

SUSTAINING EXCELLENCE FOR 15 YEARS



2004/05 ANNUAL REPORT

iisd International
Institute for
Sustainable
Development Institut
international du
développement
durable



The International Institute for Sustainable Development contributes to sustainable development by advancing policy recommendations on international trade and investment, economic policy, climate change, measurement and assessment, and sustainable natural resources management. Through the Internet, we report on international negotiations and share knowledge gained through collaborative projects with global partners, resulting in more rigorous research, capacity building in developing countries and better dialogue between North and South.

IISD's vision is better living for all—sustainably; its mission is to champion innovation, enabling societies to live sustainably. IISD is registered as a charitable organization in Canada and has 501(c)(3) status in the United States. IISD receives core operating support from the Government of Canada, provided through the Canadian International Development Agency (CIDA), the International Development Research Centre (IDRC) and Environment Canada; and from the Province of Manitoba. The Institute receives project funding from numerous governments inside and outside Canada, United Nations agencies, foundations and the private sector.

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Institutional Highlights 2004 | 2005

Between IISDnet (<http://www.iisd.org>) and IISD Linkages (<http://www.iisd.ca>), there were 1.5 million PDF document downloads. And 29,837 people currently subscribe to IISD's electronic mailing lists.

The Millennium Ecosystem Assessment was released. IISD played a key role in its development. See page 15.

IISD released the Model International Agreement on Investment for Sustainable Development after seven years of research. See page 28.

IISD's Reporting Services team published 232 reports from 49 meetings. See page 24.

The internship program placed 32 young Canadians in positions around the world—including one in Sri Lanka who was there when the tsunami hit in December 2004. See page 23.

IISD completed a project examining the suitability of transportation projects in the Clean Development Mechanism of the Kyoto Protocol. See page 16.

The new Sustainable Natural Resources Management program started planning for a Prairie Water Policy Symposium. See page 18.

IISD was commissioned by BC Hydro to assess its ecological footprint. See page 21.

IISD and UNCTAD launched the Sustainable Coffee Partnership. See page 26.

\$8.548 million of new designated grants were committed. See page 35.

The Institute launched the internal IISD Innovation Fund, an endeavour designed to promote cutting-edge thinking at the Institute. See page 36.

IISD concluded an extensive process to develop a five-year strategic plan for 2005-2010. As a result of the process, the Institute heralds four new strategic directions. See page 13.

IISD reduced its ecological footprint in the Winnipeg head office. See page 29.

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IISD Board of Directors 2004 | 2005



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President (Canada)



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(Canada)



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Mary Simon
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James Eldridge, Clerk of the Executive Council, Province of Manitoba
Suzanne Hurtubise, Deputy Minister, Environment Canada
Maureen O'Neil, President, International Development Research Centre
Paul Thibault, President, Canadian International Development Agency
Samy H. Watson, Deputy Minister, Environment Canada

Distinguished Fellows

Arthur J. Hanson
Jim MacNeill, Chair Emeritus
Maurice Strong

Founding Chair

Lloyd McGinnis

Friends of the Institute

Gro Harlem Brundtland
José Goldemberg
Sir Shridath Ramphal

The IISD Team

Members of the International Institute for Sustainable Development team truly reflect a diversity of backgrounds, talents and interests. The following people served with IISD during the 2004-2005 fiscal year.

IISD Staff

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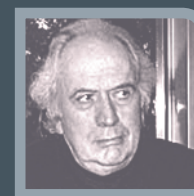
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Shauna Troniak



On May 19, 2005, as this report was being prepared, IISD Senior Fellow Konrad von Moltke passed away in Vermont. Dr. von Moltke was one of the world's leading thinkers on issues of trade, investment and sustainable development. The IISD team mourns the loss of a friend and visionary. See http://www.iisd.org/media/2005/may_19_2005.asp

Photo courtesy of WTO.



From the President

Well, now we are 15 years old. This is not an insignificant milestone for a non-profit think tank in these turbulent times. And we are right to celebrate our past in the following pages.

But we must also look forward to the next 15 years. And here we are well equipped to face the future. After two years of preparation and discussion, our Board adopted a new Strategic Plan. We began implementing the plan in April. The plan's new Strategic Directions are set out in detail later in this report.

Now we have to finance this ambitious agenda. We are well advanced in the negotiations with our core funders for the renewal of their critical contributions, and we have inaugurated our new entrepreneurial Innovation Fund to make sure that good ideas are nurtured into exciting new projects.

We don't make widgets. We develop practical ideas that policy-makers can use to implement sustainable development. And with the encouragement of our Board, we are in a better position to disseminate these ideas to their target audiences. In the end, it is the quality of the ideas that counts. Here again, IISD is well equipped. Our Reporting Services team continues to ensure that international environment and development negotiations are far more open to external scrutiny than other UN discussions. Taking on the *ENB* was a major risk for IISD in 1993.

And we continue to take risks. We have invested in a cutting edge effort by our Economic Policy program to develop a pioneering methodology for integrating the environment into the poverty reduction programs that flow from the implementation of the Millennium Development Goals. With the United Nations Environment Programme, we are now testing this process in seven African countries.

We have long been concerned about the need to have economic and environmental signals pointed in the right direction. This year we will launch our largest project yet—a three-year examination of ecologically-damaging and trade-distorting subsidies, together with recommendations for reform. The eminent panel leading this work will be chaired by Sylvia Ostry, the former Chief Economist of the OECD, and by Celso Lafer, the former Trade Minister of Brazil.

Our innovative work on the investment provisions of NAFTA and the hundreds of bilateral investment treaties has convinced us of the need for an international agreement on investment. This year we took the unprecedented step of preparing a model of such an agreement, together with a negotiators' handbook. Although viewed by some as an impertinent intervention by a non-profit organization, this will provide a solid foundation for our future work in this area.

And we are continuing our work with China. The press is full of news about the effects of the explosive growth of the Chinese economy on the world's energy and other natural resources. This year, we will launch, with our Chinese partners, a major study of China's ecological footprint. The results of this work will be reported to the 2006 meeting of the China Council for International Cooperation on Environment and Development.

Our climate team was extensively consulted this past year as Canada struggled to develop a national plan for the implementation of Canada's Kyoto commitments. This year, they will be central to the preparations for the first meeting of the Conference of the Parties to the Protocol in Montreal. While we realize that much remains to be done to help ensure that the developed countries meet their commitments, we are focussing much of our energy on the development of plans for the period after Kyoto's "first commitment period" in 2012. Much of the emphasis will fall on the role of developing countries, and in particular, on the importance of measures to help them adapt to the serious impacts of climate change.



This past year, we reinvigorated our Sustainable Natural Resources Management program with an initial focus on community-based resource management in Western Canada, our home region. In the fall of 2005, we will be hosting a major conference on “water in the West,” which will bring together policy-makers and scientists from the three Prairie Provinces and neighbouring American states, as well as Canadian federal government officials to seek solutions to what is rapidly becoming the major environmental problem in our part of the world.

Long before Johannesburg and its talk of partnerships, IISD had pioneered new ways of working with others. None of our major projects are conducted by the Institute on its own and most of them involve numerous partners from developing countries and the international system. Our Knowledge Communications team has pioneered in the development of these joint arrangements making IISD one of the intellectual leaders in this field. Combined with the group’s new emphasis on the execution of our influencing strategies, I am confident that our ability to influence policy will be greatly enhanced.

Finally, I would like to close with a tribute to our outgoing Chair, Jacques Gérin. Jacques has been Chair of our Board since I became President in 1999. He has been the ideal Chair. He has ensured that we have a state-of-the-art corporate governance system. He has been constantly involved in the work of the Institute and has always been ready to help with planning, advice, hand-holding and external relations, while always maintaining that divide between direction and management which is so essential to the successful operation of any enterprise. We shall miss him, although I intend to make every effort to exploit his considerable energy and expertise in the service of IISD in the future.



David Runnalls
President and Chief Executive Officer

SUSTAINING EXCELLENCE FOR 15 YEARS

From the Chair

2005, our 15th anniversary year, began with a piece of good news for IISD. In February, GlobeScan, an international opinion research firm, released its 2004 Survey of Sustainability Experts. Respondents ranked IISD as the most effective sustainable development research organization in the world. Such recognition from one’s peers doesn’t come easily: it is a tribute to the perseverance and hard work of a magnificent team scattered throughout the world.

In last year’s annual report, I called for a greater presence so we could have a more significant impact and achieve more meaningful results.

This poll is one sign of success. The fact that we gave advice to various governments as Canada moved—hesitantly, one must say—towards a plan to address climate change is another manifestation of influence. And our recent publication of a “Model International Investment Agreement,” released at the Commonwealth Secretariat in London, shows again how focussed effort—and excellent work—can indeed allow this small organization to be relevant on major issues.

This is not the work of one single year.

It is the result of 15 years of continuously striving for excellence.

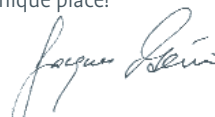
Our success is due in large part to our keen focus on key issues and actors. And we amplify our impact by working increasingly with those in the business community who make things happen for real, on the ground.

June 2005 marks the end of my tenure as Chair and as a Board member. I’m proud that the Institute is in great shape and in great hands. Our strategic plan provides a renewed sense of direction and purpose. We’re stronger in our home base of Manitoba than ever before, and increasingly visible and influential throughout Canada. IISD is ready to face the challenges ahead with vigour, rigour and creativity.

One of these challenges will be to work effectively with China in designing more sustainable paths to development for its people. Can a modest institute like ours have meaningful impact in such an immense country? The steps we’ve taken so far suggest that indeed we can.

I will miss IISD and especially its Board, the place of so many fascinating and challenging discussions in setting direction for meaningful achievements. I rejoice in the choice of my successor, Daniel Gagnier, who brings experience in the public and private sectors, a great profile, superb achievements as Vice-President of Alcan and a strong commitment to IISD—and to sustainable development.

Congratulations and best wishes to him and to all involved with this unique place!



Jacques Gérin
Chair of the Board



Looking Back 15 Years – An IISD Timeline

At the UN in 1988, Prime Minister Brian Mulroney announced Canada's intention to establish an international institute devoted to advancing sustainable development. This idea—along with another innovation, Canada's National Round Table on the Environment and the Economy—arose from recommendations of a National Task Force on Environment and Economy established by the Canadian Council of Resource and Environment Ministers to address Canadian follow-up to the path-breaking report, *Our Common Future*.

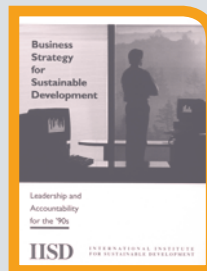
Since its inception, IISD has been shaped by innovation, solid research and communications efforts, and effective global relationships. This timeline captures some of the key moments from IISD's first 15 years—illustrations of our efforts to move societies towards the globally accepted outcome of sustainable development.

1990

- Manitoba expressed an early, enthusiastic interest in hosting the Institute in Winnipeg. At the Globe 90 Conference in Vancouver, Manitoba Premier Gary Filmon and Federal Environment Minister Lucien Bouchard signed the funding agreement that brought IISD to life. Major initial funding came from the federal government (CIDA and Environment Canada) and Manitoba, CDNS\$25 million spread over five years.
- The International Institute for Sustainable Development is created under *The Canada Corporations Act, Part II* as a non-profit corporation guided by an independent, international Board of Directors. IISD's incorporation articles were signed by Jim MacNeill, the late J.C. Gilson and Lloyd McGinnis, IISD's first Chair.
- A broad consultative process concludes that IISD will be knowledge-based, focussed on problem sources rather than symptoms, and act at international, national and local levels to apply global principles to specific situations.
- IISD's first President and CEO, Peter Kilburn, recruits the first staff.

1991

- Three program themes are identified: public policy reform; integration of environment and economic considerations in public and private sector decision-making and reporting; and institutional change favouring SD.
- IISD's Board asserts the value of effective communications in achieving institutional goals and commits to electronic communications technology to share knowledge and build relationships. It's a commitment that continues to influence IISD's work and development today.
- Nicholas Sonntag is seconded to Maurice Strong to help in planning the 1992 United Nations Conference on Environment and Development, allowing the Institute to gain a thorough understanding of important areas for follow-up after the Rio Earth Summit. IISD also contributes to the funding of the official Summit book, *Our Country, Our Planet*.
- IISD makes a major commitment, in the face of considerable skepticism, to work in the area of trade and SD. The timing is right, with environment and development becoming major concerns in both NAFTA and under the GATT.
- IISD also begins exploration of SD activities in our home region, settling on sustainable agriculture on the Great Plains.



1992

- Arthur J. Hanson, a founding IISD Board member, becomes President and CEO.
- IISD releases its first publication, *Business Strategy for Sustainable Development: Leadership and Accountability for the '90s*. The work develops into a comprehensive program aimed at corporate decision-makers, with analysis of corporate SD reporting, and initiatives on green standards and eco-labelling.
- IISD introduces a focus on poverty eradication and its relationship to SD as an underlying theme in its research. Community-based research emerges as an approach to understanding poverty, environmental change and other related issues. The Community Adaptation and Sustainable Livelihoods program addresses rural people's livelihoods, and tools needed to build a sustainable future in poverty-ridden areas.
- In June, IISD takes part in the historic "Earth Summit" in Rio de Janeiro. IISD's Board meets there, new publications are launched, including a global survey of SD information sources, and IISD hosts an exhibit booth. The expressed urgency on the part of the international community to replace rhetoric with action fits well with IISD's mandate to promote sustainable development in decision-making.
- IISD, along with several other organizations, supports an upstart reporting service, the *Earth Summit Bulletin*, founded by Pamela Chasek, Johannah Bernstein and "Kimo" Goree. The "Bulletin" is a huge success during the meeting, distributing 10,000 copies of their daily reports on the state of negotiations.



1993

- IISD's programs adopt the following names: Business and Government; Trade; Communications and Partnerships; and Poverty and Empowerment.
- IISD has some concrete successes to report. Universities and other institutions are putting IISD's *Business Strategy for Sustainable Development* in the curriculum, while a major Canadian telecommunications company is putting strategies into practice.
- Strong partnerships and collaboration proves increasingly valuable. Japanese and European partners compare environmental corporate reporting in North America, Japan and Europe. IISD starts analyzing and promoting partnership experiences.
- EarthEnterprise is launched to encourage entrepreneurs, innovators and investors to create wealth by meeting sustainable development needs. The first IISD Partnership Conference brings together about 100 entrepreneurs and investors in Winnipeg.
- IISD introduces a sustainable livelihoods framework to integrate policy, local adaptive strategies and contemporary knowledge, that can lead to sustainable livelihood systems.
- The Great Plains Program convenes stakeholders across the Canadian and American prairies to articulate their needs on community and livelihood sustainability issues. An initial study looks at sustainability from a scientific, historical and economic perspective. Later work produces an SD policy framework tool that is successfully applied in several cases in Canada and the USA.

- IISD sets a goal of incorporating key sectors, especially women and youth, in its work.
- Work with China begins through Art Hanson's membership on the China Council for International Cooperation on Environment and Development. CCICED provides advice to the State Council. Within a year IISD begins cooperation on Trade and Environment, with a decade-long period of policy support as China prepares to enter the WTO.
- IISD becomes owner of the re-named *Earth Negotiations Bulletin*. The *ENB* now reports on post-Rio UN meetings, such as the Conference on Small Island Developing States (Barbados, 1994) and followed by the International Conference on Population and Development (Cairo, 1994), the World Summit on Social Development (Copenhagen, 1995), the Fourth World Conference on Women (Beijing, 1995) and the Second UN Conference on Human Settlements (Istanbul, 1996); meetings of the parties of Climate Change, Biodiversity and Desertification Conventions and the Commission on SD. In the process, we discover that availability of daily *ENB* reports can improve the quality and speed of negotiations. The *ENB* office is eventually situated in Manhattan.

1994

- IISD launches its research and communications presence on the World Wide Web, one of the first organizations in the world to do so. Demand is high for IISD to help others.
- The Arid-Semi-arid Land Project, a Sustainable Livelihoods Project, focusses on nine communities in five sub-Saharan African countries. Within each country, field researchers work with the communities to identify ways in which livelihood systems have changed.
- IISD forms a new Business Advisory Group, chaired by the late Jack MacLeod, former Shell Canada CEO. IISD also continues efforts started at the Rio Earth Summit to form links with the new World Business Council on Sustainable Development.
- Noting slow progress of governments, IISD publishes a brief targeted to Canada's new Minister of Finance, an *Action Plan: Protecting the Environment and Reducing Canada's Deficit*. It details the need to increase taxes for polluters, reduce taxes that undermine employment rates, and eliminate the subsidies that create environmental harm.
- IISD releases the internationally recognized *Winnipeg Principles*, a set of guidelines to promote trade policies and practices that serve sustainable development needs. The principles are: efficiency and cost internalization; equity; environmental integrity; subsidiarity; international cooperation; science and precaution; and openness.
- The new *EarthEnterprise Tool Kit*, containing contact information and practical information to help businesses achieve sustainability, is released as a book, and the intense interest in the program leads to the second EarthEnterprise Forum in Ontario.
- After serving five years as Chair of the Board, Lloyd McGinnis steps down and becomes IISD's Founding Chair. Jim MacNeill becomes Chair.

1995

- Indicators program launches and works to identify indicators that will allow progress toward sustainability to be measured in quantitative terms.
- Canada's International Development Research Centre funds a Web portal to key sustainable development research organizations in six regions of

the globe. This becomes the SD Communications Network, IISD's first knowledge network.

- In the renewal of IISD's funding for an additional five years, a major effort begins to expand the sources and levels of the Institute's funding. This funding transition marks a significant change in institutional culture for IISD, with a very successful staff effort to find support for programs. Today, IISD's annual budget is double the level of 1995 expenditures, even though the level of core funding has dropped.
- At the 4th World Conference on Women, IISD pioneers the first use of streaming audio interviews and online digital photographs from Beijing, partnering with MCI to use China's new Internet link. Our *Linkages* Web site records over 440,400 accesses.
- An internal volunteer committee is formed to encourage eco-friendly practices in IISD's offices and among staff, including bicycling or bussing to work, recycling and using vegetable-based inks. IISD develops a model of annual sustainability reporting, independently verified by our external auditors.
- IISD plays an active role in the World Summit for Social Development. With equity as a value underpinning its work, IISD articulates a vision and strategy for achieving sustainable livelihoods. In a unique collaboration with UNICEF called "Voices of Youth," it provides a multimedia exhibit through the *ENB's Linkages* and invites young people to send their ideas. Some 4,000 responses are shared with Summit leaders.
- Additional publications spell out practical applications of the *Winnipeg Trade and SD Principles*, now gaining worldwide consideration including from the new WTO.
- Reasoning that governments' most important statement about sustainable development is the annual budget, IISD publishes *Green Budget Reform* and case studies of best practices around the world.
- The Great Plains Program brings together diverse stakeholders at a Manitoba conference. IISD begins work in Manitoba on prairie sustainability indicators.

1996

- Although new, the Measurement and Indicators Program gains international recognition, after publishing the *Bellagio Principles: Guidelines for assessing progress toward SD* and forming the international Consultative Group on SD Indicators
- A field guide is produced on how to undertake "participatory research," as an integrated approach to bring community experience into policy-making based on self-identified strengths rather than externally-perceived shortcomings. This leads to further work on Appreciative Inquiry.
- IISD sponsors the North American Public Hearings of the World Commission on Forests and Sustainable Development. The meeting in Winnipeg is attended by 270 participants from Canada, the U.S. and Mexico; and others participate through an IISD-hosted Web site.
- IISD publishes *Global Green Standards* in response to the new International Standards Organization 14000, a voluntary environmental management system.
- IISD publishes an independent assessment of the performance of the World Trade Organization during its first two years. The report is highly critical of the WTO's lack of openness and failure to integrate sustainable development concerns into international trade policies.

1997

- Working with the Earth Council and other partners, IISD "webcasts" Rio +5 from Brazil.
- SD Gateway, another technology communications innovation, is launched: Its user-friendly design takes advantage of electronic tools to help decision-makers optimize the large amount of information they can access. Anyone passing through the Gateway can readily pursue links to partner Web sites.

The gateway is run by the newly-named Knowledge Communications Program.



- IISD launches "Young Canadian Leaders for a Sustainable Future," its youth internship program. By 2005, nearly 300 participants have shared their skills with host organizations worldwide, while gaining significant employment opportunities.

- IISD prepares a chapter for the *Manitoba State of the Environment Report*, part of its effort to transition the government from environment to sustainable development reporting.
- IISD's Business Program begins implementing its second phase, which will see the Institute work actively with business partners to help them understand and implement sustainable development practices. The new program is based in Calgary, under the late Jim Leslie, giving IISD a presence in the centre of the Canadian oil and gas industry.

1998

- Collaboration with Tata Energy Research Institute (TERI) begins on issues of mutual interest to Canada and India on energy efficiency, environmental improvements and reducing greenhouse gas emissions. CIDA provides \$4 million for the project to IISD—its largest project contract to date.
- IISD publishes Dr. Norman Myers' groundbreaking work on perverse subsidies, bringing to light the enormous worldwide environmental and economic cost of government payouts.
- Art Hanson steps down after seven years as President and CEO of IISD. David Runnalls becomes President.
- IISD publishes *A Guide to Kyoto: Climate Change and What it Means to Canadians*. About 3,500 copies are distributed or sold to Canadian decision-makers seeking to better understand the Kyoto Protocol signed in 1997.
- David Runnalls co-chairs a working group responsible for providing advice to the government on two Protocol features designed to help Canada meet its Kyoto commitment while encouraging investment in clean energy technologies.
- IISD announces its by-product synergy program in Alberta, which takes a new approach to the management of by-products and wastes. The project, an initiative of a company called Applied Sustainability Ltd., identifies opportunities for businesses to sell waste to those who can use it in their manufacturing processes.

1999

- A new strategic plan is adopted. It includes new vision and mission statements: "Our Vision: Better living for all—sustainably; Our Mission: To champion innovation, enabling societies to live sustainably."
- Jim MacNeill steps down as Chair of the Board, and is succeeded by Jacques G  rin.
- There are more than three million downloads from IISD's Web sites.

- In partnership with the World Conservation Union (IUCN), IISD launches a Trade Knowledge Network to strengthen the voice of Southern countries at international negotiations on trade.

- IISD's Measurement and Indicators Program introduces the "Dashboard" concept as a communications tool for the measurement of sustainable development. Using three dials and based on a vehicle's dashboard, the concept indicates the level of well-being of the economy, the environment and social health.

- IISD launches a project that lets the world see through Inuit eyes the effects of climate change in the western Canadian Arctic. The video, *Sila Alangotok*, planned and produced in collaboration with the people of Sachs Harbour, creates a stir when launched in several centres around the world with visual and oral history documentations of dramatic arctic environmental change. In 2003 it airs on BBC World's *Earth Report* reaching millions.



- IISD's first community-based project to use an Appreciative Inquiry approach is launched in two Southern Indian states. MYRADA, a Bangalore-based NGO engaged in micro-credit, watershed development and poverty-alleviation is our partner.
- IISD expands cooperation with UNEP, contributing chapters to the second *Global Environmental Outlook Report* and helps design an integrated environmental assessment and reporting course and guidebook now used in several world regions.

2000

- Implementation of the Strategic Plan for 2000–2005 replaces IISD's Programs with a structure based on five strategic objectives where the Institute believes it can make a real difference: Economic Policy; Trade and Investment; Climate Change; Measurement and Indicators; and Natural Resources Management. The Institute also retains two areas of strategic function: Reporting Service and Knowledge Communications. This new structure favours innovative and interdisciplinary research.
- IISD's new Geneva office extends our global presence and increases our ability to access to key European decision-makers.
- To press for progress on badly needed reform of the WTO, IISD releases a *Statement on Trade and Sustainable Development*, suggesting the WTO address the full range of trade liberalization impacts, enhance equitable developing country participation in WTO work; and promote reforms advancing SD.
- The governments of Canada and the United States formally support IISD's right to intervene in a major trade law case under NAFTA. This is the first time such support has been granted to an environmental non-governmental organization.
- *An International Investment Regime? Issues of Sustainability* by the late Konrad von Moltke explores what international investment rules would look like if they aimed to achieve both economic growth and environmental protection. The proposed solution is radically different from any pursued to date.

2001

- IISD co-convenes a successful, high-level workshop on trade and sustainability in the Americas in Quebec City just before the Summit of the Americas.
- IISD, in partnership with the United Nations Environment Programme, produces *Environment and Trade: A Handbook*, a plain language guide to the issues that almost immediately goes to a second print run and has tens of thousands of downloads. It is eventually translated into French, Spanish, Russian and Mandarin.
- IISD publishes *Strategic Intentions*, a book that captures five years of research and experimentation with knowledge networks and communications.

2002

- IISD releases *Conserving the Peace: Resources, Livelihoods and Security* at the World Summit on Sustainable Development. The book examines how natural resource management is linked to social tension and conflict, and how protecting environment can address the roots of insecurity.
- Also at the WSSD, IISD releases *10 + 10*, an assessment of sustainable development's top 10 achievements and failures since Rio.
- In cooperation with the Global Knowledge Partnership and TakingIT-Global, IISD established the Youth Creating Digital Opportunities Coalition to ensure attitudes and perspectives of youth are considered in the World Summit on the Information Society. The focus is on potential of young people as leaders in using ICT to achieve more sustainable development.
- IISD's collaboration with the Mining, Minerals and Sustainable Development – North America project draws to a close. The cooperative effort involved about 150 people and brought the issue of sustainable development to the attention of an entire sector.
- The ENB team continues to expand its products, selling conference reporting services to governments and international organizations under its new moniker, "IISD Reporting Services." At the UN Framework Convention on Climate Change conferences and the WSSD in Johannesburg, Reporting Services is hired to publish *ENB On the Side*, a companion publication to the *Earth Negotiations Bulletin*, reporting on side events at these meetings.

2003

- IISD "walks the talk" by completing a 375 tonne carbon offset credit purchase to offset carbon dioxide emissions from staff travel in 2002–2003.
- A Memorandum of Understanding with the UN Environment Programme provides a direct conduit for IISD to offer regular policy advice on ecosystem management and human development.
- IISD is invited to advise the International Organization for Standardization on the feasibility of corporate social responsibility (CSR) standardization.
- In cooperation with Kenya's Mazingira Institute, IISD co-publishes *There is a Better Way*, an innovative comic book based on the pioneering work of Nobel Prize-winning economist Amartya Sen. The book reaches mass audiences in poor countries and emphasizes the notion of development as freedom.
- With the International Centre for Trade and Sustainable Development, IISD publishes the *Doha Round Briefing Series*. This thirteen-part series, produced in English and Russian, sheds light on the WTO negotiations for a non-expert audience.

2004

- IISD was accepted by a NAFTA Tribunal as an *amicus*, in *Methanex v. The United States*, making IISD and a U.S. NGO the first civil society groups to be recognized in this way and a major step forward for the transparency of such processes.
- IISD signs a five-year agreement with Agriculture and Agri-Food Canada (AAFC), which will see the Institute working on a series of projects supporting AAFC initiatives associated with the Department's Agriculture Policy Framework.
- IISD serves as the Secretariat for a Manitoba task force on emissions trading and releases a report on how the province can take advantage of economic opportunities.
- The Institute revives its natural resources focus with a new program called Sustainable Natural Resources Management.
- The Strategic Plan for the 2005–2010 period is approved by IISD's Board of Directors. It retains the mission and vision statements and articulates four new strategic directions, including the imperative to "establish sustainable development at the centre of decision making."
- IISD launches its second Compendium of Sustainable Development Indicator Initiatives, a guide to who's doing what in the field of sustainability indicators.
- The Institute initiates a new Innovation Fund for its researchers, supported by several private sector and individual donors.

2005, so far

- GlobeScan releases a 2004 survey of sustainability experts that ranks IISD as the most effective sustainable development research institution in the world.
- Release of IISD's *Model International Agreement on Investment for Sustainable Development - Negotiators' Handbook*, an effort to promote transparency, legitimacy, accountability and sustainability in the international investment regime.
- The Millennium Ecosystem Assessment is released. IISD was involved in the development of the conceptual framework that explores the links between ecosystem services, human well-being and poverty.
- David Runnalls presents to Parliament's Environment and Sustainable Development Committee on how Canada can achieve emission reduction objectives in part through the use of the Kyoto Protocol mechanisms of Joint Implementation, the Clean Development Mechanism and International Emissions Trading.
- The Climate Change and Energy team is contracted to author the "lines of enquiry" pieces that will serve as background to the discussions at the first meeting of the Parties to the Kyoto Protocol.
- The Van Lennep Initiative, designed to eliminate those subsidies distorting trade and undermining sustainable development, moves forward with the convening of an Eminent Persons Group.

Anniversary Reflections

IISD WAS BORN IN 1990 DURING AN EXCITING TIME FOR THE INTERNATIONAL SUSTAINABLE DEVELOPMENT COMMUNITY. THE BRUNDTLAND COMMISSION HAD PUT SD ISSUES ON THE MAP IN THE LATE 1980S, AND MANY POLITICAL LEADERS WERE STARTING TO RECOGNIZE THE URGENCY OF SOME OF THE PLANET'S GREATEST CHALLENGES. THROUGH THE LEADERSHIP AND COMMITMENT OF MANY BOARD MEMBERS, POLITICAL LEADERS AND COMMUNITY LEADERS, IISD HAS HAD AN IMPACT SINCE THE VERY BEGINNING.



Jim MacNeill

IISD Chair Emeritus

I was privileged to be in on the birth of IISD, one of three invited by the Governments of Canada and Manitoba to sign its articles of incorporation, a member of its founding Board and its

second Chair. On this, its 15th anniversary, all of us who were there at the beginning can take great pride in the Institute's vigorous growth and strong record of achievement.

I vividly remember the Board's first meeting in Vancouver on March 21, 1990. Our task was to provide this new venture with a vision, a mandate and its first few strategic directions. The debate was spirited and continued through several sessions. IISD's position today as one of the pre-eminent institutions of its kind in the world stems directly from those early choices.

I also remember a series of birthing and budgetary crises that marked the Institute's early life. With each crisis, thanks to the leadership, imagination and determination of the Board, President, management and excellent staff, the Institute became more robust. When the government instituted massive cutbacks in the mid '90s, for example, we transformed the Institute's culture. It became markedly less dependent on public money and emerged stronger and more vigorous than ever.

Just in time. With worldwide acceptance of the concept of sustainable development, demand for the Institute's services mounted and growth was dramatic. Back in 1990, no one imagined that within a few years, along with its Winnipeg headquarters, IISD would have offices in Calgary, Ottawa, New York and Geneva.

In 2005, despite a broad commitment to the concept of sustainability, the transition to more sustainable forms of development has been stalled on many fronts. We must re-double our efforts. IISD is needed more than ever.

Angela Cropper

IISD Board Member and International Vice-Chair

As I set about to reflect on my association with IISD, it is somewhat of a shock to realize that I have been a member of the Board of IISD for six years already! The time has certainly been full and engaging—and satisfying.



In that period I have seen the IISD program take shape and some parts reshaped, and I have witnessed the growth in the Institute's substance and stature on global issues and in global processes:

- Its production of the Inuit video served to keep a candle burning under the Climate Change issue at a time when the international negotiating process for the Kyoto Protocol seemed like it was also destined for meltdown. And dogged pursuit of the subject has yielded telling influence on Canadian domestic progress on policy with respect to its obligations;
- It has moved beyond initial focus on the NAFTA and kept pace with evolving issues in the global trade, environment and sustainable development agenda, catalyzing activities, convening groups, conceptualizing issues, contributing to consensus, but not shying away from conflicts;
- It has occupied some of the conceptual space relating to Poverty and Environment that has been left vacant for far too long—although debate about the incremental value of the “capabilities” approach to poverty reduction will no doubt continue between myself and the Director of its Economic Policy program!;
- And after some hiatus, the Sustainable Natural Resources Management program has been reoriented and redesigned so that while concentrating geographically, it is expected to yield results that are worthwhile for the rest of the world.

Meanwhile, the Institute has become a mature citizen of the home city: its presence there is bigger, in keeping with its deeper engagement in the polity and the policy of the Province. Nor has

it neglected its first flagship activity, the *Earth Negotiations Bulletin*, which is now widely welcomed as a “party” in global intergovernmental processes.

I have also been impressed with how rapidly the Institute has attained significance as a leader in theory and practice relating to Knowledge Networks. And its expanding and exemplary internship program has the potential to go beyond training, to spawn a network of successors to IISD’s enterprise, at least in and for Canada.

Finding the right balance between attending to the needs of the home country and addressing the needs of the rest of the world, in keeping with the Institute’s vision and mission, is a recurring dilemma around the Board table. I have often been found in the posture of holding the Institute’s feet to this fire. But perhaps this is the role of its International Vice-Chair! And recent recognition that IISD is the most highly ranked and researched sustainable development policy outfit, globally speaking, is a good indicator that it might be successful in managing this dilemma.



Lloyd R. McGinnis

O.C., P.Eng.,
Founding Chair

In the beginning, IISD was a symbol of Canada’s contribution to the emerging concept of Sustainable Development. When Dr. Jim MacNeill, Dr. Clay Gilson and I were asked to create this new organization our terms of reference consisted of a blank page.

As founding Chair, I was a quarterback without a team and no playbook, but we

still had to play the game. Fortunately, we had a good coach. As a key member of the initial Executive Committee, Jim MacNeill had the experience of being part of the Brundtland Commission report where the notion of sustainable development was created. Without his experience, vision and guiding hand, IISD would have been much more difficult to launch.

In those early days we spent as much time telling people what we were not going to do as we did outlining our plans. Responding to a question on television in the spring of 1990 in Vancouver, I stated that no, we were not going to spend our funding on bricks and mortar, and no, we would not be employing lab workers in white coats. As the interview pressure mounted, I somehow blurted out that the Canadian challenge was to convert a concept into practice—and we were on our way.

At the same time, we portrayed the future IISD as a global virtual network that would use the Internet to serve as a central repository for information on sustainable development. Since the Internet was in its infancy and the need for sustainable development not yet established, few believed us and no one understood.

The first Board meetings were a fascinating exercise of developing consensus through international diplomacy. Board members came from many parts of the world and most of them had been involved in the Brundtland proceedings. They were used to a global stage and came with their own agenda of what IISD should do and become. The debates were long and emotional. However, progress was made because everyone participated for a common purpose and had a willingness to compromise. It was a fascinating and exhilarating experience that I shall cherish forever.

An agenda for IISD soon emerged, with a focus on global trade issues, big business, the agricultural sector, and the impact on sustainable development of government policy everywhere as a result of the traditional budgeting process. It is a core agenda that prevails today, some 15 years later.

IISD has never looked back from that early decision to hold a board meeting in Rio de Janeiro as part of the 1992 Earth Summit. This helped to put us on centre stage and served as a backdrop of the challenges that lay ahead. Throughout the years, I have enjoyed basking in the joy of the successes and contributions that IISD has been making in converting sustainable development from a concept into practice.



Gary Filmon

P.C., O.M., Former
Premier of Manitoba

In the fall of 1988, Prime Minister Brian Mulroney, in a speech at the United Nations in New York, announced that Canada would be establishing a new “International Institute for Sustainable Development.” When my senior staff and I heard about this in a news clip the next morning, we wondered what the mandate was and where it would be located. Since we had just established the Manitoba Round Table on Environment and Economy in agreement with Canada’s response to the Brundtland Report and I was the Chair, I immediately wrote to the Prime Minister to propose that this new institute should be located in Winnipeg in recognition of our commitment to the Round Table process and sustainable development. We were told there were a

Anniversary Reflections (Continued)

number of locations under consideration, including Montreal. The next year featured many follow-up letters and intensive lobbying with Environment Canada and the P.M.O. finally culminating with negotiations on funding and an agreement that Winnipeg would be the home of this new institute.

The Canada-Manitoba agreement that created IISD was signed in March of 1990 in Vancouver at the Globe 90 Conference on Environment by Hon. Lucien Bouchard, who was then the Federal Environment Minister, and myself. We jointly agreed on the first Chair and members of the Board and IISD was launched.

I attended a number of significant events in the first decade of IISD's existence including the Earth Summit in Rio de Janeiro where I first met David Runnalls, the current CEO.

IISD has gained an impressive international reputation for its work and has been a great credit to our province and country. Congratulations as you celebrate your 15th anniversary and best wishes for your continued achievements.



**Ambassador
Mohamed Sahnoun**

IISD Board Member and Member of the Special Advisory Group of the War-torn Societies Project

Joining the IISD board last year was a powerful and important experience for me—just as it was the first time I joined the board in 1990, the year of the Institute's birth.

After serving on the Brundtland Commission—the 1987 World Commission on Environment and Development—I saw IISD as a promising organization that had the potential to serve as a vital instrument in the implementation of the sustainable development concept that was emerging.

What made IISD effective in its early days was the fact that it was able to carry out scientific research and policy analysis on sustainable development, while keeping in constant touch and exchange on this issue with concerned categories of civil society, at a community and grassroots level. It was indeed able to build an impressive track record in the field.

That first stint on the board ended in 1996. In my return, I still see the energy and variety that so captivated the sustainable development community 15 years ago. And I see the ongoing ability to balance global, “big picture” research and thinking with application at a grassroots level.

I particularly see this in the Institute's evolving environment and security work. And I see that IISD is attracting serious attention to the important matter of understanding the relationship between environmental degradation and conflict.

In future months and years, there will be many great challenges before us. There will be increasing demands made of the Institute as issues advance and our understanding of them grows. Despite the increasing demands, we will need to find ways to continue to work effectively with local governments and with large, international bodies like the World Bank and the International Monetary Fund. I am confident that we will respond to the challenges and opportunities with aplomb.

IISD is one of the most remarkable institutions doing this sort of work. I was proud to be part of the first Board. I'm equally proud to be involved today.

SUSTAINING EXCELLENCE FOR 15 YEARS

Institutional Directions

BY WILLIAM GLANVILLE, VICE-PRESIDENT AND CHIEF OPERATING OFFICER, IISD

A commitment to impact

As part of the development of the new IISD Strategic Plan for 2005-2010, the following statement of institutional directions was adopted. The statement sharpens our focus and positions IISD to achieve meaningful change in four key areas in the next five years.

IISD Institutional Directions

Our world is one of surprise, change and uncertainty. At IISD we build this appreciation into our efforts to enhance our interdependent environmental, social and economic systems—internationally, nationally and locally. Our mission is urgent, for both current and future generations, and over the next five years our program activities will be designed to achieve significant progress in the following:

- Establish sustainable development at the centre of decision-making.
- Integrate responsible ecosystem management with human development to achieve well-being for current and future generations.
- Achieve institutional transformation, particularly through transparency, participation and accountability.
- Engage new generations in sustainable development.

To fully explore the potential of these directions, a series of internal discussions were conducted in 2004-2005, leading to the following understanding of our strategic institutional directions. We recognize that our current understanding of these directions will evolve over time. The flexibility of these strategic directions, coupled with our willingness to adapt them to new challenges and conditions at both the institutional and program levels, will allow the Institute to perform optimally in response to changes in our environment.

ESTABLISH SUSTAINABLE DEVELOPMENT AT THE CENTRE OF DECISION-MAKING

What does this mean?

This strategic direction involves embedding the principles of sustainable development as the basic frame of reference for decision-making in government, business, academia and other sectors. Some of these principles are evident in the other strategic institutional directions. In addition, however, IISD has carried out research on the principles that apply to various aspects of sustainable development. But fundamental to the sustainable development frame of reference are: the integration of the economy, environment and society; equitable participation of those groups most likely to have declining access to required resources; and preserving or restoring the earth's natural capital for future generations.

We should also recognize that change can occur at different levels within social systems and that change introduced in one sector or level will drive change in other sectors and levels. IISD has focussed its efforts on influencing government and business decision-making but not individual decision-making in the general public.

It is important to identify the key leverage points for change. Some points of intervention will lead to change more readily or more widely than others.

What means are necessary to achieve this goal?

Broadly speaking, the instruments of change are legislation and regulation; market forces; voluntary guidelines; and moral suasion. Other movements that have achieved fundamental social change (e.g., women's movement, gay rights movement) have been successful as a result of legal and institutional change. The use of indicators to monitor, chart and report progress is increasing and is a powerful tool for changing the behaviour of individuals and organizations.

INTEGRATE RESPONSIBLE ECOSYSTEM MANAGEMENT WITH HUMAN DEVELOPMENT TO ACHIEVE WELL-BEING FOR CURRENT AND FUTURE GENERATIONS

What do we mean by this statement?

Human well-being and progress toward sustainable development are vitally dependent upon improving the management of the Earth's ecosystems to ensure their conservation and sustainable use.

- Millennium Ecosystem Assessment

Human well-being is dependent on the benefits people derive from ecosystems and the services they provide. With the growth in human population and related economic activity, the demand for ecosystem services has grown to the point that natural capital is being seriously depleted and the resilience of natural systems is being significantly reduced.

The significance of this statement as an institutional direction arises from the better understanding of the linkages between ecosystem services and human well-being, and the more sophisticated understanding of the multi-dimensionality of the terms themselves. The recent work on freedoms and capabilities has expanded the concept of human development; people now have different levels of knowledge of the term. Also, human well-being is context-driven; it's different in different cultures and locations. The statement is meant to convey that human well-being is the goal and responsible ecosystem management is the means.

What means are necessary to achieve this goal?

Most pathways to achievement involve "learning by doing," because the dynamics of the linkages between human well-being and ecosystems are just now becoming better understood. Fundamentally, however, local assessments are the best starting point. This knowledge should then be built into national plans and poverty reduction strategy papers. At the same time existing national strategies can be used as an entry point to stimulate action at the local level. In addition, conceptual and technological tools such as visioning, backcasting and geographic monitoring can assist in identifying ways to increase ecosystem resilience. Finally, valuation methodologies are important to quantify the economic and social value of ecosystem services to the extent possible.

Continued on next page.

Institutional Directions (Continued)

ACHIEVE INSTITUTIONAL TRANSFORMATION, PARTICULARLY THROUGH TRANSPARENCY, PARTICIPATION AND ACCOUNTABILITY

What do we mean by this statement?

Three decades of international environment and development negotiations have not achieved the degree of progress necessary to address many of the world's problems. Some international mechanisms have outlived their usefulness. Increasingly, improved governance is identified as a key factor in achieving sustainable development.

A broad definition of institutions is intended. Institutions are the formal and informal structures and processes related to a particular domain of interest; they are the "rules of the game." Achieving this goal requires that we examine how we go about promoting particular values.

This direction will mean different things to different programs. Also, whether we are moving towards or away from greater transparency and accountability depends on the country or organization that one considers. While IISD's *Earth Negotiations Bulletin* has become well accepted in some processes, there are still some institutions that remain opaque in some important respects (e.g., the World Trade Organization). Generally, there is more buy-in to making information public, but there is resistance to making a clear commitment to targets for change. Also, performance-based reporting is a growing trend in governments, but not in the international system. New tools need to be developed for policy-related organizations to establish performance-based measures.

What means are necessary to achieve this goal?

It will be useful for us to assess our success in achieving institutional transformation efforts. IISD should also consider what other organizations do to achieve institutional transformation, and how they monitor their progress.

ENGAGE NEW GENERATIONS IN SUSTAINABLE DEVELOPMENT

Why is it important to engage new generations in sustainable development?

There are several reasons why this is an important direction. First, progress by the current generation of leaders has been slow; new ideas are needed to accelerate change and new graduates bring the latest thinking on sustainable

development issues. New ideas contribute to innovative thinking. Second, it's important to instill the sustainable development frame of reference in the next generation of leaders to influence their actions and choices. Finally, a new generation of leaders is required to ensure continuity of effort and progress in this field.

What do we mean by "new generations"?

The predominant view is that this refers to young people coming out of school and into the first few years of their careers. A broader interpretation would include anyone that is not now involved in sustainable development. Generally, this strategic direction emphasizes the importance of developing a new generation of leaders who understand and will apply the principles of sustainable development in their respective fields.

What do we mean by "engagement"?

We like to think that sustainable development is a logical process; that if we can just muster the proper arguments and put them in the proper formats, people will agree on a course of action, and will act. But that's not realistic. Sustainable development requires building trusting relationships on a global scale. IISD's research on knowledge networks revealed the following: change requires taking risks; willingness to take risks is based on trust; and trust is based on relationships. Relationships, not information, are at the centre of change. The importance of engagement across sectors, leading to partnerships and joint action for sustainable development, must be an integral part of IISD project design.

In particular, IISD can make use of our networks—including, for example, the internship alumni and *ENB* writers—as a platform for cultivating expanded relationships. In addition, we need to look for opportunities to create pockets of readiness for new groups to participate in sustainable development initiatives.

Conclusion

IISD has achieved much in its first 15 years. In fact, our success is largely based on the fact that we intuitively know that we're in the sustainable development field to achieve change, to help build a better world. And there are many examples of our work that demonstrate these strategic directions. By articulating these strategic directions now—and by refocussing our work on them collectively—we have the opportunity to renew our thinking, our motivations and our priorities so that our coming years can be even more productive than the past 15. And so that we can have a positive impact on the world.

Economic Policy

ECONOMIC POLICY DIRECTOR, ANANTHA KUMAR DURAIAPPAH



POVERTY AND GROWING INEQUITY WITHIN AND ACROSS COUNTRIES ARE AMONG THE GREATEST CHALLENGES FACING HUMANITY TODAY. ECONOMIC GROWTH IS NOT THE PANACEA. GROWTH MUST BE COMPLEMENTED BY A NUMBER OF KEY FUNDAMENTAL, INSTRUMENTAL FREEDOMS INCLUDING; ACCESS TO HEALTH; ACCESS TO EDUCATION; GOOD GOVERNANCE AND TRUST; AND WELL-FUNCTIONING ECOSYSTEMS.

Poverty-Ecosystem Service profiles were produced for seven African countries: Mozambique, Mali, Mauritania, Kenya, Uganda, Tanzania and Rwanda. These reports are among the first of their kind whereby the conceptual framework developed by IISD for the United Nations Environment Programme (UNEP) was used to identify the critical poverty-ecosystem links. **These reports are part of the larger framework to be completed for the poverty-environment work led by the United Nations Environment Programme (UNEP)** and are to be used as the starting point for the four-year program of work in the African countries.

The Millennium Ecosystem Assessment (MA) was completed in March 2005 with the initial results released on March 30. The MA, launched by UN Secretary General Kofi Annan in 2000, took nearly five years to complete and involved 1,360 scientists from 95 countries. The report for the first time establishes some baselines on the state of the world's various ecosystem types across a range of ecosystem services. It finds that **60 per cent of the 24 ecosystem services assessed by the MA are being degraded and the trend is expected to continue.** The MA report urges governments to take action quickly to avert what may become an irreversible trend which will affect adversely all people on this planet. IISD's Senior Economist and Director of Economic Policy, Dr. Anantha Kumar Duraiappah was involved in the development of the conceptual framework, especially in exploring the links between ecosystem services, human well-being and poverty. He was also the coordinating lead author for the synthesis chapter for the Response Working Group as well as the Co-chair of the Biodiversity Synthesis Working Group, which released its report globally on May 19, 2005. For more information about the MA, see <http://www.iisd.org/economics/ia/mea.asp>

IISD GRATEFULLY ACKNOWLEDGES THE GENEROSITY OF THE FOLLOWING SUPPORTERS OF OUR WORK IN ECONOMIC POLICY IN 2004 | 2005:

**UNITED NATIONS ENVIRONMENT PROGRAMME / SHASTRI INDO-CANADIAN INSTITUTE /
WORLD HEALTH ORGANIZATION / WORLD WIDE FUND FOR NATURE / WINSLOW FOUNDATION**

The first phase of the Health-Environment Linkages Initiative (HELI), a joint program of the World Health Organization, UNEP and the Canadian International Development Agency, came to an end in March of 2005. **IISD led a team of international experts in drawing up a report on the use of economic valuation and evaluation methodologies to address health-environment linkages.** The guidelines will serve as a starting point for in-country studies to be undertaken in the second phase of this program.

IISD has developed a methodology for measuring policy coherence and is currently fine-tuning a quantitative technique to compute the degree of policy coherence among the multilateral environmental agreements (MEAs) as well as the coherence between the MEAs and the Millennium Development Goals (MDGs). The first reports will be produced in the summer of 2005. This methodology is the first to address the degree of policy coherence among policies addressing common goals. Coherence and consistency among policies within and across the scales is a necessary condition if intervention strategies are to be successful in reinforcing one another to alleviate poverty.

The Economic Policy program was successful in securing initial funding from the IISD Innovation Fund to begin work on a report similar to the United Nations Development Programme *Human Development Report*, but emphasizing the links between poverty and ecosystem services for five African countries. Unlike most current reports which focus at the macro-level using aggregated data, **the Poverty-Ecosystem Report (PER) will attempt to provide more disaggregated information that policy-makers can use to design interventions** at targeted segments of the population.

CIDA, the Canadian International Development Agency, is using a modified version of IISD's conceptual framework on the links between ecosystem services and the multiple constituents and determinants of well-being as a framework to guide its policy directions in the field of environmental management in development. For background information, see *Exploring the Links: Human Well-being, Poverty and Ecosystem Services*, an IISD/UNEP co-publication at <http://www.iisd.org/publications/pub.aspx?pno=644>



Climate Change and Energy

CLIMATE CHANGE AND ENERGY DIRECTOR, JOHN DREXHAGE

CLIMATE CHANGE IS ONE OF THE GREATEST CHALLENGES FACING OUR PLANET'S ENVIRONMENT, THE GLOBAL ECONOMY, HUMAN HEALTH AND LIVELIHOODS. ITS IMPACTS WILL BE FELT FOR GENERATIONS TO COME. WHILE WE MUST DRASTICALLY REDUCE GREENHOUSE GAS EMISSIONS, WE MUST ALSO FIND WAYS TO ADAPT TO NEW REALITIES.

The international climate change community is beginning to seriously explore how it will effectively address the long-term threat of climate change after 2012, the year by which the emissions reduction targets contained in the Kyoto Protocol are to be reached. Although the commitments under the Kyoto Protocol help move the global community towards the goal of stabilizing atmospheric greenhouse gas concentrations, they are only a first step in a longer process. What will take place after the Kyoto Protocol's commitment period of 2008 to 2012 will be the subject of intense international negotiation, likely beginning in Montreal in late 2005 at the 11th United Nations Framework Convention on Climate Change Conference of the Parties. **IISD's research on climate change policy options for after the first Kyoto commitment period is better equipping Canada for the post-2012 discussions that are already unofficially underway.** In early 2005 two studies, *A Qualitative Assessment of Post-2012 Options: Canada* and *A Qualitative Assessment of Post-2012 Options: International Considerations* were completed (publication forthcoming). Two more phases of research are planned, allowing IISD to maintain its role as a leading Canadian institute on post-2012 climate change policy.

To help developed countries meet their emissions reduction targets, the Kyoto Protocol introduced three market mechanisms designed to provide industry and governments in industrialized countries with access to lower cost emissions reduction opportunities, and developing countries with access to investment and technology that will help them achieve their development goals. The Clean Development Mechanism (CDM) is a project-based mechanism that enables public or private

entities from industrialized countries with targets to receive credits when investing in emissions reduction or carbon storage projects in a developing country. The transportation sector, with its rapidly increasing greenhouse gas (GHG) emissions, could have a central role in the CDM and in addressing climate change. **In 2004–2005, IISD concluded a three-year \$1.25 million project examining the suitability of transportation projects in the CDM.** The initiative was undertaken in partnership with the Center for Clean Air Policy and Cambio Climático y Desarrollo (Chile). Project activities concluded in December 2004 and the final report was released in May 2005. The research findings will make an important contribution to the subsequent CDM initiative for the Climate Change and Energy team—the Development Dividend. See <http://www.iisd.org/climate/global/ctp.asp>.

While the CDM, in many respects, is still in its infancy, the needs of those wanting to access the mechanism and the sustainable development benefits it can deliver require it to undergo a rapid maturation. **Given the lessons learned during the evolution of the CDM to date, it is time to re-assess the successes of the mechanism and develop solutions that will overcome current challenges.** New approaches and strategies need to be identified and assessed in terms of their ability to support the provision of the *development dividend*—the socio-economic and environmental gains that may be generated through the CDM—while also providing a constructive avenue for emission reductions.

In October 2004, IISD launched the **Realizing the Development Dividend** project to:

- better understand the current challenges facing the CDM; and
- identify, assess and promote options for reworking the CDM to allow international actors to enhance the provision of a development dividend to host countries.

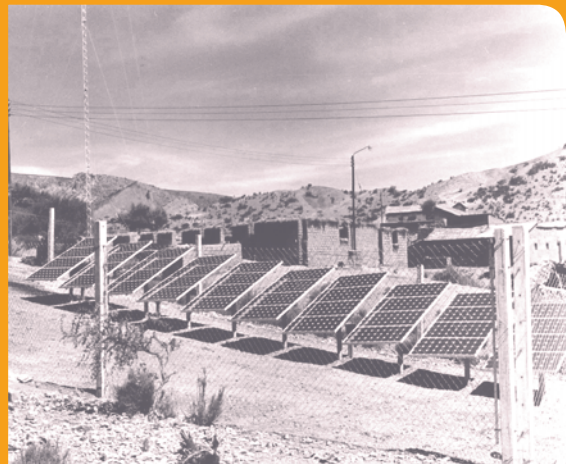
Photos: IISD and partners concluded a project looking at transportation and the Clean Development Mechanism. Photo by Jodi Browne.

Opposite page > Alternative sources of energy, like solar, will help the global community move toward greenhouse gas stabilization. Photo courtesy EJSDSA.

"While we must drastically reduce greenhouse gas emissions, we must also find ways to adapt to new realities."

In its first phase, IISD with The Energy and Resources Institute of India, completed an analysis highlighting current achievements and constraints in CDM implementation, and identifying modifications to increase its effectiveness and applicability, including first commitment period (either immediately or through new negotiation) changes and potential changes for the second commitment period. This analysis supports the project's second phase—an international Task Force comprised of 15–20 leaders in the field of CDM who will consider and recommend how to best ensure the provision of a development dividend through the CDM. See <http://www.iisd.org/climate/global/dividend.asp>

IISD recognizes the Canadian government must overcome numerous challenges in meeting its Kyoto target of reducing greenhouse gas emissions by six per cent below 1990 levels. Conscious of this, **the Institute has advocated a wide range of policy solutions to practically balance the use of domestic and international instruments to address Canada's current emissions reduction gap** and, at the same time, promote economic development, sustainability, and technology and capacity transfer in Canada and developing countries. During the past year, IISD has been increasingly called upon by the Federal Government to share our thinking on reinvigorating Canada's climate change plan. Simply put, these requests indicate the increasing recognition of IISD's capacity to contribute substantively to national and international policy discussions on climate change.



**IISD GRATEFULLY ACKNOWLEDGES THE GENEROSITY OF THE
FOLLOWING SUPPORTERS OF OUR WORK IN CLIMATE CHANGE AND ENERGY IN 2004 | 2005:**

ALCAN INC. / AUDITOR GENERAL (CANADA) / BALANCED SOLUTIONS / CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA) /
CARBON FINANCE / CHATHAM HOUSE / CLIMATE CHANGE CENTRAL / DANISH MINISTRY OF FOREIGN AFFAIRS / THE DELPHI GROUP /
DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (CANADA) / ECONOLER INTERNATIONAL / ENVIRONMENT CANADA /
MANITOBA HYDRO / NATURAL RESOURCES CANADA / NORWEGIAN MINISTRY OF THE ENVIRONMENT / PROVINCE OF ALBERTA /
PROVINCE OF BRITISH COLUMBIA / PROVINCE OF MANITOBA / PROVINCE OF ONTARIO / SHELL CANADA / SUNCOR ENERGY INC. /
SWISS AGENCY FOR DEVELOPMENT AND COOPERATION / TRANSCANADA PIPELINES / VANCITY CREDIT UNION /
WESTERN ECONOMIC DIVERSIFICATION (CANADA)

Achievements and Highlights 2004 | 2005

Sustainable Natural Resources Management

SUSTAINABLE NATURAL RESOURCES MANAGEMENT DIRECTOR, HENRY DAVID VENEMA

THE GOAL OF SUSTAINABLE NATURAL RESOURCES MANAGEMENT IS BUILDING RESILIENT SOCIO-ECOLOGICAL SYSTEMS IN THE MIDST OF PERVASIVE CHANGE AND UNCERTAINTY. CLIMATE CHANGE IS AN EXAMPLE OF A MAJOR, BUT CERTAINLY NOT THE ONLY, SOURCE OF UNCERTAINTY AND CHANGE WITH WHICH MODERN NATURAL RESOURCES MANAGEMENT MUST CONTEND.

The Sustainable Natural Resources Management (SNRM) program's current projects focus on Western Canadian water and agriculture issues. **The Prairie Water Policy Symposium, in development for a year, is essentially a policy study of the current water governance structures on the prairies**, and their capacity for adaptive management in the face of current and projected stressors—urbanization, intensified irrigation demands, increasing nutrient loads and climate change. This project will conclude in the fall of 2005 with a high-level meeting in Winnipeg on the critical biophysical and policy issues for multi-scale adaptive water resources management on the prairies. Additionally, IISD co-chaired the Manitoba Water Caucus, an affiliation of environmental NGOs active on local water resource issues.



Adaptation as Resilience-building, a policy study of climate change vulnerability and adaptation on the Canadian prairies, reflects IISD's concern with the resilience of agro-ecological systems, their varied adaptive capacity, and the underlying policies that promote or impede adaptive capacity to, in this case, historical climate variability. Partners in this project are the Natural Resources Institute at the University of Manitoba, and the Prairie Farm Rehabilitation Administration (PFRA). See <http://www.iisd.org/climate/canada/prairies.asp>

IISD is involved in community-based natural resources management initiatives with First Nations and provincial governments in Manitoba and Ontario. Beginning in December 2004 and continuing in 2005, IISD has convened and facilitated discussions between five First Nations in Manitoba and Ontario, and the respective provincial governments concerning UNESCO World Heritage Site designation for the Atikaki-Woodland region of Manitoba and Ontario. **The Province of Manitoba has expressed its support for the initiative in the strongest possible language and at the highest levels**, and has

called on IISD to employ its expertise, perspective and international contact network to facilitate the World Heritage Site designation process.

Lake Winnipeg, one of the largest freshwater lakes in the world, is experiencing increasing pollution stresses from nutrient loadings within its enormous drainage area. **IISD, in collaboration with the research partners at the University of Manitoba and Ducks Unlimited, has explored the revitalization of the Netley-Libau Marsh**, a large, biodiverse, but threatened wetlands complex at the mouth of the Red River on the southern edge of Lake Winnipeg. An ecosystem approach to re-developing these wetlands could improve biodiversity, reduce nutrient

loads on Lake Winnipeg and provide economic co-benefits through bioenergy production.

IISD's recommendation that this concept be considered was subsequently adopted by the Lake Winnipeg Stewardship Board in its interim report to the Manitoba Minister of Water Stewardship. IISD is continuing to work with its partners to develop this concept.

Although the SNRM's initial focus is regional, the tools and methodologies being developed extend well beyond the Canadian prairies. For example, the methodological principles developed in "Adaptation as Resilience-building" are also being applied in a new project being undertaken in collaboration with IISD's Climate Change and Energy team and funded by Canada's International Development Research Centre (IDRC). **The project, "Adaptive Policy-making: Linking Climate Change, Agriculture and Water Resources," will investigate community-based case studies in India and South Africa** to examine policies promoting or impeding adaptive water resources and agricultural management in areas that are historically highly exposed to climate variability.

Our international work also emphasizes building community-scale resilience to environmental stressors such as climate change. The joint project of IISD, IUCN – The World Conservation Union, the Stockholm Environment Institute and Intercooperation on Livelihoods and Climate Change **hosted a roundtable discussion on tools for building resilience and adaptive capacity to climate change through conservation**. It was an opportunity to present and solicit feedback on a draft project tool, designed to help users identify the impact of conservation projects on local resilience and adaptive capacity.

Upon understanding these impacts, users could then adjust their planned and ongoing projects to improve resilience and adaptive capacity. Preliminary feedback on the tool was very positive and constructive, and was incorporated into a revised version that will be field tested in 2005.

We also continued our dialogue with biodiversity conservation practitioners at the World Conservation Congress, in Bangkok in November 2004, where **we co-organized workshops and roundtables on trade and natural resources; on climate change vulnerability; and on the impact of conflict.** These sessions considered the strategies used in other countries to sustain programs, preserve the legitimacy of conservation organizations and contribute towards the peaceful resolution of conflict.

The principles of community-based management also underlie much of our work in Environment and Security. Since 2004, IISD has been working with the International Gorilla Conservation Project (IGCP) to evaluate the peace and conflict impacts of their trans-boundary gorilla conservation work in Central Africa, a region beset by a history of conflict. **Hard-won lessons from the development and humanitarian sectors have shown that official development assistance can fuel conflict rather than alleviate it.** By understanding the links between conservation interventions and conflict, organizations such as IGCP can integrate “conflict sensitivity” into their programming, thereby reducing threats to staff and project beneficiaries, and increasing the chances for success.

The links among natural resources, conflict and cooperation have been the subject of academic inquiry, which has done little to influence development practice. Following up on the *State of the Art Review of Environment, Security and Development Cooperation* (1999), **IISD prepared a major survey of environment and security links, and relevant development cooperation**

interventions for the Organization for Economic Co-operation and Development’s Conflict, Peace and Development Cooperation network. This was presented in draft form in February 2005 and will later be distilled into a decision-maker’s summary.

The role of the private sector as both a source of conflict and a force for peace has been the subject of considerable debate. Since 2001, under the auspices of the UN Global Compact’s Conflict Dialogue (www.unglobalcompact.org), **IISD has been collaborating**

with conflict transformation experts at International Alert and a steering group of leading impact assessment professionals from the extractive sector (Shell, BP, ERM, Newmont) to develop the Toolkit of Conflict Sensitive Business Practices, launched in early 2005, funded in part by DFAIT. See http://www.international-alert.org/pdf/pubbus/conflict_sensitive_business_practice_all.pdf

Between 2000 and 2003, IISD led the North American component of the Mining, Minerals and Sustainable Development project. A key output

of that work was the emergence of the *Seven Questions to Sustainability* (7QS) assessment template, a tool which provides a practical formula for assessing the alignment of mining/mineral operations with sustainability concepts. Uptake inside and outside the mining/minerals industry continued in 2004–2005. Because of interest in Latin America, a second Spanish print run was published. **In Northern Canada, the NWT office of Indian and Northern Affairs Canada used the template as the basis of a “Northern sustainability lens” to serve as a generic filter of its policies, programs and projects.** Canada’s Nuclear Waste Management Organization used the 7QS approach in development of a long-term strategy for managing used nuclear fuel in Canada. Plans continue to evolve for convening a symposium to review and improve the 7QS template in view of experience to date. See <http://www.iisd.org/natres/mining/7qs.asp>.



IISD GRATEFULLY ACKNOWLEDGES THE GENEROSITY OF THE FOLLOWING SUPPORTERS OF OUR WORK IN SUSTAINABLE NATURAL RESOURCES MANAGEMENT IN 2004 | 2005:

AGRICULTURE AND AGRI-FOOD CANADA / ASSOCIATION OF PROFESSIONAL ENGINEERS AND GEOSCIENTISTS OF MANITOBA /
CANADIAN ENVIRONMENTAL NETWORK / DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (CANADA) /
FRIENDS OF THE EARTH CANADA / GEC GLOBAL ENVIRONMENT CONSULTANTS LTD. / GLOBAL INSTITUTE FOR PARTNERSHIP AND GOVERNANCE /
INDUSTRY CANADA / INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (CANADA) / IUCN – THE WORLD CONSERVATION UNION /
MACARTHUR FOUNDATION / MANITOBA HYDRO / ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT /
PROVINCE OF MANITOBA / SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY / SWISS AGENCY FOR DEVELOPMENT AND COOPERATION /
UNITED NATIONS ENVIRONMENT PROGRAMME: GRID-ÅRENDAL / WORLD LEARNING CENTRE (E&S TRAVEL FUND) /
WWF INTERNATIONAL GORILLA CONSERVATION PROGRAMME

Measurement and Assessment

MEASUREMENT AND ASSESSMENT DIRECTOR, LÁSZLÓ PINTÉR

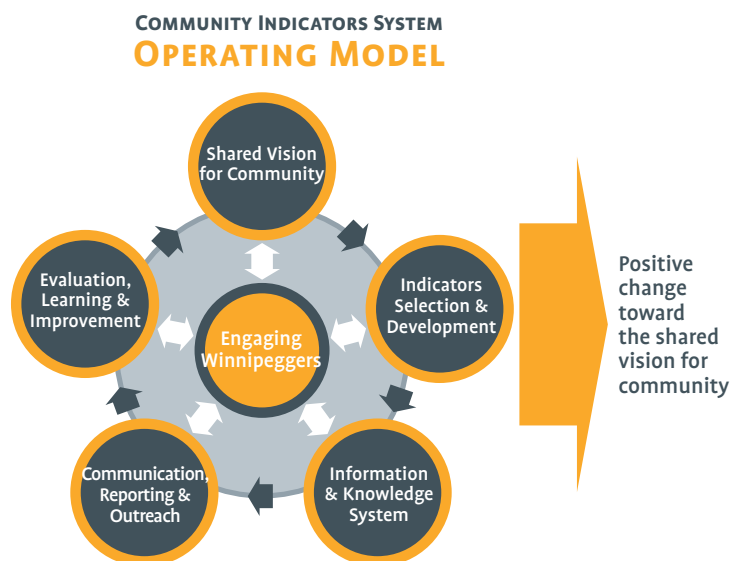
IISD'S MEASUREMENT AND ASSESSMENT PROGRAM DEVELOPS INNOVATIVE AND ROBUST MEASUREMENT TOOLS AND ASSESSMENT METHODS THAT SUPPORT SUSTAINABLE DEVELOPMENT GOALS. WITH THE RIGHT TOOLS, DECISION-MAKERS AND THE PUBLIC ARE BETTER ABLE TO DEFINE SOCIAL GOALS, LINK THEM TO CLEAR OBJECTIVES AND ASSESS PROGRESS TOWARDS MEETING TARGETS.

Many social challenges faced by the agriculture sector—including changing patterns of employment, increasing knowledge intensity and food safety—are important to address when considering a sustainable path. As yet, there is no existing agri-social indicator set for informing policy-making and assessing progress in Canada's agri-food sector. **IISD and Agriculture and Agri-Food Canada (AAFC) are working together to develop a core set of social indicators for Canada's agriculture and agri-food sector.** The priority this past year was to develop a framework that provides a structured perspective of the social dimension of sustainable development in the agriculture sector. The goal was to combine elements of social capital, individual well-being and demographic trends to provide an overarching view of social trends and dynamics in the agriculture sector. The result was a draft framework, developed with an AAFC advisory group, that is being taken to external stakeholders for elaboration of priority issues and an initial set of indicators.

We are also working to calculate the environmental costs of agriculture in Canada for which we are using AAFC's existing set of agro-environmental indicators as a starting point. There are 15 such indicators, including the risk of soil erosion by water, the risk of water contamination by phosphorous and GHG emissions from agriculture. We developed an analytic framework for linking these indicators to environmental costs that will be used in the coming year to actually calculate environmental externalities for one indicator, in one location. Later we will extend this calculation to cover more indicators and larger areas.

BC Hydro (British Columbia) has set a bold goal of having a net zero environmental impact in 20 years. Based on the recommendations of a workshop facilitated by IISD Senior Fellow Peter Hardi in October 2004, BC Hydro settled on using the Ecological Footprint (EF) as the most appropriate tool to measure its progress towards that goal. **BC Hydro commissioned IISD, in partnership with Global Footprint Network, to perform the first EF assessment ever for a corporation.** The innovative task, the first ever EF calculation for a utility company, and the first comprehensive EF assessment for any corporation ever, was completed between November 2004 and March 2005. BC Hydro's Board of Directors will decide on further action based on the recommendations of the report during their next meeting in the summer of 2005.

Continuing our collaboration with the United Way of Winnipeg, we worked towards the establishment of a community indicators system (CIS) for the city. Based on a mandate provided by a stakeholder meeting in April 2004, a planning group co-chaired by Measurement and Assessment Director László Pintér set out to work on a business plan, including an



operating model for creating the CIS. Completed in April 2005, the business plan envisions establishing a new permanent community organization dedicated to the establishment and maintenance of the CIS to the benefit of all Winnipeggers. IISD is proud to work for the benefit of Winnipeg, the city that's home to our international headquarters.

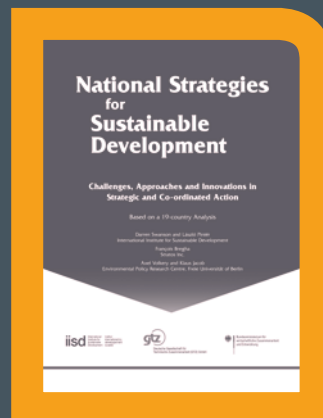
As part of our ongoing collaboration with United Nations Environment Programme, Division of Early Warning and Assessment (UNEP-DEWA) on the Global Environment Outlook (GEO), we continued to the lead the work of the GEO Capacity Building Working Group. Reflecting on lessons learned from earlier activities and emerging capacity building needs identified in UNEP's Bali Strategic Plan for Technology Support and Capacity Building, **a decision was reached to develop a modular resource book to be used in conducting training activities on integrated environmental assessment and reporting** based on the GEO approach worldwide. Coordinated by IISD, the manual is being prepared collaboratively by eight writing teams with members from UNEP, GEO Collaborating Centres and thematic experts.

IISD completed a 19-country study of developed and developing countries to identify key challenges faced in relation to the strategic management aspects of national sustainable development strategies including leadership; planning; implementation; monitoring and review; co-ordination; and participation. The innovative approaches and tools observed were featured in a publication designed to

create a pragmatic toolbox for government sustainable development managers and policy-makers. This project was a collaborative effort with Stratos Inc. and the Environmental Policy Research Centre of the Freie Universität Berlin. See <http://www.iisd.org/measure/capacity/sdsip.asp>

The loss of biodiversity is recognized as one of the most serious global environmental issues. **The Canadian Biodiversity Index (CBI) was developed from a need for a consistent mechanism to assess and convey biodiversity issues and management across Canada.** The CBI is a tool for capturing and conveying credible information on the status and trends in biodiversity in a consistent manner, and presents it in a composite index. The purpose of this project was to test and evaluate the framework and Testing Manual of the

CBI against real ecosystem data. The final report addresses key questions and issues resolved during testing, and provides recommendations to the CBI framework and methodology. Recommendations are intended to help further testing and implementation of the index by a wider range of participants and in a wider range of ecounits across the country. See <http://www.cbin.ec.gc.ca/primers/bioindex.cfm?lang=e>



IISD GRATEFULLY ACKNOWLEDGES THE GENEROSITY OF THE FOLLOWING SUPPORTERS OF OUR WORK IN MEASUREMENT AND ASSESSMENT IN 2004 | 2005:

AGRICULTURE AND AGRI-FOOD CANADA / ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA / BC HYDRO / CANADIAN INTERNATIONAL DEVELOPMENT AGENCY / DEPARTMENT OF AGRICULTURE, FISHERIES AND AQUACULTURE, PRINCE EDWARD ISLAND / DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (CANADA) / DEUTSCHE GESELLSCHAFT FÜR TECHNISCHE ZUSAMMENARBEIT (GERMANY) / ENVIRONMENT CANADA / ESSA TECHNOLOGIES / INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (CANADA) / MINISTRY OF WATER, AIR AND LAND PROTECTION, BRITISH COLUMBIA / NATIONAL CENTER FOR SUSTAINABLE DEVELOPMENT / PROVINCE OF MANITOBA / SCOTT WILSON, LTD. / UNITED NATIONS DEVELOPMENT PROGRAMME / UNITED NATIONS ENVIRONMENT PROGRAMME / UNITED WAY OF WINNIPEG

"With the right tools, decision-makers and the public are better able to define social goals..."

Achievements and Highlights 2004 | 2005

Knowledge Communications

KNOWLEDGE COMMUNICATIONS DIRECTOR, HEATHER CREECH

IT IS IMPERATIVE THAT WE INCREASE OUR IMPACT ON NATIONAL AND GLOBAL CONCERNS. EFFECTIVE USE OF COMMUNICATIONS TOOLS AND NETWORKING STRATEGIES IS THEREFORE ESSENTIAL TO OUR WORK. WE ALSO NEED TO MOBILIZE THE UP-AND-COMING GENERATION OF LEADERS—TODAY'S YOUNG GRADUATES. WE MUST BUILD ON THEIR FRESH PERSPECTIVES AND ENSURE THAT THE WORK WE DO TOGETHER, TODAY, THRIVES UNDER THEIR LEADERSHIP INTO THE FUTURE.

IISD's Knowledge Communications program works at the intersection of communications, networks and sustainable development knowledge. Our efforts are driven by the desire to have greater impact on national and global concerns. IISD has created one of the strongest presences on the Web for sustainable development, reaching a global audience that downloads over two million files a year from IISD's Web space. **But information alone doesn't lead to change.** So we investigate how to engage other organizations, businesses and communities to leverage progress by working together. And we continue to champion the role of young professionals in building a sustainable future.

IISD is developing a solid reputation for the development of strategies and evaluations for communications and networks. **We have provided advice and support to a number of organizations this year**, including IUCN – The World Conservation Union, the International Forum for Rural Transportation and Development, the International Fund for Agricultural Development, the International Development Research Centre and the Global Village Energy Partnership.

We have established a knowledge network of young southern researchers and advisors to investigate sustainable development in the information technology sector. **Through this network, we are seeking to connect information technology policy and practice more coherently with sustainable development.** We will continue in 2005 to promote this linkage through the World Summit on the Information Society.

Building on our neighbourhood consultations for the Winnipeg Environmental Improvement Zones project, we are creating a "Community SD Action and Knowledge Inventory" for use in Manitoba Climate Change Community Challenge locations. **The inventory will help communities to document and to mobilize the environmental expertise of local civil society organizations, academic institutions and businesses as they plan new climate change projects.** The tool is meant to complement the information communities can gather about government-led initiatives through the use of the Federation of Canadian Municipalities' Green Municipal Funds Community Profile.

In partnership with the University of the Arctic and Athabasca University, we developed a new online training program for our Circumpolar Young Leaders Program. This is IISD's **first venture into distance education**. See <http://www.iisd.org/interns/arctic/>

Like most other organizations, IISD has had impact by convening groups, networking and publishing our research. But this hasn't been enough to leverage the kind of change we want to see in the world. **So we are now pioneering a strategic influencing process that will, we believe, accelerate the transition of knowledge into action and increase our effectiveness.** Our strategy emphasizes an explicit focus on the changes that we want to see, and on building relationships from the beginning with those who are in positions to make those changes. In all of our program areas, we are identifying key issues that we would like to influence, and we are mapping the relationships, knowledge bases and opportunities to realize the changes we seek.

"We also need to mobilize the up-and-coming generation of leaders—today's young graduates."

IISD's Young Canadian Leaders for a Sustainable Future internship program (see <http://www.iisd.org/interns/>) placed 32 young Canadians in exciting professional positions around the world. **Over eight years, IISD has placed nearly 300 interns.** 2004-2005 saw the launch of a YCLSF alumni newsletter (see <http://www.iisd.org/interns/alumni.asp>) and the preparation of a comprehensive report investigating the impact of the internship program on the wider institute.

In 2004, **Erin Smith was an IISD intern in Sri Lanka when the devastating tsunami pounded the region.** "Standing on the shores of destruction such as this, it was almost incomprehensible to understand the magnitude of the effects the tsunami had on Sri Lanka," wrote Erin. "I saw not only the wreckage of physical landscapes, but social ones as well, with entire families and communities being swept into the sea. The greatest lesson I learned from the courageous people of Sri Lanka was that when reacting to a disaster of this kind, you have to look beyond the rubble, the remnants of what was, to see what is left, and most importantly, what you can build upon."



**IISD GRATEFULLY ACKNOWLEDGES THE GENEROSITY OF THE FOLLOWING
SUPPORTERS OF OUR WORK IN KNOWLEDGE COMMUNICATIONS IN 2004 | 2005:**

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY / DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (CANADA) /
GLOBAL KNOWLEDGE PARTNERSHIP / HUMAN RESOURCES AND SKILLS DEVELOPMENT CANADA / INDIAN AND NORTHERN AFFAIRS
CANADA / INSTITUTE FOR ENVIRONMENTAL STUDIES (IVM) / INTERMEDIATE TECHNOLOGY DEVELOPMENT GROUP /
INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (CANADA) / INTERNATIONAL FINANCE CORPORATION / INTERNATIONAL
INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT / IUCN – THE WORLD CONSERVATION UNION / LAKE BALATON DEVELOPMENT
COORDINATION AGENCY / POLICY IMPLEMENTATION ASSISTANCE PROJECT / WALTER & DUNCAN GORDON FOUNDATION /
THE WINNIPEG FOUNDATION / WORLD BANK / WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

Reporting Services

DIRECTOR, LANGSTON JAMES "KIMO" GOREE VI

IN AN EVER-EXPANDING ELECTRONIC INFORMATION ENVIRONMENT, THE "KNOWLEDGE BROKER" WILL HAVE AN INCREASINGLY IMPORTANT ROLE TO PLAY. IISD REPORTING SERVICES PLAYS THE PART OF THE TRUSTED INTERMEDIARY, SYNTHESIZING ENORMOUS QUANTITIES OF INFORMATION AND PRODUCING BALANCED, AUTHORITATIVE SUMMARIES AND ANALYSES FOR ENVIRONMENT AND SUSTAINABLE DEVELOPMENT DECISION-MAKERS.

In 2004, IISD Reporting Services (IISDRS) continued to deliver precise, accurate and insightful information and analysis on environment and sustainable development negotiations to its readership of 45,000 experts and decision-makers. **From Nairobi to Yokohama, Geneva to Buenos Aires and Nassau to Bali, the Earth Negotiations Bulletin (ENB) published 232 reports during the past year** and made them freely available on its Web site: www.iisd.ca.

IISDRS reported from 49 separate meetings from across the globe during 2004, publishing the *Earth Negotiations Bulletin*, *ENB On the Side* and *Your Meeting Bulletin*—our new "for-hire" publication specifically tailored for major conferences and events that feed into the key UN negotiations we report on in *Earth Negotiations Bulletin*. **After the success of Your Meeting Bulletin at the World Forestry Congress in Quebec in September 2003, IISDRS has published its new bulletin at many other major meetings**, including:

- Renewables 2004 – International Conference for Renewable Energies (www.iisd.ca/sd/ren2004/);
- Third IUCN World Conservation Congress (www.iisd.ca/sd/iucn/wcc3/);
- International Scientific Conference on Biodiversity (www.iisd.ca/sd/icb/);
- Second International Forum on Partnerships for Sustainable Development (www.iisd.ca/sd/sdifp/); and
- Asia-Pacific Ministerial Conference on Environment and Development (www.iisd.ca/sd/mced/).

The *Earth Negotiations Bulletin* is also published in French, with the support of the French Ministry of Foreign Affairs, and, beginning in 2004, in Spanish, with the support of the Spanish Ministry of Environment. **IISDRS hired Socorro Estrada, a Spanish translator based in Buenos Aires, to ensure that the**

***Boletín de Negociaciones de la Tierra* reaches the Spanish-speaking community.** By expanding the number of languages into which the *ENB* is translated, IISDRS continues to pursue its goal of providing transparent information to a growing number of readers.

IISDRS recently launched **new promotional materials**:

- The IISDRS brochure highlights the different publications and reports that the division produces, including the *Earth Negotiations Bulletin*, *Your Meeting Bulletin*, the IISDRS Linkages Web site, and peer-to-peer listserves on climate change, forests, water and chemicals.
- The *Your Meeting Bulletin* brochure explains the different types of coverage that IISDRS provides at conferences, workshops and symposia, including daily and summary reports and Web site coverage.
- The *Linkages Update* leaflet describes our bi-weekly e-newsletter, *Linkages Update*, which contains all the latest news and reports from multilateral negotiations on sustainable development and environmental issues.

Maintaining the high quality of our reports depends on the excellence and commitment of our team of expert consultants and staff. This is why IISDRS places such a strong emphasis on building capacity and promoting team-building. IISDRS held a "Team Leaders' Workshop" in August 2004, where 15 team leaders received training in several different aspects of leadership especially designed to help them manage international teams of writers reporting from multilateral negotiations. IISDRS also recruited 15 new writers and held two training sessions for these new writers in October and in December 2004. **The new writers, who were chosen from over 200 applicants, were carefully selected based on their qualifications, experience and expertise.** All either have (or are completing) PhDs in relevant subjects or can offer a minimum of five years' experience in international diplomacy or a related area. Such a rigorous selection and training process helps ensure that the information and analysis provided by *Earth Negotiations Bulletin* and its sister publications continue to reach the highest standards possible.



"IISD Reporting Services plays the part of the trusted intermediary, synthesizing enormous quantities of information..."



IISD GRATEFULLY ACKNOWLEDGES THE GENEROSITY OF THE FOLLOWING SUPPORTERS OF OUR REPORTING SERVICES ACTIVITY IN 2004 | 2005:

Government Ministries and Agencies

THE NETHERLANDS' MINISTRY OF FOREIGN AFFAIRS – SUSTAINING DONOR / CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA) – SUSTAINING DONOR / THE UNITED STATES DEPARTMENT OF STATE'S BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS AND THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT – SUSTAINING DONOR / SWITZERLAND'S AGENCY FOR ENVIRONMENT, FORESTS AND LANDSCAPE – SUSTAINING DONOR / THE UNITED KINGDOM'S DEPARTMENT FOR INTERNATIONAL DEVELOPMENT – SUSTAINING DONOR / THE EUROPEAN COMMUNITY (DG-ENV) – SUSTAINING DONOR / DENMARK'S MINISTRY OF FOREIGN AFFAIRS – SUSTAINING DONOR / GERMANY'S MINISTRY FOR DEVELOPMENT COOPERATION (BMZ) THROUGH GTZ AND THE GERMAN MINISTRY OF NATURE MANAGEMENT, FORESTS AND NUCLEAR SAFETY (BMU) – SUSTAINING DONOR / SWEDEN'S MINISTRY OF FOREIGN AFFAIRS AND MINISTRY OF ENVIRONMENT / AUSTRIA'S MINISTRY OF ENVIRONMENT / THE GOVERNMENT OF AUSTRALIA / NORWAY'S MINISTRY OF ENVIRONMENT AND THE MINISTRY OF FOREIGN AFFAIRS / FINLAND'S MINISTRY OF ENVIRONMENT AND MINISTRY OF FOREIGN AFFAIRS / JAPAN'S MINISTRY OF ENVIRONMENT (THROUGH THE INSTITUTE FOR GLOBAL ENVIRONMENTAL STRATEGIES - IGES) AND MINISTRY OF ECONOMY, TRADE AND INDUSTRY (THROUGH THE GLOBAL INDUSTRIAL AND SOCIAL PROGRESS RESEARCH INSTITUTE – GISPRI) / THE GOVERNMENT OF NEW ZEALAND / RESOURCES CONSERVATION DIVISION, FORESTRY DEPARTMENT, COUNCIL OF AGRICULTURE, TAIWAN (THROUGH SWAN INTERNATIONAL) / FRANCE'S MINISTRY OF FOREIGN AFFAIRS AND THE INTERNATIONAL ORGANIZATION OF THE FRANCOPHONE (FOR PUBLISHING IN FRENCH) / SPAIN'S MINISTRY OF ENVIRONMENT (FOR PUBLISHING IN SPANISH) / ITALY'S MINISTRY OF ENVIRONMENT

Intergovernmental Organizations and Specialized Agencies of the United Nations

THE UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)
THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)



Trade and Investment

TRADE AND INVESTMENT DIRECTOR, MARK HALLE

Trade

TRADE LIBERALIZATION IS ONE OF THE ESSENTIAL ENGINES OF ECONOMIC GROWTH. AS SUCH, IT HAS CONSIDERABLE POTENTIAL AS A FORCE FOR SUSTAINABLE DEVELOPMENT. UNFORTUNATELY, THE LINK IS NOT AUTOMATIC. WHERE TRADE POLICY IS IN CONFLICT WITH ENVIRONMENT AND DEVELOPMENT POLICY, IT CAN RETARD OR EVEN UNDERMINE THE ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT. IISD'S FOCUS IS ON HOW TRADE POLICY AND POLICIES IN OTHER KEY AREAS CAN BE MADE COMPATIBLE, SO THAT OPTIMAL PROGRESS TOWARDS SUSTAINABLE DEVELOPMENT IS MADE.

IISD continues to lead a Task Force on WTO and Environment within the framework of the China Council for International Cooperation on Environment and Development (CCICED). In 2004, the Task Force performed an environmental impact assessment of China's accession to the World Trade Organization on six major sectors of the Chinese economy: energy, forestry, agriculture, automobiles, textiles and fisheries/aquaculture. **The work represents the most comprehensive study of its kind for any country—developed or developing.** The recommendations resulting from the study have reached the highest government levels in China. The Task Force also worked with Chinese negotiators on the Doha round of negotiations. In 2005 IISD will collaborate with a new Task Force on China's Sustainable Development and Global Product Markets, identifying and assessing China's ecological footprint. See <http://www.iisd.org/trade/cciced/>

One of the un-fulfilled hopes of the 1992 Rio Earth Summit is the promise of "green gold," wealth generated from genetic resources. These resources have not become the financial bonanza for developing countries that optimists had hoped. Part of the reason is technological: advances in synthetics mean that industry is no longer as dependent on genetic resources. But part of the reason also lies in the difficulty in building trusting relationships, concerns about due process and accusations of bio-piracy. **IISD and Stratos Inc., a Canadian consulting firm, have jointly prepared—and are now testing—a tool to help build trust and awareness of good practice** in access to genetic resources and benefit sharing (ABS). See <http://www.iisd.org/standards/abs.asp>

In March 2005, members of the International Organization for Standardization (ISO) began developing an international standard to help organizations balance environmental, social and economic issues, referred to collectively as SR: Social Responsibility. In many countries, companies that have never heard of the United Nations or the International Labour Organization are indeed aware of the ISO and take its standards seriously. So while an ISO SR standard will not be a challenge for the multinational thought leaders, it could help to influence literally *tens* of thousands of small- and medium-sized companies. **IISD has been actively involved in ISO for over eight years, and has played a central role in guiding ISO's engagement in SR.** *We have also worked with IISD's new Chair, Dan Gagnier, who chaired the early discussions on SR in ISO, to ensure that developing countries have the financial and human resources needed to participate effectively in the process.* See <http://www.iisd.org/standards/csr.asp>

Partnering with Russian NGO Eco-Accord, IISD has been working in eight republics of the former Soviet Union—Armenia, Belarus, Moldova, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan—on the link between WTO membership and sustainable development. **In this cycle of the project, the focus is on the consequences of the Doha Round agricultural negotiations in the WTO and on investment liberalization.** Through teamwork, research and capacity building in each of the target countries, we are helping countries prepare for WTO membership where they are not already members—and to adapt to it when they are—without sacrificing sustainable development along the way. The talks will have profound impacts on the fragile countries of this region, especially as they are already undergoing a profound and difficult economic adaptation. Further, all are under pressure to strengthen protection of investor rights, and are entering into investment agreements without regard for the potential negative consequences for sustainable development. See <http://www.iisd.org/trade/ldc/eeb.asp>

IISD and the United Nations Conference on Trade and Development launched the Sustainable Coffee Partnership, a global initiative designed to enable open and equitable stakeholder participation in preparing a shared sustainable development strategy

"IISD's focus is on how trade policy and policies in other key areas can be made compatible, so that optimal progress towards sustainable development is made."

for the coffee sector. In addition to establishing a set of strategic priorities for sustainability in the sector, the partnership has played an instrumental role in feeding policy discussions on sustainability within the International Coffee Organization (ICO), including the presentation of a formal proposal for the establishment of a multi-stakeholder sustainability committee within the ICO. IISD also produced a series of five research papers dealing with strategies for cooperation using market-based approaches for sustainability as well as undertaking initial analysis of the costs and benefits associated with the adoption of different sustainability standards serving the sector. See http://www.iisd.org/trade/commodities/sci_coffee_partnership.asp

The Trade Knowledge Network (TKN) is an international network of developing country organizations working cooperatively with IISD. In the fall of 2004, the TKN completed its second phase of research and released its synthesis report, *Lessons Learned on Trade and Sustainable Development*. **In the first two months, the publication was downloaded 9,400 times. The publication captures some of the key knowledge from the first six years of the TKN, which is coordinated by IISD.** The most salient development is the formation of a TKN Secretariat and regional hubs with a greater focus on shared goals and objectives, distributed management of the network and common themes for research across the regional groupings. The total network will serve as a platform to support policy and action research on cross-cutting multilateral, regional or sectoral trade negotiation, policy and practice, and will ensure that TKN research and activities reach key audiences globally. See <http://www.tradeknowledgenetwork.net>

Nobel Laureate Amartya Sen has been enormously influential in development circles for his argument that "development is freedom." In 2004, IISD asked what Sen's thinking means for sustainable development and, moreover, what it means for the trade and sustainable development debates. The result is a critique of most current thinking, which assumes that growth in trade equates to development and demands merely that it respect environmental sustainability. **It is also a strong argument for strengthening a wide array of domestic institutions as a prerequisite to liberalization.** And it is a plea for more meaningful forms of special treatment for developing countries in international trade talks. See <http://www.iisd.org/publications/pub.aspx?pno=619>

The goal of IISD's Van Lennep Initiative is to generate a consensus in the WTO on the need to take resolute, ongoing and systematic action to reduce or eliminate subsidies that distort trade and undermine sustainable development. **In March 2005, the Eminent Persons Group was convened at the Rockefeller Centre in Bellagio, Italy, to define a first-year work plan** and research program; identify research institutions and an expert advisory committee from North and South; develop a communications strategy; and a fundraising approach for the project. See <http://www.iisd.org/trade/wto/vanlennep.asp>

IISD's Southern Agenda on Trade and Environment project aims to strengthen the capacity of developing country trade negotiators, policy-makers, academics and civil society to determine priorities for promoting and negotiating proactive positions which reflect their own "Southern Agenda" on environment and trade in the multilateral trading system. **In conjunction with Southern partners from the RING and ICTSD, the project has completed six regional consultations to help build a structure for the Trade and Environment Resource Book (forthcoming), a tool to facilitate informed participation in negotiations and policy decision-making processes.**

Another publication, *Envisioning a Sustainable Development Agenda for Trade and Environment* (forthcoming), will assemble the outputs of the consultations and provide the rationale behind a proactive developing country agenda on trade and sustainable development. See <http://www.iisd.org/trade/ldc/sate.asp>

Achievements and Highlights 2004 | 2005

Trade and Investment (continued) Investment

WITHOUT INVESTMENT, ECONOMIC GROWTH IS IMPOSSIBLE. WELL-PLANNED AND HIGH-QUALITY FOREIGN INVESTMENT IN DEVELOPING COUNTRIES CAN HELP MAKE ECONOMIC PRACTICES MORE SUSTAINABLE. INAPPROPRIATE INVESTMENT, HOWEVER, CAN UNDERMINE COMMUNITIES AND THE ENVIRONMENT. IISD EXAMINES HOW THE INSTITUTIONS THAT GOVERN INTERNATIONAL INVESTMENT FLOWS CAN BE IMPROVED SO AS TO HELP DEVELOPING COUNTRIES ATTRACT THE SORT OF INVESTMENT THAT PROMOTES SUSTAINABLE DEVELOPMENT.

Since 2001, IISD has published INVEST-SD (the *Investment Law and Policy News Bulletin*), which investigates and tracks developments in the international legal regime governing foreign direct investment. INVEST-SD reaches 1,400 direct subscribers, and many more readers through redistribution on the Web and via specialized electronic mailing lists. **The publication draws a varied readership which includes NGOs, activists, international lawyers and policy-makers.** These subscribers report that the bulletin is the best available neutral resource for news about the global web of international investment protection treaties and the international litigation which arises under those treaties when investors come into conflict with their host governments. By tracking and chronicling in this new, but quickly-growing, area of international economic law, INVEST-SD provides an important complement to IISD's analytical research on the sustainable development impacts of this body of emerging law. See <http://www.iisd.org/investment/invest-sd/>

IISD's Model International Agreement on Investment for Sustainable Development is a milestone achievement for the Institute.

The IISD Model Agreement is based on seven years of IISD research and consultations on international investment agreements (IIAs) and their relationship to sustainable development. In particular, the Model International Agreement project is integrally connected with the contemporaneous project to articulate, with the support of research institutes in Thailand, Argentina, Brazil and South Africa, a Southern Agenda on Investment. Both projects were considered at conferences organized with our partner institutes in their home countries, with over 100 participants in total. These two projects seek to redesign the foundation and purpose for IIAs, ending 50 years of a singular focus in this area of corporate rights and protections. See http://www.iisd.org/investment/model_agreement.asp

Photos: This page > IISD's Model International Agreement on Investment for Sustainable Development – Negotiators' Handbook is based on seven years of research.
Page 26 > The Sustainable Coffee Partnership promotes equitable stakeholder participation to benefit growers, like those pictured, and all parties in the supply chain.
Photo by Chris Wunderlich.
Opposite page > Certificate confirming IISD's purchase of 980 tonnes of carbon offset credits.



IISD GRATEFULLY ACKNOWLEDGES THE GENEROSITY OF THE FOLLOWING SUPPORTERS OF OUR WORK IN TRADE & INVESTMENT IN 2004 | 2005:

ALCAN INC. / BRITISH EMBASSY, BEIJING / MINISTRY OF FOREIGN AFFAIRS, DENMARK / DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (CANADA) / EARTH COUNCIL / EUROPEAN COMMISSION / FORD FOUNDATION (USA) THROUGH ECO-ACCORD, RUSSIA / FRIEDRICH EBERT STIFTUNG (GERMANY) / HEALTH CANADA / HEINRICH BÖLL FOUNDATION (GERMANY) / INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (CANADA) / MINISTRY OF FOREIGN AFFAIRS (NORWAY) / MISTRA FOUNDATION (SWEDEN) / C. S. MOTT FOUNDATION (USA) / NETHERLANDS MINISTRY OF HOUSING, SPATIAL PLANNING AND THE ENVIRONMENT / NORWEGIAN AGENCY FOR DEVELOPMENT COOPERATION / ROCKEFELLER FOUNDATION (USA) / STATE SECRETARIAT FOR ECONOMIC AFFAIRS (SWITZERLAND) / SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY / SWISS AGENCY FOR DEVELOPMENT AND COOPERATION / SWISS AGENCY FOR ENVIRONMENT, FORESTS AND LANDSCAPES / UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT / UNITED NATIONS ENVIRONMENT PROGRAMME

Achievements and Highlights 2004 | 2005

Operating Sustainably

BY MARLENE ROY, CHAIR, IISD INTERNAL SUSTAINABLE DEVELOPMENT ASSESSMENT AND REPORTING TEAM



15 years of progress

At the launch of IISD in the 1990s, staff understood that we were charting new territory, guided by the principles of sustainable development, and several took up the challenge of “greening the office.” By 1994, the institute had put in place a waste management system based on the 3Rs—reducing, reusing, recycling; established green procurement guidelines; provided a locked bicycle cage and on-site showers to encourage cycling to work; and worked to raise staff awareness.

As early as 1995, and before the advent of sustainability reporting guidelines such as the Global Reporting Initiative, IISD started reporting on its own sustainability performance. Over time, reporting has expanded to include such things as tracking carbon dioxide emissions and purchasing carbon offsets, capturing incubating ideas that emerge as funded projects and measuring workplace diversity.

Our fourth full-length report on IISD's operational sustainability, using the Global Reporting Initiative Guidelines, will be available at <http://www.iisd.org/about/sdreporting/> in the summer of 2005. Here are some of the highlights:

Achievements in 2004 | 2005:

- Reduced carbon footprint by leasing less floor space in the Winnipeg head office.
- Reused interior finishing materials from the relinquished office space in reconfigured space.
- Purchased 980 tonnes of carbon offset credits from Vision Quest Wind Energy in Alberta.
- Increased proportion of people participating in the Commuter Challenge in Winnipeg to 87 per cent, the highest number to participate so far. The Commuter Challenge initiative is designed to encourage people not to drive their cars to work.
- Improved ratio of women to men working for IISD programs.
- Doubled financial support to staff for training and professional development.
- Provided training on project management and produced a briefing note on “How to Manage the Unexpected.”

Of the seven recommendations in the 2003–2004 report, three are in the initial stages of implementation:

1. Extend our sustainable development assessment and reporting to two IISD projects using the Global Reporting Initiative guidelines.
2. Further roll out of the internal carbon management strategy by developing a tool to plan meetings using various telecommunication paths as possible alternatives to travelling; and
3. Hold a series of “Blue Sky Brainstorming” sessions to stimulate innovative thinking.

THE IISD INTERNAL SUSTAINABLE DEVELOPMENT ASSESSMENT AND REPORTING TEAM:

STEPHAN BARG / JODI BROWNE / DENNIS CUNNINGHAM
JANICE GAIR / JASON MANAIGRE / CATHERINE MUIR
MARCELA ROJO / MARLENE ROY / DARREN SWANSON
HENRY DAVID VENEMA

"As early as 1995, and before the advent of sustainability reporting guidelines such as the Global Reporting Initiative, IISD started reporting on its own sustainability performance."

Auditors' Report

To the Members of
International Institute for Sustainable Development

We have audited the consolidated statement of financial position of International Institute for Sustainable Development as at March 31, 2005 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

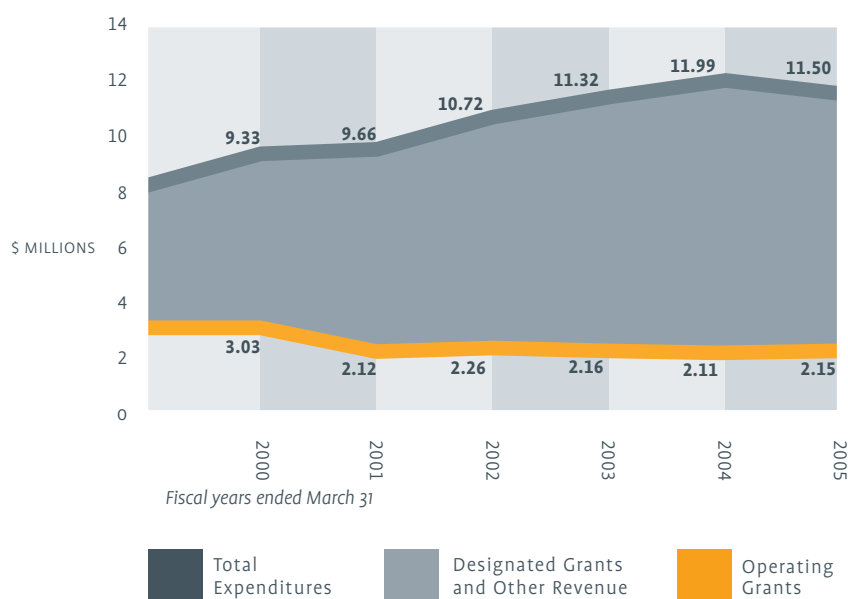
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
May 13, 2005

2000 - 2005 IISD Financing Trend



Consolidated Statement of Financial Position

March 31, 2005

	2005	2004
ASSETS		
CURRENT		
Cash	\$ 1,126,258	\$ 1,350,169
Marketable securities	5,426,563	6,456,049
Accounts receivable	5,909,963	5,107,736
Prepaid expenses and deposits	74,123	132,529
	12,536,907	13,046,483
CAPITAL ASSETS	308,751	231,222
	\$12,845,658	\$13,277,705
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,088,067	\$ 1,105,660
Deferred revenue	5,071,130	5,491,513
	6,159,197	6,597,173
COMMITMENTS		
NET ASSETS		
Net assets invested in capital assets	308,751	231,222
Reserve for program development	3,565,301	3,730,280
Reserve for long-term development	1,456,997	1,479,372
Innovation Fund	317,400	–
Unrestricted net operating assets	1,038,012	1,239,658
	6,686,461	6,680,532
	\$12,845,658	\$13,277,705

Consolidated Statement of Operations

For the Year Ended March 31, 2005

	2005	2004
REVENUE		
Designated grants	\$ 8,764,270	\$ 9,569,403
Operating grants	2,153,696	2,105,261
Innovation Fund	2,079	–
Interest	246,930	291,065
Other revenue	20,111	29,422
TOTAL REVENUE	11,187,086	11,995,151
EXPENSES		
Projects		
Trade and Investment	3,747,824	3,786,269
Reporting Services	2,569,681	2,503,410
Climate Change and Energy	1,340,347	1,724,923
Knowledge Communications	1,092,505	983,475
Measurement and Assessment	612,023	754,315
Sustainable Natural Resources Management	494,268	558,682
Economic Policy	383,407	516,728
New Project Development	165,729	78,338
Innovation Fund	2,079	–
	10,407,863	10,906,140
Administration	684,695	671,213
Fund Development and Outreach	269,603	275,297
Board	136,396	139,977
TOTAL EXPENSES	11,498,557	11,992,627
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	(311,471)	2,524
APPROPRIATION FROM (TO) NET ASSETS		
Net assets invested in capital assets	(77,529)	9,527
Reserve for program development	164,979	78,338
Reserve for long-term development	22,375	(16,882)
(DECREASE) INCREASE IN NET OPERATING ASSETS	(201,646)	73,507
NET OPERATING ASSETS, BEGINNING OF YEAR	1,239,658	1,166,151
NET OPERATING ASSETS, END OF YEAR	\$ 1,038,012	\$ 1,239,658

Note on Funding Arrangements

Designated grants IISD receives funding from a variety of public and private sources to finance specific projects relating to its strategic objectives. Projects may carry on over more than one year. The related designated grants are recorded when the funding commitment is made and recognized in revenue as the projects progress. A comparative summary of designated grant funding committed during the year is as follows:

	Funding Commitments	
	2005 (\$000's)	2004 (\$000's)
Governments and agencies		
Canada	\$ 2,474	\$ 1,745
International	4,460	4,778
	6,934	6,523
United Nations agencies	650	962
International organizations	437	782
Philanthropic foundations	222	248
Private sector and other	305	430
	\$ 8,548	\$ 8,945

Designated grants and other revenue which includes publication sales, cost recoveries and, in the case of Administration, Fund Development and Outreach the unrealized foreign exchange loss recognized at March 31 in the amount of \$84 thousand (2004 – \$174 thousand), are summarized by activity area as follows:

Activity Area	Other Revenue (\$000's)	Innovation Fund (\$000's)	Designated Grants (\$000's)	Total (\$000's)
Trade and Investment	\$ 12	\$ –	\$ 3,258	\$ 3,270
Reporting Services	17	–	2,567	2,584
Climate Change and Energy	14	–	1,095	1,109
Knowledge Communications	6	–	908	914
Measurement and Assessment	13	–	469	482
Sustainable Natural Resources Management	8	–	229	237
Economic Policy	11	–	236	247
Innovation Fund	–	2	–	2
New Project Development	1	–	–	1
Administration, Fund Development and Outreach	(62)	–	2	(60)
	\$ 20	\$ 2	\$ 8,764	\$ 8,786

Operating grants IISD has entered into renewed funding arrangements with the Government of Canada (Environment Canada and the Canadian International Development Agency (CIDA)). The arrangement with CIDA provides operating grants for the five year period April 1, 2000 to March 31, 2005. Environment Canada renews its contribution annually. IISD also entered into a renewed five-year funding agreement with the Government of Manitoba which covers the period from April 2001 to March 31, 2006. It includes a core operating grant component aggregating \$4,583,600 plus specific project funding of up to an additional \$1,145,900 over the period. During the year IISD was awarded a grant in the amount of \$200,000 by the International Development Research Centre (IDRC). This grant is payable in equal instalments over two years.

A summary of the operating grant funding is as follows:

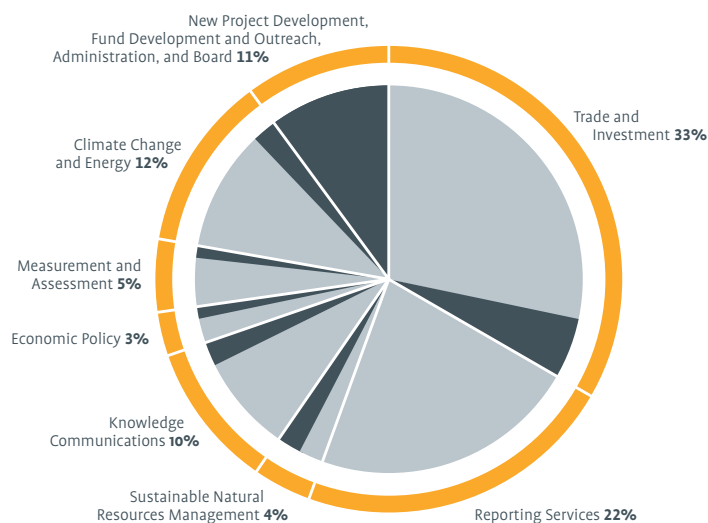
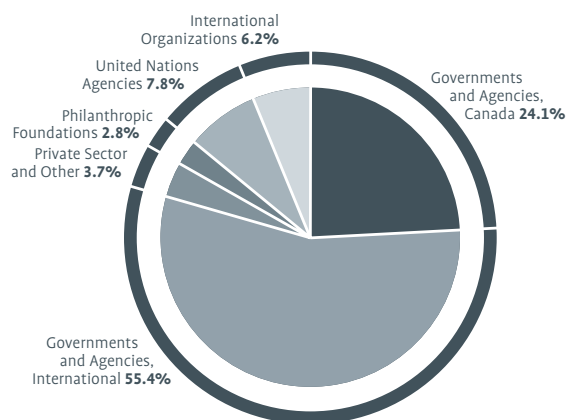
	Funding Commitment (\$ 000's)	Funding Recorded		Funding Commitment Remaining (\$ 000's)
		2005 (\$ 000's)	Prior years (\$ 000's)	
Government of Canada				
Environment Canada	\$ 1,000	\$ 200	\$ 800	\$ –
Canadian International Development Agency	5,000	1,000	4,000	–
Government of Manitoba	4,584	854	2,928	802
International Development Research Centre	200	100	–	100
Operating grant revenue	\$10,784	\$ 2,154	\$ 7,728	\$ 902

2004 - 2005 Revenue and Expenses by Activity Area

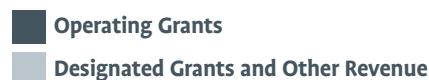
Total expenses of \$11,498,557

2004 - 2005 Designated Grant Revenue by Donor

Total designated grant revenue of \$8,764,270



Financed by:



Schedule of Operations By Activity Area (\$000's)

For the Year Ended March 31, 2005

The following table summarizes expenses incurred in each of the IISD's activity areas:

	Trade and Investment	Reporting Services	Climate Change & Energy	Knowledge Communications	Measurement and Assessment	Sustainable Natural Resources Management	Economic Policy	New Project Development	Innovation Fund	Administration	Fund Development and Outreach	Board	2005 Total	2004 Total
Revenue	\$3,270	\$2,584	\$1,109	\$ 914	\$ 482	\$ 237	\$ 247	\$ 1	\$ 2	\$ (60)	\$ -	\$ -	\$8,786	\$9,599
Personnel	1,462	358	779	400	395	339	255	111	2	560	152	-	4,813	4,912
Consulting	1,200	998	222	425	48	41	39	29	-	-	19	-	3,021	3,415
Travel	386	963	172	152	71	59	38	15	-	30	29	-	1,915	1,889
Rent	147	53	41	24	29	20	17	-	-	34	10	-	375	325
Supplies and other	94	56	31	27	22	13	11	-	-	32	20	-	306	261
Publishing	37	31	25	3	6	3	6	2	-	-	29	-	142	195
Amortization of capital assets	35	43	17	13	12	10	7	-	-	10	4	-	151	170
Meetings	315	-	10	24	10	2	1	3	-	1	2	-	368	427
Telecommunications	55	68	34	19	16	5	6	4	-	11	4	-	222	208
Board	-	-	-	-	-	-	-	-	-	-	-	136	136	140
Research materials	16	-	9	5	5	4	3	-	-	7	-	-	49	51
Total expenses	3,747	2,570	1,340	1,092	614	496	383	164	2	685	269	136	11,498	11,993
Excess of (expenses over designated grants and other revenue)														
designated grants and other revenue over expenses	\$(477)	\$14	\$(231)	\$(178)	\$(132)	\$(259)	\$(136)	\$(163)	\$-	\$(745)	\$(269)	\$(136)	\$(2,712)	\$(2,394)
Excess of expenses over designated grants funded by:														
Operating grants													2,154	2,105
Interest													247	291
Excess of (expenses over revenue) revenue over expenses													\$(311)	\$2

Schedule of Designated Grants Committed (\$000's)

For the Year Ended March 31, 2005

Government of Canada (and Agencies)

International Development Research Centre (IDRC)	\$1,228
Department of Foreign Affairs and International Trade	405
Natural Resources Canada	154
Agriculture and Agri-Food Canada	152
Canadian International Development Agency (CIDA)	137
Human Resources Development Canada	56
Environment Canada	41
Health Canada	30
Indian & Northern Affairs	25
	2,228

Governments of provinces

Manitoba	191
Ontario	28
Alberta	17
British Columbia	7
Prince Edward Island	3
	246

Governments of other nations

Switzerland		
State Secretariat for Economic Affairs (SECO)	1,356	
Swiss Agency for Development and Cooperation (SDC)	872	
Swiss Agency for the Environment, Forests and Landscape	121	2,349
Norway		
Ministry of Foreign Affairs	121	
Ministry of the Environment	85	
NORAD	184	390
European Commission		271
Germany		
Ministry of Environment	98	
German Society for Technical Cooperation (GTZ)	48	
Ministry for Economic Cooperation and Development (BMZ)	94	240
United States		
USAID		188
France		
Ministry of Foreign Affairs	115	
Institut de l'Energie et de l'Environnement de la Francophonie	65	180
Spain		132
Netherlands		
Ministry of Housing	91	
Ministry of Agriculture, Nature, & Food Quality	25	116

Sweden

Swedish International Development Agency	14
Ministry of Foreign Affairs	69
Ministry of Environment	12
Ministry of Sustainable Development	17
	112
Italy	98
Japan	91
Australia	74
Denmark	71
Austria	50
Taiwan	46
Finland	40
Other	12
	4,460

United Nations agencies

United Nations Environment Programme (UNEP)	518
United Nations Framework Convention on Climate Change (UNFCCC)	102
Other	30
	650

International organizations

World Bank	117
The World Conservation Union (IUCN)	77
International Tropical Timber Organization	63
Institut Francais de la Biodiversite (IFB)	39
World Wildlife Fund for Nature	37
Organization For Economic Co-operation and Development (OECD)	34
International Food Policy Research Institute (IFPRI)	29
World Health Organization	20
Other	21
	437

Philanthropic foundations

Ford Foundation	65
Rockefeller Foundation	66
Walter & Duncan Gordon Foundation	47
The Atkinson Foundation	35
Other	9
	222

Private sector and other

Other (sum of amounts under \$25 thousand)	115
B. C. Hydro	75
Transcanada Pipelines	50
Intermediate Technology Development Group	37
Climate Change Central	28
	305
	\$8,548

Innovation Fund

During the year, the Board of Directors launched the IISD Innovation Fund. The fund supports IISD achieving greater levels of research excellence by allowing researchers to experiment, take risks and explore the issues necessary to meet the rapidly evolving challenges of achieving global sustainability. Raising and effectively managing this new “intellectual venture capital” allows for a broader range of creative ideas to emerge without compromising the institute’s ability to raise project-specific funds and to continue excelling in project execution. Grants are awarded to specific Innovation Fund projects through a formal review process using pre-set criteria.

The entire team at IISD thanks Innovation Fund donors for their commitment and vision.

Summary of Innovation Fund activity from inception to March 31, 2005

Contributions:	(\$000's)
Alcan Inc.	\$ 90
Anonymous	75
The Great West Life Assurance Company	75
Investors Group	75
Manitoba Hydro	75
	390
Grants awarded to projects:	
Human Development and Ecosystem Report	25
IISD will produce a prototype report describing ecosystem services under stress and looking at how they link to the human well-being in five countries.	
Identify Environment and Security Challenges in China	15
IISD will identify and prioritize the potential environmental sources of tension and opportunities for regional cooperation and democratization relevant to China.	
Governance and Accountability Challenges for Non-Legal Entities	13
IISD will explore decision-making among multi-stakeholder partnerships and networks that are not legal entities, but have assumed significant policy research and implementation responsibilities.	
Natural Disasters and Resource Rights	13
IISD will analyze the threats and opportunities presented by resource rights re-allocation after natural disasters.	
Building Capacity for Sustainable Development in North Korea	7
IISD will assemble a small working group to develop a project proposal that will build the capacity of North Korea to address environmental concerns and advance sustainable development.	
	73
Innovation Fund balance at March 31, 2005	\$ 317

To learn more about innovation at IISD and the IISD Innovation Fund, visit <http://www.iisd.org/innovation/>