

**iisd** International Institute for Sustainable Development Institut international du développement durable

2003/04 Annual Report

# SUSTAINING EXCELLENCE



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

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

# SUSTAINING EXCELLENCE

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**IN** 1998, IISD took an interest in the North American Free Trade Agreement Chapter 11 rules on foreign investment. In 2000, IISD sought status as an *amicus curiae* (friend of the court) in the case of Methanex Inc. v. the United States. This marked the first time any civil society group had formally sought such status in an investor-state arbitration under international rules. In January 2001, the Tribunal ruled that it had, in principle, the power to grant such status and, in February 2004, the Tribunal issued specific rules on how IISD and others could formally apply for *amicus* status. In March 2004, IISD submitted its formal request and its written arguments to the Tribunal and in April, at the beginning of the new fiscal year, the Tribunal accepted IISD as an *amicus*, making IISD and a U.S. NGO the first civil society groups to be recognized in this way. See page 22.

**IISD** began the revitalization of a natural resources program, which will be known as “Sustainable Natural Resources Management.” The initial focus will be regional and national, with an emphasis on water, agriculture and sustainable development. See page 14.

**THE** Canada-India Energy Efficiency Project, one of the longest and largest in IISD’s history, ended in 2003 with a range of outputs and important results. See page 12.

**IISD** signed a Memorandum of Understanding with the United Nations Environment Programme which provides a direct conduit for IISD to offer regular policy advice in the field of ecosystem management and human development. See page 20.

**IISD’S** training work expanded to include young professionals from other Arctic countries and from South Africa and Brazil. See page 18.

**JUST** before the end of the fiscal year, IISD signed a five-year agreement with Agriculture and Agri-Food Canada (AAFC), which will see the Institute working on a series of projects supporting AAFC initiatives associated with the Department’s Agriculture Policy Framework. See page 16.

**IN** 2003-2004, each issue of the *Earth Negotiations Bulletin* was published in French as well as in English. See page 19.

**IN** 2003-2004, CDN\$8.945 million was committed to IISD in the form of designated project funding. That represents an increase of about \$200,000 over what was committed in the previous fiscal year. See page 28 for more details.

**IT** was another busy year across IISD’s Web space. Between IISDnet (<http://www.iisd.org>) and IISD Linkages (<http://www.iisd.ca>), there were 1.75 million PDF document downloads. Across all of IISD’s Web space, there were 13.44 million successful page requests. And more than 27,000 people currently subscribe to IISD’s electronic mailing lists.

**IISD** completed a 375 tonne carbon offset credit purchase to offset carbon dioxide emissions from 2002-2003. See pages 8-9 for more statistics relating to our own sustainability performance.



# INSTITUTIONAL HIGHLIGHTS

APRIL 1, 2003 – MARCH 31, 2004

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# FROM THE PRESIDENT



IISD was born in 1990 amid the spirit of optimism and change generated by the Brundtland Report. When we emerged on the world stage at the Rio Earth Summit in 1992, we already had much to be proud of. We still do.

Our Reporting Services team has made the international environmental negotiations the most transparent and accessible of all international negotiations. Our Trade people have helped to transform discussions that used to be dominated by Northern commercial interests into multi-faceted discussions involving other civil society actors and the governments of developing countries, who are beginning to flex their newly-acquired muscles.

Our Knowledge Communications professionals have pioneered new approaches to developing North-South knowledge networks and to involving youth more actively in the decisions about the information technologies that will affect their future. Our Economic Policy group is helping to transform the approach pioneered by Nobel Laureate Amartya Sen so that strategies for poverty reduction also contribute to environmental improvement. We can now measure progress toward all three aspects of sustainable development— economic, social and environmental— more comprehensively than before, thanks to the work of our Measurement and Indicators Program. And new work on environment and security and the sustainable management of natural resources—with a focus on water—promises future breakthroughs of the type already achieved by IISD.

We are still a small institution and we intend to remain so. Our new Strategic Plan calls for substantial growth over the five years or so, but we will still remain a modest tadpole compared with many of the other actors in the international pond.

We move forward optimistically, but we recognize that despite all that the sustainable development community has achieved since the Brundtland Report was released 17 years ago, humanity is still headed in the wrong direction in a number of key areas, including climate change, loss of biodiversity, deforestation and population growth.

Against this backdrop, how will we achieve results?

First, we intend to build on our existing partnerships with more than 80 institutions around the world to create a stronger voice for change. And we want to create even closer alliances with a number of like-minded groups. Second, we want to make sure that all of our activities are powered by a tough-minded influencing strategy, developed by our Knowledge Communications group and approved by our Board. And third, we want to grow the new IISD Innovation Fund to motivate our best and brightest to design creative new approaches to break through the existing logjams.

Despite a distressing year in international relations, I remain confident that sustainable development will re-emerge as a dominant force in international politics and discourse over the next five years and that IISD will be well positioned to play an influential role in the debate.

David Runnalls  
President and Chief Executive Officer

## BOARD OF DIRECTORS 2003/04



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# FROM THE CHAIR



and creative intervention can lead to meaningful change. We need to achieve at this level more often, and we are equipped to do so.

2003–2004 was a fine year for the International Institute for Sustainable Development—one of significant achievements, as this report illustrates. It’s a good time to look ahead to what is already shaping up to be another exciting year.

At its June 2004 meeting, the Board welcomed seven new members, an important infusion of new energy. I’m proud to say that we have entered the new fiscal year governed by a younger Board with better gender balance than ever before.

We launched the second Strategic Plan to guide our program development over the next five years. The emphasis is on relevance and impact—having demonstrable influence in those areas where we intervene.

Our President has renewed his agreement for the next five years and will lead the Institute forward with vigor and creativity. And we have put deficit financing behind us. We have operated with a balanced budget for the past year, and our financial outlook is solid.

All very auspicious circumstances to help us meet the challenges ahead.

The main test we face is that of achieving and maintaining effective influence and impact. We are a small organization tackling global issues. To have any measurable impact requires that we tailor our actions very precisely in areas where we have exceptional expertise to contribute. Our recent, hard-fought victory in opening up the NAFTA tribunal process is an example of where sustained, conscientious

Having impact also requires that we establish a presence, a visibility that is as essential to impact as content. We have done remarkably well in recent years in growing roots in our home soil in Manitoba through our projects centered in the province and region, our advice to the government and the increased participation of our staff in the community.

We have also a marked presence in Europe through our Geneva office centering on trade and development programs and on security issues. And have developed a worldwide presence through IISD Reporting Services and our several networks.

We need to achieve greater prominence in Canada and become recognized, as we are by others, as the authoritative voice in matters of sustainable development.

The staff of the Institute, by its competence, dedication, well-developed networking and lots of extremely hard work has brought us to where we are today. They are also the people who will help us meet the challenges ahead. I thank each and every one of them for their contribution.

My colleagues on the Board and I are committed to helping the Institute achieve ever-greater things ahead.

Jacques Gérin  
Chair of the Board

## ADVISORY PARTICIPANTS

- Norm Brandon,  
Deputy Minister, Water Stewardship, Province of Manitoba
- James Eldridge,  
Clerk of the Executive Council, Province of Manitoba
- Len Good, President,  
Canadian International Development Agency, until May 2003
- Suzanne Hurtubise,  
Deputy Minister, Environment Canada, June 2003 to May 2004
- Alan Nymark,  
Deputy Minister, Environment Canada, until June 2003
- Maureen O’Neil,  
President, International Development Research Centre
- Mary Simon,  
Ambassador for Circumpolar Affairs, Department of Foreign Affairs and International Trade, until October 2003
- Paul Thibault,  
President, Canadian International Development Agency, as of May 2003

## DISTINGUISHED FELLOWS

- Art Hanson, Senior Scientist
- Jim MacNeill, Chair Emeritus
- Maurice Strong

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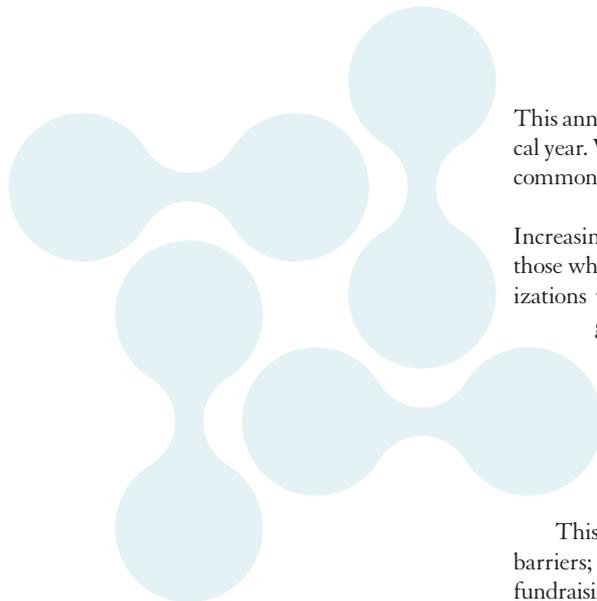
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This annual report identifies and celebrates numerous institutional achievements from the last fiscal year. While they vary in size and scope, almost all of IISD's programmatic highlights share one common characteristic—a reliance on collaboration.

Increasingly, sustainable development organizations are discovering that project success can elude those who try to go it alone. The most important outcomes in the SD field are achieved by organizations working together. Logic and economics dictate that the partnership model offers the greatest opportunity for efficiency and for success. And funders are starting to favour projects that are anchored by sound relationships among collaborating institutions.

The composition of IISD's partnership base changes as old projects end and new ones begin. At any given time, though, the Institute is collaborating with 70-80 organizations—north and south of the equator.

This is not to say there aren't challenges inherent in project partnerships. There are language barriers; cultural differences; differences in institutional capacity; different accounting and fundraising procedures; and, sometimes, different motivations and expectations among the partners. Time differences and the expense of face-to-face meetings can also test relationships.

## SOME LIKE-MINDED ORGANIZATIONS SHARE THEIR VIEWS ABOUT WORKING TOGETHER

# PERSPECTIVES ON PARTNERSHIP

Compiled by Dennis Cunningham

## THROUGH YEARS OF WORK IN CANADA AND AROUND THE WORLD, IISD AND ITS PARTNERS HAVE LEARNED THAT

Since 1995, IISD has devoted a great deal of energy to understanding the nature and management of collaborative work, especially in the form of formal knowledge networks. Our book, *Strategic Intentions*, captures much of our learning to date. Current work—being carried out in partnership with others, of course—focuses on substantive issues including planning and monitoring; communications and influencing strategies; internal governance; and external transparency and accountability. (For more information about our learnings on knowledge networks, see <http://www.iisd.org/networks/>).

Even with the challenges of collaborative work and the learning that still needs to be done, there is much to be gained from working with partners and within networks. Organizations working together increase their funding opportunities; avoid duplication; learn from each other; and enhance their credibility in the eyes of decision-makers.

FOR A DEVELOPING COUNTRY ORGANIZATION LIKE FUNDACIÓN BARILOCHE, IT IS NOT EASY TO FIND AN ORGANIZATION IN THE DEVELOPED WORLD THAT ALLOWS US TO BE AS WE ARE WITHOUT ANY PRESSURE TO CHANGE OUR POINTS OF VIEW. IN THAT SENSE, WE ARE VERY COMFORTABLE WORKING WITH IISD, BECAUSE WE CAN SHARE OPINIONS AND POINTS OF VIEW IN AN ENVIRONMENT OF FREEDOM AND ON AN EQUAL BASIS.

Osvaldo Giradin, Fundación Bariloche, Argentina

THE MAIN STRENGTH IISD BRINGS TO PARTNERSHIPS IS EXPERTISE IN THE THEORY AND BEST PRACTICE OF KNOWLEDGE NETWORKS, PARTNERSHIPS AND COALITIONS—INTELLECTUAL CAPITAL, EXPERIENCE, AND INSIGHT. OTHER KEY CONTRIBUTIONS INCLUDE INSTITUTIONAL CREDIBILITY IN THE EYES OF OTHER PARTNERS AND DONORS, AND STRONG NETWORKS WITH OTHER KEY ORGANIZATIONS.

Nick Moraitis, TakingITGlobal, Canada

**IISD ASKED SIX PARTNERING ORGANIZATIONS TO SHARE THEIR VIEWS ON PARTNERSHIPS. SELECTED RESPONSES APPEAR HERE. THE PARTNERS WE INVITED WERE:**

- **Cristina Nogues, Fundación Acceso (Costa Rica)** – an affiliate member of the Sustainable Development Communications Network (SDCN), for which IISD serves as the hub. <http://www.acceso.or.cr/>
- **Oswaldo Giradin, Fundación Bariloche (Argentina)** – a member of the Climate Change Knowledge Network, and partnered with IISD most recently on the publication *Seeing the Light: Adapting to climate change with decentralized renewable energy in developing countries*. <http://www.fundacionbariloche.org.ar/>
- **Nick Moraitis, Taking It Global (Canada)** – works with IISD as part of the Youth Creating Digital Opportunities (YCDO) co-ordination team. <http://www.takingitglobal.org>
- **Dr. Shaheen Rafi Khan, The Sustainable Development Policy Institute - SDPI (Pakistan)** – active member of the Trade Knowledge Network, which is co-managed by IISD. <http://www.sdpi.org>
- **Kakuko Nagatani Yoshida, The Division of Early Warning and Assessment of the United Nations Environment Program for Latin America and the Caribbean region - UNEP DEWA (Mexico)** – has worked with IISD in its capacity as a North American collaborating centre for the Global Environmental Outlook. UNEP DEWA has also hosted participants from IISD's Young Canadian Leaders for a Sustainable Future internship program. <http://www.unep.org/dewa/index.asp>

**Q: WHY DOES YOUR ORGANIZATION WORK IN PARTNERSHIPS?**

**SDPI:** SDPI is involved in South-South as well as North-South partnerships with like-minded research institutions. Synergies exist in developing consensus-based research themes; undertaking collaborative research; and formulating communication and outreach strategies. Such an approach is likely to have more credibility with donors and the policy community, especially where regional and global issues are concerned. North-South associations can help dispel misperceptions and identify converging interests that lead to win-win situations.

**IIED:** Most of our work is in the developing world where we need the insights and experience of local partners. IIED's approach to building partnerships with organizations is to build them slowly over the long term based on mutually shared objectives, interests and strategies.

**Q: WHAT DO YOU FEEL THE FUTURE OF PARTNERSHIP HOLDS FOR ADVANCING SUSTAINABLE DEVELOPMENT?**

**UNEP DEWA:** Having recognized that working in partnership could slow things down as well, we believe that without partnership there will be no sustainable development at all. Sustainable development, as we know, calls for the participation and commitment of every individual in our society. This multi-level and multi-sectoral initiative, called sustainable development, can be achieved only if we all decide to work for a common good noting that the problems of resource scarcity (especially natural resources); financial and social inequity; and security are upon us with a sense of urgency.

**Taking IT Global:** I think there is a general recognition that we all—the whole planet—need to cooperate in order to eventually achieve a more sustainable way of living and a more sustainable approach to development. More immediately, partnerships are central to our work—only through taking account of each other's learning, networks and capacity can we implement truly impactful global responses to the global challenges we face.

**WHEN GOOD ORGANIZATIONS COME TOGETHER TO DO GOOD THINGS, THE WHOLE IS OFTEN GREATER THAN THE SUM OF THE PARTS.**

- **Dr. Saleem Huq, The International Institute for Environment and Development - IIED (United Kingdom)** – has been engaged in a wide variety of partnership initiatives with IISD ranging from work in trade and sustainable development to climate change to acting as a host organization for YCLSF interns. David Runnalls, IISD President and CEO, is currently a member of the IIED board of trustees and has been involved with the institute since its inception. <http://www.iied.org>

**Q: WHAT CHALLENGES ARE THERE IN WORKING WITH PARTNERS?**

**Fundación Acceso:** Language and cultural barriers; transparency and proactive communication; clear identification of specific and common goals, including areas where there will not be or where you can't have collaboration; openness to change and an attitude for continuous learning, which is process oriented; availability of necessary (financial and non-financial) resources; and a willingness to work under open content/open knowledge schemes.

**Fundación Bariloche:** The main challenge is participation in the process of partnership, because it implies the acceptance of others' points of view and an emphasis on building consensus. It is not always possible to agree with other partners on all the relevant issues. In fact, it is exciting to participate in the process of establishing minimum common consensus points.

**IISD'S HIGH PROFESSIONAL STANDARDS, CUTTING-EDGE THINKING ON SUSTAINABLE DEVELOPMENT AND A NURTURING MANAGEMENT STYLE HAVE ESTABLISHED PRECEDENTS IN QUALITY AND EQUITY WHICH SDPI HAS BENEFITED GREATLY FROM.**  
Dr. Shaheen Rafi Khan, Sustainable Development Policy Institute, Pakistan



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**FORMER IISD PRESIDENT AND CEO, DR. ARTHUR J. HANSON, O.C. HAS DECIDED TO MOVE ON TO THE NEXT PHASE OF HIS CAREER. HE LOOKS BACK AT HIS TENURE WITH PRIDE. AND AS HE LOOKS TO THE FUTURE OF SUSTAINABLE DEVELOPMENT, HIS FAITH IN PEOPLE KEEPS HIM OPTIMISTIC.**

By Stuart Slayen

# THE ART OF SUSTAINABLE DEVELOPMENT

## FORMER IISD PRESIDENT LOOKS TO THE FUTURE; CHERISHES THE PAST

When Dr. Arthur J. Hanson became the President and Chief Executive Officer of IISD at the end of 1991, the Institute was less than two years old and the Rio Earth Summit—the event that shaped the sustainable development movement for years—was a mere six months away.

“I don’t think I’ve ever worked so hard in my life,” says Hanson of a time when the world was just hearing about sustainable development for the first time.

It was at Rio that the Institute emerged on the world stage and almost immediately earned credibility and aroused curiosity in the policy community. “We went from nothing to having international standing,” he says.

He looks back at those early days with pride.

“Sustainable development was a difficult new topic for people,” says the soft-spoken Hanson. “There was skepticism about whether the Institute could survive; and whether it could survive in Winnipeg. We had to prove that IISD had legs and that the concept of sustainable development could be made useful to people.”

Under Hanson, the Institute weathered growing pains and kept its focus on the challenges at hand. IISD played a key role in Canada and elsewhere in sharpening the focus on sustainable development and in raising the bar on the quality of policy research contributing to this field.

Hanson points in particular to the Institute’s early adoption of Internet technologies to deliver the *Earth Negotiations Bulletin* and other content, and to the Institute’s efforts at reaching younger people through various projects and ultimately the highly successful internship program. As well, early decisions to enter unexplored fields such as trade and sustainable development have allowed IISD to become a world leader.

**“THERE ARE SEVERAL BIG URGENCIES FOR SD. ACTUALLY, FOR SOME, I’M FEARFUL THAT THE CRITICAL DATES FOR GOOD SOLUTIONS MAY ALREADY HAVE PASSED.”**



1: Dr. Hanson in conversation with the Hon. Flora MacDonald at the May 1994 United Nations Associations in Canada conference entitled An International Agenda for the 21st Century: The Role of Canada.

2: Dr. Hanson, the Hon. Lloyd Axworthy, former Manitoba Premier Gary Filmon, and IISD Information Systems Manager Rod Araneda at the Canada/Manitoba Infrastructure funding announcement in October 1996.

3: Dr. Hanson being interviewed while in Rio de Janeiro, Brazil for the Earth Summit in June 1992

4: Dr. Hanson is invested in 2003 as an Officer in the Order of Canada by Her Excellency the Right Honourable Adrienne Clarkson, C.C., C.M.M., C.O.M., C.D., Governor General and Commander-in-Chief of Canada.

## “I HAVE JUST BECOME A GRANDFATHER AND THAT GIVES YOU A WHOLE DIFFERENT PERSPECTIVE ON THE WORLD.”



“We attracted very good staff and the Board was, and continues to be, intellectually charged,” he says. All of IISD’s efforts contributed to what Hanson likes to call “connecting the dots” among the environment, the economy and the well-being of people.

Hanson fears, though, that despite the continued high performance of IISD and other like-minded institutions, effective SD action still lags. We face more complex and interlocked challenges to human and ecological security.

“There are several big urgencies for SD. Actually, for some, I’m fearful that the critical dates for good solutions may already have passed. For example, it was pretty clear to me even a decade ago...that there was a great urgency about fish stocks in the oceans, that they were really plummeting,” says Hanson, Canada’s former Ambassador for the Oceans. “Now some scientists believe the cod will disappear as a fishable stock by 2020.”

“Another that has troubled me for a long, long time is tropical rainforests” he adds. “These are such important areas for biodiversity, important to the needs of people and important in terms of their own economic contributions to various societies and yet we’re still treating these forests in a way that encourages their destruction and their loss.”

Hanson and other sustainability experts see that we have some very real, very imminent deadlines to contend with. IUCN - The World Conservation Union targets 2010 as a time by which biodiversity loss must be reversed. Hanson figures that we’ll have to “turn the curve” on climate change by 2020 or 2030. The oft-quoted Millennium Development Goals—which assign quantitative targets on poverty, food, water, health, education and other matters—were designed to be achieved by 2015. Yet he believes all of these SD targets and many others are slipping badly.

What’s especially frustrating for Hanson is that he believes that most of the knowledge that humanity needs to deal with the challenges could be or is available, but the achievement of change is burdened by bureaucracy, institutional ineffectiveness, the basic foibles of human interaction and the challenges of promoting the long-term thinking that is inherent in sustainable development.

“I hate to say this, but crises help move things along,” he says.” The nut to crack for me is how to deal with issues before they become crises. A lot of people make their reputation around solving crises—the fire fighters. In a way, for them, it’s better to have the fires to fight. And then along comes sustainable development that is inherently long-term in its efforts to prevent the fires from happening. It’s much more difficult to get excited about the future when you have three fires conflagrating around you.” What we know is that crisis-oriented solutions are expensive, unsettling and often uncoupled from real development solutions.

“I have just become a grandfather and it gives you a whole different perspective on the world,” he adds. “I’ve been fortunate enough to witness the coming into the world of someone who can expect to live past 2080. Frankly, I can’t even think about what the world is going to be like then if we are not more successful with SD solutions.”

Still, Hanson is an optimist by nature. He believes that we must strive for the best outcomes for people. He sees strong signs that the business sector, for example, is responding to the sustainability challenge and that the market signals are starting to favour sustainable practices. He also sees great progress at the micro level—in cities, communities and villages around the world. There are people learning more about their local environments and taking action; there are people working diligently to link local, traditional knowledge with modern science; and there are individuals promoting innovative ideas in institutions and on the ground.

“There are a lot more people walking the talk of SD in all parts of the world than when we began our work in IISD,” says Hanson. “And that gives me hope.”

Today, Art Hanson is focusing on independent consultancy after relinquishing his position of IISD Senior Scientist in the fall. He is seeking out the innovators, with whom he can share his expertise. “I am using the ideas and experience that I gained through my years with IISD. And, wherever I travel, I see that IISD is widely respected in a number of different circles. I’m very proud and happy about that.”

He remains an IISD Distinguished Fellow and works with the Institute on specific activities, such as IISD’s Innovation Fund.

### ARTHUR J. HANSON: AT A GLANCE

- President and CEO of IISD from late 1991 to 1998 and Board Member 1990-98.
- Appointed to Officer of the Order of Canada in May 2003.
- Named an Oceans Ambassador by the Minister of Fisheries and Oceans in June 2000.
- Member of the Canada Foundation for Innovation and, previously, the National Round Table on the Environment and Economy and the Canadian Biotechnology Advisory Committee.
- Board member and Lead Expert of the China Council for International Cooperation on Environment and Development.
- Professor of Environmental Studies at Dalhousie University (Halifax) from 1978 to 1991 and Director of the School for Resource and Environmental Studies for almost a decade.
- Worked for five years with the Ford Foundation in Indonesia.
- He holds a PhD from the University of Michigan in the field of Fisheries Ecology and Natural Resources; and BSc and MSc degrees in Zoology from the University of British Columbia.
- Art and Ellen continue to live in Winnipeg.

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Prepared by IISD's Internal Sustainable Development Assessment and Reporting Team

# MEASURING OUR OWN PERFORMANCE

## HIGHLIGHTS FROM IISD'S 2003/04 SUSTAINABLE DEVELOPMENT REPORT

IISD is committed to promoting a global transition to sustainable development. In doing so, we follow operating policies that conserve and protect resources needed for the survival of future generations. We endeavour to exceed, wherever possible, environmental, health, safety and employment regulations. To track our progress, we follow the Global Reporting Initiative Guidelines (see <http://www.globalreporting.org/>).

The indicators on which we report here present a snapshot of our progress. The complete IISD Sustainable Development Report will be available in September 2004.

### ECONOMIC INDICATORS

Alignment among IISD's mission, internal capacity and donors' goals creates circumstances for success that will ultimately benefit humanity. The indicator for this success is positive changes in revenue suggesting that IISD is able to manage this alignment process and provide programming that is necessary and ongoing.

IISD's Internal Sustainable Development Assessment and Reporting Team consists of the following personnel: **Marlene Roy (Team Leader), Stephan Barg, Jodi Browne, Dennis Cunningham, Janice Gair, Catherine Muir, Darren Swanson, Henry Venema**

#### DIRECT ECONOMIC IMPACT

Total revenue financing programs, projects and institutional infrastructure:

2001/02: 10,390,954
2002/03: 11,019,357
2003/04: 11,995,151

#### TOTAL SALARY, BENEFITS AND PAYMENTS TO ASSOCIATES, CONSULTANTS AND OTHER COLLABORATORS

Payments flowing to IISD employees, Associates and consultants (our internal stakeholders):

2001/02: 7,172,000
2002/03: 7,686,000
2003/04: 8,327,000

### ENVIRONMENTAL INDICATORS

#### TOTAL MATERIALS USED OTHER THAN WATER

As a knowledge organization, the principal material used is paper. Even though we use recycled paper, our goal is to reduce the amount of paper we use to the extent possible.

#### COMPUTER AND PHOTOCOPIER PAPER USED

2001/02: 6,989 sheets of paper printed per employee
2002/03: 9,558 sheets of paper printed per employee*
2003/04: 6,710 sheets of paper printed per employee

*\*We believe the increase in printing in 2002/03 was a result of (1) the increased delivery of publications to IISD in PDF; and (2) increased production of documents for one specific project. Electronic filing solutions have since been implemented, explaining the drop in paper usage in 2003/04.*

#### CARBON MANAGEMENT STRATEGY

Our carbon management strategy in 2003/04 featured several activities, including:

- participation in the Green Commuter Challenge (a program designed to promote environmentally-friendly ways of getting to and from work);
- registering our commitment to reduce emissions with the Voluntary Challenge Registry;
- completing a 375 tonne carbon offset credit purchase to offset our 2002/03 CO<sub>2</sub> emissions;
- establishing baseline measurements for electricity, natural gas and water consumption in the Winnipeg office;
- gathering information on employee commuting habits through an online survey developed in partnership with a local environmental NGO; and
- expanding air travel emissions data collection to include Reporting Services consultants and IISD Associates.

## ENVIRONMENTAL INDICATORS (CONT'D)

### CARBON OFFSET PURCHASE

For the fiscal year 2002-2003, IISD achieved net-zero carbon emissions through the purchase in 2003/04 of 375 tonnes of certified emissions reduction credits. This amount represented emissions related to IISD air travel. These credits were purchased from Saskatchewan-based Clear-Green Environmental, Inc.—for their Biogas Digester Project—and registered through the Voluntary Challenge Registry ([http://credit.vcr-mvr.ca/cre\\_masterdetails\\_e.cfm?CompanyID=1725](http://credit.vcr-mvr.ca/cre_masterdetails_e.cfm?CompanyID=1725)).

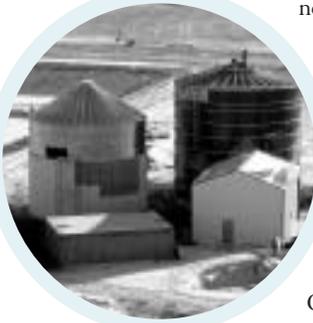


Photo: Clear Green Biogas Digester.  
Photo courtesy of Clear-Green Environmental, Inc.

### CARBON EMISSIONS FROM BUSINESS TRAVEL

2002/03: 375 tonnes of carbon (business travel for employees and associates)

2003/04: 527 tonnes of carbon (business travel for employees, associates and consultants\*)

*\*During the first year of carbon emissions tracking we enhanced our data collection, making it possible to efficiently count emissions from our Reporting Services consultants in the second year. This resulted in a substantial increase in recorded emissions, as Reporting Services consultants travel extensively to international meetings.*

### CARBON EMISSIONS FROM NATURAL GAS CONSUMPTION (HEATING OF WINNIPEG OFFICE)

2003/04: 78 tonnes of carbon

### CARBON EMISSIONS FROM ELECTRICITY USE (WINNIPEG OFFICE)

2003/04

Based on Canadian average calculation: 95 carbon tonnes

Based on marginal calculation: 375 carbon tonnes

Data were collected for the first time this year. The emissions from electricity use can be calculated using one of two methods. The first uses Canadian average emissions, from electricity generated from all fuel types, which gives a carbon emission of 95 tonnes. This is the method recommended by the World Business Council on Sustainable Development/World Resources Institute protocol that we used. The second method is based on a marginal calculation, and assumes that any electricity conserved by IISD will displace electricity generation from fossil fuel emissions in the Mid-Area Power Pool (MAPP) region of the U.S., which is where Manitoba Hydro sends electricity that is surplus to Manitoba demand. This gives a higher level value to savings, but also a higher emission calculation for the emissions that we do cause.

### TOTAL CARBON EMISSIONS FOR 2003/04

The upper estimate is 980 metric tonnes CO<sub>2</sub>e (using marginal use calculation for electricity generation) and the lower estimate is 700 metric tonnes CO<sub>2</sub>e (using the Canadian average calculation for electricity generation).

## SOCIAL INDICATORS

### EMPLOYMENT

#### Workforce by type

Administration, Accounting and Technical (AAT):	24
Research and Reporting Services (RRS):	36
Corporate Management and Directors (CMD):	9
CMD also doing research:	7
CMD also doing administration or accounting:	2

### NET EMPLOYMENT CREATION AND AVERAGE TURNOVER

Net employment creation 2003/04: 10 persons  
Staff retention - (% retained from previous year)

	2001/02	2002/03	2003/04
RRS staff retained	96%	85%	98%
AAT staff retained	96%	74%	92%

### CRITICAL MASS OF RESEARCHERS

Percentage of total staff that are researchers

2001/02: 48%    2002/03: 56%    2003/04: 62%

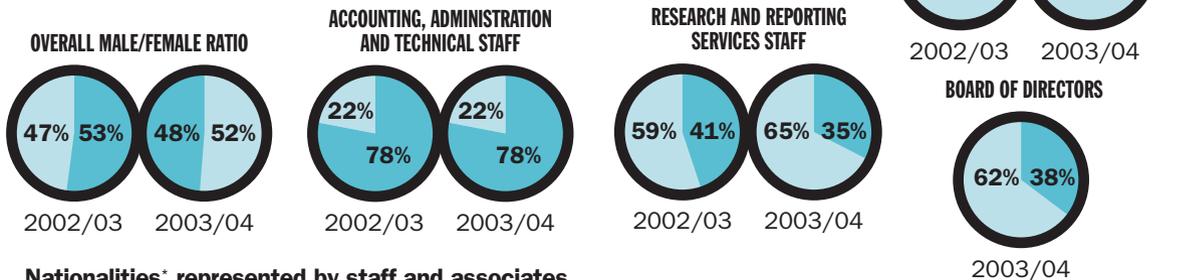
### EDUCATION AND TRAINING

Staff training modules were developed and delivered as required using a variety of communication methods. A training and development fund of CDN\$50,000.00, open to all staff (except Directors), was established to ensure equitable access for training and development opportunities. These funds are retained in a common pool and requests are considered by a cross-functional committee.

The committee received 14 requests for assistance in 2003-2004 and \$9,387 was disbursed to support them. An additional \$6,675 is expected to be disbursed in FY 04-05 to cover some deferred requests. Forty-seven per cent of the money expended supported requests from research and program staff.

### WORKPLACE DIVERSITY AND OPPORTUNITY IISD Staff and Associates

● % Female  
● % Male



### Nationalities\* represented by staff and associates

2002/03: 9 different nationalities represented;  
73% of staff and associates were Canadian.

2003/04: 14 different nationalities represented; and  
68% of staff and associates were Canadian.

\*Nationality is defined here as country of birth

### Academic disciplines of staff and associates (based on highest degree obtained)

2002/03: 15 different academic degrees  
2003/04: 20 different academic degrees

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## BY CAPTURING AND DISSEMINATING THE LESSONS LEARNED BY PROJECT STAFF IN THE COURSE OF THEIR WORK, IISD PROMOTES KNOWLEDGE-SHARING, INSTITUTIONAL DEVELOPMENT AND THE QUEST FOR INNOVATION.

IISD's mission—to champion innovation enabling societies to live sustainably—demands that the Institute continue to learn and adapt. Innovations today will become standard operating procedure tomorrow. Therefore, the IISD community needs to reflect on what it can learn from its base of completed project work, for two reasons:

- (1) to assess the extent to which its work is achieving innovation for sustainability; and
- (2) to identify issues common to different projects that can serve as the basis for improving our work over time.

Over the past year, a process for systematically accomplishing these two aims was implemented.

By Janice Gair, Bill Glanville, Marlene Roy and Darren Swanson

# IISD'S NEW "LESSONS LEARNED" DATABASE HELPS ACHIEVE ORGANIZATIONAL MISSION

In 2003, IISD launched the "Innovatory," a strategic management cycle to ensure alignment between the day-to-day work of the Institute and its mission. The Innovatory, which is housed on the Institute's intranet, is an organizing framework for a suite of project management tools designed for incubating ideas, developing concepts, preparing proposals, managing projects, and learning and adapting as an organization. Over this past year, IISD focused on strengthening the learning and adaptation part of the cycle. Under this spotlight, the "Mission Possible" project lessons learned database was born.

In search of trends, 5-10 project teams will be interviewed each year (six interviews were conducted in 2003-2004). Results-based management questions are used, focusing on activities, outputs, outcomes and impacts as well as consistency with IISD's mission and vision. Responses are then captured in a synthesis report and in a searchable database to become a permanent record of the project history.

One of the key lessons learned that was common to all of the first projects studied was that external factors beyond the project teams' control—surprises—influenced, to varying degrees, the execution and outcome of projects. This particular lesson resonated with several project managers. Guidance for how to deal with surprise, uncertainty and change during project execution was sought.

To help IISD make critical adaptations to the key lessons learned, three institutional mechanisms were envisioned. First, a series of "brown-bag" lunches will be developed on how to grapple with the key challenges identified in the *Mission Possible* database. Planning for

the first meeting is underway; and it will gather project managers to brainstorm and develop pragmatic ways to adapt current project development and management processes to be more resilient to surprise and uncertainty.

The second institutional mechanism for adapting to key *Mission Possible* lessons is to feature select project teams and their work at staff meetings, to discuss the innovative aspects of their work. Two such meetings were held this past year: one about the recently completed Canada-India (TERI) Energy Efficiency project funded by the Canadian International Development Agency; another focused on the innovative aspects of our work with the China Council for International Cooperation on Environment and Development. It is hoped that through this type of discussion, the Institute as a whole will continue to enhance its understanding of what it means to champion innovation for sustainable development.

The third mechanism is to close the loop on research lessons learned by giving feedback to IISD's Planning and Review committee composed of key research staff. The detailed *Mission Possible* synthesis reports and the individual lessons learned briefings are also made available to project managers in the Innovatory.

The *Mission Possible* database and the associated learning and adaptation initiatives connect staff and their work in a more concrete way and helps leverage successes while avoiding the repetition of mistakes. All of these efforts position IISD to achieve greater impact with its work.

## ASKING THE RIGHT QUESTIONS

The *Mission Possible* database of lessons learned from projects is anchored by interviews with project staff. The following questions were used in 2003-2004 to capture project details, staff insights and ideas for addressing future challenges in managing and implementing projects.

- Please briefly describe your project and its goals.
- What were the main activities of your project?
- What was well done and what needed improvement regarding your activities?
- How did your project help IISD achieve its vision and mission?
- What new knowledge did your research contribute?
- What decisions and/or policies were influenced and/or impacted by your project?
- What was well done and what needs improvement in regards to influencing and/or impacting decisions and/or policies?
- How was your project innovative?
- What critical events stand out in your mind and what happened?
- Did any unanticipated issues arise from the project?
- What went well and what needed improvement in funding and managing the project?

IISD'S COMMITMENT TO ORGANIZATIONAL LEARNING AND ACHIEVEMENT OF VISION AND MISSION IS DEMONSTRATED BY THE INTERNAL "INNOVATORY," A MANAGEMENT FRAMEWORK THAT LOOKS AT PROJECTS AND ALL STAGES OF DEVELOPMENT. THE MISSION POSSIBLE DATABASE IS HOUSED UNDER "ORGANIZATIONAL LEARNING" IN THE CIRCLE CALLED "LEARNING & ADAPTATION."



## THE IISD TEAM

Members of the International Institute for Sustainable Development team truly reflect a diversity of backgrounds, talents and interests. The following people served with IISD during the 2003-2004 fiscal year.

### IISD STAFF

Mylene Arabit  
Rod Araneda  
Sonia Azzag-Muller  
Stephan Barg  
Trineesh Mohan Biswas  
Jodi Browne  
Carolee Buckler  
Heather Creech  
Dennis Cunningham  
John Drexhage  
Anantha Duraipappah  
Lael Dyck  
Janice Gair  
Bill Glanville  
Virginia Gonzales  
Langston James  
Goree VI "Kimo"  
Karen Goulding  
Darlene Gregoire  
Debbie Xiaolin Guo  
Mark Halle  
Anne Hammill  
Arthur Hanson  
Peter Hardi  
Jennifer Hirschfeld  
Robert Jones  
Fabienne Kalifat Turner  
Jason Macki  
Jason Manaire  
Kristen Manaire  
Clarita Martinet-Fay  
Stacy Matwick  
Catherine Muir  
Prisna Nuengsigkapiyan  
Jo-Ellen Parry  
Rachel Parry  
Anita Penner  
Jacqueline Pilon  
László Pintér  
Pumulo Roddy  
Marcela Rojo  
David Runnalls  
Darlene Sanchez  
Jennifer Senenکو  
Ian Seymour

Stuart Slayen  
Darren Swanson  
Jason Switzer  
Henry Venema  
Victor Wei  
Shannon Wentz  
Terri Willard  
Dawn Windsor  
Michelle Wowchuk  
Wanhua Yang

### ASSOCIATES

Graham Ashford  
Warren Bell  
David Boyer  
Pamela Chasek  
Aaron Cosbey  
Peter Dickey  
Tony Hodge  
Victoria Kellett  
Sean Maher  
Howard Mann  
Norman Myers  
Adil Najam  
Luke Peterson  
Tom Rotherham  
Marie-Claire Segger  
Ian Thomson  
John Van Ham  
Steve Winkelman  
Christopher Zegras

### SENIOR FELLOWS

Keith Bezanon  
Peter Hardi  
Robert Slater  
Ola Ullsten  
Konrad von Moltke

### EARTH NEGOTIATIONS BULLETIN WRITERS AND STAFF

Changbo Bai  
Andrew Baldwin  
Paula Barrios  
Nienke Beintema  
Asmita Bhardwaj  
Alice Bisiaux

Emily Boyd  
Robynne Boyd  
Stanley Burgiel  
Pamela Chasek  
Deborah Davenport  
Francis Dejon  
Rado Dimitrov  
Peter Doran  
Noelle Eckley  
Angeles Estrada  
Socorro Estrada  
David Fernau  
Lauren Flejzor  
Bo-Alex Fredvik  
Mongi Gadhoun  
Catherine Ganzleben  
Langston James  
Goree VI "Kimo"  
Maria Gutierrez  
Juliet Jones  
Stefan Jungcurt  
Tamilla Held  
Kaori Kawarabayashi  
Pia Kohler  
Fiona Koza  
Dagmar Lohan  
Ivy Marvin  
Leila Mead  
Diego Nuera  
Prisna Nuengsigkapiyan  
Leslie Paas  
Marcela Rojo  
Yaël Ronen  
Charlotte Salpin  
Nicole Schabus  
Sabrina Shaw  
Lisa Schipper  
Mark Schulman  
Anju Sharma  
Richard Sherman  
Chris Spence  
Silke Speier  
Elsa Tsioumani  
Cecilia Vaverka  
Andrey Vavilov  
Lynn Wagner  
Hugh Wilkins

### INTERNS

Nigel Allan  
Paula Anderson  
Bianca Bacinschi  
Helen Baulch  
Shannon Bradley  
Graeme Brown  
Ruaraidh Carthew  
Ada Chan  
Lina Cimarrusti  
Erin Creak  
Christopher Frankel  
Lisa Freeman  
Cara Goldberg  
Julie Greenspoon  
Scott Griffiths  
Roopin Hanspal  
Blane Harvey  
Evelyn Kislig  
Michelle Laurie  
Charlotte MacKay  
Tanya McGregor  
Kira Meadus  
William Mohns  
Taylor Owen  
Jill Peacock  
Aly Ramji  
Joanna Reid  
Nathan Rive  
Anushka Shibchurn  
Christian Stamm  
Kirk Tyler  
Herbert vanden Dool  
Matthew Walls  
David Weber

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ACHIEVEMENTS & HIGHLIGHTS

IN 2003–2004 IISD continued to undertake work that examines **the linkages among adaptation, mitigation and sustainable development**. These linkages are most obvious in the rural developing world, where energy deprivation is strongly linked to subsistence biomass energy dependency, deforestation and high ecosystem-level vulnerability to climatic stresses like floods and droughts. The climate change mitigation-adaptation nexus is an implicit element of the World Summit on Sustainable Development Water-Energy-Health-Agriculture-Biodiversity (WEHAB) agenda, but its potential has not yet been clearly identified. The synergies between mitigation and adaptation are practical, possible and provide an alternative way of addressing climate change—as complementary, not conflicting, responses that bridge the North-South divide over climate policy. IISD intends to expand its work in this area by exploring the potential for mitigation-adaptation synergies, such as decentralized renewable energy and ecosystem approaches to carbon sequestration, in developing countries, economies-in-transition and in OECD countries.

**THE** TERI-Canada Energy Efficiency project was one of IISD's largest and longest-running projects. **Beginning in 1997 and ending in 2003, the project undertook research into climate change policy in three different streams of activity.** The first was the PEERS program which trained about 70 executives from corporate, government and other sectors in India on the issues of sustainable development. The second component involved research into the evolving Clean Development Mechanism, examining project possibilities and policy frameworks in India, Bangladesh, China, Indonesia and Canada. This work was undertaken in partnership with the Alberta-based Pembina Institute for Appropriate Development. The third component explored the kind of fiscal or economic instruments that governments in India and Canada could use to implement energy efficiency policies, and the development of some analytical tools to allow them to better understand the implications. The project Web site is at <http://teriin.org/ee/projects.htm>



John Drexhage > Director

# CLIMATE CHANGE AND ENERGY

**2003–2004** marked the end of the project called **Climate Change and Economic Change in India: the Impacts on Agriculture**. This project started in March 2001, with funding from the Canadian International Development Agency and the Government of Norway. IISD partnered with The Energy and Resources Institute (TERI), of Delhi, and the Centre for International Climate and Environmental Research (CICERO), of Oslo. The project used a framework based on the concept of “double exposure,” which relates to the dual impacts that certain regions or social groups will experience as a result of climate change and changes brought about by economic globalization. The partners identified vulnerable areas and social groups and assess the nature of that vulnerability. A macro-scale analysis developed a profile for India, emphasizing the dynamic nature of vulnerability to climate change within the context of economic changes. The focus on vulnerability was relevant in targeting policies aimed at poverty reduction in agricultural communities in India. The project Web site is at <http://teriin.org/coping/index.htm>

**OVER** the last year, IISD continued to examine the role of **sustainable livelihoods (SL) and ecosystem management and restoration (EM&R)** activities in climate change adaptation. December 2003 marked the end of Phase One of the Livelihoods and Climate Change project with IUCN – The World Conservation Union, Stockholm Environment Institute – Boston (SEI-B) and Intercooperation. Apart from establishing important institutional and disciplinary linkages, Phase One yielded a range of case studies and desk assessments that identified and examined different types of SL and EM&R interventions that build community resilience to climate impacts. Phase Two was launched in January 2004. It involves the development, testing and implementation of an “adaptation toolkit” to help project managers determine the actual or potential impact of projects on adaptive capacity.

**“THE SYNERGIES BETWEEN MITIGATION AND ADAPTATION ARE PRACTICAL, POSSIBLE AND PROVIDE AN ALTERNATIVE WAY OF ADDRESSING CLIMATE CHANGE...”**

Santiago, Chile: Project aims to build the capacity of the Chilean transportation sector to use the Clean Development Mechanism to address sustainable development goals. Photo by Erin Silsbe, CCAP, Center for Clean Air Policy





## “IISD STAFF AND ASSOCIATES HAVE BEEN ACTIVELY INVOLVED OVER THE PAST YEAR IN THE DEVELOPMENT AND DESIGN OF THE NATIONAL GREENHOUSE GAS (GHG) EMISSIONS TRADING SYSTEM IN CANADA.”

**AS** in many urban centres, the transportation sector is growing in Santiago, Chile, with a resulting rise in carbon emissions. Curbing the rate of growth will be a key component of sustainable development planning for the future. The Clean Development Mechanism (CDM) offers a possibility to increase funding for transportation projects, enhance local planning and project evaluation capacity, and expand technology transfer opportunities. IISD, in partnership with the Center for Clean Air Policy and Climate Change and Development Consultants, continues to run this project aimed at **building the capacity of the Chilean transportation sector to use the CDM to address sustainable development goals**. The project has developed three local case studies aimed at exploring the fit between the CDM and transportation, which are being used as part of a hands-on approach to capacity building. The project team and local stakeholders are preparing to host the final workshop and International Seminar in August 2004, where participants from the transportation, climate change and CDM communities will be invited to share in the lessons learned from the project and explore creative solutions to the challenges posed by increasing transportation emissions. The project Web site is at <http://www.iisd.org/climate/south/ctp.asp>

**WHATEVER** the outcome on the ratification of Kyoto, there is strong agreement that Kyoto represents but a first step in the global challenge to reverse human-induced greenhouse gas emission trends. **IISD, in partnership with institutes from China, Germany, Norway, Japan and the U.S., is looking at a number of future climate regime scenarios:** “deepening Kyoto commitments”; development-first scenarios; global emissions trading scenarios; and regional regimes. In addition, IISD is also examining scenarios for a future climate change policy framework for Canada.

**IISD continues to provide a wide range of services related to climate change** for corporate and government clients in Canada and abroad. The Institute provides briefings and strategic advice on the most current climate change developments nationally and internationally for decision-makers in Ottawa and for stakeholders throughout Canada. Clients include provincial governments and an expanding list of companies.

**THIS** past year, IISD acted as the **Secretariat for the Task Force on Emissions Trading and the Manitoba Economy**. This diverse group, chaired by Lloyd Axworthy, looked into the economic and environmental opportunities for Manitoba that could result from Canada’s proposed domestic emissions trading system. IISD conducted the research for the Task Force, brought forward drafts of the report and managed the logistics. This is the first major report on how the proposed national system will affect a specific province. The report is available at <http://www.iisd.org/publications/publication.asp?pno=605>

**IISD** staff and associates have been actively involved over the past year in the development and design of the national greenhouse gas (GHG) emissions trading system in Canada. Projects included:

- an analysis of transaction and administration costs for the proposed domestic offset system in Canada, and options for minimizing these costs, carried out for the Canadian federal government (with Marbek Resource Consultants and PricewaterhouseCoopers);
- organization and facilitation of a multi-stakeholder workshop on the key design elements of the large final emitter system;
- facilitation of a stakeholder technical advisory group that provided recommendations to a federal/provincial/territorial committee on a GHG reporting system for Canada; and
- facilitation and logistical support for a technical workshop on baselines and monitoring methodologies for Clean Development Mechanism/Joint Implementation projects, carried out for the Canadian federal government.

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ACHIEVEMENTS & HIGHLIGHTS

**“THE PROGRAM IS NOW BEING REVITALIZED... WITH AN INITIAL LOCAL FOCUS, PARTICULARLY ON WATER, AGRICULTURE AND SUSTAINABLE DEVELOPMENT.”**

SINCE its inception, IISD has worked on resource management issues of particular importance to Canada and the prairie region where IISD's head office is located. However, due to staff changes, few projects have been active recently. **The program is now being revitalized** under the name *Sustainable Natural Resources Management*, again with an initial local focus, particularly on water, agriculture and sustainable development. On the Canadian prairies, as in many other places in the world, water demand is rising. At the same time, the amount, quality and safety of water are under pressure from climate change, and from increasing pollution from industrial, municipal and agricultural sources. This raises economic, environmental and social issues that must be dealt with through appropriate policies and action. IISD's revitalized program will look at the issues from a sustainable development viewpoint, with the goal of recommending policy approaches that will be integrated and comprehensive, and that will link to other related sustainable development issues, including that of ensuring that we leave enough water in the ecosystem to provide a full range of ecological services. While this local and regional work is just beginning, established international project areas under the Natural Resources Management banner had a busy and productive year.

**ALLEVIATING** poverty and moving societies onto a path that will foster sustainable development can only succeed in a climate of peace. And if resource scarcity, mismanagement and competition for valuable resources are sources of conflict and vulnerability, then investing in conservation is a cost-effective way to conserve the peace. **IISD's Environment and Security Initiative** was established in 2000 in collaboration with IUCN – The World Conservation Union. The initiative seeks to derive practical tools and insights for peacebuilding and human security through better natural resource management.

**SOME HIGHLIGHTS FROM 2003-2004:**

- IISD led a workshop at the World Parks Congress in Durban, South Africa, on **Managing Protected Areas in Times of Conflict**, forging a consensus among leading conservation professionals from Angola to Nepal on good practices and identifying gaps in knowledge (see <http://www.iisd.org/natres/security/cac.asp>).
- IISD made two presentations to the **OECD Development Assistance Committee** on topics where further work is needed to integrate environment in conflict prevention and development cooperation, particularly on the need for operational guidelines and tools for project design (see <http://www.iisd.org/natres/security/esdc.asp>).
- With IUCN's Asia office, IISD launched a new research program on **Rights of Access to Natural Resources and Conflict** in South Asia. A workshop in July in Kathmandu brought international experts together with national teams from the region to define an analytical approach. Case studies are currently in preparation, and results will help tackle a fundamental development problem—incomplete or conflicting property rights—through the environment and security link (see <http://www.iucn.org/places/asia/livelihood>).
- In collaboration with UNEP's Finance Initiative, IISD co-hosted a consultation at HSBC headquarters in London with leading banking and insurance professionals and interested academics, on the **Financial Sector and Conflict**. A final report will be released in late Summer 2004 (see <http://www.unepfi.net/conflict>).

Stephan Barg > Acting Director



# NATURAL RESOURCES MANAGEMENT

- IISD continued to participate, with the support of Canada's Department of Foreign Affairs and International Trade, in the elaboration of **Guidelines for Conflict-sensitive Environmental and Social Impact Assessment** with conflict experts, International Alert, and leading experts from the private sector. These guidelines were highlighted by the World Economic Forum and by the U.K.-based International Business Leaders Forum and Royal Institute for International Affairs, in their advice to companies taking part in Iraqi reconstruction (see <http://www.iisd.org/natres/security/cria.asp>).
- The **British Broadcasting Corporation (BBC)** featured IISD in an hour-long documentary shown around the globe, describing the complex range of environment and security links in the transition countries of Central Asia and South Eastern Europe, and our participation in environment and security assessments as part of a multi-agency effort led by OSCE, UNEP and UNDP, the first collaboration of its type (see <http://www.iisd.org/natres/security/envsec/>).



**“...IF RESOURCE SCARCITY, MISMANAGEMENT AND COMPETITION FOR VALUABLE RESOURCES ARE SOURCES OF CONFLICT AND VULNERABILITY, THEN INVESTING IN CONSERVATION WOULD BE A COST-EFFECTIVE WAY TO CONSERVE THE PEACE.”**

**THROUGH** four years of work, **IISD** has established itself as an innovative and respected voice on peace and human security. Our climate change task force is the world authority on harnessing natural resource management strategies for climate change adaptation and vulnerability reduction. And as a pioneering voice on the role of the private sector in conflict prevention and recovery, we remain at the forefront of efforts to integrate conflict and corporate citizenship.

**IN** this past year, **IISD's** mining work focused on testing the **Seven Questions to Sustainability (7QS) Assessment Framework**. The 7QS approach has garnered much interest in North and South America and applications have now extended beyond mining to forestry, fisheries and nuclear waste management. The original report, *Seven Questions to Sustainability* (see <http://www.iisd.org/natres/mining/7qs.asp>), has been translated into Spanish with support from Compañía Minera Antamina of Peru. A second printing of the original English version has been completed with support from The Grosso Group (IMA Exploration Inc. and Amera Resources Corp.). The first test case involved Tan Range Exploration Company, a Vancouver-based gold exploration with field operations in Tanzania. In this case, the 7QS approach has been used to refine their overall corporate strategy for sustainable development and help guide a system of performance measurement and progress assessment. The second test case was undertaken with the Tahltan First Nation whose traditional territory covers some 100,000 km<sup>2</sup> in northwestern British Columbia. In April 2003, and using the 7QS framework as a guide, the Tahltan First Nation set out to review their relationship with the mining industry and build a strategy to guide that relationship in the future. The resulting report, *Out of Respect*, has received much attention (see <http://www.iisd.org/natres/mining/tahltan.asp>). In addition to offering a pragmatic way of applying sustainability concepts, the 7QS framework has helped encourage a significant shift in thinking from the identification and mitigation of *impacts*, to the identification and encouragement of *contribution*. Doing so provides a fairer assessment of implications, stronger support for decision-making and a greater sense of fairness among the parties involved.

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ACHIEVEMENTS & HIGHLIGHTS

**“IISD EXPERTS WILL ALSO CONTRIBUTE TO STRENGTHENING AAFC’S SUSTAINABLE DEVELOPMENT STRATEGIES AND ITS CAPACITY TO ADDRESS AGRICULTURE AND AGRI-FOOD SECTOR SUSTAINABILITY ISSUES...”**

**IN February 2004, IISD signed a five-year agreement with Agriculture and Agri-Food Canada (AAFC),** which will see the Measurement and Indicators team and contributors from other programs working on a series of projects to support AAFC initiatives associated with the Department’s Agriculture Policy Framework (APF). IISD will focus on full cost accounting to complement the agri-environment indicators developed in AAFC’s National Agri-Environmental Health Analysis and Reporting Program (NAHARP); conduct research related to the social dimension of agriculture to complement earlier work; and participate in international initiatives related to sustainable development in the agri-food sector. IISD experts will also contribute to strengthening AAFC’s sustainable development strategies and its capacity to address agriculture and agri-food sector sustainability issues in the context of the APF. We are particularly excited about the opportunity to advance the sustainable development agenda in the agriculture sector by linking indicators and performance measurement more closely with the policy process.

**IISD joined forces with the United Way of Winnipeg this past year to lead an ambitious initiative to develop a community indicator system** for the city where IISD’s head office is located. The United Way, IISD and many others will lay lasting foundations for an indicator system with which Winnipeggers can work and identify. This year’s journey led us to agreement on the underlying values, purpose, goals and objectives—not a small step, given the diversity of interests involved. The work is a process to engage Winnipeggers in a dialogue about a long-term vision for the community and measures to monitor progress towards the vision. This work represents a tremendous opportunity to use IISD’s global experience with indicators and assessment to make a difference at home.

**THE 2002 World Summit on Sustainable Development** called on all countries “to make progress in the formulation and elaboration of national strategies for sustainable development and begin their implementation by 2005.” In an effort to help governments with this endeavour, IISD engaged in an international collaborative research project with Stratos Inc. and the Environmental Policy Research Centre of the Free University of Berlin. **This project studied 19 countries to understand and document the key challenges, tools, and innovations in the development, planning, implementation, and monitoring of national sustainable development strategies.**



László Pintér > Director

# MEASUREMENT AND INDICATORS

IISD's indicators work in Winnipeg with the United Way is an effort to apply global experience to make a difference in the city of our headquarters.

**THIS** work was a collaborative effort among the research partners and funding agencies: the Deutsche Gesellschaft für Technische Zusammenarbeit (of The German Federal Ministry for Economic Cooperation and Development), the Canadian International Development Agency, the Department of Foreign Affairs Canada and Environment Canada. Advisors to the project include the World Conservation Union (IUCN) and the United Nations Division for Sustainable Development. The project will be completed and results published in July 2004. The project Web site can be viewed at <http://www.iisd.org/measure/capacity/sdsip.asp>

**IISD'S** role with the United Nations Environment Programme (UNEP) as a Collaborating Centre on the Global Environment Outlook (GEO) continued with a renewed emphasis on training and capacity building. **We were invited by UNEP to re-convene the GEO Capacity Building Working Group, and lead a process that will produce a new generation of training modules and materials on integrated environmental assessment and reporting.** Practical country-level training efforts continued through our assistance to the government of St. Lucia to develop their national environment outlook program and report. St. Lucia's environment outlook is particularly interesting because of its direct connection to the government's integrated development planning initiative—a clear example of measurement and assessment having direct impact on policy.



## **“PRACTICAL COUNTRY-LEVEL TRAINING EFFORTS CONTINUED THROUGH OUR ASSISTANCE TO THE GOVERNMENT OF ST. LUCIA TO DEVELOP THEIR NATIONAL ENVIRONMENT OUTLOOK PROGRAM AND REPORT.”**

**IISD** continued its collaboration with Manitoba Conservation in preparing the province's first sustainability report, to be published in 2005. The Institute contributed to or, in some cases, led the analysis of social, economic and environmental trends, with particular emphasis on the analysis of cross-cutting issues and implications for sustainability. **The Measurement and Indicators team has also developed two high-level measurement tools for Manitoba: a Dashboard of Sustainability, and an Ecological Footprint.** The Dashboard compares the overall sustainability situation from 1980 to the present using a subset of key indicators included in the analytic part of the report. Our calculation of Manitoba's Ecological Footprint seeks to indicate the area of land—or footprint—that Manitoba would require to sustainably maintain the current lifestyles of its residents; the relative contribution of various activity components to this footprint; and how this compares with Manitoba's bio-capacity.

**THE** Americas Capacity Assessment (ACA) Project seeks to strengthen capacity for environmental management and sustainable development (ESD) in the Americas. The ACA Project is a joint initiative of IISD, the Centre for International Sustainable Development Law (CISDL) and the United Nations Environment Programme (UNEP) through their Regional Office for Latin America and the Caribbean (ROLAC). **The first component of the project identifies hemispheric gaps and priorities for ESD capacity and institution building, increases awareness of ESD issues among policy-makers in the Americas and engages Latin American and Caribbean civil society and government partners.** After a series of meetings, the partners are now undertaking a survey to uncover gaps in existing sub-regional ESD capacity and confirm their priorities for future hemispheric research and capacity development initiatives.

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**ACHIEVEMENTS & HIGHLIGHTS**

**ONE** of the key components of sustainable development is a conscious consideration of the needs of future generations. **We have found that by far the best way to engage young people is to give them the opportunity to work on the issues with international leaders in the field.** Through the Young Canadian Leaders for a Sustainable Future program, IISD has placed 219 young interns—including 34 in 2003–04—in exciting sustainable development positions around the world. We continue to be in touch with about 80 per cent of our former interns, watching their progress as they take on increasing levels of responsibility and influence within governments, international agencies and business. Some are forming new relationships with IISD as Associates working on our projects. See <http://www.iisd.org/interns/>

**WE** have begun to expand our training work to include young professionals from other Arctic countries, South Africa and Brazil. Our advice on the development of training programs has been requested by the International Finance Corporation (IFC), the Arctic Council, NetCorps Canada/International and others. **Through our work with IFC, we have developed a new model for the delivery of training to young professionals in emerging markets,** involving a combination of distance education and fellowships to study abroad. We hope to move into a pilot program with this model, with both IFC and the Arctic Council this coming year.

**IISD'S** Knowledge Communications team continues to work toward establishing networks as effective models for sustainable development policy development and implementation. Most network practitioners now acknowledge that working collaboratively has real transaction costs, and is not necessarily either more cost effective or time saving. Our book, *Strategic Intentions*, remains one of the few publications about effectively establishing and managing networks. **However, major operational issues need more attention: planning and monitoring; communications and influencing strategies; internal governance; and external transparency and accountability.** We are currently working on these issues with a number of important players in this field: the Global Public Policy Institute, the Global Action Networks Net, IUCN, IDRC and the Global Knowledge Partnership. See <http://www.iisd.org/networks/>



Heather Creech > Director

# KNOWLEDGE COMMUNICATIONS

**IN** 2003–2004, IISD continued to support the involvement of young people in the World Summit on the Information Society (WSIS) Declaration of Principles and Action Plan. Through partnerships with TakingITGlobal (TIG) and the Global Knowledge Partnership (GKP), more than 70,000 young people from around the world became involved at the national, regional, or international level in deliberations and activities about the information society. **These activities resulted in the inclusion of the strongest paragraph on youth to ever be included in a non-youth related UN declaration** (see Article 11 of the WSIS Declaration of Principles, available at <http://www.itu.int/wsis/>). At the Geneva Summit in December 2003, IISD staff presented 12 youth projects with the inaugural GKP Youth Award recognizing outstanding accomplishment in using information and communication technologies to achieve more sustainable development. With more than 1,600 young people now involved in the Youth Creating Digital Opportunities (YCDO) Community, we are only at the beginning of seeing the potential impact of youth-led ICT-powered development.

**“THROUGH THE YOUNG CANADIAN LEADERS FOR A SUSTAINABLE FUTURE PROGRAM, IISD HAS PLACED 219 YOUNG INTERNS—including 34 in 2003/04—in exciting sustainable development positions around the world.”**

**ASIDE** from the specific project work outlined above, **Knowledge Communications works with all of IISD's programs to increase IISD's impact and effectiveness, and to help other organizations move the sustainable development agenda forward.** We do this by researching and experimenting with new communications and partnership approaches and by helping IISD program staff to influence those in positions to effect change, through planning targeted communications strategies; tracking our key relationships with decision-makers and influencers; delivering the Institute's knowledge products; and engaging the media.

IISD interns take a break from their training in Winnipeg.



**IISD** Reporting Services fielded teams this past year in New York, Panama City, Geneva, Bonn, Havana, Cairo, Bangkok, Yokohama, Montreal, Nairobi, Milan, Addis Ababa and Kuala Lumpur, publishing the *Earth Negotiations Bulletin (ENB)* from meetings on sustainable development, climate change, biodiversity, chemical management, protection of the ozone and biosafety. During this period, four *ENB* writers completed their doctoral dissertations including Dagmar Lohan (Czech Republic); Emily Boyd (Sweden); Catherine Ganzleben (Germany); and Karen Alvarenga (Brazil). There are more than 40 consultants working on the *Earth Negotiations Bulletin* team as writers, editors, translators, digital technicians and logistics co-ordinators. Information on the entire *ENB* team, with short biographies, can be found at <http://www.iisd.ca/about/team/>

**BUILDING** on the success of side event coverage at the World Summit on Sustainable Development and at the United Nations Framework Convention on Climate Change meetings, IISD Reporting Services inaugurated a new publishing format at the World Forestry Congress in Quebec in September 2003. The new publication, a “conference daily” called the *XII World Forestry Congress Bulletin*, reported on the substantive discussions as well as the side events at the Congress and was released simultaneously each morning in English, French and Spanish with four to six pages of photos and text. The publication of the *XII World Forestry Congress Bulletin* was underwritten by the Forest Products Association of Canada. The Government of Germany has contracted Reporting Services to provide similar services at the International Conference on Renewable Energy in June 2004.



Langston James Gorce VI “Kimo” > Director

# REPORTING SERVICES

“IISD REPORTING SERVICES FIELDED TEAMS THIS PAST YEAR IN NEW YORK, PANAMA CITY, GENEVA, BONN, HAVANA, CAIRO, BANGKOK, YOKOHAMA, MONTREAL, NAIROBI, MILAN, ADDIS ABABA AND KUALA LUMPUR...”



*Earth Negotiations Bulletin* team members, from left, Andrey Vavilov, PhD; Catherine Ganzleben, PhD; Leila Mead; Prisma Nuengsigkapijan; and Richard Sherman.

**WITH** funding from the International Francophone Organization and the French Ministry of Foreign Affairs, IISD Reporting Services published each issue of the *Earth Negotiations Bulletin* last year in French, as well as English. Using the advantages of global Internet communications, material is sent to Mongi Gadhoun, Reporting Services’ full-time translator in Tunisia, who sends the work back to each UN meeting by e-mail for distribution to French-speaking participants and to our French *Earth Negotiations Bulletin* e-mail lists.



A new “conference daily” format was launched at the World Forestry Congress.

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**“THE UNDERLYING FOUNDATIONS OF THE CONCEPTUAL FRAMEWORK ARE DEMOCRATIC PARTICIPATION AND THE FACILITATION OF A NUMBER OF KEY INSTRUMENTAL FREEDOMS TO REDUCE POVERTY THROUGH THE SUSTAINABLE MANAGEMENT OF ECOSYSTEM SERVICES.”**

**ACHIEVEMENTS & HIGHLIGHTS**

IISD's Economic Policy team continued to provide expertise and guidance to the United Nations Environment Programme on addressing the links between poverty and ecosystem services. Over two years, IISD developed a conceptual framework that pulls together and integrates within a single framework the fundamental concepts from Nobel Laureate Amartya Sen's Capability Approach and the Ecosystem Approach. The underlying foundations of the conceptual framework are democratic participation and the facilitation of a number of key instrumental freedoms to reduce poverty through the sustainable management of ecosystem services. The conceptual framework offers a methodology that would be of interest to development practitioners who are looking for ways and means to incorporate the Capability Approach to practical policy development. **The conceptual framework has been published under the title “Exploring the Links: Human Well-being, Poverty and Ecosystem Services.”** The Economic Policy group will be playing a key role in the implementation of the conceptual framework. A four-year, seven-country work program has been developed and will be overseen by an international advisory committee of prominent intellectuals and policy-makers. Potential co-chairs of this group are Professor Amartya Sen and Kenya's Deputy Minister of Environment, Wangari Muta Maathai. It is expected that this program will build the capacity of governments to develop integrated policies that promote human development through the enhancement of capabilities, through the sustainable management of ecosystem services. The proposed developmental framework is expected to contribute to the achievement of a number of the Millennium Development Goals without an overt assumption of the need for high economic growth rates. Although the framework emphasizes the role of economic growth, it also stresses the need for social justice, fairness and basic capabilities for all individuals.

Anantha Kumar Duraiappah > Director



# ECONOMIC POLICY

IISD Economic Policy published two papers in 2003–2004. The first paper, “Increasing Capabilities through an Ecosystem Approach for the Drylands,” was selected by the Global Drylands Initiative of the United Nations Development Programme, as a challenge paper for the Global Biodiversity Forum at the Convention to Combat Desertification's Sixth Conference of the Parties (COP-6). **The second paper, “Poverty Reduction and Ecosystem Services: Choices, Agency and Technology,”** was prepared for the **Fourth Trondheim Conference on Biodiversity**. The paper was published as the conference proceedings and presented as an input to the ninth meeting of the Convention on Biological Diversity's (CBD) Subsidiary Body on Scientific, Technical and Technological Advice (SBSSTA). IISD also made a presentation called, “Poverty Reduction and Ecosystems: A Capability-Ecosystem Approach Valuing Biodiversity Using Portfolio Theory,” at a side event at CBD COP-7.

IISD and UNEP's Division of Policy Development and Law (DPDL) signed a Memorandum of Understanding which provides a direct conduit for IISD to offer regular policy advice in the field of ecosystem management and human development. The MOU commits IISD to producing two position papers highlighting emerging priority issues for UNEP. **The agreement also requires the Institute to provide guidance on the increasingly important issue of policy coherence and synergy among the various Multilateral Environmental Agreements**, as well as with the Millennium Development Goals and the World Summit on Sustainable Development's Plan of Action. Another potentially significant contribution is the request to provide inputs to the development of an organization-wide strategy for the poverty-environment nexus.

In many countries, health interventions have been addressed separately from environmental policies. However, many health issues stem from deteriorating environmental conditions. IISD has been invited by the Health-Environment Links Initiative (HELI), a joint program of the World Health Organization, UNEP and the Canadian International Development Agency, to **co-ordinate the establishment of guidelines for developing countries in addressing health and environment issues through economic interventions**. The guidelines will be tested in three countries.

"Exploring the Links" looks at the relationships among human well-being, poverty and ecosystems services.



## “THE FIRST PAPER, ‘INCREASING CAPABILITIES THROUGH AN ECOSYSTEM APPROACH FOR THE DRYLANDS,’ WAS SELECTED BY THE GLOBAL DRYLANDS INITIATIVE OF THE UNITED NATIONS DEVELOPMENT PROGRAMME, AS A CHALLENGE PAPER FOR THE GLOBAL BIODIVERSITY FORUM...”

IISD's role in the **Millennium Ecosystem Assessment (MA)** has primarily been through the participation of Board member, Angela Cropper, who is one of the co-chairs of the MA Assessment Panel, and through Dr. Anantha Kumar Duraiappah, Director of Economic Policy, as a Co-ordinating Lead Author and co-chair of the Biodiversity Synthesis Working Group. The MA is an innovative process which will provide the much-needed scientific foundations for integrated assessments. Unlike previous assessment initiatives, the MA conceptual framework makes an explicit link between ecosystem services and human well-being using the state-of-the-art knowledge and methodologies, which are drawn from a range of disciplines including ecology, economics, sociology, philosophy, anthropology, law and political science. The first product, "Ecosystems and Human Wellbeing," is now available and can be purchased through Island Press. IISD's role, through the Economic Policy team, was to integrate many of the core principles underlying the Capability-Ecosystem conceptual framework into the MA's approach.

IISD established the "Sen" listserv (electronic mailing list) in 2001 at the end of the first Capability conference in Cambridge. The listserv has been referred to as an important source of information on issues related to democratic participation and

social justice in Gustave Speth's latest book, *Red Sky at Morning*. The listserv has grown steadily and the name was officially changed in early 2004 to the "capability approach" listserv (see [http://www.iisd.org/economics/pov\\_sd/senlistserv.asp](http://www.iisd.org/economics/pov_sd/senlistserv.asp)). This was done to align the listserv as a tool for the upcoming launch of the Human Development and Capability Association. **A small inner core of researchers in the Capability field, including IISD's Anantha Duraiappah, has been working over the last year to establish a formal association to bring together researchers and policy-makers working in the field of development and poverty and who were using the Capability approach.** IISD has been perceived as holding the environmental or, more specifically, the ecosystem thrust within the Capability approach. Other members include Harvard University, The University of Cambridge, University of Pavia and the University of Versailles. The association will be launched formally this September and Professor Amartya Sen has agreed to be the first president. The association has forged a close working relationship with the *Journal of Human Development*. The establishment of this association presents a milestone in taking the principles of development based on justice, fairness, autonomy and respect to the forefront in the development community.

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IISD's program on international investment has evolved into an important offshoot of its work in international trade. Our work examines the broader impacts of foreign direct investment upon sustainable development, as well as the specific role that international legal rules can play in encouraging or frustrating sustainable development objectives. **Over the last year, we continued to monitor the bewildering array of investment treaty negotiations at the bilateral, regional and multilateral levels, while also working to elaborate an international legal framework which could ensure that international investment promotes sustainable development.**

In 1998, IISD took an interest in the North American Free Trade Agreement (NAFTA) Chapter 11 rules on foreign investment. This led to a presentation to the environment ministers of Canada, Mexico and the United States, and to an ongoing interest in specific cases. One such case was brought by Methanex Inc., a Canadian company, against the United States after California adopted a law requiring the complete phase-out of MTBE (methyl tertiary butyl ether) from gasoline sold in that state by 2003. Methanex makes methanol, one of the starting materials for MTBE. In 2000, IISD sought status as an *amicus curiae* or friend of the court, marking the first time any civil society group had formally sought such status in an investor-state arbitration under international rules. In January 2001, the tribunal ruled that it had, in principle, the power to grant such status, and, finally, in February of 2004, the tribunal issued specific rules on how IISD and others could formally apply for *amicus* status. **In March 2004, IISD submitted its formal request and its written arguments to the tribunal and in April, the Tribunal accepted IISD as an *amicus*, making IISD and a U.S. NGO the first civil society groups to be recognized in this way.** IISD believes that there are serious flaws in the NAFTA rules and in the dispute settlement process. In this instance, IISD took a leadership role in forcing the process open. As a result, not only is IISD the first NGO to ever receive such status in an investor-state arbitration, but the NAFTA parties have also set up a formal process for considering further such applications, have indicated they wish all hearings to be open to the public and have established Web sites with all major documents in the arbitrations being posted. On every count, IISD has forced the issue and won the point (see [http://www.iisd.org/pdf/2003/trade\\_methanex\\_background.pdf](http://www.iisd.org/pdf/2003/trade_methanex_background.pdf)).

IISD's work on bilateral investment treaties (BITs) arose out of our earlier NAFTA analysis. Upon further study, it became clear that many of the problems that afflicted NAFTA—including a disturbing pattern of international litigation by foreign investors against health or environmental measures—also plagued the hundreds and hundreds of BITs. In recent years, our investment work has made particular efforts to monitor the proliferation of these poorly-understood treaties and to assess their implications for sustainable development.

**Our acclaimed *INVEST-SD News Bulletin* has rapidly matured into a leading publication on the linkages between investment and sustainable development.**

The Bulletin tracks the use of investment treaties in strategic litigation against developed and developing countries, in relation to a host of different investments: water, electricity, hazardous waste, land-zoning and various public services. See <http://www.iisd.org/investment/invest-sd/>

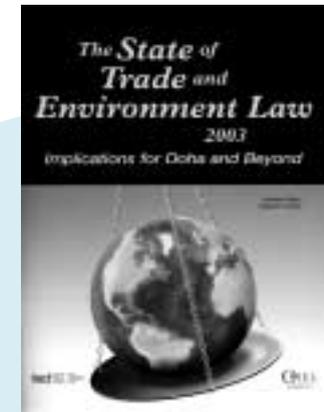


Mark Halle > Director

# TRADE AND INVESTMENT

IISD'S core belief about investment and sustainable development is simple: investment is critical to whether we will change unsustainable practices in energy, natural resource use, industry and critical infrastructure services into sustainable practices. The international regime governing investment must reflect this challenge. IISD is undertaking two interconnected projects that will further our reputation as the leading think tank on investment and sustainable development while setting a new marker for global, regional and bilateral investment negotiations. IISD has established a Southern Agenda on Investment (SAI) project, designed to articulate a developing country perspective on what the agenda for international investment negotiations should be. Working with partners in Thailand, South Africa, Argentina and Brazil, as well as the Heinrich Boell Foundation, IISD has promoted the development of four regional papers on investment and sustainable development and related multinational conferences in Bangkok, Cape Town and Sao Paulo. These efforts will lead to the development of a policy document setting out a Southern Agenda on Investment. This will then feed into the design of a Model Agreement on International Investment for Sustainable Development. **The investment team anticipates this will result in a major conference of legal and policy experts in the early fall, leading to a single consolidated draft model agreement.** This, in turn, will feed back to the SAI project, in the form of a negotiator's handbook on how to achieve the objectives illustrated in the model agreement. See <http://www.iisd.org/investment/dci/sai.asp>

*"The State of Trade and Environment Law - 2003," published in cooperation with the Center for International Environmental Law, examines the decisions of the Appellate Body since 1995.*



**“...NOT ONLY IS IISD THE FIRST NGO TO EVER RECEIVE SUCH STATUS IN AN INVESTOR-STATE ARBITRATION, BUT THE NAFTA PARTIES HAVE ALSO SET UP A FORMAL PROCESS FOR CONSIDERING FURTHER SUCH APPLICATIONS...”**

**FOR** years, most developing countries rejected expanding the environmental agenda in the World Trade Organization (WTO) because they saw such proposals as attempts by the rich countries to use green arguments to restrict market access for developing country products. While there is some justification for this fear, a rejectionist agenda is not in the best interest of any country. **IISD has begun working with the developing countries to craft a trade and environment agenda that reflects their interests and priorities, and stimulates a stream of developing country policy proposals in the WTO on environmental issues.** Through regional consultations and the production of a resource book for Southern trade negotiators, we hope to develop a positive agenda, through which environmental quality can become a trade advantage for poor countries. See <http://www.iisd.org/trade/ldc/sate.asp>

**IISD** continues to play a key role in a Phase III of the China Council for International Cooperation on Environment and Development (CCICED). **We are working with the Task Force on WTO and Environment to assess the environmental consequences of China's WTO accession.** The aims are to develop appropriate strategies and policy measures to address environmental challenges; to support sustainable trade; to strengthen the Chinese government and academic expertise in post-Doha trade and environmental negotiations; and to enable China to contribute positively to the development of WTO rules governing the relationship between trade and environment.

In addition, IISD also partnered with IUCN's Regional Environmental Law Program/Asia, China's State Environmental Protection Administration and the International Centre for Trade and Sustainable Development in the organization of a training workshop on trade, biodiversity and sustainable development. This event initiated a formal dialogue among government officials and academics on the interaction of trade and environment in the context of biodiversity. See <http://www.iisd.org/trade/cciced/>

**IISD** and The Center for International Environmental Law published *The State of Trade and Environment Law, 2003*. IISD and CIEL examined the decisions of the WTO Appellate Body since 1995, and other factors that have altered the content of trade law or its interpretation since the first challenging issues arose in the late 1980s. **The book documents how the Appellate Body, in particular, has worked to establish a much more open balance between trade and environment in the WTO than in its General Agreement on Tariffs and Trade (GATT) predecessor.** Different elements of the book have been presented at various international meetings, and IISD is now in discussion with the WTO on becoming members of the WTO international trade law capacity building team. Download the book at <http://www.iisd.org/publications/publication.asp?pno=570>

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**CORPORATE** Social Responsibility (CSR) has been described as a company's contribution to sustainable development. But it's an easier thing to describe than to achieve. There are two problems: first, organizations do not know what is expected of them and so do not know what their targets should be; second, organizations do not know how to manage the process of driving CSR through their business operations—including how to address diverse stakeholders concerned with often competing issues. So **when the International Organization for Standardization invited IISD to advise on whether to develop standards in this area, we jumped at the chance.** Although we identified more obstacles than opportunities, with perseverance and continued co-operation it is now very likely that, in the future, ISO will provide guidance on how organizations can be more socially responsible. This would be a big step towards mainstreaming sustainable development. See <http://www.iisd.org/standards/csr.asp>

**MORE** than a decade after it came into force, the Convention on Biological Diversity (CBD) remains one of the most important international instruments for promoting sustainable development. **The CBD has three basic elements: conservation, sustainable use and the fair and equitable sharing of benefits arising from access to and use of genetic resources (commonly referred to as Access and Benefit Sharing, or ABS).** ABS has proven to be the most politically and technically challenging because it involves wealth redistribution—and in many cases, from the powerful to the powerless. In April 2002, the Parties to the CBD adopted the Bonn Guidelines, which were the first attempt to provide guidance on the implementation of the Convention's ABS provisions. These guidelines were always intended as a work in progress—something to be tested and improved upon over time. Unfortunately, most of the organizations that should be using these guidelines are either unaware they exist or do not have time to analyze a politically negotiated text to understand what they should be doing. What has been needed is a simple, practical tool that outlines

**SOME** years ago, IISD raised the curtain on perverse subsidies—public money spent in ways that undermine the environment. Our publications revealed the extent of these practices but, while it may have raised some eyebrows, it did not lead to any specific action. IISD is taking another stab at the issue. **Through our Van Lenep Initiative, led in cooperation with IISD's Economic Policy team, we have assembled a high-level group to address subsidies that distort trade, undermine development and spoil the environment.** We hope to create a broad alliance to use the mechanisms of the World Trade Organization positively—to see if it is possible to negotiate the reduction or dismantling of these subsidies, or at least to re-orient them so that their negative impact is reduced. We hope that a combination of well-targeted communications, rock-solid research and the political clout of our Eminent Persons' Group will prove sufficient to address some of the more egregious misuses of taxpayer money and thus promote sustainable development. See <http://www.iisd.org/trade/wto/vanlenep.asp>

**THE** Sustainable Commodity Initiative (SCI), an initiative of IISD and the United Nations Conference on Trade and Development, seeks market-based approaches for improving sustainability in commodities trade. **Since the beginning of the project in late 2003, the SCI has facilitated multi-stakeholder dialogue and research on opportunities for multi-stakeholder collaboration towards sustainability in the coffee sector.** Through its work in coffee, IISD has organized two major multi-stakeholder conferences, established the "Sustainable Coffee Discussion Group" and facilitated a process for the establishment of a multi-stakeholder based "Sustainable Coffee Partnership." In pursuing the project, IISD has also been a major contributor to related processes being undertaken at the International Coffee Organization (ICO) and with the Common Code for the Coffee Community projects. See <http://www.iisd.org/trade/commodities/sci.asp>

## “...IISD IS NOW IN DISCUSSION WITH THE WTO ON BECOMING MEMBERS OF THE WTO INTERNATIONAL TRADE LAW CAPACITY BUILDING TEAM.”

what is expected, and helps them to achieve it. In partnership with Stratos Inc., and with the support of the Swiss Federal Government, IISD is convening a process to develop a management tool to help organizations implement the ABS provisions in the CBD. In 2003–04 we developed a draft tool; in the new fiscal year, we will be field testing it to see how to most effectively build trust and cooperation between users and providers of genetic resources. See <http://www.iisd.org/standards/abs.asp>

**THE** Trade Knowledge Network (TKN) workshop in Bangladesh, held in late spring 2003, was an excellent example of the power of strategic research to build capacity. The research asked whether tough standards in export markets might be driving small-scale shrimp aquaculture toward consolidation, depriving small holders of an important source of income. The workshop gathered together farmers, processors, scientists, aid organizations and government. **The TKN research acted as a spark to ignite the energies of this group—many of whom had never met—around a set of shared problems and common objectives.** They asked how they could work together to ensure better quality control and environmental sustainability, to meet foreign standards and to ensure sustainable livelihoods. The meeting ended with strong demands for better training for farmers and processors, and more coordination among the various players. TKN's follow-up work in Bangladesh is now focused on developing capacity for farmers and processors through training and dialogue on developing an understanding about rules and compliance procedures in the Bangladesh shrimp industry. See <http://www.tradeknowledgenetwork.net>

# AUDITORS' REPORT

To the Members of  
International Institute for Sustainable Development

We have audited the consolidated statement of financial position of International Institute for Sustainable Development as at March 31, 2004 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.

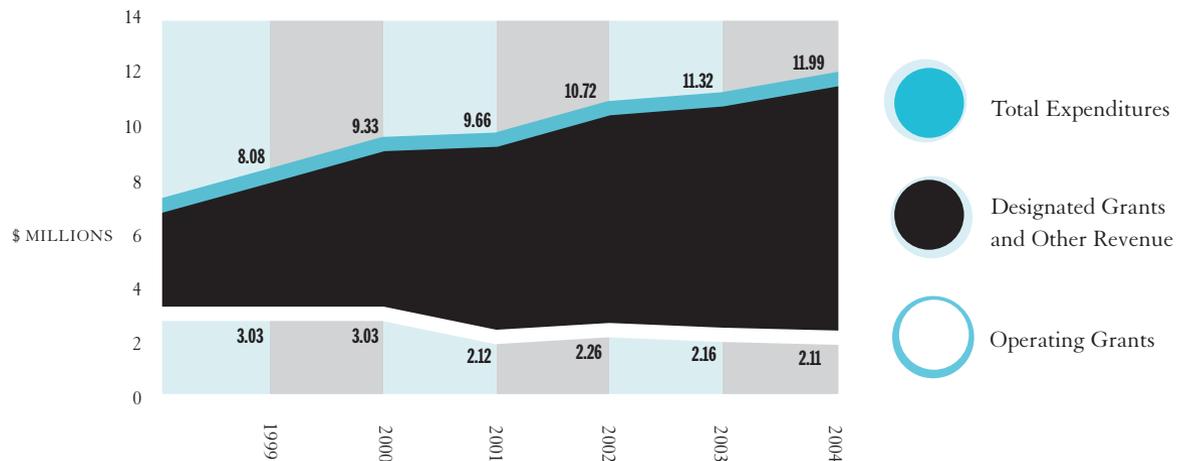
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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, 2004 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 7, 2004

## 1999 - 2004 IISD FINANCING TREND



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The full audited financial statements are available at <http://www.iisd.org/about/> or by writing to IISD.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2004

	2004	2003
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$1,350,169	\$1,309,524
Marketable securities	6,456,049	5,855,308
Accounts receivable	5,107,736	6,390,612
Prepaid expenses and deposits	132,529	160,733
	<hr/>	<hr/>
	13,046,483	13,716,177
<b>CAPITAL ASSETS</b>	231,222	240,749
	<hr/>	<hr/>
	\$13,277,705	\$13,956,926
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$1,105,660	\$1,412,338
Deferred revenue	5,491,513	5,866,580
	<hr/>	<hr/>
	6,597,173	7,278,918
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Net assets invested in capital assets	231,222	240,749
Reserve for program development	3,730,280	3,808,618
Reserve for long-term development	1,479,372	1,462,490
Unrestricted net operating assets	1,239,658	1,166,151
	<hr/>	<hr/>
	6,680,532	6,678,008
	<hr/>	<hr/>
	\$13,277,705	\$13,956,926

## CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended March 31, 2004

	2004	2003
REVENUE		
Designated grants	\$9,569,403	\$8,331,750
Operating grants	2,105,261	2,162,556
Interest	291,065	263,622
Other revenue	29,422	261,429
<b>TOTAL REVENUE</b>	<b>11,995,151</b>	<b>11,019,357</b>
EXPENSES		
Projects		
Trade and Investment	3,786,269	2,374,372
Reporting Services	2,503,410	2,652,806
Climate Change and Energy	1,724,923	1,400,921
Knowledge Communications	983,475	1,067,401
Measurement and Indicators	754,315	619,295
Natural Resources Management	558,682	821,112
Economic Policy	516,728	981,516
New Project Development	78,338	41,723
	10,906,140	9,959,146
Administration	671,213	736,062
Fund Development and Outreach	275,297	417,898
Board	139,977	202,433
<b>TOTAL EXPENSES</b>	<b>11,992,627</b>	<b>11,315,539</b>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	2,524	(296,182)
APPROPRIATION FROM (TO) NET ASSETS		
Net assets invested in capital assets	9,527	42,539
Reserve for program development	78,338	26,547
Reserve for long-term development	(16,882)	153,981
INCREASE (DECREASE) IN NET OPERATING ASSETS	73,507	(73,115)
NET OPERATING ASSETS, BEGINNING OF YEAR	1,166,151	1,239,266
<b>NET OPERATING ASSETS, END OF YEAR</b>	<b>\$1,239,658</b>	<b>\$1,166,151</b>

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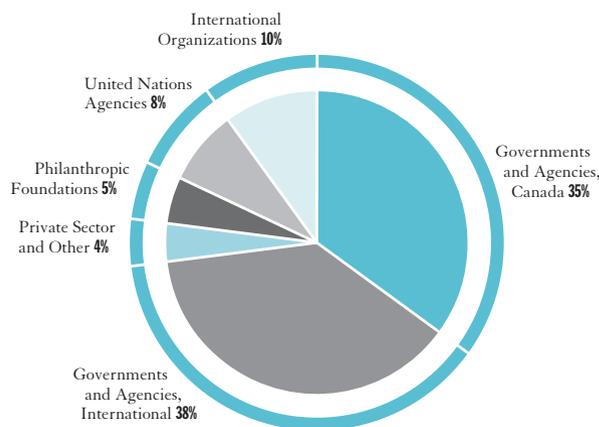
## DESIGNATED GRANTS

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	
	2004 (\$000's)	2003 (\$000's)
Governments and agencies		
Canada	\$1,745	\$3,361
International	4,778	3,347
United Nations agencies	6,523	6,708
International organizations	962	471
Philanthropic foundations	782	923
Private sector and other	248	224
	430	405
	<b>\$8,945</b>	<b>\$8,731</b>

## 2003 - 2004 DESIGNATED GRANT REVENUE BY DONOR

Total designated grant revenue of \$9,569,403



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

Activity Area	Other Revenue (\$000's)	Designated Grants (\$000's)	Total (\$000's)
Trade and Investment	\$ 22	\$3,670	\$3,692
Reporting Services	9	2,505	2,514
Climate Change and Energy	56	1,348	1,404
Knowledge Communications	25	768	793
Measurement and Indicators	12	619	631
Natural Resources Management	62	377	439
Economic Policy	10	281	291
Administration, Fund Development and Outreach	(167)	2	(165)
	<b>\$ 29</b>	<b>\$9,570</b>	<b>\$ 9,599</b>

## OPERATING GRANTS

IISD has entered into renewed funding arrangements with the Government of Canada (Environment Canada and the Canadian International Development Agency (CIDA)). The arrangement with CIDA provides operating grants for the five year period April 1, 2000 to March 31, 2005. Environment Canada renews its contribution annually. IISD also entered into a renewed five-year funding agreement with the Government of Manitoba which covers the period from April 2001 to March 31, 2006. It includes a core operating grant component aggregating \$4,583,600 plus specific project funding of up to an additional \$1,145,900 over the period.

A summary of the operating grant funding is as follows:

	Funding Commitment (\$000's)	Funding Recorded		Funding Commitment Remaining (\$000's)
		2004 (\$000's)	Prior years (\$000's)	
Government of Canada				
Environment Canada	\$ 1,000	\$ 200	\$ 600	\$ 200
Canadian International Development Agency	5,000	1,000	3,000	1,000
Government of Manitoba	4,584	905	2,023	1,656
<b>Operating grant revenue</b>	<b>\$10,584</b>	<b>\$ 2,105</b>	<b>\$ 5,623</b>	<b>\$ 2,856</b>

## SCHEDULE OF OPERATIONS BY ACTIVITY AREA (\$000's) For the Year Ended March 31, 2004

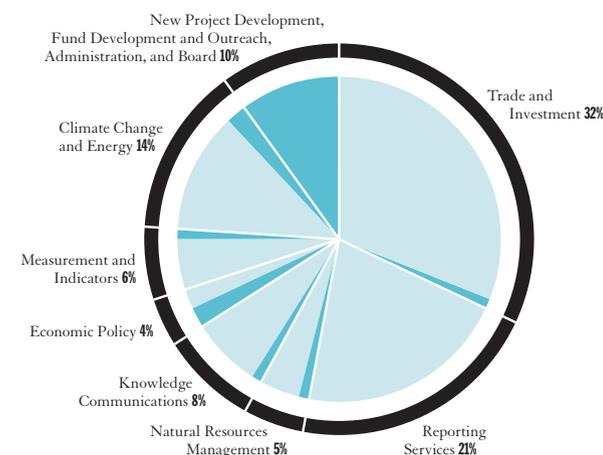
	Trade and Investment	Reporting Services	Climate Change and Energy	Knowledge Communications	Measurement and Indicators	Natural Resource Management	Economic Policy	New Project Development	Administration	Fund Development and Outreach	Board	2004 Total	2003 Total
Revenue	\$3,692	\$2,514	\$1,404	\$ 793	\$ 631	\$ 439	\$ 291	\$ -	\$ (166)	\$ 1	\$ -	\$ 9,599	\$ 8,593
Personnel	1,465	333	941	373	433	337	266	49	550	165	-	4,912	4,810
Consulting	1,185	1,034	386	387	148	76	167	11	1	20	-	3,415	2,876
Travel	419	888	196	127	91	85	27	14	29	13	-	1,889	1,927
Rent	98	55	47	22	29	19	15	-	31	9	-	325	327
Supplies and other	72	47	34	20	15	14	8	1	27	23	-	261	309
Publishing	63	39	32	12	2	8	14	-	-	25	-	195	239
Amortization of capital assets	37	45	21	12	12	7	11	-	11	14	-	170	170
Meetings	380	-	21	13	3	4	-	3	2	1	-	427	159
Telecommunications	51	63	37	13	16	6	6	-	13	3	-	208	249
Board											140	140	202
Research materials	16	-	10	5	5	3	3	-	7	2	-	51	48
<b>Total expenses</b>	<b>3,786</b>	<b>2,504</b>	<b>1,725</b>	<b>984</b>	<b>754</b>	<b>559</b>	<b>517</b>	<b>78</b>	<b>671</b>	<b>275</b>	<b>140</b>	<b>11,993</b>	<b>11,316</b>
Excess of (expenses over designated grants and other revenue) designated grants and other revenue over expenses	\$ (94)	\$ 10	\$ (321)	\$ (191)	\$ (123)	\$ (120)	\$ (226)	\$ (78)	\$ (837)	\$ (274)	\$ (140)	\$ (2,394)	\$ (2,723)
Excess of expenses over designated grants funded by:													
Operating grants												2,105	2,163
Interest												291	264
Excess of revenue over expenses (expenses over revenue)												\$ 2	\$ (296)

## 2003 - 2004 REVENUE AND EXPENSES BY ACTIVITY AREA

Total expenses of \$11,992,627

Financed by:

■ OPERATING GRANTS ■ DESIGNATED GRANTS AND OTHER REVENUE



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## SCHEDULE OF DESIGNATED GRANTS COMMITTED (\$000's)

Year Ended March 31, 2004

<b>Government of Canada (and Agencies)</b>			Germany	
Department of Foreign Affairs and International Trade	\$	521	Ministry of Environment	110
Canadian International Development Agency (CIDA)		402	German Society for Technical Cooperation (GTZ)	25
Agriculture and Agri-Food Canada		167	Ministry for Economic Cooperation and Development (BMZ)	18
International Development Research Centre (IDRC)		94		153
Western Economic Diversification		89	Japan	99
Environment Canada		68	Australia	87
China Council for International Cooperation on Environment and Development (CIDA)		59	Spain	78
Human Resources Development Canada		57	Austria	31
Natural Resources Canada		41	Other	21
Department of Fisheries and Oceans		35		4,778
Indian & Northern Affairs		33	<b>United Nations agencies</b>	
Other		41	United Nations Environment Programme (UNEP)	833
		1,607	United Nations Framework Convention on Climate Change (UNFCCC)	76
<b>Governments of provinces</b>			United Nations Development Programme (UNDP)	36
Manitoba		119	Other	17
British Columbia		19		962
		138	<b>International organizations</b>	
<b>Governments of other nations</b>			The World Conservation Union (IUCN)	240
Switzerland			International Tropical Timber Organization	106
State Secretariat for Economic Affairs (SECO)	1,192		The Global Action Network Net (GAN-Net)	88
Swiss Agency for Development and Cooperation (SDC)	392		Secretariat of the World Forestry Council	86
Swiss Agency for the Environment, Forests and Landscape	184	1,768	International Finance Corporation	73
			Shastri Indo-Canadian Institute	61
Sweden			Royal Institute for International Affairs (RIIA)	33
Swedish International Development Agency	843		World Bank	32
Ministry of Foreign Affairs	73		International Institute for Environment and Development (IIED)	25
Ministry of Environment	18	934	Other	38
				782
Norway			<b>Philanthropic foundations</b>	
Ministry of Foreign Affairs	465		Mott Foundation	73
Ministry of the Environment	68		Rockefeller Foundation	71
Directorate for Nature Management	16	549	The Swedish Foundation for Strategic Environmental Research (MISTRA)	38
			Winnipeg Foundation	30
Netherlands			Other	36
Ministry of Foreign Affairs	393			248
Ministry of Housing	75	468	<b>Private sector and other</b>	
			Manitoba Hydro	80
France			Econoler International	50
Ministry of Foreign Affairs	207		Climate Change Central	42
Institut de l'Énergie et de l'Environnement de la Francophonie	125	332	Experco International Ltd.	41
			Global Knowledge Partnership Secretariat	27
United Kingdom			Other (sum of amounts under \$25 thousand)	190
British Embassy Beijing	130			430
Department for International Development	128	258		\$8,945