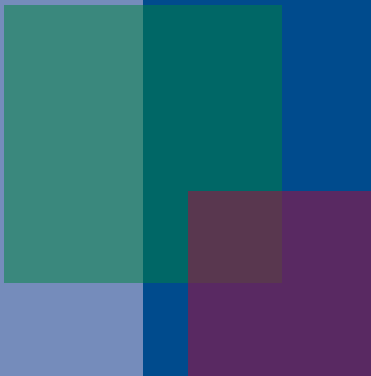


International IDEA

The International Institute for Democracy
and Electoral Assistance

Financial Statements for the year ended 31 December 2005



www.idea.int

THE INTERNATIONAL INSTITUTE FOR DEMOCRACY AND ELECTORAL ASSISTANCE

STATEMENT OF ACTIVITIES AND ACCOUNTING POLICIES

For the year ended December 31, 2005

1. STATEMENT OF ACTIVITIES

Created in 1995, the International Institute for Democracy and Electoral Assistance (IDEA) is an intergovernmental organisation with 24 member states from six continents. It has a mandate to support sustainable democracy worldwide. IDEA brings together those who analyse and monitor trends in democracy and those who engage directly in political reform or act in support of democracy at home and abroad. IDEA works with new and long-established democracies, helping to develop and strengthen the institutions and culture of democracy. It operates at international, regional and national levels, working in partnership with a range of institutions.

The work of the Institute is divided into three thematic areas – Elections, Political Parties, and Democracy and Conflict Management. The Institute's activities in these three areas are directed from its Stockholm Headquarters in liaison with its six regional offices. This work is funded both by way of core contributions mostly from member states and by way of project funding from various donors.

2. PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared on a historical cost basis and incorporate the following principal accounting policies:

2.1 *Depreciation*

All Fixed Assets are written off in full at the time of acquisition.

2.2 *Foreign Currencies*

The accounts are expressed in Euro. Assets and Liabilities in other currencies are translated to Euro at rates of exchange ruling at the end of the financial year as published by the Swedish Central Bank.

Transactions in other currencies are translated to Euro at the average rate of exchange as published by the Swedish Central Bank for the month in which the transaction took place.

Significant exchange gains and losses are transferred to or from the Currency Fund.

2.3 *Income*

Income from core contributions is recognised either on receipt or where there is a clear commitment that a specific amount will be paid in respect of the financial year in question. Sums received by way of project contributions are carried as liabilities on the Balance Sheet and are only recognised as income to the extent that corresponding expenditure is incurred.

2.4 *Expenditure*

All expenditures are recorded on an accruals basis.



**BALANCE SHEET AS AT 31 DECEMBER 2005
(EURO)**

		31 December 2005	31 December 2004
ASSETS			
Cash and Bank	Note 1	7 898 802	6 164 882
Receivables			
Contributions	Note 2	103 535	211 194
Prepaid Expenses/Accrued Income		36 729	44 006
		140 264	255 200
Other Receivables			
Value Added Tax Repayable (VAT)		33 290	27 513
Project Advances		174 559	315 868
Travel and other Personnel Advances		14 853	25 894
Claims on Suppliers		40 694	52 033
		263 396	421 308
TOTAL ASSETS		8 302 462	6 841 390
LIABILITIES AND CAPITAL			
Accounts Payable			
Trade Creditor/Accrued Liabilities		965 742	944 432
Personnel Liabilities	Note 3	655 740	554 220
Refundable to Donors	Note 4	14 898	15 417
Project Contributions carried forward	Note 4	504 472	718 226
		2 140 852	2 232 295
Capital			
General Reserve Fund	Note 5	836 917	836 917
Working Capital Fund	Note 6	1 991 817	1 826 367
Social Security Reserve	Note 7	1 572 044	-
Currency Fund	Note 8	659 657	358 899
Operating Reserve	Note 23	1 101 175	1 586 912
		6 161 610	4 609 095
TOTAL LIABILITIES AND CAPITAL		8 302 462	6 841 390

April 20, 2006

Vidar Helgesen
Secretary-General

Malcolm Turner-Kerr
Director of Finance & Administration

Our auditors report is submitted on 2006-04-20

Deloitte AB



**STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR
ENDED 31 DECEMBER, 2005
(EURO)**

INCOME		2005	2004
Core Contributions (Members)	Note 9	8 009 851	7 952 900
Project Contributions	Note 10	1 414 371	776 682
Other income	Note 11	536 051	376 136
Interest Income		100 096	36 207
Total Income		10 060 369	9 141 925
EXPENDITURE			
Operating Expenditure			
Core Programme			
Democracy and Conflict Management	Note 12	984 184	996 040
Election Processes	Note 12	1 236 426	1 150 299
Political Parties	Note 12	776 216	790 658
Cross-Thematic	Note 12	1 160 743	777 208
Regional Programmes	Note 13	1 868 207	1 969 219
Programme Development and Follow-Up	Note 14	164 154	109 078
Total Core Programme		6 189 930	5 792 502
Additional Project Expenditure	Note 15	1 414 371	776 682
Total Operations		7 604 301	6 569 184
Administration Expenditure			
Governing Bodies	Note 25	272 246	189 809
Personnel Costs	Note 16/17	1 149 194	1 292 456
Management	Note 18	142 901	114 359
Human Resources	Note 19	294 122	336 434
Audit and Accounting	Note 20	139 020	142 790
Office Expenditures	Note 21	847 985	892 098
Total Administration		2 845 468	2 967 946
Financing costs			
Exchange (gains) and losses	Note 22	(300 758)	212 259
Overhead Recovered		(69 113)	(32 579)
Total Financing		(369 871)	179 680
 Total Expenditure		 10 079 898	 9 716 810
 EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE		 (19 529)	 (574 885)

STATEMENT OF ACCUMULATED OPERATING RESERVE AS AT 31 DECEMBER, 2005

		2005	2004
Balance brought forward 1 January	Note 23	1 586 912	1 985 745
Excess/(Shortfall) of Income over Expenditures		(19 529)	(574 885)
Transfer (to)/from Currency Fund	Note 8	(300 758)	212 259
Transfer to Working Capital Fund	Note 6	(165 450)	(36 207)
ACCUMULATED OPERATING RESERVE		1 101 175	1 586 912

Notes to the Financial Statements

Balance Sheet

1. Cash and Bank

The Institute operates bank accounts in Australian Dollars, British Pounds, Canadian Dollars, US Dollars, Euros, South African Rand, Swiss Francs and Swedish Kronor.

The balances on the accounts as at 31 December 2005 are as follows:

	<u>2005</u>	<u>2 004</u>
Cash		
SEK	1 186	1 532
USD	1 562	81
Euro	65	118
Total Cash	<u>2 813</u>	<u>1 730</u>
Bank		
CHF	19 057	29
USD	993 647	1 907 569
EURO	4 508 844	3 818 133
SEK	1 666 609	152 867
AUD	209 602	284 555
CAD	497 072	-
GBP	1 058	-
ZAR	100	-
Total Bank Deposit	<u>7 895 989</u>	<u>6 163 152</u>
Total Cash & Bank Deposits	<u>7 898 802</u>	<u>6 164 882</u>
Represented by:		
Working Capital Fund in USD	3 475	575 346
Working Capital Fund in EUR	1 366 557	1 150 410
General Reserve Fund USD	283 223	767 295
General Reserve Fund EUR	612 337	-
Currency Fund in USD	303 878	-
Currency Fund in EUR	-	552 323
Complementary Funds carried forward	504 472	718 226
Social Security Reserve	1 572 044	-
Operating Funds	<u>3 252 816</u>	<u>2 401 282</u>
	<u>7 898 802</u>	<u>6 164 882</u>

2. Contributions Receivable

These receivables from Member States and others represent contributions committed but not yet received at 31 December, 2005.

Mexico core contribution	-	14 702
Spain core contribution	35 080	155 000
Namibia core contribution	-	1 470
CIDA Canada - additional contribution	7 438	3 640
EC - additional contribution for project in Nepal	-	32 706
Costa Rica core contribution	-	3 676
Switzerland, Bundeskanzlei - additional contribution	7 312	-
Sweden - additional contribution for 10th Anniversary event	26 125	-
UNU Japan additional contribution	10 595	-
World Bank additional contribution	8 554	-
Barbados core contribution	8 431	-
Total	<u>103 535</u>	<u>211 194</u>

3. Liabilities Personnel

Accrued Vacation Salary	270 957	267 735
Accrued Pension Benefits	95 122	144 075
Accrued Separation	74 504	80 940
Accrued Parental Leave	130 659	-
Accrued Social Charges for Resident Staff	28 568	24 204
Employee Withholding Taxes	55 930	37 266
	<u>655 740</u>	<u>554 220</u>

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4. Project Contributions carried forward

		2005	2 004
Additional project contributions received or receivable but not used in current year:			
Electoral Management Training	Australia	3 200	21 462
UN & Democracy	Norway	2 938	7 518
Gaccacca Process Rwanda	Belgium	126 698	126 698
Arab World Fund	Germany	3 914	131 638
Community of Democracies	Chile	-	29 998
Electoral Management Training Pretoria	Australia	93	4 244
Political Parties West Africa	Finland	-	99 685
Regional Parliament in Indonesia	Australia	72 142	290 675
Democratic Dialogue Handbook (CIDA)	Canada	27 794	-
Strengthening Local Democracy in Haiti	Chile	63 266	-
DCHS FA	Canada	32 180	-
Arab World Study	Denmark	2 477	-
Direct Democracy Feasibility Study	Switzerland	4 278	-
Research and Dialogue In the Andean Region (IMD)	Netherlands	12 800	-
Seminar in Political Parties and Promotion of Poverty Reduction	UK	1 170	-
Bridge Mozambique	Ireland	1 485	-
Political Parties West Africa	Finland	119 935	-
Indonesia Regional Parliament	World Bank	3 365	-
Total contributions carried forward		<u>477 735</u>	<u>711 918</u>
Interest income on project contributions		26 737	6 308
Total		<u>504 472</u>	<u>718 226</u>
Contributions Refundable:			
UN & Democracy	Norway	14 898	14 898
Indonesia	Australia	-	519
Total		<u>14 898</u>	<u>15 417</u>

Notes to the Financial Statements (continued)

5. General Reserve Fund

The purpose of the Fund is to provide long-term protection for the Institute by safeguarding it from unforeseen developments that could seriously affect its stability and effectiveness. Appropriations may only be made in extreme circumstances. No appropriations were made from the Fund during the year.

6. Working Capital Fund

Balance at 1 January	1 826 367	1 790 160
Transfer from operating reserve	165 450	36 207
Balance at 31 December	<u>1 991 817</u>	<u>1 826 367</u>

The purpose of the Fund is to provide liquidity when contributions from member states are received at a slower rate than approved operational expenditure. The Fund is to be maintained at 20% of the previous year's total income. No appropriations were made from the Fund during the year.

7. Social Security Reserve

Balance at 1 January	-	-
Received during the year	1 572 044	-
Paid out during the year	-	-
Balance at 31 December	<u>1 572 044</u>	<u>-</u>

This reserve represents amounts set aside from refunds of social charges by the Swedish Tax Authority to meet possible future commitments to staff and former staff in respect of possible loss of state pension rights (see note 17). No payments were made from this reserve during the year.

8. Currency Fund

Balance at 1 January	358 899	571 158
Exchange rate gains/(losses) generated during the year	300 758	(212 259)
Balance at 31 December	<u>659 657</u>	<u>358 899</u>

The purpose of the Exchange Rate Adjustment Fund is to provide a facility to overcome distortions caused by fluctuations in the exchange rate between the Euro and other currencies.

Income Statement
9. Core Contributions from Member States

	2005	2 004
Barbados	8 431	8 240
Belgium	-	-
Bolswana	15 766	16 860
Canada	418 694	393 653
Canada Project contribution	-	37 698
Chile	47 298	41 710
Costa Rica	4 139	3 676
Denmark	402 516	402 972
Finland	340 000	340 000
Germany	400 000	400 000
India	-	-
Mauritius	8 303	8 240
Mexico*	42 380	14 702
Namibia	1 643	1 470
Netherlands	700 000	700 000
Norway	431 468	417 010
Peru	8 476	-
Portugal	62 267	61 095
South Africa	12 770	12 475
Spain	35 080	155 000
Sweden**	4 425 000	4 300 000
Switzerland***	645 620	638 300
Total Core Contributions	8 008 851	7 952 900

* Mexico provided office facilities and seconded an individual from its Ministry of Foreign Affairs in support of the Institute's work in Mexico and Central America.

** In addition to the contribution from the Government of Sweden, an additional contribution was made towards a publication for the Institute's tenth anniversary and a further contribution is made under the terms of the Headquarters' Agreement together totalling Euro 454,891 (see note 11), and the City of Stockholm provides office facilities free of charge at an approximate value of Euro 300,000 per year.

*** Assumed membership on January 24, 2006

10. Project Contributions (Earmarked funding from donors for specific projects complementary to the core programme)*

<u>Donor</u>		
Australia	249 223	103 944
Belgium	-	-
Canada	70 080	-
Chile	37 679	42 720
Denmark	8 281	-
Finland	229 750	252 527
Germany	127 724	7 714
Ireland	33 515	50 262
Italy	500 000	-
Japan	-	36 071
Netherlands	133 386	50 000
Norway	4 581	24 460
Switzerland	3 034	-
EU-Commission	-	204 706
Other	17 118	4 278
Total project income	1 414 371	776 682

* Project funds are recorded as income only at time of disbursement on projects.

11. Other Income

Book Sales*	11 587	12 867
Personnel contribution from the Government of Finland	17 458	12 470
Additional Swedish Contribution**	454 891	342 407
Other Income	52 115	8 391
	536 051	376 136

* Represents net sales after deduction of distribution costs.

**Under the terms of the Headquarters' Agreement between the Government of Sweden and IDEA, the equivalent value of income taxes deducted from the salaries of certain of those staff who were citizens or residents of Sweden prior to taking up appointment with IDEA, and remitted on their behalf, is paid to IDEA as an additional contribution. A further contribution was made towards the tenth anniversary publication. Individuals were also sponsored as secondees or interns by institutions of Australia, Canada, Finland, Sweden, U.K. and Italy. In addition IDEA supported work experience for several Swedish students.

Notes to the Financial Statements (continued)
12 Headquarters' Programmes

	2005					2004				
	Democracy and Conflict	Election	Political	Cross	Total	Democracy and Conflict	Election	Political	Cross	Total
	Mngmnt	Processes	Parties	Thematic		Mngmnt	Processes	Parties	Thematic	
Personnel Costs	576 930	756 649	514 763	585 952	2 434 294	623 337	700 108	491 291	525 490	2 340 226
Programme costs	407 254	479 777	261 453	574 791	1 723 275	372 703	450 191	299 367	251 718	1 373 979
Total	984 184	1 236 426	776 216	1 160 743	4 157 569	996 040	1 150 299	790 658	777 208	3 714 205

13 Regional Programmes

Latin America	9 327	38 007	196 349	348 131	591 814	75 225	55 008	212 424	191 260	533 917
Africa	82 329	117 475	243 929	161 496	605 229	56 983	138 521	123 746	223 778	543 028
Asia	383 333	11 937	38 430	47 480	481 180	553 203		57 701	27 142	638 046
Europe/South Caucasus	122 928	23 938	43 118		189 984	161 433	92 795			254 228
Total	597 917	191 357	521 826	557 107	1 868 207	846 844	286 324	393 871	442 180	1 969 219

14. Programme Development and Follow-Up

	27 021	42 081	74 793	20 259	164 154	39 013	61 799	8 266		109 078
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15. Additional Project Expenditure

	Democracy and Conflict	Election	Political	Cross	Total	Democracy and Conflict	Election	Political	Cross	Total
	Mngmnt	Processes	Parties	Thematic		Mngmnt	Processes	Parties	Thematic	
UN & Democracy (Norway and Japan)	4 581				4 581	36 571				36 571
Arab World (Germany, Denmark and Italy)	127 724	508 281			636 005	7 714				7 714
Electoral Management Training (Australia, Ireland, Netherlands, Finland and Norway)		157 115			157 115		271 172			271 172
Community of Democracy (Chile)			29 997		29 997			42 720		42 720
Research and Dialogue in the Andean Region (CIDA Canada, IMD Netherlands)				99 737	99 737					
Andean Seminar-Pol. Parties/Poverty Reduction (DFID UK)		11 929			11 929					
Political Party Strengthening in West Africa (Finland)			229 750		229 750			150 315	52 212	202 527
Regional Parliament DPD (AusAID, IALDF and Worldbank)	231 999				231 999	4 588	2 406			6 994
Constitution Process in Nepal (EU - Commission)						204 706				204 706
Other (Chile, CIDA Canada, Switzerland and African Development Bank)	10 224	3 034			13 258				4 278	4 278
Total	374 528	680 359	259 747	99 737	1 414 371	253 579	273 578	193 035	56 490	776 682

16. Personnel Costs

	HQ	Regions	Mngmt &	Total	HQ	Regions	Mngmt &	Total
	Operations	Operations	Admin		Operations	Operations	Admin	
Salaries and Entitlements	1 852 099	900 950	931 366	3 684 415	1 825 849	839 221	1 067 692	3 732 762
Pensions (see note 17)	408 331	127 510	154 605	690 446	348 365	112 357	156 477	617 199
Installation and Separation Allowances	88 995	6 582	27 418	122 995	92 010	19 429	30 789	142 228
Other	84 869	69 248	35 805	189 922	74 002	56 288	37 498	167 788
Total Personnel costs	2 434 294	1 104 290	1 149 194	4 687 778	2 340 226	1 027 295	1 292 456	4 659 977

17. Pensions

IDEA has three separate pension arrangements. International staff receive an annual payment in lieu of pension. For Swedish staff on international contracts monthly contributions are made into Swedish registered pension funds. For full time staff on local Swedish contracts, IDEA contributes monthly to the Swedish State pension scheme and to a Swedish registered pension fund. In all cases IDEA plays no role in the management of the pension funds or in any investment decisions. Towards the end of the 2004 and in early 2005 the Swedish Tax Authority (Skatteverket) wrote to staff, including former staff, who are or were amongst the third category indicating that their pension credits have been adjusted retrospectively to zero in respect of those years from 1998 to 2003 that the individual has worked for IDEA in that staff category. The Authority's decision is based on an interpretation of the Headquarters' Agreement between Sweden and IDEA which alters the practice since IDEA's foundation. Similar action is expected in due course with respect to the 2004 and 2005 tax years. Some eighty individuals may be affected. In parallel the Skatteverket refunded to the Institute the employer's portion of social charges paid for the years 1998 to November 2005 in respect of staff on local Swedish contracts. These represent the employer's contribution towards pension and other state benefits. Moneys repaid including interest at year end amounted to SEK 14,760,980 (€1,572,044). These funds are reflected as a reserve in these financial statements (see note 7). The Institute has committed to keep these employees and former employees whole as if they had continued to earn pension cover under the Swedish pension provisions. Offers of compensation amounting to SEK 9,114,067 (€ 970,648) have been issued to meet this commitment up to and including the year 2005 and some payments have been made since the Balance Sheet date. As of 1 December, 2005 new employment contracts were entered into to bring the Institute's arrangements into line with Skatteverket's new practice. The final level of obligation assumed by the Institute as a result of the actions of the Skatteverket has not yet been fully determined although there is every indication that this can be met from the funds received from Skatteverket. In the meantime, remaining funds will be held in reserve until the Institute is satisfied that its commitment in this respect has been fully met.

18. Management	2005	2 004
Legal and Professional Fees	94 866	36 428
Travel	33 792	54 966
Other	14 243	22 965
Total	142 901	114 359

19. Human Resources		
Consulting fees	111 538	85 803
Training and Development	101 508	176 486
Recruitment	18 298	24 417
Other	62 778	49 728
Total	294 122	336 434

20. Audit and Accounting		
Accounting Services	100 672	101 354
Audit Fee	15 627	17 486
Other	22 721	23 950
Total	139 020	142 790

21. Office Expenditures	2005			2004		
	HQ	Regions	Total	HQ	Regions	Total
Fixed Assets	23 320	29 421	52 741	57 140	52 354	109 494
Travel/Ext Entertainment		33 344	33 344		66 369	66 369
Information Technology	85 134	13 856	98 990	72 428	4 290	76 718
Telecommunications	59 304	56 988	116 292	55 766	55 725	111 491
Postage/Courier	31 223	21 053	52 276	19 442	19 663	39 105
Transport		18 762	18 762		39 119	39 119
Office Running Costs	128 125	94 717	222 842	165 843	92 734	258 577
Consultancy		122 598	122 598		111 487	111 487
Other	66 913	63 227	130 140	48 449	31 289	79 738
Total Office Expenditures	394 019	453 966	847 985	419 068	473 030	892 098

22. Exchange Gains and Losses

Exchange (gain)/loss realized	12 949	48 904
Exchange (gain)/loss unrealized	<u>(313 707)</u>	<u>163 355</u>
Total Exchange (gains)/losses	<u>(300 758)</u>	<u>212 259</u>

23. Operating Reserve and Excess (Shortfall) of Income over Expenditures

During the year € 19,529 was expended in excess of the income received. Over-expenditure at a higher level was planned, given the intention to use under-expenditures carried forward from the previous year. Actual expenditure fell below plan mostly as a result of staff losses during the year but the most significant contributor to the lower net expenditure as against plan was the unrealised gain (see note 22) on foreign exchange conversions which is essentially the result of applying actual exchange rates ruling on the last day of the year. This results in a cumulated Operating Reserve to carry forward to 2006 of € 1,101,175 which is planned for use in ensuing financial periods reflecting the multi-year nature of the programming cycle.

24. Headquarters' Agreement

The relationship between the Institute and the host country, Sweden, is governed by a Headquarters' Agreement which, inter alia, defines the rights and privileges of IDEA, its officials and its staff. Given issues arising from the uncertainties referred to in Note 17 above, the Institute commenced discussions with Sweden in 2005 with a view to re-negotiating parts of the agreement so as to clarify the rights and privileges of its staff, particularly those of Swedish nationality or resident in Sweden at the time of their employment by IDEA. The Government of Sweden in response to such discussions and other representations appointed a Commission to look into Sweden's Host Country agreements with international organisations. The Commission issued its report on 28 February 2006. (SOU 2006:26; ISBN 91-38-22543-3). An electronic version is available on www.regeringen.se. The Institute is studying the report with a view to resuming discussions on amending the Agreement as soon as possible.

25. Governing Bodies

The Institute's governing bodies - the Council, the Board and joint subcommittees thereof - met more frequently than usual during 2005 to consider, inter alia, the appointment of a new Secretary General and amendments to the Institute's governance. Mr Vidar Helgesen took up office as Secretary General on January 17, 2006. At an extraordinary Council meeting on 24 January 2006 the Council adopted new Statutes which will enter into force thirty days after ratification by two thirds of the members. At the date of these financial statements the new Statutes have not yet entered into force.