

KIPRED

**KOSOVAR INSTITUTE FOR POLICY RESEARCH AND
DEVELOPMENT**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2005 AND 2004**

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INDEPENDENT AUDITORS' REPORT

To the Executive Director and Management of Kosovar Institute for Policy Research and Development

We have audited the accompanying statement of cash receipts and disbursements of the Kosovar Institute for Policy Research and Development ("KIPRED") for the year ended December 31, 2005 and 2004 as set out on pages 1 to 11. This statement is the responsibility of the KIPRED's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

KIPRED's policy is to prepare the accompanying statement on the cash receipts and disbursement basis. On this basis revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

In our opinion, the accompanying statement presents fairly, in all material respects, the revenue collected and expenses paid of the KIPRED for the year ended December 31, 2005 and 2004 in accordance with the cash receipts and disbursements basis of accounting as described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the basic statement taken as a whole. The additional supplementary schedules included as Appendices on pages 13 to 18 are presented for the purpose of additional analysis and are not a required part of the basic statement. These schedules are the responsibility of the KIPRED's management and have been prepared in accordance with the specific requirements of the donor organizations.

Deloitte Kosova sh.p.k
Prishtina
February 1, 2006

Kosovar Institute for Policy Research and Development
Statement of Cash Receipts and Disbursements
For the year ended December 31, 2005 and 2004

		Year ended December 31, 2005	Year ended December 31, 2004
	Notes	(in EUR)	(in EUR)
FINANCING			
Olof Palme International Center	3	117,475	151,482
Rockefeller Brothers Fund	3	24,070	95,380
RTI International	3	-	49,688
EWPPP	3	22,693	-
Freedom House, project	3	42,716	-
Freedom House , institutional grant	3	13,573	-
CASIN	3	2,000	2,500
SDC	3	5,480	-
Safer World	3	1,800	-
Sale of car		2,500	-
TOTAL FINANCING		<u>232,307</u>	<u>299,050</u>
PROJECT EXPENDITURE			
Olof Palme International Centre, contract from 2002		-	18,230
Olof Palme International Centre, contract from 2004	4	13,413	138,067
Olof Palme International Centre, contract from 2005	5	75,517	-
Olof Palme International Centre, Macedonia project	6	19,001	-
Rockefeller Brothers Fund, contract from 2004	7	39,566	54,867
Rockefeller Brothers Fund, contract from 2005	8	9,829	-
RTI International	9	25,449	4,640
EWPPP	10	19,176	-
Freedom House, project grant	11	37,504	-
Freedom House, institutional grant	12	18,525	-
SDC		3,342	-
Overhead		5,923	-
TOTAL PROJECT EXPENDITURE		<u>267,245</u>	<u>215,904</u>
Excess of expenditure over income		-34,938	83,246
Unreconciled difference		-	-211
Bank charges		-670	-
Cash and bank balance at the beginning of the year	11	<u>101,116</u>	<u>18,081</u>
Cash and bank balance at end of the year	11	<u>65,508</u>	<u>101,116</u>

Kosovar Institute for Policy Research and Development
Statement of Cash Receipts and Disbursements
For the year ended December 31, 2005 and 2004

Authorized for issue by the management on February 1, 2006:

Mr. Lulzim Peci

Ms. Nita Tafarshiku

Executive Director

Finance Manager

The accompanying notes 1 to 12 form an integral part of these Statements

1. GENERAL INFORMATION

The Kosovar Institute for Policy Research and Development (“KIPRED”) was registered under the United Nations Interim Administration Mission in Kosovo (“UNMIK”) regulations as a non-governmental organization on November 11, 2003.

On November 12, 2003 KIPRED was separated from the Kosovar Civil Society Foundation (“KCSF”). As at this date fixed assets purchased by KIPRED through funding from the Olof Palme International Centre (“OPC”) totalling EUR 27,939 were transferred to KIPRED together with unspent OPC funded cash balances totalling EUR 83,308 as at that date.

KIPRED is a foundation whose mission is the introduction of democracy and democratic values into the Kosovo region. KIPRED’s activity is organized into two pillars: training and policy research.

The training pillar is focused on the development of political parties through its Internet Academy for Democracy, which is a modern training method, and which is organized in cooperation with International Center Olof Palme from Sweden. The research pillar offers independent research of politics in the field of government and administration, development of political parties, regional and international relations.

KIPRED is supported financially from Olof Palme International Center, Rockefeller Brothers Fund, RTI International, East West Parliamentary Practice Project and Freedom House.

KIPRED has signed agreements, relevant to these Statements, with the following donors:

a. Olof Palme International Center

- On December 19, 2002 the KCSF signed a co-financing contract for the project “Democratic Education for Local PM, 7005J – 03” with the Olof Palme International Centre for the training of political parties members, which had a budget of EUR 203,439 (the Euro equivalent of SEK 1,850 thousand).
As noted above, KIPRED was separated from KCSF during November 2003, and as part of this agreement, it was agreed that all legal contractual obligations under the grant specified above would be assumed by the KIPRED.
The cash balances at January 1, 2004 totalled EUR 18,081 has been used to finance the project “Democratic Education for Local PM” for the first two months in 2004.
- KIPRED signed a contract with Olof Palme International Center for an amount of EUR 154,500 (the EUR equivalent of SEK 1,400 thousand) on February 5, 2004 for the project “Democracy training, local elected representatives in Kosovo” reference 700 05-04.
- The KIPRED signed a new contract for the period 2005 with the Olof Palme International Centre – Palme Centre on February 2005 for an amount of EUR 98,468 (the EUR equivalent of SEK 900 thousand) for the project “KIPRED-Capacity Building and Institutional Development for Kosovo Political Parties” No 70 005 J.
- On 3 February 2005 and 15 June 2005 KIPRED signed a two part contract with Olof Palme International Centre for EUR 20,470 for a project entitled ‘Seminar on organizing political parties and election campaigns’. The project was completed during 2005.

1. GENERAL INFORMATION (continued)

b. *Rockefeller Brothers Fund*

- KIPRED signed a contract with the Rockefeller Brothers Fund (“RBF”) for an amount of USD 120,000 (equivalent of EUR 96,000) on May 25, 2004 as a contribution for its project “Research Policy Support for the Operationalization of Standards”.
- New contract signed by KIPRED with the Rockefeller Brothers Fund (“RBF”) for an amount of USD 60,000 (equivalent to EUR 48,272 payable in two periods) on July 25, 2005, reference No. 05-34 designated as a contribution to general support. First part of grant received during 2005 Eur 24,015 (equivalent to USD 30,000) and second part of grant receivable in 2006 (USD 30,000).

c. *RTI International*

- KIPRED signed a contract with the RTI International (“RTI”) for an amount of EUR 87,720 on October 14, 2004 as a sub-contractor for consultancy services in relation to a contract between RTI and USAID, effective May 18, 2004.

d. *EWPPP (East West Parliamentary Practice Project)*

- KIPRED signed a partnership agreement with EWPPP for an amount of EUR 105,000 for three years starting on December 1, 2004 until December 1, 2007. The project “Legislature and Citizens: strengthening democratic institutions and civil society in the Western Balkans” it was signed on December 2004.

e. *Freedom House*

- KIPRED signed contract with the Freedom House for a grant in amount of USD 39,954 (equivalent to EUR 32,144) on May 12, 2005 for the covering period May 1, 2005 to April 30, 2006, reference RNP4-04-863-252. The funding for this grant agreement is provided through the Institutional Development Initiative of the Regional Networking Project sponsored by Freedom House and funded by the US Agency for International Development (USAID).
- The second agreement signed by KIPRED with the Freedom House for a grant in amount USD 57,148 (equivalent to EUR 45,977) on June 13, 2005 reference RNP4-05-864-256 for the project “Freedom of Movement of Goods and People in Kosovo, Serbia and EU”.

f. *CASIN (Centre for Applied Studies in International Negotiations)*

- On December 2004 the KIPRED received a donation in the amount of EUR 2,500 on the basis of six sketched scenarios prepared by the participants in the Scenarios Building Workshop held between November 29, and December 2, 2004.
- On June 21, 2005 KIPRED received additional payment in amount of EUR 2,000 for the finalizing the sketched scenarios.

g. *SDC (Swiss Agency for Development and Co-operation)*

- Consultancy Contract signed by KIPRED and Swiss Agency for Development and Co-operation in amount of Eur 5,480 for the report on Donor and Mapping in the area of Local Governance and Decentralization.

h. Safer World

- KIPRED signed memorandum of understanding with Safer World for in amount of EUR 1,800 for the project “Options for Enhancing Civilian Oversight and Management of the Security Sector in Kosovo”

2. BASIS OF PREPARATION OF THE STATEMENTS

2.1 General

The Statement have been prepared for the purpose of reporting to donor “Olof Palme International Centre” contract from 2004 and 2005 and to other donors on the activities of the KIPRED in compliance with donor project objectives.

2.2 Accounting Convention

The Statements have been prepared in accordance with the cash receipts and disbursement basis of accounting. On this basis revenue, being grant funding, is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Fixed assets are not capitalized for purposes of these Statements.

2.3 Reporting Currency

The KIPRED books and records are maintained in EUR, the legal currency of the territory of Kosovo. Transactions in currencies other than EUR are translated into EUR at the relevant exchange rate ruling on the date of the transaction.

3. GRANT FUNDING

Donor	Month of payment/return	Amount (in EUR)	Year ended December 31, 2005 (in EUR)
Olof Palme International Centre, contract from 2005	March	49,434	
	July	47,571	
	January to May	<u>20,470</u>	
<i>Sub-total</i>			117,475
Rockefeller Brothers Fund	September	<u>24,070</u>	
<i>Sub-total</i>			24,070
EWPPP	November	<u>22,693</u>	
<i>Sub-total</i>			22,693
Freedom House, project	July	30,968	
	August	<u>11,748</u>	
<i>Sub-total</i>			42,716
Freedom House, institutional grant	May	<u>13,573</u>	
<i>Sub-total</i>			13,573
CASIN	Jun	<u>2,000</u>	
<i>Sub-total</i>			2,000
SDC	November	3,280	
	December	<u>2,200</u>	
<i>Sub-total</i>			5,480
Safer World	December	<u>1,800</u>	
<i>Sub-total</i>			1,800
Total grant funding			<u>229,807</u>
Sale of car	October	<u>2,500</u>	
<i>Sub-total</i>			2,500
Total Financing			<u>232,307</u>

4. OLOF PLAME INTERNATIONAL CENTER, EXPENDITURE FROM 2004 CONTRACT

Description	For the period
	January to April 2005 (in EUR)
Salaries	2,501
Administrative and general expenses	745
Project expenses	10,167
Total Olof Palme International Centre expenditure	13,413

5. OLOF PLAME INTERNATIONAL CENTER, EXPENDITURE FROM 2005 CONTRACT

Description	For the period
	March to December 2005 (in EUR)
Salaries	21,993
Administrative and general expenses	20,321
Project expenses	33,203
Total Olof Palme International Centre expenditure	75,517

6. OLOF PALME INTERNATIONAL CENTRE, MACEDONIA PROJECT

Description	For the period
	February to June 2005 (in EUR)
Project expenses	17,485
Administrative and general expenses	1,516
Total Olof Palme International Centre, Macedonia project expenditure	19,001

7. ROCKEFELLER BROTHERS FUND, EXPENDITURE FROM 2004 CONTRACT

Description	Year ended December 31, 2005 (in EUR)
Salary expenses	23,988
Administrative and general expenses	7,605
Publication, networking	7,973
Total Rockefeller Brothers Fund expenditure	39,566

Salary expenses include the employee's salaries engaged on research activity.

8. ROCKEFELLER BROTHERS FUND, EXPENDITURE FROM 2005 CONTRACT

Description	Year ended December 31, 2005 (in EUR)
Salary expenses	8,349
Administrative and general expenses	237
Marketing and outreach	1,243
Total Rockefeller Brothers Fund expenditure	9,829

9. RTI INTERNATIONAL EXPENDITURE

Description	Year ended December 31, 2005 (in EUR)
Salaries	3,505
Project expenses	21,944
Total RTI International expenditure	25,449

Project expenditures include a payment to Index Kosova amounting to EUR 16,528.

10. EAST WEST PARLIAMENTARY PRACTICE PROJECT (EWPPP)

Description	Year ended December 31, 2005 (in EUR)
Salary	9,150
Administrative and general expenses	422
Round table meetings	2,805
Exchange visits	6,799
Total EWPPP expenditure	19,176

11. FREEDOM HOUSE, PROJECT GRANT EXPENDITURE

Description	Year ended December 31, 2005 (in EUR)
Salary expenses	9,548
Project expenses	27,956
Total Freedom House expenditure	37,504

Salary expenses include the employee's salaries engaged on research activities.

12. FREEDOM HOUSE, INSTITUTIONAL GRANT EXPENDITURE

Description	Year ended December 31, 2005 (in EUR)
Salary expenses	9,400
Administrative and general expenses	7,421
Project expenses	1,704
Total Freedom House expenditure	18,525

Salary expenses include the employee's salaries engaged on research activities.

13. CASH AND BANK BALANCES

Description	As at December 31, 2005 (in EUR)	As at January 1, 2005 (in EUR)
ProCredit Bank – Prishtina Branch		
Account 1110-165757-0001-26	28,644	45,598
Account 1110-165757-0101-17	14,722	40,155
Account 1110-165757-0201-08	19,094	15,360
Account 1110-165757-0301-96	177	-
Sub-total bank account balance	62,637	101,113
Cash on hand	2,871	3
Total cash and bank balances	65,508	101,116

**APPENDIX A:
 OLOF PALME INTERNATIONAL (CONTRACT FROM 2005):
 BUDGET TO ACTUAL EXPENDITURE STATEMENT**

Project heading:

Capacity Building and Institutional Development for Kosovo Political Parties

Budget items	Budget costs (in EUR)	Actual costs (in EUR)
Administrative Personnel		
Executive Director	19,200	16,550
Office Manager	6,000	5,442
Sub-Total:	25,200	21,992
Office Costs		
Office Rent	6,000	4,445
Utilities and Communication	6,000	8,814
Auditing Costs	2,000	1,051
Transport / Travel / Maintenance	4,800	6,011
Sub-Total:	18,800	20,321
Training		
Training Director	9,600	7,400
Training Coordinator	7,200	5,835
Sub-Total:	16,800	13,235
Development of New Manuals	4,000	1,650
Translation / Editing	2,000	352
New Modules in IAD	5,000	-
Publications of Manuals	3,000	1,587
Development of Library	1,050	633
Sub-Total:	15,050	4,222
Local Trainers	2,160	1,670
Accommodation and Lodging	16,200	11,998
Travel for participants	1,558	829
Rent of IT Training Room	2,700	1,250
Sub-Total:	22,618	15,747
Total	98,468	75,517

**APPENDIX B:
OLOF PALME INTERNATIONAL, (MACEDONIA PROJECT)
BUDGET TO ACTUAL EXPENDITURE STATEMENT**

Project heading:

Training seminars for the Democratic Union for integration (BDI) on organizing of political parties and election campaigns

Budget items	Budget costs (in EUR)	Actual costs (in EUR)
International trainers	1,300	1,300
International travel	600	713
International per diem	600	600
Local trainers	1,700	2,500
Local per diems	600	800
Translator	200	200
Food and accommodation	14,100	7,939
Participant travel cost	2,000	1,683
Administrative costs	2,000	300
Unexpected costs	828	1,216
Rent of IT and training room	1,600	500
Preparation costs	500	1,250
Total project costs	26,028	19,001

**APPENDIX C:
 ROCKEFELLER BROTHER FUND
 BUDGET TO ACTUAL EXPENDITURE STATEMENT**

Budget items	Budget (in EUR)	Actual (in EUR)
Administrative Cost		
Finance Office	780	189
Sub-total	780	189
Research pillar		
Research Director	18,000	6,933
Research assistant part time	2,880	1,227
Interns	804	-
Sub-total	21,684	8,160
Office space and utilities		
Travel expenses	240	58
Sub-total	240	58
Communications		
Phone expenses	420	180
Sub-total	420	180
Marketing and Outreach		
Info materials (printing and design)	300	316
Press conference and round tables, publications	589	926
Sub-total	889	1,242
TOTAL	24,013	9,829

**APPENDIX D:
EAST WEST PARLIAMENTARY PRACTICE PROJECT
BUDGET TO ACTUAL EXPENDITURE STATEMENT**

Project heading:

Legislatures and Citizens: strengthening democratic institutions and civil society in the Western Balkans

Budget item	Budget (in EUR)	Actual (in EUR)
Local Personnel and Administration		
Executive Director	7,200	7,200
Training Manager	2,400	1,800
Administrative Expenses	600	572
Sub-total	10,200	9,572
In-country activity costs		
Regional conferences, exchanges, roundtables, meetings	9,300	2,446
Sub-total	9,300	2,446
Trilateral exchange visits	14,398	6,799
Sub-total	14,398	6,799
In-country meetings	1,400	359
Sub-total	1,400	359
TOTAL	35,298	19,176

**APPENDIX E:
 FREEDOM HOUSE, (PROJECT GRANT)
 BUDGET TO ACTUAL EXPENDITURE STATEMENT**

Project heading:

Freedom of Movement of Goods and People in Kosovo, Serbia and EU

Budget items	Budget (in EUR)	Actual (in EUR)
Research pillar		
Project Coordinator/Researcher	8,975	8,221
Research assistant	1,542	1,327
Sub-total	10,517	9,548
Project Activity		
Events		
Transport	559	631
Meals	494	127
Hall rental	165	223
Transport	964	1,659
Accommodations and Per Diem	1,607	2,028
Sub-total	3,788	4,668
Publications		
Editing costs	824	-
Printing costs	2,060	-
Distribution costs	412	-
Sub-total	3,296	-
Other Project Activities		
Translation (English to Albanian)	372	-
Bank's costs and unexpected costs	825	171
Public opinion survey	22,399	20,978
Sub-total	23,596	21,149
Out source staff		
Senior advisor	3,642	960
Stat expert	1,178	-
Soc expert	1,071	1,179
Sub-total	5,891	2,139
TOTAL	47,089	37,504

**APPENDIX F:
 FREEDOM HOUSE, (INSTITUTIONAL GRANT)
 BUDGET TO ACTUAL EXPENDITURE STATEMENT**

Budget item	Budget (in EUR)	Actual (in EUR)
Administrative Cost		
Finance Office	1,560	861
Sub-total	1,560	861
Research pillar (including taxes)		
Project Coordinator/Researcher	15,600	9,400
Sub-total	15,600	9,400
Office space and utilities		
Rent	3,060	2,499
Utilities	540	300
Sub-total	3,600	2,799
Supplies and Equipment		
Office supplies	180	41
Office equipment	700	769
Repairs and maintenance	180	50
Sub-total	1,060	860
Communications		
Phone	1,260	538
Internet access	3,600	2,363
Sub-total	4,860	2,901
Marketing and Outreach		
Info materials (printing and design)	1,000	150
Web hosting	50	99
Web design	1,050	1,401
Press conference and round tables, publications	840	-
Sub-total	2,940	1,650
Other		
Bank commission	72	54
Financial software	1,000	-
Sub-total	1,072	54
TOTAL	30,692	18,525