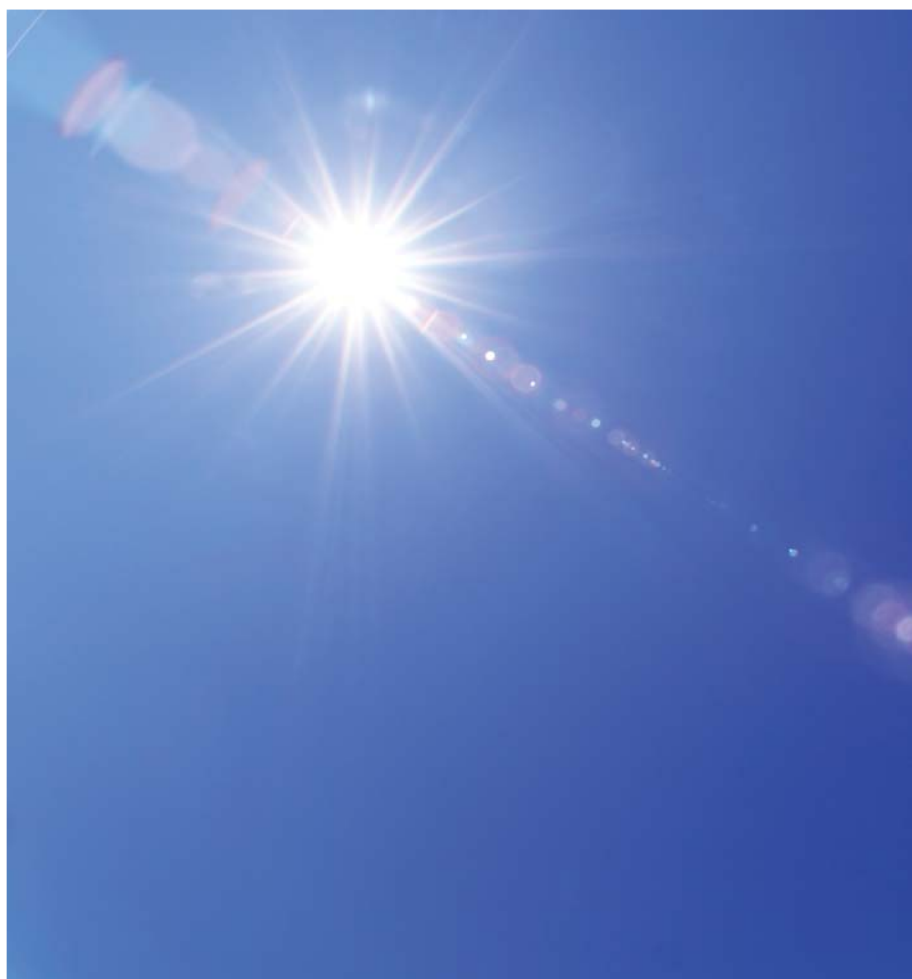


Sustaining Excellence



iisd

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Our Mission and Vision

IISD contributes to sustainable development by advancing policy recommendations on international trade and investment, economic policy, climate change and energy, measurement and assessment, and natural resources management, and the enabling role of communication technologies in these areas. We report on international negotiations and disseminate knowledge gained through collaborative projects, resulting in more rigorous research, capacity building in developing countries, better networks spanning the North and the South, and better global connections between researchers, practitioners, citizens and policy-makers.

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.

Our Reach



Our Mailing Lists

IISD runs a number of e-mail lists with subscribers from all over the world. Our current accumulated number of subscriptions is about 100,000. To learn about—and subscribe to—our lists, visit <http://www.iisd.org/maillinglists.asp>.

Publishing and Media

In the calendar year 2008, and excluding Reporting Services documents, IISD posted 106 books, papers, commentaries, flyers, excerpts and contributions to other publications. These can be searched at <http://www.iisd.org/publications>. In that same period, IISD tracked more than 100 Canadian and International media references to the Institute and/or its personnel. See http://www.iisd.org/media/iisd_media_hits.asp.

Our Web Sites

From April 1, 2008, to March 31, 2009, IISD experienced high traffic on our two primary Web sites: the research Web site at <http://www.iisd.org>; and the Reporting Services Linkages Web site at <http://www.iisd.ca>. Approximately 483,000 pdf documents were requested from www.iisd.org and 357,000 were requested from www.iisd.ca.

Above are a few selected measures of IISD's reach, but these numbers tell only part of the story. Our reach can also be assessed by looking at the workshops and conferences we lead and attend every year; the numerous face-to-face meetings we hold with decision-makers and partners; our consistent presence as reporters at international meetings; the interns we place around the world; and the re-posting of our materials on other Web sites and blogs.

From the Chair

It would be a gross misstatement to describe the year between this and our last Annual Report as a normal one. We've seen watershed changes with the election of the first African-American President of the United States; the bursting of a worldwide economic bubble; the loss of trillions of dollars in value and the disappearance of markets; the fall of financial and commercial icons; and the loss of millions of jobs, bringing hardship and a fundamental shift in people's view of the carrying power of governments as well as business and financial leaders. Add to this the recent flu pandemic, continued environmental degradation and other factors, and the fragility of our world becomes self-evident.

In the midst of this unprecedented pace of events, IISD continues to focus on the fundamentals of our vision: "Better living for all—sustainably." Our mission is to champion innovation, enabling societies to live sustainably. Buffeted by economic, social and environmental challenges, that mission—while simply articulated—is complex, diversified and critical. While there is consensus about the urgency of our mission, the ways in which we go about setting our priorities, establishing goals and lining up resources to meet those goals are subjects of passionate, occasionally heated exchanges. Securing a broad base of financial support, renewing program and core funding to ensure excellence and continuity in research, and retooling to align talent and know-how with our goals are responsibilities shared by the Institute's senior management and Board of Directors.

IISD's success rests on our six programs: Trade and Investment; Sustainable Natural Resources Management; Measurement and Assessment; Climate Change and Energy; Global Connectivity; and Reporting Services. The efforts of these programs are outlined in this report and more information is available on the Web. Our programs are diverse, but what they share in common is a sharp focus on the end game—to promote sustainable practices, markets and communities.



Daniel Gagnier, Chair, Board of Directors



I want to acknowledge the contribution of our core funders and other donors. In this past year, they have been there in support of our mission in spite of difficult economic circumstances. The Governments of Manitoba and Canada have been stalwart supporters, and in recent years a number of governments from various countries have joined in funding projects or research important to their efforts to meet their SD challenges. Their commitment inspires and motivates all of us. And the fact is that many of the projects undertaken by our world-class researchers would not see the light of day without dollars and in kind-contributions to fuel them. Certainly that would be the case without Manitoba Hydro's generous support of our new Water Innovation Centre.

Another key ingredient to our continued success is our personnel. Our experts, academics, managers and support staff are the backbone of IISD. And this exceptional team is bolstered by an enthusiastic and experienced international Board of Directors.

In closing, I acknowledge the exemplary leadership of David Runnalls, our President and CEO. His enthusiasm, energy, global relationships and intellectual curiosity continue to challenge and direct our efforts.

The Copenhagen climate conference in December 2009 could be the most significant international meeting in the last 50 years. It has an almost wartime sense of urgency. Every week brings another alarming story about the melting polar ice cap, the West Antarctic ice sheet or the permafrost of northern Canada and Siberia. And every week brings a story about how our political leaders are unwilling to swallow the rather large pill of significant greenhouse gas reductions by 2020.

Over 20 years ago, the Brundtland Commission demonstrated that climate change is caused by dysfunctional energy policies, and is therefore primarily an economic problem. In 2007, Nicholas Stern demonstrated that the cost of inaction could be as much as 10 per cent of global GDP. This got the attention of finance ministers and

heads of governments, not just environment ministers. Climate change is now a major global political and economic issue. So the pressure is intense and the conference may well not be able to live up to expectations.

IISD will be a major presence at the conference. Our *Earth Negotiations Bulletin* team will be counted upon to provide up-to-the-minute, unbiased reporting of the proceedings. The *ENB* has been present at every climate change negotiation since the Earth Summit of 1992. We also provide coverage of some of the numerous side events that will dot the Danish capital.

The use of protectionism looms ever larger as a tool for climate policy-makers, particularly against imports from developing countries. Our Climate Change team has joined with our Trade and Investment program to build a leading-edge project on the relationship between climate change and trade. They have also worked with developing countries to help them to cope with the effects of changes in the climate. A joint project with The Energy and Resources Institute in India helped to develop flexible, local policies for adapting to the challenges of climate change. With our Sustainable Natural Resources Management program, they have developed a series of publications on the effects of climate change on the security of sensitive regions such as the Middle East.

We have long been a participant in the national discussions on climate change in Canada and enjoy close working relationships with our home province of Manitoba, as well as other Canadian provinces, in the development of their climate strategies. And we are the only Canadian research group invited to participate in Meetings of the Parties of the Western Climate Initiative (covering seven U.S. states and four Canadian provinces: B.C., Manitoba, Ontario and Quebec) and we provide expert advice on competitiveness, recognition for early actions and the design of the regulatory instrument. And it is indeed in North America where we hope to see progress. There are promising signs from the Obama Administration and we are closely monitoring progress on the Waxman-Markey clean energy bill in the U.S. as we continue to provide advice to the Canadian government.

Climate change will be with us for a long time and long-term solutions are the key to success. But the new science is telling us that we must make major cuts in emissions over the next 10–15 years or it may be too late. Success at Copenhagen is vital.



From the President

David Runnalls, President and CEO



IISD Board of Directors 2008/2009



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Premier of Quebec
(Canada)



David Runnalls
President and CEO, IISD
(Canada)



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Retired June 2008



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for Strategic Environmental
Research (Sweden)



Claude Martin
Honourary Advisor and past
Director General,
WWF-International
(Switzerland)



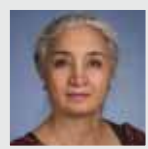
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Chair, Policy, Institute for
Catastrophic Loss Reduction
(Canada)



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Brazil Country Manager, Petra
Foods Pte. (Brazil)
Elected June 2008



Mark Moody-Stuart
Chairman, Anglo American plc
(United Kingdom)



Khawar Mumtaz
Shirkat Gah Women's
Resource Centre
(Pakistan)



Maureen O'Neil
President and CEO, Canadian
Health Services Research
Foundation (Canada)
Elected June 2008



Mohamed Sahnoun
Ambassador, Special Advisor
to the Secretary-General
for Africa
(Algeria)



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Former Vice-President of
Sustainability, BC Hydro
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Bruce Schlein
Vice President of
Environmental Affairs, Citi
(United States)
Elected June 2008



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President and CEO of
Sustainable Development
Technology Canada (Canada)
Elected June 2008



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Professor, University of
Manitoba (Canada)
Elected June 2008



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Rainforest Alliance
(United States)



Milton Wong
Chairman, Perceptronix
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International Development
Research Centre
Elected to Board June 2008

Robert Greenhill, President,
Canadian International
Development Agency
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Margaret Biggs, President, Canadian
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Commenced June 2008
Michael Horgan, Deputy Minister,
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Ian Shugart, Deputy Minister,
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Commenced July 2008

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Friends of the Institute

Gro Harlem Brundtland
Gary Filmon
José Goldemberg
Jim MacNeill
Brian Mulroney
Sir Shridath Ramphal
Maurice Strong

The IISD Team

The IISD Team is a diverse group of talented, motivated men and women from around the world. While anchored in Winnipeg, Geneva, Ottawa and New York offices, IISD is a colourful, international tapestry of staff, associates, consultants and young interns who bring their unique experiences, perspectives and energy to our work. The individuals listed here served with IISD in 2008–2009.

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Linking crisis and opportunity

Exploring the Green Economy Initiative

The food, fuel and financial crises have served as sobering reminders that the world is on a fundamentally unsustainable path.

Climate change and a looming natural resource scarcity are also rapidly emerging. We are indeed pushing if not pushing past the limits of what the planet can take.

Concurrently we have however witnessed quite an extraordinary phenomenon. Almost overnight, US\$3 trillion-worth of stimulus packages has been mobilized to deal with the economic crisis.

The central question is whether this will be spent to set the stage for a low-carbon, resource-efficient Green Economy—one that deals with the multiple challenges of the here and now and those bleeping on the sustainability radar screen.

This includes securing employment for the 1.3 billion people underemployed or unemployed, and the half a billion joining the work force over the next 10 years.

UNEP, in collaboration with economists, civil society, the World Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development and over 20 UN bodies have reviewed the potential of earmarking over \$750 billion-worth of the stimulus packages—or around one per cent of global GDP—towards environmental investments.

The experts conclude that targeted at five sectors—renewable energy, sustainable transport, conservation agriculture, ecological infrastructure and energy efficiency—such sums allied to creative market mechanisms could assist in reviving the global economy and boosting employment while accelerating the fight against climate change, environmental degradation and poverty.

Energy use in buildings is a good example of a Green Economy-“green new deal” approach. It can already be cut by 80 per cent in a cost-effective manner using existing technologies.

Additional investments in this sector would not only stimulate the recovery of the construction and allied industries. It could also generate tens of millions of jobs—indeed an estimated two million to



3.5 million green jobs in Europe and the United States alone, with an even higher potential in developing countries such as China or Mexico.

Organic agriculture as part of an overall sustainable agricultural strategy is another, perhaps counter-intuitive, case in point. In the past, it was perhaps considered a luxury for the well-off. But a recent survey by UNEP and the UN Conference on Trade and Development has looked at 114 small-scale farmers in some 20 countries in Africa who have switched to organic systems.

Yields have risen by, on average, 100 per cent and in East Africa by over 120 per cent, in part because more organic matter in the soils has prolonged the growing season.



2

Returns on investments in water are also high. Just \$15 billion a year on meeting the Millennium Development Goal of halving by 2015 the number of people without sustainable access to safe water and basic sanitation could generate global economic benefits worth \$38 billion annually—\$15 billion of which would be in sub-Saharan Africa alone.

And what about investments in ecological infrastructure? A global marine protected area network, involving the closure of 20 per cent of the total fishing grounds, could sustain fisheries worth \$80 to \$100 billion a year while ensuring a future for 27 million fishing-related jobs and generating one million more in areas such as conservation.

The Green Economy Initiative is gaining traction in some countries including China, Japan, the Republic of Korea, several European countries and the United States to name a few.

The Republic of Rwanda is an example of a nation in Africa that has made the link between crisis and opportunity along with such long-standing advocates as Costa Rica in Central America.

In terms of Rwanda, the country is now investing in what could well be the biggest solar project on the continent, while committing the economy to a low-carbon path including energy efficiency improvements in agriculture, which employs over 50 per cent of the population.

Costa Rica has not only spearheaded ecotourism and payments for ecosystem services, including hydro-electric companies financing farmers upstream to conserve forests, but has set a target to be one of the first zero-emission economies by the early 2020s.

Climate change represents perhaps the starkest example of how the unsustainable economic models of the past are unlikely to serve us well in the future.

Combating it also represents the biggest and most comprehensive stimulus package of all from reduced dependence on finite resources to delivering clean energy to the two billion people without access to it.

Combating climate change also represents new kinds of green jobs in renewable energy and conservation, up to new and more creative ways of managing and paying for the planet's ecosystem infrastructure including forests, grasslands, soils and perhaps, one day, even our seas.

IISD has for several decades been one of the pioneers of creative thinking and inspiring policy options on sustainable development and a supporter and partner to UNEP.

The Green Economy Initiative is part of the logical evolution of that rich inheritance and perhaps a real and tangible opportunity to achieve the transformative and comprehensive change that will allow six to nine billion people to live together prosperously, productively and peacefully in years to come.

"The experts conclude that targeted at five sectors... such sums allied to creative market mechanisms could assist in reviving the global economy and boosting employment while accelerating the fight against climate change, environmental degradation and poverty."

1 Vineyard soil treated with organic fertilizer. Organic agriculture shows promise as yields continue to rise, writes Achim Steiner. iStockphoto.

2 Two engineers at a geothermal power station. Combating climate change will open up jobs in clean energy, writes Achim Steiner. iStockphoto.

Achim Steiner, United Nations Under-Secretary General and United Nations Environment Programme (UNEP) Executive Director



"We all despair at the unsustainable path on which our world is set, and our hearts are lifted when our leaders recognize the challenge and solemnly swear to change course."

What Happens Between Promise and Delivery?



In 2000, the world's heads of state gathered in New York at the Millennium Summit. Faced with growing evidence of global poverty, disease, inequity and violence they made a series of solemn pledges—eight to be exact. These are the Millennium Development Goals, a set of specific and, in most cases, measurable goals to be met by 2015 at the latest. We are now past the half-way mark, so it is time to ask: how are we doing?

The answer, unfortunately, is "not well." In few if any cases are we anything like on track to meet or even approach the goals set with such pomp and circumstance, even if the pledge was made by the highest authorities of the land. In respect of many of the goals, the predicament they aim to address is considerably worse than it was at the turn of the millennium.

We all despair at the unsustainable path on which our world is set, and our hearts are lifted when our leaders recognize the challenge and solemnly swear to change course. All that is understandable and, indeed, human; what is less understandable is that we then trust our leaders to fulfill their promises, to follow the logic of their analysis, and to take the decisions that will lead us to change course. They rarely do.

With many of our sustainability challenges—such as climate change—reaching a crisis point, it has become vital now to take seriously what can be done to reduce and, if possible, bridge the gaping chasm between promise and delivery. It has become a priority for those of us fighting for sustainable development to turn our attention to designing accountability mechanisms that work. But how should we go about it?

A start would be to figure out what has worked in the past—what approaches might be replicated and scaled up? After all, successful examples abound, ranging from incentives to comply or deliver, to punishments for failing to do so. In the Convention on International Trade in Endangered Species of Wild Fauna and Flora, non-enforcement of the rules governing trade in threatened species can lead to a blanket ban on all trade with the guilty country. Non-respect for World Trade Organization (WTO) rules can, for a country winning a formal dispute in the WTO's Appellate Body, lead to the authorized application of economic sanctions against its opponent. Mining companies are used to putting down a "performance bond," aimed at ensuring that they will fulfill their obligations—cleaning up after the mine is exhausted, for example.

We need to inventory and promote these accountability mechanisms and exact a political or economic price for not fulfilling one's solemn promises. One thing is for sure—trusting our leaders without exercising accountability is a recipe for disaster.

Promoting Conflict-sensitive Conservation in Africa

For more than four years, IISD's Environment and Security team has been working with partners in Africa's Albertine Rift to understand how conservationists can work better in conflict zones. Our research has examined conservation activities in Uganda, Rwanda and the Democratic Republic of Congo (DRC). We use this experience to help conservationists make their work more "conflict-sensitive." For conservationists, this means:

- a. more effectively addressing the root causes of natural resource-based conflict;*
- b. minimizing the risk of their activities exacerbating conflict; and*
- c. maximizing opportunities for peacebuilding.*

We're preparing a field manual for conservationists so they can better integrate conflict-sensitivity into their work and their organizational culture. We recently presented a draft of the manual to practitioners in Goma, DRC, on the outskirts of Virunga National Park (one of our focal sites). We received extensive feedback that we are incorporating into the final version, set for release later in 2009.

It was my third visit to this beautiful but troubled corner of the world. I'm happy to report that a sense of cautious optimism pervades for the first time since I started coming to the Virunga region in 2007; the recent capture of rebel leader Laurent Nkunda has eased tensions, and on May 1, 2009, Virunga National Park opened its gates to tourists for the first time since September 2007.



Since 2007, Alec Crawford has been travelling to Africa to advance IISD's work on conflict-sensitive conservation. He travels with a caring ear for feedback from the region and great passion for his work. He also travels with his camera and takes hundreds of pictures each time he's in the region.



Stretching along the Congolese border with Uganda and Rwanda, Virunga National Park is Africa's most biodiverse park, with more bird, mammal and reptile species than any other on the continent. Founded as Albert National Park in 1925, it is home to the critically endangered mountain gorilla; once hosted the world's largest hippo population; and recently witnessed the first sighting of an okapi, a rare African mammal, in the wild in 50 years.



Twenty years of near-constant conflict has threatened the species, habitats and communities that depend on Virunga for their survival. The park is in crisis: its governance systems are weak; its boundaries are encroached upon by the surrounding local and refugee populations; its habitats are being destroyed by overfishing and charcoal production; and its animals are killed for meat and ivory. More than 120 park rangers—a sixth of the total patrolling the park—have been killed while on duty.



More than three million people live within a day's walk of the park, and this number will continue to grow.



For the past two decades, Virunga National Park and the surrounding area in North Kivu province have experienced near-constant violent conflict. The conflicts have been driven by a host of factors, including identity, political and colonial legacies, and competition to control valuable natural resources. Between 1998 and 2007, more people died from this conflict than from any war since World War II. Most of the casualties were civilians, and almost half children. Kibumba Refugee Camp (above) is just one of many camps bordering the park.



The fishing village of Vitshumbi lies in Virunga National Park on the southern shore of Lake Edward. Economic life in the village revolves around the local fishery, which has nearly collapsed in recent years; a function of poor management and the decimation of the lake's hippo population. In the 1970s, 29,000 hippos contributed to the lake's high productivity. Because of poaching for meat and ivory, only about 500 hippos remain.

Today, one kilogram of fish caught on the Ugandan side of Lake Edward is made up of two fish; on the Congolese side, the same kilogram is made up of six fish. This reduced productivity directly impacts the economic livelihoods of the communities surrounding the lake, and has even driven Congolese fishers to illegally cross into Ugandan waters.



Most of the local population relies on charcoal, with alternate sources of energy severely limited or non-existent for the majority of villages bordering the park. This energy deficit means that, for millions, the park continues to serve as the primary source of energy in the region; the park's old-growth trees are prized for producing charcoal that burns longer and hotter.



In July 2007, 10 of Virunga's critically endangered mountain gorillas were killed, none by poachers. Only 720 of the animals remain in the world, so the loss was significant. Eventually, the murders would be tied to those running the region's lucrative, but illegal, charcoal trade, a warning to conservationists trying to break up the trade and protect the park resources and habitats it was destroying. Senkwekwe, the murdered group's silverback, was buried at Rumangabo along with the other killed gorillas. Fighting between the Congolese army and rebel groups blocked access to the gorillas in September 2007; conservationists were only admitted back into their habitat in early 2009. The conservationists had feared the worst, but thankfully the population had escaped the fighting relatively unscathed, and had even increased slightly. A sign of hope if there ever was one.

Taking the Pulse

I am writing this article for IISD's Annual Report fully cognizant of the fact that I venture where even fools would fear to tread: forecasting the prospects of an international agreement on climate change by this December, at a high-level conference to be held in Copenhagen, Denmark. Let me say this at the outset: if an agreement is reached at Copenhagen, it will almost certainly not be in the form of a comprehensive agreement (covering mitigation targets on the part of developed countries, commensurate actions on the part of developing countries, revised market mechanisms, an enhanced sinks regime, complemented by frameworks for addressing adaptation, technology transfer and financing) that might have been envisioned when this process was initially launched under the Bali Action Plan in December 2007. That much became clear in the aftermath of the negotiations held in Bonn early June. The negotiating text under the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (LCA) has ballooned to over 200 pages from the 80 pages initially submitted by the Chair, Michael Zammit Cutajar, at the beginning of the Bonn discussions. That itself should not cause too much concern since much the same kind of development took place prior to Kyoto and we were still able to reach an agreement six months later in 1997. But negotiators face a number of additional challenges today that will make an agreement that much more difficult to achieve.

First of all, the LCA Chair still has no mandate from Parties to develop a "consolidated text" for the negotiations as there are at least four other texts being circulated by other Parties as alternatives.



Second, the LCA is not the only forum in which negotiations on a post-2012 regime are taking place. There is a parallel set of negotiations under the United Nations Framework Convention on Climate Change called the Ad Hoc Working Group on Further Commitments for Annex 1 Parties under the Kyoto Protocol. And that is the track major developing economies (MDEs) prefer, since the onus is exclusively on developed countries (except for the U.S., which never ratified the Kyoto Protocol [KP]) to take on emission reduction targets after 2012.

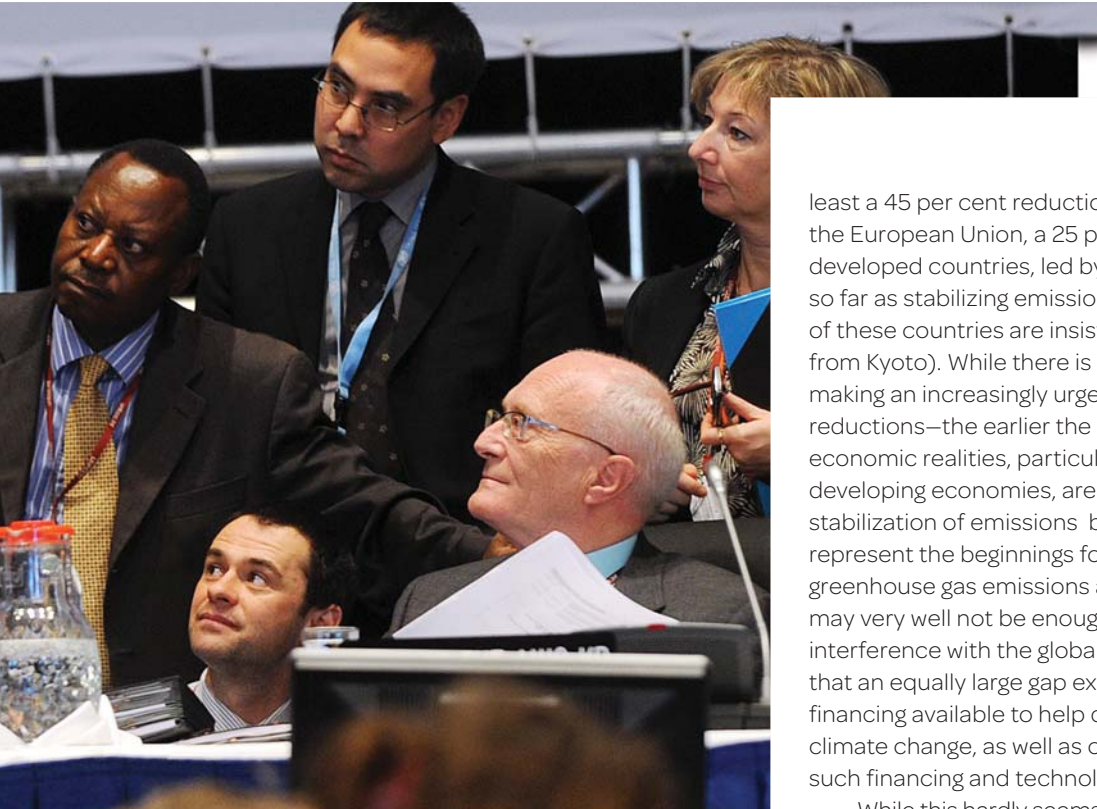
"While this hardly seems to be a recipe for an optimistic outcome by Copenhagen, I would also note that the international regime has been notable for its resilience over the years."

By John Drexhage, Director, Climate Change and Energy

¹ An intense moment in the March/April 2009 climate meetings in Bonn, Germany. Photograph courtesy of IISD/Earth Negotiations Bulletin.

In December 2009, Ministers and Ambassadors will gather in Copenhagen to see if they can reach an agreement on addressing climate change after 2012 (when the commitment period under the Kyoto Protocol runs out). At this stage, says John Drexhage, reaching a comprehensive agreement as originally hoped will be a very tall order.

before Copenhagen



In a word, MDEs would prefer a simple amendment to the KP for the post-2012 agreement, with stronger targets on the part of developed countries and the addition of the U.S. to the list of Annex 1 members. However, that is the last thing American negotiators would accept, as their priority lies in reaching an agreement at Copenhagen that could be ratified by the U.S. Senate. That would call for an agreement divorced from the Kyoto Protocol—one that would focus on nationally designed delivery and compliance mechanisms versus the top-down framework under the KP which is characterized by internationally bound targets and timetables.

And we haven't even begun to discuss the chasm that currently exists on what level of reductions would actually be required by developed countries in the mid-term. Developing countries have stated their preference for at

least a 45 per cent reduction from 1990 levels by 2020; the European Union, a 25 per cent reduction; while other developed countries, led by the U.S., say they can only go so far as stabilizing emissions at 1990 levels (actually, some of these countries are insisting on different base years from Kyoto). While there is no doubt that the science is making an increasingly urgent case for significant reductions—the earlier the better—the political and economic realities, particularly in North America and major developing economies, are such that achieving the stabilization of emissions by 1990 would actually represent the beginnings for a radical de-linking between greenhouse gas emissions and economic growth, but it may very well not be enough to stave off dangerous interference with the global climate. And I am sad to say that an equally large gap exists between countries on the financing available to help developing countries address climate change, as well as on the matter of how to govern such financing and technology transfer arrangements.

While this hardly seems to be a recipe for an optimistic outcome by Copenhagen, I would also note that the international regime has been notable for its resilience over the years. And let's not overlook that this negotiation process is no longer some environmental "outlier" as it was cast by many during the days of Kyoto: it is **the** pre-eminent multilateral negotiating "happening" this year and so failure may not be an acceptable outcome. It also highlights the urgency with which Canada needs to come to terms with this issue once and for all. As the only Kyoto Party that will not meet its target through domestic actions or international credits, it needs to make a strong case that it will be implementing a serious regulatory framework and related policies that command some sort of attention. Without such a package in his negotiating "arsenal," Environment Minister Jim Prentice will go to Copenhagen completely empty-handed and with very little room to maneuver in those final days in December.

Taking the Pulse before Copenhagen

The Trade, Investment and Climate Change Connection

By Aaron Cosbey, IISD Associate and Senior Advisor

"How are trade and climate change related? In the happiest of possibilities, there are ways to achieve the objectives of both communities at once."

The urgency of climate change as a global issue has policy-makers of all stripes searching for ways that their specialized work might be relevant to the challenge. In the area of trade and investment policy, this search was kicked into high gear when the Indonesian government convened an exploratory Trade Ministerial on the sidelines of the United Nations Framework Convention on Climate Change's agenda-setting Conference of the Parties in Bali at the end of 2007. IISD had been working in the area for many years (and helped organize the Bali meeting) and since then has been pursuing a suite of research designed to deepen our understanding of the issues, and find policy solutions (www.iisd.org/trade/crosscutting).

How are trade and climate change related? In the happiest of possibilities, there are ways to achieve the objectives of both communities at once. For example, trade policies that lower tariffs on low-carbon goods, or that seek to lower fossil fuel subsidies, offer both significant investment benefits that will also work to address the real threat of climate change. On the other hand, there are also potentially dangerous rifts that require forethought and coordination. U.S. and EU policy-makers are considering trade measures imposed on imports from countries whose climate change regimes are less stringent, to "level the carbon playing field." These measures, and other climate-motivated policies, may run afoul of trade rules. In other areas we simply need more knowledge: for example, does trade law on intellectual property impede the flow of new low-carbon technologies? IISD's research will help ensure that trade and investment policies make their full contribution to the climate change effort.

Climate Change as a Peacebuilder?

By Oli Brown, IISD Program Manager

"Climate change... could encourage cooperation between previously hostile neighbours."

If economics is the original dismal science, then climate change could be its understudy.

Reports on climate change typically make for grim bedtime reading: full of worrying statistics and doomsday scenarios. Sometimes it feels like the only gamble left is whether it's the rising sea levels, tornadoes or forest fires that are going to get you first.

Worse still, analysts have begun to warn that the scope and speed of climate change could present real threats to international peace: shrinking transboundary water resources could lead to disputes between countries and large movements of climate "refugees" could raise tensions between previously separate ethnic groups. In fact, newly accessible resources under the receding Arctic ice are already leading to a modern day land grab as countries, Canada included, scramble to establish ownership of "their" underwater continental shelf.

But there may be a silver lining to this dark cloud. And that is that climate change, a shared problem like no other, could encourage cooperation between previously hostile neighbours.

There is more to this than mere wishful thinking. Many environmental issues ignore political boundaries in a way that can drive parties to the table even when they are fighting over other issues. These issues often require long-term cooperation, providing an opportunity to build up trust over time. And environmental issues lend themselves to cross-border interactions among civil society groups more so than other bilateral issues such as currency trading or nuclear proliferation.

Whether or not this happens is likely to be one of the challenges of the century. To investigate the possibilities IISD is working on how environmental diplomacy and adaptation to climate change can support wider peacebuilding.



Reducing the Carbon Footprint of ICTs

By Don MacLean, IISD Associate

“To help ICT and climate change policy-makers connect, IISD is conducting scenarios-based research on the long-term relationship between ICTs, climate change and sustainable development.”

Personal computers, mobile phones, portable media players, digital cameras and other information and communications technology (ICT) devices are part of daily life at work and play for people around the world. Apart from issues related to end-of-life disposal, ICT generally has been considered a clean technology. However, recent studies commissioned by the ICT industry have begun to tell a different story about the relationship between ICTs and climate change.

These studies estimate that the ICT sector is directly responsible for two–three per cent of global carbon emissions—equivalent to those of the aviation industry or the country of Canada—and that these emissions will triple by 2020 under a business-as-usual scenario. These estimates do not include the “indirect effects” of ICT—emissions resulting from their use by businesses, consumers, governments, universities, and public institutions throughout the economy and society.

A “green” movement is underway in the ICT sector. Driven by a mixture of business opportunity, regulatory threat and corporate social responsibility, its main goals are:

- to reduce the carbon footprint of the ICT sector – by improving the energy efficiency of its processes, products and services, and switching to renewable energy sources; and
- to help reduce the carbon footprint of other sectors – by developing “smart” energy grids, transportation networks, building management systems, supply chains and production processes.

The ICT industry estimates these latter measures could reduce global GHG emissions by 15 per cent by 2020. ICT policy-makers are beginning to factor this potential into their policy development processes. The time has come for climate change policy-makers to do likewise. To help ICT and climate change policy-makers connect, IISD is conducting scenarios-based research on the long-term relationship between ICTs, climate change and sustainable development. The results of this research are being fed into the OECD and the UN Internet Governance Forum, both of which have work programs in this area.

Ecological Goods and

Recognizing the economic value of the services nature provides is an increasingly common and powerful approach for communicating why we need to protect, restore and properly manage ecosystems. By producing oxygen, filtering air, regulating climate, cleaning and redistributing water, and by forming productive soils, nature provides us with all of life's essentials—engineering substitutes is usually prohibitively expensive or impossible. Today, the functions we usually take for granted are referred to as ecological goods and services or EGS—a term popularized by the Millennium Ecosystem Assessment.

Ever aware of the important role EGS plays, IISD's Sustainable Natural Resources Management (SNRM) team continues to effectively apply EGS concepts to showcase their utility. A prime example was an ecosystem services valuation assessment, which was released in December 2008. The study examined the vast, intact section of boreal forest that stretches along the east side of Lake Winnipeg and straddles both northern Ontario and Manitoba.

IISD conducted the study for the Pimachiowin Aki Corporation, whose name means “the Land that Gives Life” in Ojibwe. The non-profit group is leading the bid to have the forest proclaimed a UNESCO World Heritage Site in time for the nomination in 2011. If proclaimed, this 40,000 square km section of forest would be recognized as a natural treasure alongside Australia's Great Barrier Reef, Egypt's pyramids at Giza and Canada's Rocky Mountains.



Definitions

Ecosystem/ecological goods and services (EGS): Benefits society derives from ecosystems such as water filtration from riparian areas—where land and water form a transition from aquatic to terrestrial ecosystems; along streams, lakes and open water wetlands; as well as soil erosion control from shelterbelts, flood and water retention from wetlands. Some ecological features like upland forests provide multiple services like carbon sequestration, water purification and watershed protection.

Integrated water resources management (IWRM): A process that promotes the coordinated development and management of water, land and related resources.

“By examining new and innovative ways in which ecological goods and services can be better managed and valued, our program continues to show just how and why environmental protection should be incorporated into policy and decision-making.”

—Dr. Henry (Hank) David Venema, Director, IISD Sustainable Natural Resources Management program

By Rick Groom, Development and Communications Officer

1 Rushes and fall trees on the east side of Lake Winnipeg.
Photo by Don Sullivan.

2 An airboat on the move in Netley-Libau Marsh in Manitoba.
Photo by Richard Grosshans.

Services

Working with nature towards sustainability



2

New ground was broken this past year thanks to the Institute's research in the Netley-Libau Marsh in the southern basin of Lake Winnipeg, approximately 65 kms north of Winnipeg. Officially deemed a Canadian Important Bird Area in October 2000, Netley-Libau is now a candidate for designation as a Heritage Marsh under the Manitoba Heritage Marsh Program. Consisting of 24,381 ha of upland and wetland habitat plus 848 kms of shoreline, the area includes several lakes and streams whose water levels are influenced by Lake Winnipeg.

In 2009, the SNRM team showed how wetlands can be managed and restored to provide a suite of eco-benefits including flood protection, water treatment and bioenergy. The natural water retention function of Manitoba wetlands was demonstrated during the flooding of the Red River Valley in 2009 when they helped lower flood peaks by slowing and retaining water flows.

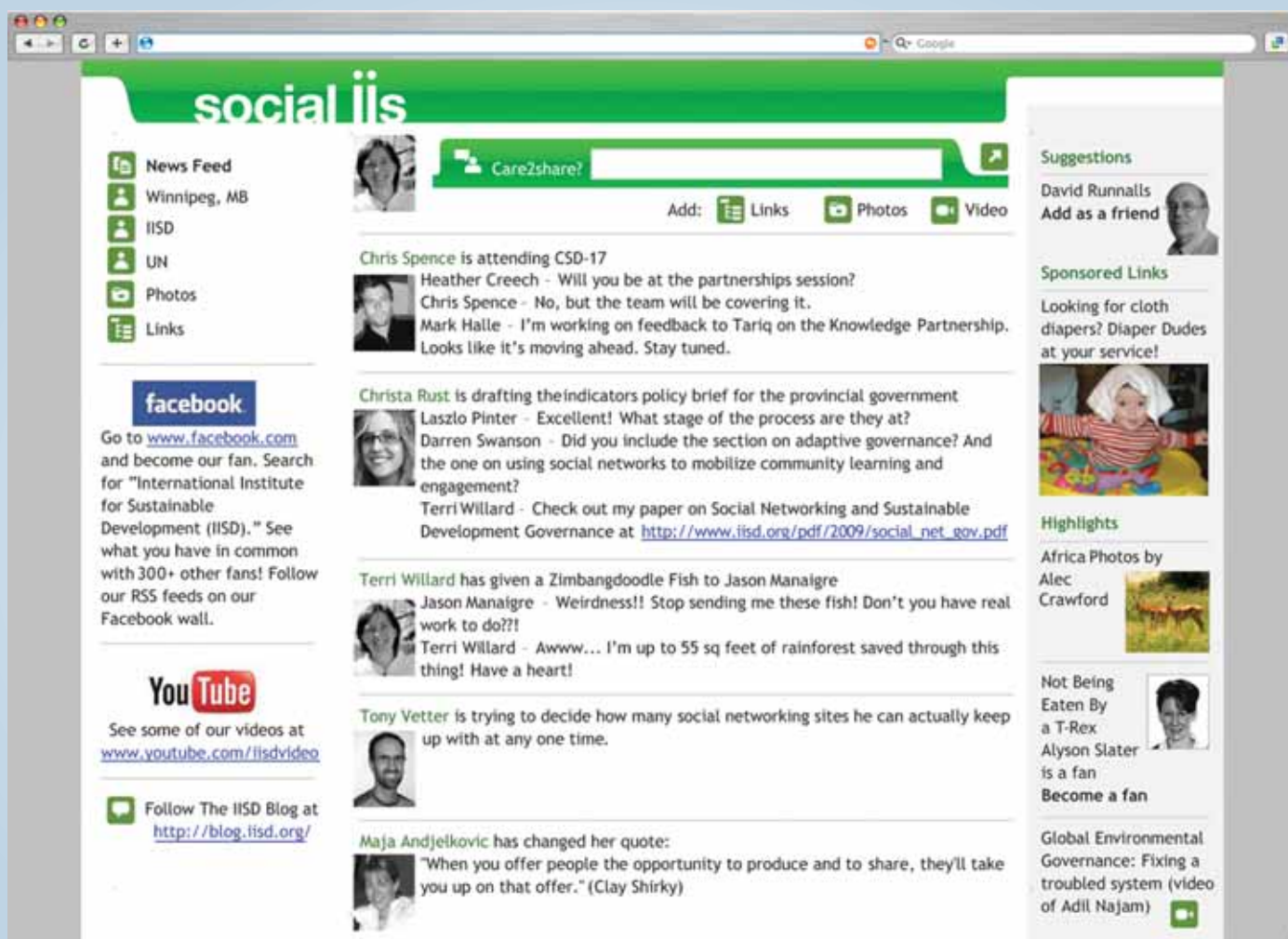
When harvested, wetland vegetation can be processed into heating fuel pellets. Vegetation re-growth continues to absorb and filter nutrients from water. According to Richard Grosshans, IISD Project Officer for the Netley-Libau Marsh project, "Since it sits at the mouth of Lake Winnipeg, revitalizing this marsh through EGS could lead to major improvements in the damaged lake's water quality, while introducing a new source of renewable energy."

Throughout 2008 and 2009, the team continued its exploration of the links between EGS and integrated water resources management (IWRM). Effective IWRM requires a consultative process that engages watershed communities and stakeholders. Thus far, IISD research indicates the future of EGS in the context of IWRM could pay substantial eco-dividends. Based on what the SNRM team has learned to date, these could include increased stakeholder participation and institutional capacity building, improved conflict resolution and financing IWRM in watersheds as it enhances sustainability worldwide.

The Value of Nature

IISD's Sustainable Natural Resources Management team determined that the Pimachiowin Aki area of the boreal forest provides \$120 to \$130 million per year in ecosystem goods and services. Its carbon storage capacity is estimated to be worth up to CDN \$17.5 million while its fishing and hunting are valued at \$30 million annually. Other examples of EGS are traditional medicine and water regulation. The SNRM team's efforts also delineated the distinction between services benefiting residents and non-residents, both locally and globally.

Social Networking



IISD Adopts People-first Approach to Sustainability Reporting



“We need to keep our people motivated to help ensure success in their work. One way to do that is to stay on top of their social well-being,” says Marlene Roy, head of Research and Learning Resources at IISD.

She adds that the organization has taken the well-being of its people to heart with the redesign of its Operational Sustainability Report (OSR). “We’re redefining what sustainability reporting means for IISD,” she says. The OSR is produced each year by the Internal Sustainable Development Assessment and Reporting (ISDAR) team, headed by Roy. ISDAR is responsible for introducing, implementing and maintaining internal sustainable development measures for all of IISD’s offices.

Previous OSRs followed the Global Reporting Initiative (GRI) guidelines, focusing on economic, environmental and social aspects of IISD’s operations. This year’s OSR, however, has dropped the economic indicators (because they are reported in the annual report), kept the environmental indicators and added a lot more indicators to the social aspect—creating a people-first focus.

Roy says that the business community continues to follow the GRI guidelines. “However, IISD’s mandate includes improvement of human well-being as well as the environment. Therefore, our new people-first sustainability focus strengthens our social dimension reporting

“The people-first focus will provide us with a much better snapshot of: how IISD invests in its people to better equip them with the knowledge and tools they need; the levels of fairness in hiring practices; effective policies to deal with harassment; and making IISD a healthier place to work,” stresses Roy.

And this has led to some interesting facts being highlighted. One case in point is the number of people experiencing negative workplace stress has decreased, according to our employee satisfaction survey, she points out.

“The success of our work depends on the well-being of our employees. Through the OSR we can track the well-being of staff and use those findings to assist us in making improvements.” For example, even though fewer people are experiencing high levels of negative workplace stress, over 50 per cent reported this stress is still a factor for them. “This suggests that more work needs to be done to identify causes of negative workplace stress and finding ways to minimize this stress,” says Roy.

IISD’s Operational Sustainability Report, formerly published as an Adobe PDF file, is now available in a new Web format, graphing trends from 2002–2003 for several indicators. The 2008–2009 assessment found few negative trends, but three areas need closer monitoring, namely the vitality of our innovation culture, negative work stress and gender equality.

Visit www.iisd.org/about/sdreporting to see the new report, “Enriching, Acting, Achieving IISD’s Operational Sustainability.” New to the page is a list of seven links to greater details on the social and environmental indicators of IISD’s operational sustainable development.

“We’re redefining what sustainability reporting means for IISD.”

By Dave Wilkins, IISD Associate

Trade and Investment

Remember when a speed skater won the Olympic gold medal because, although trailing for most of the race, all the others fell or were eliminated? Well, it looks like that perpetual also-ran—sustainable development—is still in the race as one after another, the traditional medal-winners fall flat on their faces!

We have long insisted that anyone whose goal is sustainable development should be focusing on the economic, not the environmental, infrastructure. The events of the past year have driven that message home with a vengeance as the global economy has gone over the cliff and the impact of the collapse has affected virtually every corner of our globe. Was it simply greed? Was it economic mismanagement by leaders blinded by the short-term? In part, yes, but those are the symptoms. The cause is the lack of “joined-up” public policy. Had the lessons of sustainable development been taken seriously and applied, we would not be where we are today, with trade negotiations stalled, investment evaporating and public budgets hopelessly misused.

But a crisis is also an opportunity and as the crisis unfolds, we are well-placed to offer some new ideas. Each of our program’s three pillars—trade, investment and subsidies—is not only central to the current predicament, but central to getting out of it. With our predilection to seek pragmatic solutions for public policy reform that advances sustainable development, we may find that we attract more attention to our ideas and that, in relaunching the economy on a new footing, we can help ensure that it now, genuinely, does favour sustainable development.



Mark Halle, Director, Trade and Investment

“Each of our program’s three pillars—trade, investment and subsidies—is not only central to the current predicament, but central to getting out of it.”

- 1 IISD published *Sustainable Development and China: Recommendations for the Forestry, Cotton and E-products Sectors*. See http://www.iisd.org/pdf/2008/china_sd_sum.pdf iStockphotos.
- 2 IISD continued to study the impact of biofuels subsidies on food prices and availability. Our work demonstrates that biofuels are a “shaky prospect” on economic, environmental and climate change grounds. iStockphoto.



2

We gratefully acknowledge the generous supporters of our Trade and Investment work:

Charles Stewart Mott Foundation
Citigroup Foundation
Department for International Development (United Kingdom)
ETH Domain
The German Marshall Fund of the United States
Hivos
Industry Canada
International Centre for Trade and Sustainable Development
International Development Research Centre (Canada)
Lodestar Foundation
Ministry of Agriculture, Nature and Food Quality (LNV) (The Netherlands)
Ministry of Foreign Affairs (Norway)
Ministry of Foreign Affairs (Sweden)
Natural Resources Canada
Norwegian Agency for Development Cooperation
Organisation for Economic Co-operation and Development
Permanent Mission of Norway in Geneva
Rockefeller Brothers Fund
Royal Danish Ministry of Foreign Affairs
Switzerland State Secretariat for Economic Affairs
Swedish Foundation for Strategic Environmental Research
Swiss Agency for Development and Cooperation
United Nations Environment Programme

Highlights of 2008–2009:

- Our Trade Knowledge Network (TKN)—now coordinated directly from participating developing regions—has greatly increased the pace and production of policy-relevant research on trade, investment and sustainable development rooted in the problems as faced by the countries themselves. Operating now in South America, Southern Africa and Southeast Asia, its influence on national thinking and policy is palpable.

(www.tradeknowledgenetwork.net)

- We are advising the Government of China on what they would need to do so that the growth of their international trade also contributes to strengthening sustainable development—a first for any country and significant in one whose trade is among the most closely watched and studied.

(www.iisd.org/trade/china)

- We conducted a range of country case studies on the introduction of sustainable public procurement, aimed at working out

how governments can best provide a massive incentive to green production by purchasing goods and services that meet sustainable criteria.

(www.iisd.org/markets/procurement/country_projects.asp)

- We have built a large program on Sustainable Markets and Responsible Trade (SMART), aimed at understanding and progressively removing the obstacles to sustainable production through the wide use of standards. (www.iisd.org/markets)

- We are pioneering a program on Trade and Climate Change, exploring how trade can be harnessed to advance climate goals and how, when trade measures are used to induce more climate-responsible behaviour, they can be so designed as not to clash with the rules of the multilateral trading system.

(www.iisd.org/trade/crosscutting)

- We have created a global forum for developing country investment negotiators in which they can share experiences and best practices and

work together to begin to level what has been a hopelessly tilted playing field.

(www.iisd.org/investment/capacity/dci_forum_2008.asp)

- We are helping Sierra Leone—recently emerged from a devastating civil war—review its mining and resource-exploitation contracts to ensure that the revenue from its wealth does not simply flow to shareholders in the rich countries, but contributes also to the social and economic development of the country.

- We have completed a series of studies on biofuel subsidies that demonstrate that biofuels are a shaky prospect on economic, environmental and climate change grounds and are dubious even if energy security is the motivation. Further, subsidies to biofuel production have led to a steep rise in food prices, triggering a massive food shortage in many poor countries, and have provided incentives for deforestation in the developing world. (www.globalsubsidies.org)

Sustainable Natural Resources Management

Last year, the sustainable development community held its breath—we appeared to be on the verge of a major breakthrough. The political will for a coherent response to the world food crisis appeared genuine and change imminent. The final declaration of the *High-Level Conference on World Food Security* held in Rome last June said all the right things: apathetic development policy, climate change impacts and misguided energy policy were exacerbating environmental degradation and undermining food security. A coherent policy response was needed urgently and required that food, agricultural trade and overall trade policies prioritize food security with a pro-poor, people-centred policy framework at the core.

Perhaps unsurprisingly—but sadly—the political momentum and commitment to real sustainable development vanished with the economic tsunami that capsized northern economies. Policy attention turned 180 degrees and the billions never available to development suddenly appeared to right sinking stock markets—but the food crisis has not gone away. If ecological goods and services principles were fully embedded in policy, agricultural trade and investment would look very different. Key factors exacerbating the food security crisis—unsustainable cultivation leading to desertification; deforestation; wetlands destruction; and biodiversity loss for monoculture energy crops—would be greatly reduced. Inevitably and inescapably, trade, investment and development policy would focus instead on people-centred sustainable agriculture.

We're steering EGS principles into policy in two major issue domains: first, on water and agriculture issues in the Lake Winnipeg Basin of Western Canada—a stark example of agro-ecological vulnerability and food security issues in our own backyard; second, we're tackling environment and security issues—the role of environmental management as a cornerstone of recovery and peacebuilding in regions overwhelmed by failed governance or conflict.



"Policy attention turned 180 degrees and the billions never available to development suddenly appeared to right sinking stock markets—but the food crisis has not gone away."

Henry David Venema, Director, Sustainable Natural Resources Management

1 IISD Associate and NSERC Scholar Richard Grosshans studies Manitoba's Netley-Libau Marsh.
2 Woodland Caribou near Poplar River on the east side of Lake Winnipeg.



2

We gratefully acknowledge the generous supporters of our Sustainable Natural Resources Management work:

Agriculture and Agri-Food Canada
 Environment Canada
 International Development Research Centre
 Lake Winnipeg Foundation
 MacArthur Foundation
 Max Bell Foundation
 Province of Alberta, Department of the Environment
 Province of Manitoba, Department of Agriculture, Agri-foods and Rural Initiatives
 Province of Manitoba, Department of Water Stewardship
 Province of Manitoba, Department of Conservation
 Agriculture and Food Council of Alberta
 United Nations Environment Programme
 Wildlife Conservation Society

Highlights of 2008–2009:

- In collaboration with Canadian federal departments of Agriculture and Environment, IISD continued its regional work on ecosystem goods and services by developing the architecture for inter- and intra- watershed-based water quality trading in the Lake Winnipeg Basin.

- IISD continues to work with the Manitoba Department of Water Stewardship to develop policy tools to enable cost-effective land- and water-based stewardship through local watershed agencies in Manitoba.

- IISD continued to support Pimachiowin Aki, the proposed UNESCO World Heritage Site on the east side of Lake Winnipeg. We developed an economic valuation of ecosystem services provided by the area. (www.iisd.org/pdf/2008/ecosystem_valuation.pdf)

- With the Network for Ecosystem Sustainability and Health, we published a research paper on ecosystems approaches to re-integrate water resources management with health and well-being. (www.iisd.org/pdf/2008/ecohealth_watersheds.pdf)

- IISD's work on nutrient management for Netley Marsh influenced Manitoba's provincial throne speech priorities on wetlands

management and restoration of Netley, and the development of incentives for wetlands management and restoration in general. (www.iisd.org/natres/water/netley.asp)

- We coordinated the work of the Expert Advisory Group for UNEP's Post-Conflict and Disaster Management Branch and co-authored *From Conflict to Peacebuilding: The Role of Natural Resources and the Environment*. The report, launched in seven countries, discusses the links among environment, conflict and peacebuilding, and provides recommendations on how these can be addressed more effectively. (www.iisd.org/pdf/2009/conflict_peacebuilding.pdf)

- We were part of UN missions to Afghanistan, Central African Republic, Rwanda and Sierra Leone. In Afghanistan, we evaluated the effectiveness of UNEP operations as the country tries to rebuild. In Central African Republic, we assessed the viability of launching a UNEP post-conflict program. In Rwanda, we carried out a post-conflict environmental impact assessment for UNEP. And in Sierra Leone, launched a study of mining concessions in the context of the country's post-conflict reconstruction.

- We worked with conservation actors in Uganda, Rwanda and Democratic Republic of Congo to analyze the conflict context and understand how their work can contribute to peacebuilding. (See our photo feature on page 9.)

- Published a paper examining the links between the risk of conflict and the production and trade of agricultural and marine resources.

- IISD released a report exploring the role of multilateral environmental agreements in biodiversity hotspots affected by conflict. (www.iisd.org/pdf/2008/meas_cons_conf_virunga.pdf)

- We prepared a study on Arctic sovereignty and security in the face of climate change for the 20th anniversary of the National Roundtable on the Economy and the Environment. (www.iisd.org/pdf/2008/arctic_sovereignty.pdf)

- We published a paper on the links between microfinance services and climate change adaptation, highlighting both the opportunities and risks of using micro-savings, credit and insurance for reducing the vulnerability of the world's poorest populations. (www.iisd.org/pdf/2008/microfinance_climate.pdf)

Measurement and Assessment

If there was a most popular slogans contest, “getting the economy back on track” would have probably won first prize in 2008–09. I am usually suspicious of slogans, and I find it misleading and potentially dangerous to suggest that the track we need to get back on is one of continuing GDP growth. In fact, the fixation on the performance of narrow economic metrics such as GDP growth at a cost to environmental sustainability and human well-being was one of the things that got us off the sustainable development track in the first place, well before the food, energy, sub-prime and economic crises of 2008.

Getting a handle on what the true measures of progress are and how they can transform decision-making and governance, down to the organizational and even individual level, has been a core mission of our program. An increasing number of people realize changing the way we measure progress is transformative in terms of the way we set goals; develop strategies and workplans; put together budgets; verify impacts related to sustainability standards; and evaluate performance. The stakes are higher than ever before. Many organizations are willing to go farther than just having alternative metrics and working through their implications for specific decisions, whether resource use efficiency, poverty or climate change. I see it as our role to advance measurement methods and promote their use in, not only helping the economy, society and the environment get back on track, but in redefining what the right track is.



“...I find it misleading and potentially dangerous to suggest that the track we need to get back on is one of continuing GDP growth.”

László Pintér, Director, Measurement and Assessment



2

We gratefully acknowledge the generous supporters of our Measurement and Assessment work:

Agriculture and Agri-Food Canada
 Deutsche Gesellschaft für
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 Eco. Ltd.
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 GRID-Arendal
 International Development
 Research Centre (Canada)
 Lake Balaton Development
 Coordination Agency
 National Round Table on the
 Environment and the Economy
 (Canada)
 Prince Albert Model Forest
 Aboriginal Caucus
 Province of Alberta
 Province of Manitoba
 Serecon Management Consulting Inc.
 TelPay Incorporated
 United Nations Environment Programme
 World Bank

Highlights of 2008–2009:

- We worked with First Nations communities in Saskatchewan to enhance knowledge and understanding around environmental assessment from a community perspective. The development of the resource handbook was based on guidance from the Prince Albert Model Forest Aboriginal Caucus and is helping to build the capacity and improve the overall understandings of environmental assessment. (www.iisd.org/measure/learning/prince_albert)

- We moved our capacity development work on integrated environmental assessment (IEA) and reporting with UNEP to a new phase through an e-learning course based on our IEA Training Manual. The Manual is now used by all of UNEP's regions to develop IEA training curricula with customized content. (www.iisd.org/measure/learning/assessment/iea.asp)

- With support from IISD's Innovation Fund, we completed the beta version of an information portal that combines the presentation of indicator trends with time series maps, brief analyses and multimedia interviews with stakeholders. We presented the system at an OECD/Statistics Sweden Seminar on "Turning Statistics into Knowledge." (test.balatontrend.org)

- The Canadian Sustainability Indicators Network, coordinated by IISD, has grown in membership to over 850 individuals and organizations. Several CSIN learning events were held in 2008–2009, and planning began for a major national conference in 2010 with the theme "Accountability through Measurement." (www.csin-rcid.ca)

- We completed the first phase of a project with the Dutch Environmental Assessment Agency developing a methodology to assess how international policy mechanisms can contribute to the delivery of ecological goods and services in developing countries.

- We published a paper on challenges and lessons learned from integrated landscape management (ILM) projects in Canada, the U.S. and Europe. We also developed a series of capacity building events to help researchers and policy-makers engaged in the current ILM projects in Canada to address the complexity of human and natural interactions in an effort to promote better decision-making. (www.iisd.org/pdf/2009/challenges_lessons_ilm.pdf)

- We developed a methodology to track and evaluate the impact of community sustainability projects funded under the Federation of Canadian Municipalities \$550 million Green Municipal Fund.

- IISD managed the development of SDplanNet-Asia & Pacific / SDplanNet-Latin America & Caribbean, two regional networks designed to help government officials share best practices for integrating sustainable development into national plans, budgets and strategies. (www.SDplanNet-AP.org; www.SDplanNet-LAC.org)

1 IISD was guided by the Prince Albert Model Forest Aboriginal Caucus in the development of a resource handbook designed to increase understanding of environmental assessment. Photograph courtesy of Hamilton Greenwood, Prince Albert, Saskatchewan.

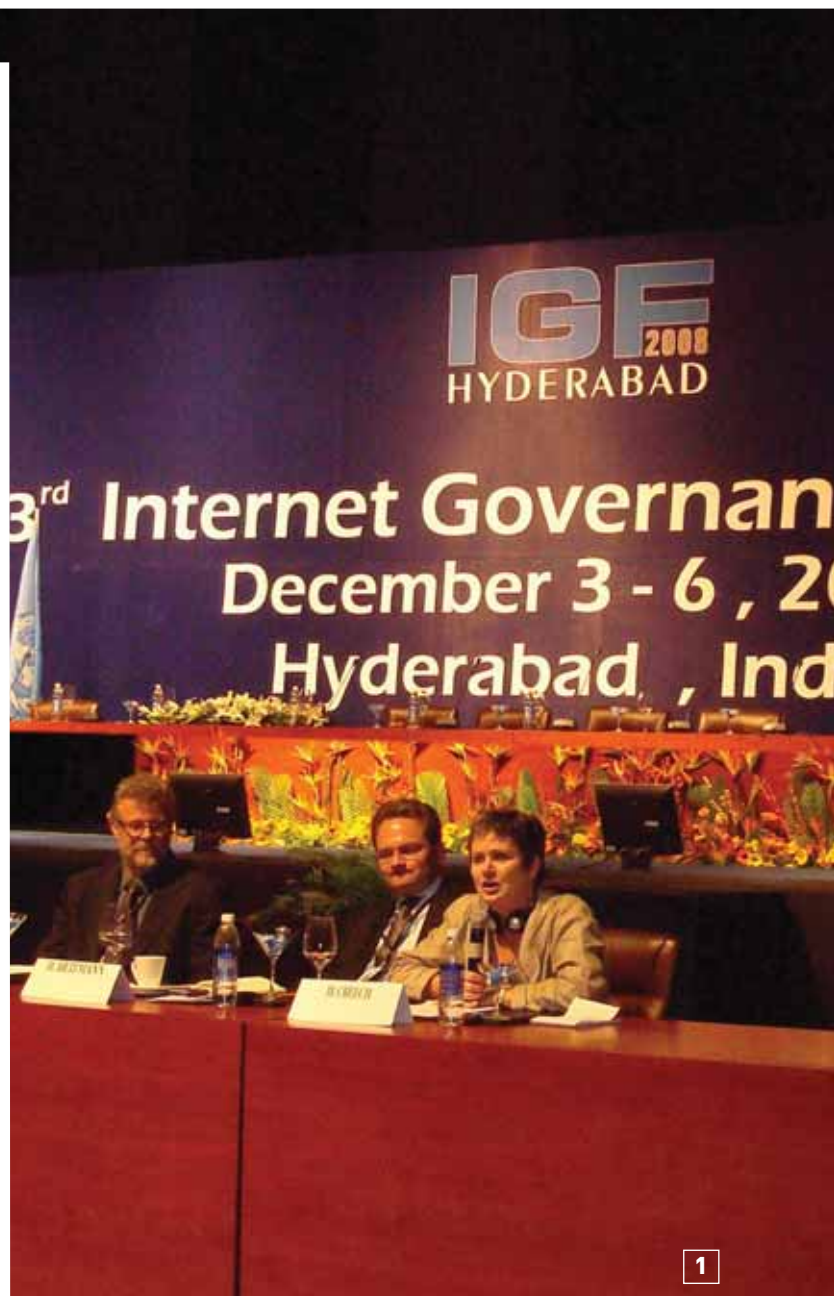
2 László Pintér in Brussels, helping to launch the Integrated Environmental Assessment Community Platform.

Global Connectivity

In 2008-09, my team and I launched IISD's new Global Connectivity program. Central to the program is our commitment to the development and deployment of the Internet and its related technologies in support of sustainable development. In addition to our work on communications, networking and leadership skills under the previous Knowledge Communications program, Global Connectivity incorporates a new focus on how communications technology is supporting and changing how we organize governing systems, economies and cultures in unprecedented ways.

Telecommunications in general, and the Internet in particular, have become the fourth major global infrastructure, together with energy, water and transportation. It is our view that its management requires strong domestic and international policy frameworks, multistakeholder partnerships and a shared responsibility, right down to the individual citizen, for its growth and use. Internet policy practitioners need to look beyond the Internet's positive contribution to economic growth and engage with environmental and social actors who are now dependent on, but also concerned by, how the Internet is developing and whether it will support or detract from long-term sustainability goals.

Over this past year, we consulted with several hundred stakeholders across Canada and internationally to discover what may be at stake. We have identified a number of critical uncertainties on the future of the Internet, related to the governance of the system, the evolution of the technology, concerns over its security and stability, and issues with the growing environmental footprint of the Internet. Our challenge over the coming years will be to secure broad international agreement among the key institutions and stakeholders on how the Internet will be governed and managed in support of sustainable development.



"Global Connectivity incorporates a new focus on how communications technology is supporting and changing how we organize governing systems, economies and cultures in unprecedented ways."

Heather Creech, Director, Global Connectivity



We gratefully acknowledge the generous supporters of our Global Connectivity work:

Canadian International Development Agency
 Canada School of Public Service
 Commission for Environmental Cooperation
 Department of Foreign Affairs and International Trade (Canada)
 Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (Germany)
 Indian and Northern Affairs (Canada)
 Industry Canada
 International Development Research Centre (Canada)
 Oxfam – Quebec
 Province of Manitoba
 The Aylmer Group
 Walter and Duncan Gordon Foundation
 World Business Council for Sustainable Development

2

Highlights of 2008–2009:

■ We advanced our work on the future of the Internet (groups.iisd.org/internet-scenarios):

Prepared the foundations for our work with a new public forum and a line of publications on the information and communications technology (ICT) sector and the global connectivity system, critical uncertainties and the future of the Internet.

Secured agreement at the international level that sustainable development should be a key emerging issue for consideration by the Internet Governance Forum.

■ We investigated models of ICT-enabled multiple stakeholder governance, collaboration and action for sustainable development (www.iisd.org/networks):

Launched a review of how large online social networks may impact sustainable development governance (see page 18 for a related story).

Continued our internationally recognized research into the management and governance of collaboration: including the public policy influence of international development networks; capacity building of international networks through positive relationship work; and the governance of non-legal entities.

Established a new online knowledge exchange among small and medium-sized social and environmental entrepreneurs, in partnership with the Commission for Environmental Cooperation North America and the SEED Initiative, and with input from our workshop on northern entrepreneurship training with the Centre for Governance and Development. (www.entrepreneurstoolkit.org)

■ We advanced new approaches to leadership that capitalize on a more connected world (www.iisd.org/leaders):

Established a new consortium with IUCN, WWF and LEAD International for training the next generation of sustainability leaders.

Made the case for the need for such training, with two major reports on how to support the next generation of international leaders and the need to secure the future of the Arctic through leadership training.

Built our capacity in e-learning delivery, with the creation and delivery of online courses to interns and environmental assessment practitioners.

With the support of the Province of Manitoba, piloted a new tool to measure changes in knowledge, attitudes and behaviours that are the desired outcomes of education for sustainable development initiatives. (www.iisd.org/leaders/un.asp)

Trained 16 interns, including the first southern participant in our program.

1 Heather Creech, right, shares her thoughts on the role the Internet Governance Forum could play in achieving global sustainability at the IGF in Hyderabad, India, December 2008. Photo by Tony Vetter.

2 Participants discuss the future of the Internet and its role in supporting a more sustainable society at an IISD-hosted consultation in Vancouver in March 2009. Photo by Tim Bray.

Reporting Services

IISD Reporting Services supports sustainable solutions to climate change, biodiversity loss and other global threats by championing transparency and accountability in key intergovernmental negotiations. Beginning in 1992 with coverage of the Rio Earth Summit, IISD Reporting Services has provided accurate, neutral and balanced information and analysis to policy-makers and other key stakeholders ever since. In recent years, Reporting Services has built on the success of our flagship publication, the *Earth Negotiations Bulletin*, expanding and adding several new products and publications that are tailored to meet the needs of decision-makers. For instance, in mid-2008, our Climate-L Daily News Feed was launched to great acclaim. It is already established as one of the most popular and widely-used resources in the international climate change community.

Readership of IISD Reporting Services' publications demonstrates the value of our work. Subscriptions have grown at a rapid clip, with direct e-mail sign-ups to our mailing lists rising 55 per cent per annum. In a 2009 survey of more than 800 readers of *Earth Negotiations*



Bulletin, 87 per cent rated the publication as either "excellent" or "very good." Perhaps even more telling, 91 per cent said we make a significant contribution to greater transparency. These statistics suggest that the sustainable development community relies on IISD as a trusted provider of information and analysis on international policy-making.



"Perhaps even more telling, 91 per cent said we make a significant contribution to greater transparency."

Langston James Goree VI ("Kimo"), Director, Reporting Services

1 (L to R) Lynn Wagner, ENB Team Leader/Writer (U.S.); Gerda Verburg (the Netherlands), Chair of the Seventeenth Session of the UN Commission on Sustainable Development; Tanya Rosen, ENB Writer (Italy/Yugoslavia/U.S.); and Wagaki Mwangi, ENB Writer (Kenya). Photograph courtesy of IISD/Earth Negotiations Bulletin.

Highlights of 2008–2009:

■ The *Earth Negotiations Bulletin* (ENB) maintained its reputation for quality coverage of key international negotiations on climate change, biodiversity, forests, desertification, sustainable development, trade in endangered species, oceans, fresh water and chemical management. In 2008–2009, we provided print and online coverage from 32 meetings. (<http://www.iisd.ca/enbvol/enb-background.htm>)

■ The Climate-L.org Web site's Daily News Feed service was launched in mid-2008. The site is a unique knowledge management project providing comprehensive daily updates on activities by the United Nations and other international actors. The service has been supported financially by the Swiss Agency for Development and Cooperation and the U.K.'s Foreign and Commonwealth Office. It is managed in cooperation with the UN system agencies, funds and programs through the UN Chief Executives Board for Coordination Secretariat and the UN Communications Group Task Force on Climate Change. The Daily News Feed has already become a primary source of information for an estimated 60,000 climate change policy-makers and other stakeholders. As well as daily news updates, it has also featured new articles and opinion pieces from UN Secretary-General Ban Ki-moon, UN Climate Secretariat head Yvo de Boer and a range of other prominent figures. (www.climate-l.org)

■ The Reporting Services "L" lists are a collection of issue-specific community announcement lists. These lists allow subscribers to communicate to colleagues around the world in the areas of climate change, biodiversity, chemical management, forests, oceans, water, energy, MEAs and African sustainable development. In February 2009, a tenth list was added—our Sustainable Development "SD-L" list. Collectively,

these lists now have 75,000 direct subscribers. (www.iisd.ca/email/subscribe.htm)

■ Reporting Services offers "for hire" conference reporting for clients through the *Your Meeting Bulletin* publication. In 2008–2009, our teams covered 20 events in 13 countries. (www.iisd.ca/sd/index.html)

■ At large UN meetings, Reporting Services publishes a daily report on side events—*ENB on the Side* (ENBOTS). In 2008–2009, we provided side events coverage at the Ninth Conference of the Parties to the Convention on Biological Diversity (May 2008), the Bonn climate change negotiations (June 2008) and the UN Climate Change Conference in Poznań, Poland (December 2008).

(www.iisd.ca/meetings/2008.html)

■ *Linkages Update* provides a fortnightly overview of negotiations, conferences, workshops, symposia and other notable events across the entire field of international sustainable development policy-making. (www.iisd.ca/email/linkagesupdate.htm)

■ Launched in 2006, the *MEA Bulletin*, published in cooperation with the UN Environment Programme Division of Environmental Law and Conventions, provides twice-monthly reports on the activities of the secretariats and parties of multilateral environmental agreements. (www.iisd.ca/email/mea-l.htm)

■ In 2008–2009, IISD Reporting Services' African Regional Coverage provided conference reporting services from nine events in Africa, as well as publishing a range of briefing papers. During the same period, subscriptions to our African coverage doubled. Launched in 2006, this initiative is helping to build a body of knowledge about the range of African institutions in this field. (www.iisd.ca/africa)

The *Earth Negotiations Bulletin* is supported by two categories of donors. IISD gratefully acknowledges the generosity of the following financial supporters of our Reporting Services work in 2008–2009:

The Sustaining Donors of the *Bulletin* (> €100,000 per year) are: The United Kingdom (through the Department for International Development) ■ The Government of the United States of America (through the Department of State Bureau of Oceans and International Environmental and Scientific Affairs) ■ The Government of Canada (through the Canadian International Development Agency) ■ The Danish Ministry of Foreign Affairs ■ The German Federal Ministry for Economic Cooperation and Development and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety ■ The Netherlands Ministry of Foreign Affairs ■ The European Commission ■ The Italian Ministry for the Environment, Land and Sea.

General Support for the *Bulletin* (> €35,000 per year) is provided by: The Norwegian Ministry of Foreign Affairs ■ The Government of Australia ■ The Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management ■ The Ministry of Environment of Sweden ■ The New Zealand Ministry of Foreign Affairs and Trade ■ SWAN International ■ The Swiss Federal Office for the Environment ■ The Finnish Ministry for Foreign Affairs ■ The Japanese Ministry of Environment (through the Institute for Global Environmental Strategies – IGES) ■ The Japanese Ministry of Economy, Trade and Industry (through the Global Industrial and Social Progress Research Institute ■ The Government of Iceland ■ The United Nations Environment Programme

Funding for the translation of the *Bulletin* into Spanish is provided by the Spanish Ministry of the Environment and Rural and Marine Affairs.

Funding for translation of the *Bulletin* into French is provided by the International Organization of the Francophonie.

Publication of the *MEA Bulletin* is supported by a grant from the United Nations Environment Programme Division for Environmental Law and Conventions.

The Climate-L.org Web site and Daily News Feed is supported by the Swiss Agency for Development and Cooperation. It has also received support from the British Foreign and Commonwealth Office.

IISD Reporting Services coverage of African Regional meetings is supported by grants from the German Federal Ministry for Economic Cooperation and Development, South Africa's Department of Environmental Affairs and Tourism, and the Canadian International Development Research Centre.

Climate Change

In the ever-changing climate policy arena, we continue to live in the most interesting of times. On the one hand, the arrival of the Obama administration in Washington has brought a breath of fresh air and positive energy that is particularly welcome—and essential—as the international community engages in the critical negotiations leading up to the 15th Conference of the Parties to the UNFCCC in Copenhagen in December. It is here that the framework for the global climate regime after 2012 will (hopefully) be determined. Yet expectations are already being tempered by the dominant realities within the United States. We are likely to see the emergence of quite modest emissions reduction targets that do not reflect the deep cuts urgently called for by an increasingly worried scientific community.

This leaves us with the need to engage in a critical balancing act—ensuring that we don't set the bar for greenhouse gas emission reductions so high that it becomes impossible to engage key countries, while at the same time not setting it so low that we risk enabling a process of climate change that threatens our capacity to adapt and puts at risk the lives and livelihoods of millions in the developing world.



1

There are no easy answers, and the way after Copenhagen is uncertain. Yet we can clearly see the need to ensure that climate change is not addressed as a discrete policy, but as one that is intimately linked to a global move to clean energy and a sustainable future. The implications of this change for industry and our lifestyles are significant—but the stark consequences of not making the shift make the need for action imperative.



"We are likely to see the emergence of quite modest emissions reduction targets that do not reflect the deep cuts urgently called for..."

John Drexhage, Director, Climate Change and Energy

1 Economist Dr. Jeffrey Sachs (right), and Yvo de Boer, Executive Secretary of the UNFCCC, shared the stage at an event called: "The Kyoto Mechanisms – Key to Combating Climate Change?" The program was webcast live and presented by IISD and The Earth Institute at Columbia University in New York in October 2008. Photo by Mark Inglis, The Earth Institute.

2 IISD's Anne Hammill (right) participated in the high-level opening session for the IISD-CARE international training workshop on integrating climate change adaptation into development in Niger (November 2008). Photo by Angie Dazé.



We gratefully acknowledge the generous supporters of our Climate Change and Energy work:

Agriculture and
Agri-Food Canada
Canadian International Council
Climate Change Central
ConocoPhillips Canada
ÉcoRessources
Enbridge Inc.
Environment Canada
The German Marshall Fund
of the United States
Graymont Ltd.
INFRAS Consulting Group
for Policy Analysis and
Implementation
Institut de l'énergie et de
l'environnement de la
Francophonie (France)
Institute of Development Studies
International Development
Research Centre (Canada)
Korean Institute for International
Economic Policy
Manitoba Hydro
Norwegian Agency for
Development Cooperation

Organisation for Economic
Co-operation and Development
Province of Alberta
Province of British Columbia
Province of Manitoba
Province of Ontario
Royal Danish Ministry of
Foreign Affairs
Shell Canada
Suncor Energy Inc.
Swedish Ministry of
Foreign Affairs
Swiss Agency for Development
and Cooperation
TransCanada Corporation
United Nations Development
Programme
United Nations Environment
Programme
United Nations Institute for
Training and Research
United Nations Office
for Project Services
Western Governors' Association

2

and Energy

Highlights of 2008–2009:

■ We were invited to become one of the expert advisory bodies to the Western Climate Initiative (WCI) as it develops and implements its regulatory package addressing greenhouse gas emissions. The WCI is composed of seven U.S. states and four Canadian provinces.

■ Our work on the future design of the international climate regime continues to inform Canadian and international decision-makers about emerging trends, options for the engagement of developed and developing countries, and potential governance structures.
(www.iisd.org/climate/kyoto)

■ We are examining how agriculture can be effectively included in a post-2012 climate regime, giving attention to the concerns of developing and developed countries and a suggested framework for Canada's approach to agriculture in the UNFCCC negotiations.
(www.iisd.org/climate/kyoto)

■ Our work with the Manitoba government continues to help enable the province to be a leader in addressing climate change as we provide support for its participation in the WCI and implementation of its Climate Change Action Plan.

■ We have entered into a new partnership with the Pembina Institute for Appropriate Development and the McCall-MacBain Foundation to explore ways in which Canada can become a more effective partner in developing a strong, credible North American response to the climate change challenge.

■ We remain actively involved with individual Canadian provinces (British Columbia, Alberta, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland) and influential private sector actors, providing strategic updates on relevant developments domestically and internationally.

■ We are exploring ways in which trade and investment policies might be harnessed to help achieve climate change objectives, drawing attention in particular to their implications for developing countries.
(www.iisd.org/trade/crosscutting)

■ We are working with experts from developing countries and the Danish government to develop guiding principles for land and water management that promote sustainable development and adaptation to climate change. We will promote the inclusion of these principles in the COP-15 agreement and their use by the development community.

■ Our work with the project screening tool CRISTAL (Climate Risk Screening Tool – Adaptation and Livelihoods) has continued to increase the capacity of development assistance organizations to incorporate climate change adaptation into the design and implementation of their projects and programs.
(www.cristaltool.org)

■ We undertook a study grounded in field research that examines what climate change could mean for peace and security in the Middle East and identifies strategies that could be pursued to address these threats. As well, we completed a desk-based study of climate change and security in Africa, which served as a basis for discussions at the Nordic-African Foreign Ministers meeting in Copenhagen in March 2009.
(www.iisd.org/security/es/climate)

\$1.6 million raised by fiscal year end

Capital Campaign Surges Ahead

By focusing on innovation, IISD's Bridging the Gap between Knowing and Doing Capital Campaign continued its successful surge forward, with \$1.6 million donated and pledged by March 31, 2009.

Bolstered by a major contribution from Manitoba Hydro, the Institute's 2008–2009 fundraising efforts benefited from a solid show of support from staff, associates, Board members and youth alumni.

"We're enormously grateful for the generous support of all our donors—individual and corporate, large and small," said Charles Loewen, Campaign Chair, "particularly during these trying economic times."

With a total goal of CDN\$5 million over the next three years, IISD Fund Development is focused on the following four areas of strategic importance: Climate Change and Energy; the Sustainability Leadership Innovation Centre; the Innovation Fund; and the Community Initiatives Fund.

Sustainable Natural Resources Management Program: Water Innovation Centre (WIC)

Water is essential for virtually all life on earth. Yet it remains a critically-stressed global resource. Prime causes: overconsumption; excess nutrients from municipal and agricultural sources; and the impacts of climate change. To bridge this gap and to meet the need to link markets and environmental technologies with community-based watershed management, IISD will establish the Water Innovation Centre (WIC) as part of the Capital Campaign.

To be located in Winnipeg, the Centre is staffed by a world-class team of water experts including IISD's Sustainable Natural Resources Management program team. WIC is dedicated to the protection and preservation of the world's most precious resource: water. It will accomplish this by promoting sustainable development approaches for water worldwide.

For more about IISD's water protection and preservation efforts, please see page 18.

"Manitoba Hydro is proud to partner with IISD in establishing the Water Innovation Centre. We share its vision to protect and preserve water in Manitoba, across Canada and worldwide."



1

Climate Change and Energy Program

Climate change remains a major priority of the Capital Campaign. Funds will be dedicated to IISD's climate change efforts which promote policy responses designed to move economies towards a low-carbon energy future and prepare for the effects of climate change.

Current examples of Climate Change and Energy projects include a new partnership with the Pembina Institute for Appropriate Development and the McCall MacBain Foundation to investigate ways in which Canada can become a more effective partner in developing a North American climate change response; an examination of how agriculture can be included in a post-2012 climate regime; as well as work on the future design of the international climate regime.



Water Innovation Centre

—Bob Brennan, President & Chief Executive Officer, Manitoba Hydro

"We're enormously grateful for the generous support of all our donors—individual and corporate, large and small."

—Charles Loewen, Capital Campaign Chair

Sustainability Leadership Innovation Centre (SLIC)

The theme of innovation also runs through this portion of the Capital Campaign. Known as IISD's Youth Internship Program when it launched over 10 years ago, Global Connectivity's new Sustainability Leadership Innovation Centre (SLIC) initiative will sow the seeds of a new generation of innovative, sustainability leaders.

SLIC's vision is to inspire and prepare a new generation of sustainability leaders aged 20 to 30 years to create real, systemic change towards a sustainable future. Designed to identify key characteristics, gaps and challenges, SLIC is a flexible, forward-thinking sustainability leadership program for tomorrow's leaders.

The Innovation Fund

Because innovation is at the heart of all the work IISD does, the Institute established the IISD Innovation Fund in 2004. Since then, the Fund has supported a wide range of projects, including a study of the links between the environment and human security in Sudan and China; an analysis of Kenya's poverty reduction strategy that demonstrates the interdependence between human development and ecosystem services; and an examination and assessment of the laws, guidelines and policies that promote sustainable public procurement in partnership with The Energy and Resources Institute in India.

The Community Initiatives Fund

IISD's partnership with the United Way of Winnipeg continued its work to create a unique Community Indicators System to measure and report on progress in the quality of life of the city's population. It will effectively collect, analyze and interpret data and will regularly report its findings—including progress towards sustainable development—back to the Winnipeg community.

Our sincere thanks to supporters of the IISD Capital Campaign.

For more information, please contact:

Sue Barkman, Director of Development and Community Relations | sbarkman@iisd.ca

Rick Groom, Development and Communications Officer | rgroom@iisd.ca

Critical Next Steps

How to move forward on sustainable development

IISD personnel reflect on what needs to happen for sustainable development to take a leap forward.

The most critical commitment governments around the world could make to sustainability is to commit to the establishment of a real wealth balance sheet that would account for the physical, qualitative and monetary well-being conditions of the five capital assets of a nation: human, social, natural, built and financial capital. This is the real wealth of nations which contributes to genuine happiness—the word wealth means “the conditions of well-being” in Old English. Currently, nations operate without a proper balance sheet, focusing instead on GDP instead as the singular instrument to guide the economic journey. Sustainability should be defined and measured in broader terms of whether the five capital assets are in a flourishing condition providing benefits to current and future generations, while also accounting for unfunded liabilities to current and future well-being.

Mark Anielski, IISD Associate



Continued on next page

Ecological goods and services (EGS) are the benefits all life forms derive from healthy ecosystems like clean air and plenty of freshwater (goods) and crop pollination and groundwater recharge (services). EGS is a powerful tool and an increasingly important way to understand conservation and to develop policy. I think that the critical next steps for the use of EGS for sustainable development are:

Economic: We must understand that EGS have monetary value. This fact will positively inform investment and policy decisions.

Social: We must understand the importance of EGS as a tool to empower the voiceless, the rural poor who are the unacknowledged stewards of the ecosystem.

Environmental: EGS-thinking allows us to simply strengthen the rationale for conservation and adaptive management of our natural capital, and support it with sound economic data.

Dimple Roy, Program Manager



The Internet has emerged to become the single most important communications medium for pooling global knowledge and coordinating action. The ease with which users are able to freely communicate and share information is a cornerstone of the Internet thanks to open and inclusive standards that have guided its development, largely free of government intervention. However some governments already, or are threatening to, restrict Internet access, even in democratic societies, under the guise of combating terrorism and content piracy. In my opinion, it is essential to ensure that global connectivity continues to spread, especially to the disenfranchised, without being limited by misguided government or corporate controls. Without effective connectivity, people will be less able to work together on achieving sustainable development through collaborative projects; networks that bridge geographic, linguistic and cultural divides; and interactive dialogue among researchers, practitioners, citizens and policy-makers.

Tony Vetter, Project Officer



We need to be realistic about "green jobs" and the extent to which they might provide the lubricant for an age of sustainable living. Just creating these jobs will require additional government stimulus spending which carries the risk that it will plunge future generations into unsustainable levels of debt. More important, these green jobs are not likely to increase net employment opportunities, but rather counter balance the jobs that are currently being lost. It would be more sustainable to also focus on strategies for cross-career re-training and up-skilling to build workforce flexibility and dynamism all around.

Oshani Perera,
Program Officer



Having joined IISD in October 2008, preceding the election of Barack Obama by mere days, the United States' shift in climate change policy has influenced my work and has made clear the importance the U.S. will play in the development of the global post-2012 climate regime. Establishing strong emissions reductions policy in the U.S. is critical to achieving significant global reductions as the plans of other major emitters such as China, Japan, and Canada will be influenced by U.S. policy. The Obama administration has shown a great deal of vigour on the issue, working hard with its allies to pass legislation on cap-and-trade and other climate initiatives in Congress, but their success is not a foregone conclusion given the strength of the administration's opponents, and the extremely high stakes at play. The success or failure of the U.S. government to implement climate change policy will define the post-2012 climate regime.

Philip Gass, Project Officer



International negotiations on climate change are at a critical stage. In December 2009, diplomats will gather in Copenhagen in an effort to secure a new global deal. With the scientific evidence for urgent action now irrefutable, the need for a strong international agreement to emerge from Copenhagen could not be greater. Set against the science is the challenge of crafting a political consensus among almost 200 nations on one of the most multi-faceted and difficult challenges humanity has faced. At IISD Reporting Services, our goal has been to support these diplomatic efforts by creating transparency and greater accountability. Since our early coverage in the 1990s, we have expanded our reporting and strengthened our team of climate specialists on our ENB teams. In 2008, we also launched our Climate-L.org Daily News Feed to complement the work of our ENB teams at conferences.

Chris Spence, Deputy Director, IISD Reporting Services; Manager, ENB Climate Team



Auditors' Report

To the Members of The International Institute for Sustainable Development

We have audited the consolidated statement of financial position of the International Institute for Sustainable Development as at March 31, 2009 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.

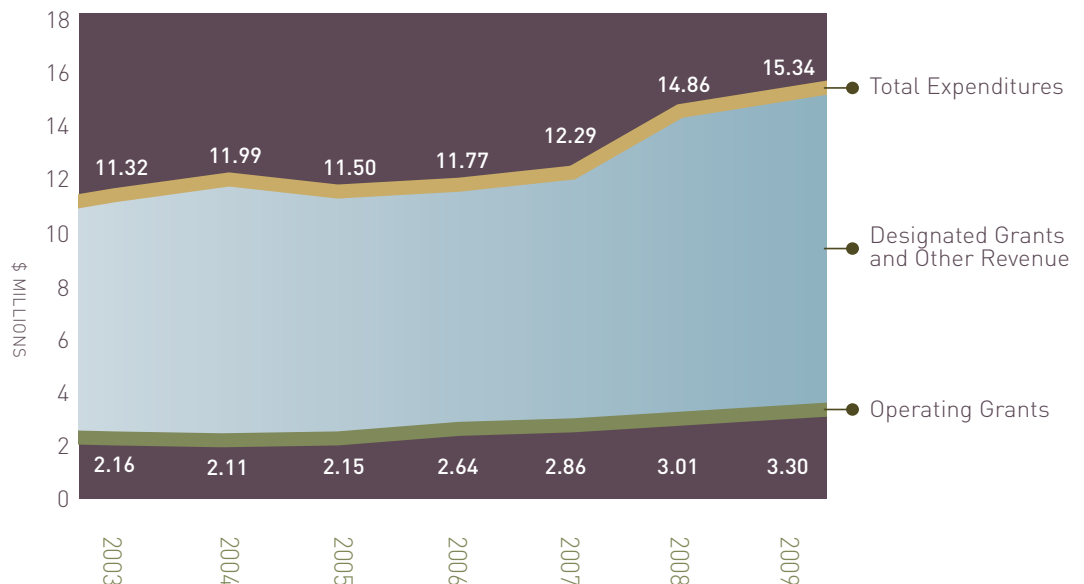
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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, 2009 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 12, 2009

2003–2009 IISD Financing Trend



Consolidated Statement of Financial Position

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	\$ 2,447,317	\$ 1,592,542
Marketable securities	8,035,878	7,923,045
Accounts receivable	7,734,176	7,747,287
Prepaid expenses and deposits	421,867	148,889
	18,639,238	17,411,763
CAPITAL ASSETS	363,747	432,536
	<u>\$ 19,002,985</u>	<u>\$ 17,844,299</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,789,305	\$ 1,653,513
Deferred revenue	8,911,755	7,967,108
	10,701,060	9,620,621
NET ASSETS		
Net assets invested in capital assets	363,747	432,536
Reserve for program development	4,595,558	4,754,179
Reserve for long-term development	460,759	833,481
Innovation Fund	29,743	45,764
Campaign Fund	30,351	31,453
Unrestricted net operating assets	2,821,767	2,126,265
	8,301,925	8,223,678
	<u>\$ 19,002,985</u>	<u>\$ 17,844,299</u>

Consolidated Statement of Operations

For the Year Ended March 31, 2009

	2009	2008
REVENUE		
Designated grants	\$ 11,231,702	\$ 11,836,739
Operating grants	3,301,532	3,013,569
Innovation Fund	77,969	107,328
Interest	352,496	363,352
Other revenue	488,681	278,519
TOTAL REVENUE	15,452,380	15,599,507
EXPENSES		
Projects		
Trade and Investment	4,799,502	4,845,587
Reporting Services	3,200,419	3,086,864
Climate Change and Energy	1,989,601	1,612,038
Sustainable Natural Resources Management	1,356,237	1,459,297
Global Connectivity	1,009,373	941,323
Measurement and Assessment	834,819	945,921
New Project Development	177,848	82,485
Innovation Fund	80,168	109,715
Economic Policy	2,747	48,787
	13,450,714	13,132,017
Administration	957,869	872,747
Fund Development and Publishing and Communications	744,451	694,687
Board	183,976	157,138
TOTAL EXPENSES	15,337,010	14,856,589
EXCESS OF REVENUE OVER EXPENSES	115,370	742,918
APPROPRIATION TO UNRESTRICTED NET OPERATING ASSETS		
Net assets invested in capital assets	68,789	32,060
Reserve for program development	138,621	82,485
Reserve for long-term development	372,722	169,655
INCREASE IN UNRESTRICTED NET OPERATING ASSETS	695,502	1,027,118
UNRESTRICTED NET OPERATING ASSETS, BEGINNING OF YEAR	2,126,265	1,099,147
UNRESTRICTED NET OPERATING ASSETS, END OF YEAR	\$ 2,821,767	\$ 2,126,265

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	
	2009 (\$000's)	2008 (\$000's)
Governments and agencies		
Canada	\$ 2,750	\$ 2,795
International	7,315	5,840
	10,065	8,635
United Nations agencies	801	715
International organizations	306	509
Philanthropic foundations	604	237
Private sector and other	681	1,073
	\$ 12,457	\$ 11,169

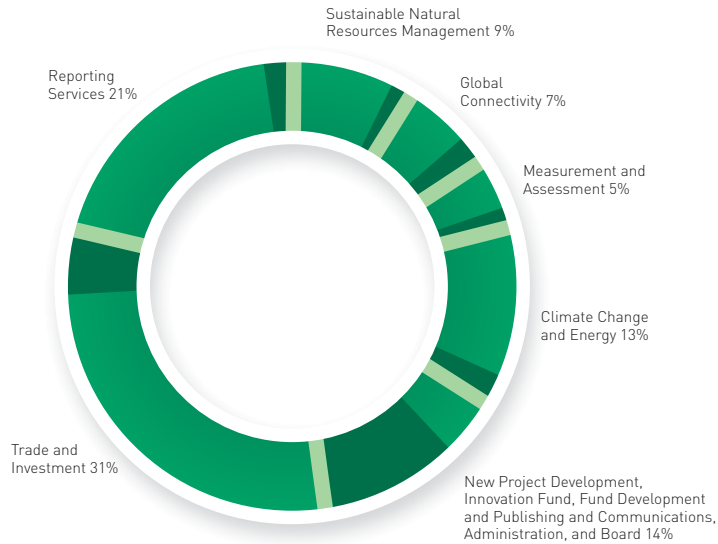
Designated grants and other revenue which includes publication sales, cost recoveries and, in the case of Administration, Fund Development and Publishing and Communications, the net foreign exchange gain recognized at March 31 in the amount of \$402 thousand (2008 – \$50 thousand gain), are summarized by activity area as follows:

Activity Area	Other Revenue (\$000's)	Innovation Funds (\$000's)	Designated Grants (\$000's)	Total (\$000's)
Trade and Investment	\$ 19	\$ –	\$ 3,961	\$ 3,980
Reporting Services	–	–	2,905	2,905
Climate Change and Energy	19	–	1,712	1,731
Sustainable Natural Resources Management	2	–	1,172	1,174
Global Connectivity	5	–	748	753
Measurement and Assessment	3	–	684	687
Administration, New Project Development, Fund Development and Publishing and Communications	440	–	50	490
	488	–	11,232	11,720
Innovation Fund	–	78	–	78
	\$ 488	\$ 78	\$ 11,232	\$ 11,798

Operating grants IISD has entered into a one year agreement with Environment Canada from April 1, 2008 to March 31, 2009. The previous three year funding agreement with the Canadian International Development Agency (CIDA) which expired March 31, 2008 was increased by \$719,000 and extended by six months to September 30, 2008. Thereafter a new 18 month agreement was reached with CIDA for a total of \$2.28 million. The arrangement with CIDA provides operating grants. The arrangement with Environment Canada provides a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of Canada. IISD has funding agreements with the Government of Manitoba and the International Development Research Centre (IDRC) for five and six year periods ending March 31, 2011 and June 30, 2012 respectively. Both of these arrangements also provide for a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of the funders.

A summary of the operating grant funding is as follows:

	Funding Commitment (\$000's)	Funding Recorded 2009 (\$000's)	Funding Recorded Prior years (\$000's)	Funding Commitment Remaining (\$000's)
Government of Canada				
Environment Canada	\$ 500	\$ 500	\$ –	\$ –
Canadian International Development Agency	7,279	1,479	4,280	1,520
Government of Manitoba	4,186	837	1,674	1,675
International Development Research Centre	1,907	485	282	1,140
Operating grant revenue	\$ 13,872	\$ 3,301	\$ 6,236	\$ 4,335

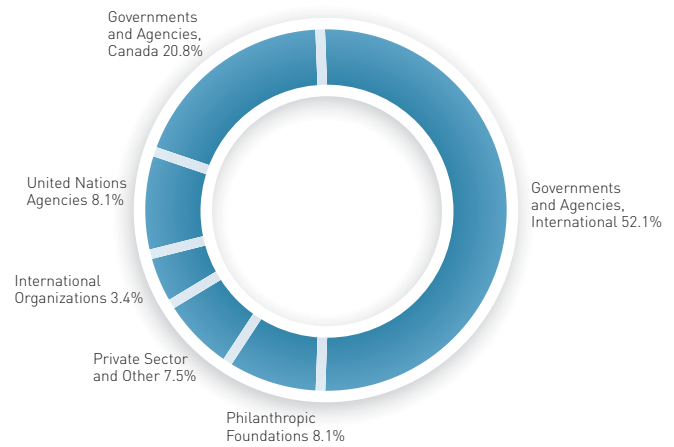


2008-2009 Revenue and Expenses by Activity Area

Total expenses of \$15,337,010

Financed by:

- Operating Grants
- Designated Grants and Other Revenue



2008-2009 Designated Grant Revenue by Donor

Total designated grant revenue of \$11,231,702

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

For the Year Ended March 31, 2009

	Trade and Investment	Reporting Services	Climate Change and Energy	Sustainable Natural Resources Management	Global Connectivity	Measurement and Assessment	New Project Development	Innovation Fund	Economic Policy	Administration	Fund Development and Publishing and Communications	Board	2009 Total	2008 Total
Revenue	\$ 3,980	\$ 2,905	\$ 1,731	\$ 1,174	\$ 753	\$ 687	\$ 39	\$ 78	\$ -	\$ 432	\$ 19	\$ -	\$11,798	\$12,223
Personnel	2,327	958	1,277	898	509	533	64	42	1	705	453	-	7,767	7,170
Collaborators	1,261	911	154	190	235	113	57	20	-	48	76	-	3,065	3,023
Travel	526	979	240	76	135	79	30	14	-	48	31	-	2,158	2,409
Rent	150	106	67	47	28	27	-	-	-	34	25	-	484	454
Supplies and other	142	86	70	40	24	24	4	4	-	51	46	-	491	456
Publishing	74	42	32	8	11	14	-	-	-	13	51	-	245	299
Amortization of capital assets	58	54	28	27	13	14	-	-	2	20	22	-	238	230
Meetings	200	-	65	50	30	6	21	-	-	15	25	-	412	388
Telecommunications	39	57	46	15	21	21	1	-	-	18	11	-	229	213
Board	-	-	-	-	-	-	-	-	-	-	-	184	184	157
Research materials	22	7	11	5	4	4	1	-	-	6	4	-	64	58
Total expenses	4,799	3,200	1,990	1,356	1,010	835	178	80	3	958	744	184	15,337	14,857
Excess of expenses over designated grants and other revenue	\$ (819)	\$ (295)	\$ (259)	\$ (182)	\$ (257)	\$ (148)	\$ (139)	\$ (2)	\$ (3)	\$ (526)	\$ (725)	\$ (184)	(3,539)	(2,634)

Excess of expenses over designated grants funded by:

Operating grants

Interest

Excess of revenue over expenses

3,302	3,014
352	363
\$ 115	\$ 743

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

For the Year Ended March 31, 2009

Government of Canada (and Agencies)

International Development Research Centre (IDRC)	\$ 1,000	
Environment Canada	264	
Agriculture and Agri-Food Canada (AAFC)	215	
Canadian International Development Agency (CIDA)	148	
Wildlife Conservation Society (WCS)	122	
Department of Foreign Affairs and International Trade	87	
Industry Canada	46	
Indian and Northern Affairs Canada (INAC)	81	
National Resources Canada	24	
National Round Table on the Environment and the Economy (NTREE)	17	
	<u>2,004</u>	

Governments of provinces

Manitoba	691	
Alberta	36	
British Columbia	16	
Ontario	3	
	<u>746</u>	

Governments of other nations

Denmark		
Royal Danish Ministry of Foreign Affairs	1,936	
Norway		
Norwegian Agency for Development Cooperation (NORAD)	793	
Permanent Mission of Norway Geneva	476	
Ministry of Foreign Affairs	<u>147</u>	1,416
Switzerland		
Swiss Agency for Development and Cooperation (SDC)	434	
State Secretariat for Economic Affairs (SECO)	397	
Federal Office for the Environment (FOEN)	<u>46</u>	877
United Kingdom		
Department for International Development	805	
British Government for Climate Change	<u>31</u>	836
Sweden		
Swedish Ministry of Foreign Affairs	621	
Netherlands		
Ministry of Agriculture, Nature and Food Quality (LNV)	254	
Environmental Assessment Agency	<u>140</u>	394
Germany		
Federal Ministry for the Environment	122	
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<u>50</u>	172
Italy		
Italian Ministry for Environment, Land and Sea	148	
European Commission	147	
Spain		
Spanish Ministry of the Environment	146	
Japan		
Institute for Global Environmental Strategies (IGES)	90	
Global Industrial and Social Progress Research Institute (GISPRI)	<u>38</u>	128
Finland		
Ministry of Foreign Affairs	84	
Ministry of the Environment	<u>23</u>	107
Turkey		
5th World Water Forum Secretariat	106	
France		
Institut de l'Énergie et de l'Environnement de la Francophonie	92	
Taiwan		
Forestry Bureau, Council of Agriculture	57	
New Zealand		
Ministry of Foreign Affairs and Trade	41	

Suriname	
Government of Suriname	31
Korea	
Korean Institute for International Economic Policy	27
Philippines	
Clean Air Initiative - Asia Centre	16
Austria	
Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management	14
Iceland	
Icelandic Ministry of Foreign Affairs	3
	<u>7,315</u>

United Nations agencies

United Nations Environment Programme (UNEP)	599
United Nations Food and Agriculture Organization (FAO)	65
United Nations Industrial Development Organization (UNIDO)	41
United Nations Office for Project Services (UNOPS)	37
United Nations Framework Convention on Climate Change (UNFCCC)	34
United Nations Development Programme (UNDP)	21
Others (under \$10,000)	4
	<u>801</u>

International organizations

International Centre for Trade and Sustainable Development (ICTSD)	141
International Institute for Environment and Development (IIED)	61
Lake Balaton Development Coordination Agency	37
Canadian International Council (CIC)	33
Organisation for Economic Co-operation and Development (OECD)	20
Others (under \$10,000)	14
	<u>306</u>

Philanthropic foundations

Citigroup Foundation	154
The German Marshall Fund of the United States	129
Rockefeller Brothers Fund	123
Lodestar Foundation	77
Charles Stewart Mott Foundation	51
The Swedish Foundation for Strategic Environmental Research (MISTRA)	39
The PEW Charitable Trusts	20
Others (under \$10,000)	11
	<u>604</u>

Private sector and other

Hivos	125
Western Governors' Association	110
Commission for Environmental Cooperation (CEC)	77
ETH Domain	74
Federation of Canadian Municipalities (FCM)	66
The Aylmer Group	33
Oxfam - Quebec	22
Prince Albert Model Forest Aboriginal Caucus	20
Collage of Marine & Earth Studies, University of Delaware	17
Transcanada Corporation	16
Serecon Management Consulting Inc.	12
INFRAS Consulting Group for Policy Analysis and Implementation	11
Shell Canada	10
ConocoPhillips Canada	10
Others (under \$10,000)	78
	<u>681</u>
	<u>\$12,457</u>