunity to provide a serious positive contribution to Ukraine. He explained how he felt a sense of family at the Board meeting and understood the legitimate interest by all present in seeing the STCU "child" grow. He added that he felt comfortable and thanked everyone for their support.

The Board approved the date for the Sixth Governing Board Meeting which is to be held in Kyiv on June 4 - 5, 1998. The Board approved the press release statement as submitted.

Dr. Boright opened the concluding remarks portion of the agenda. He stated that this meeting resulted in many milestones, based on the three year activity of the STCU which was under the leadership of Prof. Ostap Hawaleshka, and that this work was appreciated by all. Dr. Boright continued by thanking all the Board members and stated that he looked forward to working with the new countries which joined the STCU.

Mr. Emil Baran thanked Dr. Boright for his skillful chairmanship of the Board meeting. He further thanked Prof. Hawaleshka for making STCU a strong, dynamic, and fluid organization. He concluded by thanking the Secretariat for its effort.

Dr. Bar'yakhtar thanked the Parties for their generous contribution, under current funding conditions, for Ukrainian scientists and Science. He extended his warm thanks to Prof. Hawaleshka for his excellent work in establishing the STCU in Ukraine.

Ambassador Hallqvist suggested that as a result of this meeting, it appears time that Sweden redirect some of its energies towards activities such as partnering. This is necessary not only for Ukrainian Science, but Ukraine as a whole because to help one, also helps the other. Ambassador Hallqvist commented that Prof. Hawaleshka was not only a co-worker, but also a friend and will surely be missed.

Prof. Hawaleshka responded by saying he was honored and grateful for all the kind words. He thanked everyone who helped him during his term of office.

Dr. Boright adjourned the Fifth Governing Board Meeting of the STCU.