



**THE CAUCASUS INSTITUTE FOR PEACE, DEMOCRACY
AND DEVELOPMENT**

Annual Report

2005

January, 2006

Address: 1, Merab Alexidze St., Tbilisi 0193, Georgia

Mailing Address: P. O. Box 101, Tbilisi 0108, Georgia

Tel: (995 32) 334081, *fax:* (995 32) 334163 ; *e-mail:* cipdd@cipdd.org;

website: www.cipdd.org

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1. Mission Statement

We live in a society that suffers from insecurity, poverty, and is uncertain about its future. It wants sustainable peace, prosperity, and freedom. We believe that these goals can only be achieved through respect for individual freedom and dignity, development of vibrant and diverse civil society, competitive and transparent private business sector, effective and accountable public institutions based on the rule of law. It is crucial for us to be a unified political nation but at the same time respect and preserve cultural diversity that is part of our historical heritage. We support Georgia's integration into European and Euro-Atlantic institutions as strategic goals of our society, and we consider close cooperation between countries of the South Caucasus and Black Sea area to be critically important for our development.

In order to achieve these goals, the Georgian society needs coherent political strategies, honest and qualified assessment of its achievements and weaknesses, and broad and informed policy debate around these strategies and assessments. People representing different parts of society should be involved in this debate. We need high quality democracy in which people know how to reach consensus and how to agree to disagree. This is where we see our contribution. We produce knowledge on our society, we develop vision on how it should become better, and we bring people together to discuss ways of our development.

2. General information

The Caucasus Institute for Peace, Democracy and Development (CIPDD) was founded in August 1992 in Tbilisi, Georgia. It is a non-governmental and not-for-profit organisation. CIPDD is not linked to any political party. On 6 November 1998 CIPDD renewed its official registration in the Ministry of Justice of Georgia with the legal status of a foundation (registration number 28/12). Due to some changes in its charter the CIPDD again re-registered with the Ministry of Justice in December 2004 (Order 156 of the Ministry of Justice, 13/12/2004).

CIPDD is a public policy think-tank and its activities cover two large areas: democratic transformation and institutional development, and creation of foundations for sustainable peace and security. The CIPDD's expertise is especially strong in the following focal areas: problems of ethnic and religious minorities, local self-government, the development of a civil society, public diplomacy and confidence-building, civil-military relations and security sector reforms.

CIPDD is mainly active in Georgia. However, it is also involved in cooperative projects in the South Caucasus and Black Sea–Balkans area. CIPDD often works in partnership and coalition with other civil sector organisations, Georgian or foreign. On the other hand, CIPDD often cooperates with Georgian government and international organisations.

Apart from preparing political recommendations, CIPDD often participates in human rights and democratisation programs, usually in coalition with like-minded individual experts and organisations.

Projects of the CIPDD are administered and implemented by the Executive Board (eight members). The permanent staff of the CIPDD totals five employees under the Executive Director. There are also 15-20 contract researches in the CIPDD. The CIPDD Board is chaired by Ghia Nodia, while Avtandil Jokhadze holds the position of Executive Director.

3. CIPDD Board

Members of the CIPDD Board in 2005:

- Ia Antadze
- George Gvakharia
- Emzar Jgerenaia
- Emilia Khalilova
- Erekle Mchedlishvili
- Ghia Nodia
- Malkhaz Songhulashvili

4. Finances

CIPDD activities are based on sponsorship of donor organisations, as well as enthusiasm and responsibility of its personnel, partners and colleagues. Only a minor portion of its funds comes from other sources, such as, for instance, incomes generated by sales of CIPDD publications (most of these publications are usually distributed for free). The 2005 budget of the CIPDD totalled the GEL equivalent of \$393,666 (see the 2005 audit report).

5. Donor organisations

The following donor and partner organisations provided funds for the projects of the CIPDD in 2005:

Cordaid Foundation (Netherlands)
The Eurasia Foundation
European Commission, both directly and through the Institute for War and Peace Reporting (IWPR, London, UK)
Open Society Institute of East-West Problems (OSI, Switzerland)
OSCE High Commissioner on National Minorities
Open Society-Georgia Foundation (OSGF)
USAID (through Save the Children)
International IDEA
NIMD (Netherlands)
Saferworld (London, UK)

6. Partner organisations

The CIPDD implemented joint projects with the following organisations in 2005:

- *Alternativa*, Tbilisi, Georgia
- *UN Association*, Tbilisi, Georgia
- *Association of Investigative Journalists of Armenia*, Erevan, Armenia
- *Committee for Protection of Journalists of Azerbaijan*, (RUH), Baku, Azerbaijan
- *Centre of Conflict Resolution and POW Exchange “Partners-Georgia”*, Tbilisi, Georgia
- *Centre for Journalism in Extreme Situations*, Moscow, Russia
- *Civil Society Institute*, Tbilisi, Georgia
- *Institute for War and Peace Reporting (IWPR)*, London, UK
- *Saferworld*, London, UK
- *Save the Children*
- *International Centre for Conflicts and Negotiations*
- *OSCE Office of Democratic Institutions and Human Rights (OSCE/ODIHR)*
- *Institute of Multi-Party Democracy (NIMD)*, Netherlands
- *International IDEA*
- *Griffith University*, Australia
- *Open Society Institute of Management and Ethics*, Hungary

7. Projects and activities

Political reforms in Georgia and the CIPDD's contribution

Constitutional amendments adopted in February 2004 significantly changed the Georgian political system. According to some experts, the country has become a “semi-presidential” republic as a result. However, some others described it as “super-presidential”. The balance between the executive and legislative branches of power shifted in favour of the former. The changes met little enthusiasm in the civil society. International organisations, such as the Council of

Europe, called upon the Georgian leadership to restore the balance of forces between the branches of power.

Prior to the amendments, in January 2004, the CIPDD arranged a public discussion on the proposed changes. Representatives of the civil sector organisations disapproved of the coming amendments at the discussion. Their criticism was reflected in the CIPDD Executive Director Avtandil Jokhadze's article "Will the Premiere Go Ahead?" (24 *Saati* newspaper, January 17, 2004). Soon afterwards, in February 2004, a delegation of the civil sector organisations, including CIPDD Board Chairman Ghia Nodia, held talks with the President to discuss the issue. CIPDD studied the problem in depth in cooperation with International IDEA from June 2004 to August 2005, having implemented the joint project "Constitutional and Political Reforms in Georgia: Political Elite and Voices of the People".

The project dealt with two serious problems – the balance of power between various branches of government and the devolution – and aimed to encourage a public debate on the issue and facilitate greater involvement of the international community in the process, in order to ensure high quality and legitimacy of the constitutional reforms.

Two groups of leading experts worked out two drafts, which were afterwards debated at public discussions in five regions of Georgia and Tbilisi, with participation of governmental officials, and representatives of NGOs and media. The final document was prepared on the basis of the results of the discussions and public opinion polls on the problem of constitutional changes, and recommendations of foreign experts.

The final policy-advising document clearly defined the agenda of the constitutional reforms in the above mentioned two spheres. The draft and the final version of the document were distributed mainly among major political actors of the country.

Some governmental officials took part in the development of the document, despite disagreement within the government over the distribution of power in local and regional levels.

The project covered the entire South Caucasus region. Political reforms in Armenia and Azerbaijan were analysed and respective documents were prepared by Armenian and Azeri experts.

CIPDD and IDEA jointly organised the international conference "Constitutional/Political Reforms in Armenia, Azerbaijan and Georgia: Political Elite and Voices of the People" in Tbilisi on March 17-19. The process of reforms in three South Caucasus countries – Armenia, Azerbaijan and Georgia – and their prospects of European integration were the central themes of the conference. Strategic documents prepared by Armenian, Azeri and Georgian experts were presented to the participants.

In the end, CIPDD and International IDEA published a book about the results of the project. The book "Constitutional and Political Reforms in Georgia: Political Elite and Voices of the People" summarised opinions of the Georgian political establishment about the problem and attitudes of European nations towards the issue. The Russian version "Constitutional and Political Reforms in Armenia, Azerbaijan and Georgia: Political Elite and Voices of the People" was also published, including assessment of reforms in Armenia and Azerbaijan and these countries' prospects of Eurointegration by Armenian and Azeri experts.

The book was distributed in all South Caucasus countries. Its English version is available at the IDEA website – www.idea.int

The project "Political Institutions in Georgia" funded by Institute of Multi-Party Democracy (NIMD), Netherlands, has also addressed political reforms in Georgia. It began in January 2005 and is still under way. The project is implemented in cooperation with Georgian political parties, NIMD, and OSCE Office of Democratic Institutions and Human Rights.

The main objective of the project is to provide different political actors with an opportunity to select a form of mutual cooperation and help them identify their organisational capabilities. The project is to create an analytical basis for future cooperation with political parties and implementation of technical assistance projects.

Six political parties were selected at the first stage of the project: Conservative Party of Georgia, Industry Saves Georgia, Labour Party of Georgia, New Conservative Party, Republican Party and United National Movement. Interactive study of the parties was the main research tool of the project. The parties were active participants and

partners in the project rather than passive objects of the study. Representatives of each party were actively involved in the research.

Twenty four workshops with participation of representatives of the political parties – four workshops for each party – were the centrepiece of the research. Half the workshops (two for each party) were carried out in Tbilisi, while the rest took place outside the capital. Each of every party's four workshops was focused on different themes, namely: the party's ideological image and policy, organisational structure and financial/human resources, internal democracy, public relations and election campaign.

In average, ten representatives of a party, including the party leader, activists and members of the lowest structural units, participated in each workshop. The workshops were carried out in kind of open discussion, in which even most sensitive and contentious issues were willingly debated by the party representatives, in the June-September 2005 period.

The first multiparty international conference organised by CIPDD, OSCE/ODHIR and NIMD in Tbilisi on May 31 was another important source of information. All the above-mentioned six parties sent their delegates to the conference. Apart from receiving direct information from the parties, the research group also used analytical materials of local experts about the development of the Georgian political spectrum and political parties, results of public opinion polls conducted by various organisations and reports of international organisations on various sections of the Georgian political system. As a result, the research group was able to identify the current situation of each party and relations of the parties with each other and the rest of the Georgian society.

Civil integration and the rights of ethnic and religious minorities

Civil integration of ethnic and religious minorities, and protection of their rights, has become one of the top priorities of the CIPDD in recent times. In 2005 the CIPDD continued to coordinate the monitoring of processes in Samtskhe-Javakheti implemented by the OSCE High Commissioner for Ethnic Minorities in order to identify the region's conflict potential. The CIPDD project "Research and Analysis of the Situation in the Region of Samtskhe-Javakheti" is part of a larger program of the conflict prevention and integration in Samtskhe-Javakheti, which began in 2000.

The project objective is to identify and analyse: hotbeds of likely tensions in Samtskhe-Javakheti, ethnic relations in the region, relations between the central and local governments, the regional policy of major world powers (Russia, USA). In the framework of the project the OSCE High Commissioner for Ethnic Minorities and the Georgian government are to get regular updates on the situation in potential conflict zones. Besides, new trends and scenarios for future developments in the region should be identified and respective preventive measures must be recommended.

A monthly report is prepared by the CIPDD in the framework of the project, analysing the media coverage of the problems of Samtskhe-Javakheti on the basis of regular accounts of local correspondents (in all there are 13 correspondents from different ethnic groups). In addition, the CIPDD provides logistical support for the training of press journalists.

The local correspondents often bring forward valuable ideas about likely future developments and problem solutions. On the basis of their reports the CIPDD produces scenarios for future developments in the region and prepares recommendations for various actors, which are active in the region.

In 2005 the CIPDD continued implementing the big, three-year, project "Strengthening Liberal Democratic Institutions by Means of Improving the Environment for Religious Pluralism" in cooperation with the International Centre for Conflicts and Negotiations. The project is sponsored by the Cordaid Foundation, Netherlands. A training course on religious tolerance was set up in the framework of the project. At the same time, the CIPDD is in contact with the Ministry of Science and Education, lobbying for such changes in school curricula that can promote the idea of religious pluralism. The 2005 part of the project resulted in the creation of a national curriculum of religious tolerance, which was submitted to the Ministry for consideration.

Besides, the CIPDD studied problems and concerns of various religious groups and denominations, and monitored the government's policy on religious minorities, and religious problems in general.

To achieve these goals, experts of the CIPDD interviewed representatives of different religious groups and denominations, as well as various politicians, in 2005 and analysed the obtained data. The results of the research will be soon published.

The research revealed that religious organisations in the regions are in a much worse situation than their counterparts in the capital. Regional organisations often suffer from discrimination and violence, though such negative attitudes are more covert today than in the period before the November 2003 revolution.

At the same time, preliminary results of the research were used to design a training program for teachers of secondary schools and set up respective groups. The group of trainers was instructed in the Centre of Training and Consultations. After interviewing some 80 teachers from 30 secondary schools of Tbilisi, 60 teachers were selected and arranged in five groups. In addition, one group was made up of senior students of Pedagogic University. They attended two-day training seminars “Let’s Teach and Learn Religious Tolerance”.

A joint issue of the magazine “Zghvari” and the almanac “Society and Politics” was published in the framework of the project in 2005. It dealt with the problems of religious integration and freedom of worship. It included materials about the current religious problems of Georgia and respective experience of other countries.

A monthly online bulletin with information about religious publications and the press coverage of religious issues will be soon available at www.cipdd.org in the framework of the project.

Civil Society and Support for Media Development

As one of the leading Georgian NGOs, CIPDD considers the development of a civil society one of its top priorities. Since late 2002 CIPDD was actively involved in the three-year project “Citizens Advocacy Program” (CAP) in cooperation with the Save the Children and the member NGOs of the Civil Ring coalition. The project aimed to strengthen the ability of Georgian NGOs to defend their rights and ended in June 2005. CIPDD held numerous discussions for civil sector activists on such urgent problems of the Georgian NGO sector as the code of conduct of the NGOs, relations between the NGOs and political actors, public relations of the NGOs, the role of the NGOs in the new reality of the post-revolution period, the third sector and political parties, financial and institutional sustainability of the NGOs. In each discussion the number of participants, mainly members of prominent Georgian NGOs, varied from 20 to 50. These discussions turned into the main forum for debating the problems of the Georgian “third sector” and greatly contributed to the development of a common vision and strategy of the Georgian NGO sector. A new initiative emerged within the sector itself. The following working groups were created: to draft the initial version of the Code of Conduct of the Georgian NGOs, to develop a common strategy, to arrange future discussions, etc.

Eight brochures were published in the framework of the project with information about the results of the discussions. Their online versions are available at www.advocacy.ge. So a broad range of Georgian NGOs got the opportunity to read the brochures.

In the framework of the project CIPDD set up a resource centre of the NGOs and compiled a database of donor organisations. Both are available for every Georgian NGO at www.advocacy.ge

At the last stage of the project the CIPDD Board Chairman Ghia Nodia wrote a document with final recommendations. The document “Civil Society Development in Georgia: Achievements and Challenges – Policy Paper” addressed such problems of the Georgian civil sector as institutional development, standards of conduct, resources, priorities and values, inter-sector cooperation and synergy, etc.

In the framework of the project representatives of NGOs from various regions were invited to several discussions in order to encourage public debate and arrange consultations on citizens advocacy. It is noteworthy that the project facilitated integration processes within the third sector. Donors and NGOs have become increasingly willing to cooperate with each other.

Finally, the project helped identify a lot of urgent problems, such as the need for an elaborate concept of the third sector, implementation mechanisms of the Code of Ethics, new forms of cooperation with other sectors (business community, government, political parties, etc), and support for initiatives of the third sector aiming to bring more attention to human resources.

Although lots of NGOs are in coalition with each other in various spheres, most of the donors do not believe that this process will last for long. That is why the development of permanent forms of cooperation between the NGOs, which should be followed by the creation of organisational networks inside the sector and joint projects, remains high on the agenda.

The lack of independence is one of the most serious problems of the Georgian mass media today. Besides, their professional level and qualification are rather low. TV companies ceased broadcasting several political talk-shows after the Rose Revolution, which used to give opposition parties a chance to make their voices heard. Nevertheless, media, including the leading Georgian TV companies, often criticise the government and invite the opposition representatives to take part in their programmes. Unfortunately, the quality of debate is rather low, marked with personal conflicts and mud-slinging. The Georgian media obviously needs to improve its economic situation and professional skills in order to become a firm pillar of democracy in the country. CIPDD carried out several projects in 2005 aiming to solve problems of the media.

Georgian Regional Media Development and Public Accountability Project continued in 2005.

The project began in 2003 with sponsorship of the European Commission and is implemented in cooperation with the Institute for War and Peace Reporting (IWPR). The main objective of the project is to enhance capacities of the regional media. The project is actually part of the long lasting cooperation between CIPDD and IWPR, which began in the mid 90s with a series of training workshops for journalists and a program to support investigative journalism in Georgia. The IWPR is the main partner in the project, cooperating with six regional Georgian newspapers. CIPDD's contribution to the project includes studying problems of the regional media in Georgia and monitoring the results of the cooperation with various media organisations in the framework of the project. The IWPR is responsible for practical activities in five regions of Georgia. Particularly, it must help develop professional skills of the newspapers selected in special contests. CIPDD has to carry out research and identify political, social and information background for the tasks of the project. The IWPR is analysing the results of the CIPDD's research in order to work out its strategy and action plan, and implement practical steps.

The CIPDD is implementing its part of the project stage by stage. At first, it studied problems of the regional media development in 15 selected cities. At the next stage it researched these problems in all cities and regional centres of the country's ten regions (61 cities were examined in total). The final project report was written and the regional media map was published. The third stage began in February 2005 and will last till November 2006. It provides for comprehensive interviews with representatives of the government, local media, and NGOs, and focus-group workshops aiming to study expectations of the local audience and information preferences.

CIPDD implemented several projects in 2005, which aimed to deepen regional cooperation between journalists of various countries.

One of these projects *The Caucasus Journalists' Network – Common Information Space in the South Caucasus* was funded by the Eurasia Foundation and implemented in the framework of the South Caucasus Cooperation Program (SCCP).

The main objective of the project was to support the development of responsible, efficient and diverse media in the region and assist journalists in getting first-hand information from the neighbouring countries. The project was carried out jointly by the Research Centre REGION (Armenia), Committee for Journalists' Protection RUH (Azerbaijan) and the CIPDD (Georgia).

In the framework of the project the partner organisations launched the joint web-site www.caucasusjournalists.net, which has become a tool of online cooperation and information exchange for South Caucasus journalists. About 145 journalists and 22 writers have become registered users of the South Caucasus website, which is divided into various sections, including, for instance, online interviews with prominent politicians and governmental officials who answer questions of journalists from the three South Caucasus countries. On the whole 19 online interviews and four forums were carried out, and eight issues of the online magazine *South Caucasus* were published in the framework of the project.

A joint online database of journalists and media organisations is another product of the project. The database is available for registered users free of charge. The journalists can use the website as a sort of clearing house to advertise

and market their articles in the “Analytical Internet Market for Regional Journalists”, as the website provides registered users with an opportunity to establish direct contacts with regional publishers and editors. These last can reprint analytical articles from the website in local media. The journalists also have a chance to arrange exclusive online interviews with politicians and governmental officials from neighbouring countries, take part in online press conferences, and publish all these materials in their media outlets. Besides, they can discuss different problems with regional experts at online forums. The themes of the forums are defined by the project partners.

The website offered a new service in 2005 – a legal advice service for journalists. The service is especially helpful for the journalists inquiring about specific articles in the national legislation of neighbouring countries.

In the framework of the project the *Resonansi* newspaper commissioned Armenian, Azeri and Georgian journalists to write articles on various topics, such as, for instance, the development of a civil society in the South Caucasus, conflicting national interests in the South Caucasus, the Russian military pressure on the region, the problems of public service broadcasting in the South Caucasus, the Russian legacy in the South Caucasus countries, three perspectives on the Sadakhlo market, etc.

One of the projects implemented in 2005 is *The Georgian-Russian information-analytical website www.pankisi.info*, which aimed to facilitate cooperation between Georgian and Russian journalists. The project was implemented in cooperation with the Centre for Journalism in Extreme Situations, Moscow, Russia. The Georgian contribution to the project was funded by the Open Society – Georgia Foundation, while the Open Society Institute (Budapest, Hungary) sponsored activities of the Russian partner.

The increased Russian-Georgian tensions underscored the importance of providing the Georgian and Russian public with reliable and unbiased information about ongoing processes in the two countries. While Georgian readers are more or less able to get products of the Russian media, Georgian press articles are out of reach for the Russian audience. Interested individuals have few chances to learn arguments of both sides on contentious and controversial issues and make fair judgements.

The main objective of the project to eliminate, at least partly, the lack of objective information for both the Georgian and Russian public. Besides, it is assumed that ensuring the availability of such information for the Georgian and Russian readers, the project will help prevent misinformation and maintain the professional-ethical standards of journalists.

The themes of the website cover different aspects of the Russian-Georgian relations, such as: politics, economy, culture, civil relations etc. CIPDD is responsible for the two topics of the website: 1. The Georgian media about Russia; and 2. Analyses (exclusive articles by prominent Georgian political analysts).

The first stage of the project lasted from August 2003 till August 2004. The second stage covered the period from January 2005 till February 2006. During the whole project the CIPDD team was monitoring the Georgian media coverage of the Russian-Georgian relations. The selected articles were translated into Russian, edited and posted on the *pankisi.info*. On the whole, 293 articles were translated, including 32 exclusive ones by Georgian experts, were published since January 2005.

In order to popularise the project, links to the website are published in web directories of the **internet.ge** and **google.com**. It is also advertised at the site of *the PROFILE* magazine.

The www.pankisi.info routinely took various positions in the ranking of the **mail.ru** in 2005, which monitors access to almost Russian 1000 websites. The website finally climbed to the top page of the rating, taking 20th, 22nd, and 23rd positions in succession, while at the end of 2005 it won the first place. According to the updated statistical data of the mail.ru, 330 000 users had accessed the site by the end of 2005.

Another statistical agency the **hotlog.ru** provided the following data on the number and location of the *pankisi.info* users at the end of 2005: Russia - 23041 (53.50%), Georgia - 7711 (17.90%), USA - 1698 (3.94%), Germany - 1469 (3.41%), Australia - 1165 (2.71%), Ukraine 1117 (2.59%), France - 851 (1.98%), UK - 669 (1.55%), Lithuania 602 (1.40%), Italy 554 (1.29%), Poland 366 (0.85%). It must be also mentioned that more and more websites are publishing links to the *pankisi.info*, while its analytical articles are often posted on other quite popular websites.

The *pankisi.info* has turned into a source of unique information for those researchers and experts, who are not satisfied with ideologically one-sided views. It is actually the only website nowadays to provide Russian readers with

Russian translations of the Georgian press articles for free.

Cooperation with the Georgian government in specific issues

CIPDD and some of its researchers cooperated with the Georgian government in several specific issues.

CIPDD and Saferworld prepared a joint project in 2005. The project Small Arms Control in Georgia had the following objectives:

- to enhance capacities of the government and the civil society in combating the small arms proliferation and trafficking
- to facilitate the implementation of security sector reforms in Georgia
- to encourage the Georgian public's contribution to the government's and international organisations' measures against the small arms proliferation and trafficking

The Georgian government announced that it intended to set up a national commission that would bring together all the key government agencies with a role to play in small arms control. The project aimed to contribute to the development of the commission by means of a dialogue with the National Security Council and other state structures, monitoring the security sector reforms, preparing recommendations for the development of a national strategy and action plan on small arms control, and educating the public in respective issues. These measures intended to help the government crackdown on small arms proliferation and trafficking and promote a dialogue between the society and the national commission. It also aimed at assisting fund-raising activities of the national commission.

The following themes are to be researched in the framework of the project:

- a) small arms proliferation, legal and illegal weapons, arms production and circulation
- b) the role of small arms, the victims of firearms, small-arms-related crime, the impact of small arms on the country's development
- c) public attitudes towards the problem of small arms, the cult of weapons, measures to strengthen the small arms control
- d) measures against the small arms proliferation and trafficking, legislation, capacities of the civil society, available experience of collecting/getting rid of small arms, transportation.

The CIPDD - Saferworld cooperation also aims to encourage greater involvement of the Georgian media and parliament in the process. Besides, the security sector reforms, particularly the police reform, will be monitored in the framework of the project.

All project activities were implemented according to plan in 2005:

- 1) An information dialogue and contacts were carried out with the defence development department of the National Security Council and a specific task was outlined: the creation of an inter-agency national commission. This body, named the Monitoring Commission, was set up on July 9, 2005, by the presidential decree on the basis of the export-import control commission. The Monitoring Commission planned several steps on small arms control.
- 2) The development of the national strategy and action plan (with support of CIPDD and Saferworld). Measures to strengthen control of arms possessed by various governmental bodies and import-export arms control. A comprehensive database with detailed information about circulation of legal arms in Georgia, aiming to improve control of safety conditions in arms depots.

A number of official meetings was carried out prior to the project research activities, as well as during the project implementation: a round table discussion with participation of governmental officials, and representatives of foreign embassies and international organisations. The UK embassy in Georgia, OSCE, the European Commission and some other bodies showed especial interest in the project. The meetings also revealed interest of governmental agencies.

Having won the contest for quantitative sociological survey, the Gorbi interviewed 1,200 respondents in November-January. Final results of the survey are pending.

CIPDD and Saferworld jointly interviewed 30 key informants, who work in governmental structures and have access to information on small arms. The obtained data is processed at present.

The completion of the research will pave the way for the development of a national strategy, which is supposed to be implemented in close cooperation with governmental bodies. An action plan may be also produced upon request.

Some unforeseen problems hampered the project implementation. Due to instability in the government, the president ordered on November 22, 2005, to restructure the National Security Council. As a result, the export-import inter-agency commission was stripped of its status and became a department of the defence ministry. However, the commission must be an inter-agency body to achieve its goals. Its control function will be efficient only if representatives of various governmental agencies take part in its activities. That is why an inter-agency advisory board was set up in the defence ministry's commission. Other details of the commission's work are still unknown. This issue will be clarified at the next stage of the project and respective measures will be planned for closer cooperation with the defence ministry. So the task of creating an inter-agency commission is to be implemented anew. A dialogue with the government is going on at present on measures to increase the commission's efficiency. Besides, efforts continue to introduce international arms control standards in the country and public opinion is mobilised.

Another example of the CIPDD's cooperation with the government is the project *Mapping of the national integrity system in Georgia*, which began in September 2005. The project aims to study institutional environment in governmental structures with regard to their anti-corruption sustainability and work out recommendations for the Georgian government on ways to improve the current situation.

The project is implemented jointly by CIPDD, Georgian Young Lawyers Association (GYLA), and Transparency International – Georgia (TIG). It is a joint initiative of TIRI group (UK), Institute for Governance and Ethics Learning of Griffith University (Australia), Open Society Institute - OSI (Hungary) and Open Society – Georgia Foundation (Georgia). The OSGF has funded this undertaking.

Extensive interviews with governmental officials and representatives of NGOs are the main research tool of the project. The interviews are carried out by researchers of CIPDD and TIG. Initially, 120 interviews were planned in the framework of the project. However, due to some implementation problems (interviews with some potential respondents appeared hard to arrange), this number was reduced to 80. The project will end in May 2006.

8. Publications

- *Society and Politics V*, Zghvari [the Verge] (Almanac, in Georgian) – joint publication
- *Constitutional/Political Reforms in Georgia: Political Elite and Voices of the People*
- *Constitutional/Political Reforms in Armenia, Azerbaijan and Georgia: Political Elite and Voices of the People* (in Russian)
- *Civil Society Development in Georgia: Achievements and Challenges* – by Ghia Nodia (policy paper, in Georgian and English)

Throughout 2005 leading researchers of CIPDD commented on ongoing political processes in televised interviews, published various articles in newspapers, and contributed to the development of public opinion in the country. Foreign media used their comments and articles as a valuable source of information.

**FOUNDATION
CAUCASIAN INSTITUTE FOR PEACE
DEMOCRACY AND DEVELOPMENT**



**INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2005



Auditing And Consulting Company

**Tbilisi Managers &
Consultants**

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Auditing And Consulting Company

**Tbilisi Managers &
Consultants**

42a Kazbegi Ave.

0177 Tbilisi, Georgia

Tel/fax (+995 32) 39 19 73;

(+995 32) 47 00 39;

(+995 32) 39 30 49.

E-mail: tmc@tmc.ge

License in General Audit z#201

License in Insurance Audit d#335

INDEPENDENT AUDITOR'S REPORT

To the founders of the Caucasian Institute for Peace, Democracy and Development

We have audited the accompanying statement of financial position of the Caucasus Institute for Peace, Democracy and Development as of December 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the Caucasus Institute for Peace, Democracy and Development. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Caucasian Institute for Peace, Democracy and Development as of December 31, 2005 and its revenues, expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in United States of America.

Tbilisi Managers & Consultants

March 22, 2006

Tbilisi

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

December 31, 2004 and 2005

In US Dollars

	Notes	2005	2004
Assets:			
Cash and cash equivalents		143 723	69 693
Temporary restricted contributions receivable	3	435 654	591 541
Prepaid taxes		15 512	4 085
Other assets		967	545
Property and equipment (net)	4	28 948	24 880
Total assets		624 804	690 745
Liabilities and net assets:			
Miscellaneous payables		-	-
Short-term borrowings		-	-
Total liabilities		-	-
Net assets:			
Unrestricted		87 586	91 698
Temporary restricted	6	537 217	599 047
Total net assets		624 804	690 745
Total liabilities and net assets		624 804	690 745

Avto Jokhadze, Executive Director

Caucasian Institute for Peace, Development and Democracy

March 22, 2006

Independent Auditor's Report and Financial Statements

Caucasian Institute for Peace, Democracy and Development

STATEMENTS OF ACTIVITIES

Year ended December 31, 2004 and 2005

In US Dollars

		2005			2004
	N ot es	Unrestricted	Temporarily restricted	Total	Total
Revenues, gains and other support:					
Contributions and gifts	5		331 836	331 836	449 538
Net assets released from restrictions		393 666	(393 666)	-	-
Foreign exchange gains		(4 112)		(4 112)	76 350
Total revenues, gains and other support		389 554	(61 830)	327 725	525 887
Expenses and losses:					
Program expenses					
Research and analysis		267 577		267 577	202 092
Training and seminars		99 611		99 611	45 705
Media and production		15 792		15 792	23 956
Publishing and translation		299		299	3 684
General and administrative		10 387		10 387	23 177
Total expenses and losses		393 666	-	393 666	298 613
Change in net assets		(4 112)	(61 830)	(65 942)	227 274
Net assets at beginning of year		91 698	599 047	690 745	463 471
Net assets at end of year		87 586	537 217	624 803	690 745

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Caucasian Institute for Peace, Democracy and Development

STATEMENTS OF CASH FLOWS

Year ended December 31, 2004 and 2005

In US Dollars

	Notes	2005	2004
Cash flows from operating activities			
Change in net assets		(65 942)	227 274
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Depreciation	4	10 811	13 888
(Increase)/decrease in temporary restricted contributions receivable		155 886	(268 185)
(Increase)/decrease in prepaid taxes		(11 426)	(3 154)
Increase/(decrease) in miscellaneous receivables		(422)	(545)
Realized and unrealized foreign exchange gains		-	-
Remeasurement loss		-	-
Net cash used by operating activities		<u>88 907</u>	<u>(30 722)</u>
Cash flows from investing activities			
Purchase of equipments	4	(14 878)	(7 097)
Proceed from sale of investments		-	-
Net cash used by investing activities		<u>(14 878)</u>	<u>(7 097)</u>
Cash flows from financing activities			
Short-term borrowings		-	-
Repayment of short-term borrowings		-	(7 824)
Net cash used by financing activities		<u>-</u>	<u>(7 824)</u>
Net increase in cash and cash equivalents		74 029	(45 644)
Cash and cash equivalents at beginning of year		69 692	115 336
Cash and cash equivalents at end of year		<u>143 722</u>	<u>69 692</u>

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

1. Organization

The Caucasian Institute for Peace, Democracy and Development (CIPDD) was founded in August 1992 Tbilisi, Georgia. CIPDD is a non-governmental, not-for-profit organization.

CIPDD has programs for research, publishing, organizing conferences, producing video films, support and other related activities, which promote democratic and free market values that publicize major achievements of Western democratic thought and encourage non-partisan theoretical analysis of problems, related to the post communist transition in Georgia and the Caucasus region.

2. Significant accounting policies

2.1. Basis of Presentation

The financial statements of CIPDD are prepared in accordance with accounting principles generally accepted in United States of America and are based on the accounting records of CIPDD.

2.2. Functional Currency and Foreign Currency Translations

The management of CIPDD has determined the United States Dollars to be the functional currency. Accordingly current assets and current liabilities are translated using the current exchange rate in effect at the balance sheet date (1 USD = 1.7925 GEL and 1 USD = 1.825 GEL as at 31 December 2005 and 31 December 2004, respectively).

2.3. Revenues

Donors' contributions represent the organization's sole source of income although member and voluntary contributions are permissible by the charter.

Most donor contributions are in the form of grant or cooperative agreements. The management of CIPDD considers such grant agreements as contributions and they are recognized as soon as the promise is made.

All contributions, including pledges, are recognized as revenue upon receipt and are considered to be unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions received are measured at fair value.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

2.4 Expenses

Expenses are reported as decreases in unrestricted net assets in accordance with SFAS 117.

2.5 Net Assets and Classification by Donor-imposed Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Temporarily restricted net assets are subject to donor-imposed restrictions that permit CIPDD to use or expend assets as specified. These restrictions are satisfied either by the passage of time or by actions of CIPDD.

2.6 Property and equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the assets of 5 years using the straight-line method for depreciation. Leasehold improvements are amortized over the life of the original lease term of five years.

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

3. Temporary restricted contributions receivable

3.1 By Program	2005	2004
Research and analysis	432 010	521 817
Training and seminars	3 645	55 424
Media and production	-	14 300
Publishing and translation		
Total	435 654	591 541

3.2 By Donor	2005	2004
Eurasia		19 363
GTZ		708
NED3		8 200
NED5		6 100
Safe world		5 006
USAID		22 939
IDEA		31 055
Cordaid	172 176	289 838
EU	161 733	208 332
Safe world2	3 645	
IS2005/2006	29 984	
NIMD	52 586	
OSCE	10 589	
Sor-05	4 942	
Total	435 654	# 591 541

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

4. Property and Equipment

	2005				2004			
	Leasehold improvements	Equipment	Motor Vehicle	Total	Leasehold improvements	Equipment	Motor Vehicle	Total
At cost	6 759	69 833	6 052	82 644	6 759	62 736	6 052	75 547
Accumulated depreciation	(6 759)	(49 794)	(1 210)	(57 763)	(6 759)	(37 116)		(43 875)
Additions	-	11 590	3 288	14 878	-	7 097		7 097
Depreciation charge	-	(10 501)	(310)	(10 811)	-	(12 678)	(1 210)	(13 888)
Net cost	-	21 129	7 819	28 948	-	20 039	4 842	24 881

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

5. Temporary restricted contributions and gifts

5.1 By Program	2005	2004
Research and analysis	297 626	293 078
Training and seminars	34 210	131 330
Media and production		11 000
Publishing and translation		-
General and administration		14 130
Total	331 836	449 538

5.2 By Donor	2005	2004
EU		247 445
Eurasia		34 616
GTZ		13 431
NED5		11 000
USAID		32 202
Safe World		14 130
IDEA		95 264
RUM		1 450
IS2005/2006	60 300	
NIMD	124 353	
OSCE	77 840	
Pnk2	14 004	
SafeW2	34 210	
Sor-05	21 130	
Total	331,836	449 538

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

6. Temporary restricted net assets

Program	2005	2004
Research and analysis	145 694	129 649
Training and seminars	196 698	262 099
Media and production	41 322	43 110
Publishing and translation	(3 519)	(3 220)
General and administration	157 022	167 409
Total	537 217	599 047