

2002 / 2003 ANNUAL REPORT

SUSTAINING **iisd** EXCELLENCE

International
Institute for
Sustainable
Development

Institut
international du
développement
durable

BETTER LIVING FOR ALL — SUSTAINABLY.

Our Vision



TO CHAMPION INNOVATION, ENABLING
SOCIETIES TO LIVE SUSTAINABLY.

Our Mission

<http://www.iisd.org>



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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 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.

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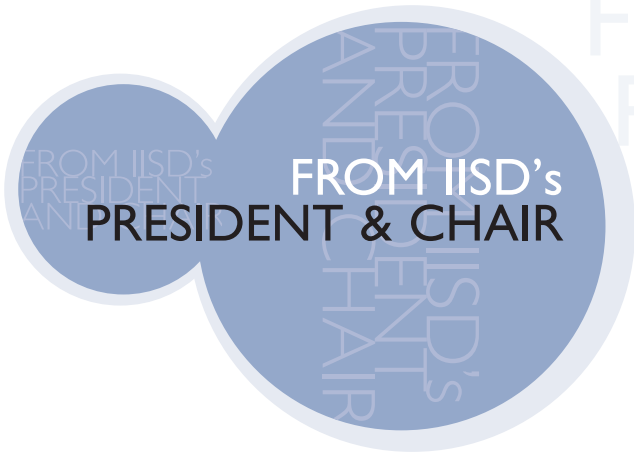
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INSTITUTIONAL HIGHLIGHTS 2002 / 2003

INSTITUTIONAL HIGHLIGHTS

- IISD entered into the fifth and final stage of the Local Agenda 21 project with three municipalities in Romania. The project is designed to help Romanian citizens and municipal staff improve the quality of life in their communities. See page 12.
- In cooperation with the Global Knowledge Partnership and TakingITGlobal, IISD established the Youth Creating Digital Opportunities Coalition. The group seeks to realize the potential of young people as leaders in using information and communications technologies to achieve more sustainable development. See page 15.
- With Canada's ratification of the Kyoto Protocol, IISD's Climate Change and Energy Team has been participating actively in the implementation process. The institute's role in the climate change arena is growing internationally as well. See page 16.
- The five-year, multi-million dollar TERI-Canada Energy Efficiency Project is drawing to a successful close. Most of IISD's work in the past year focused on green budget reform. Working with our partners at The Energy and Resources Institute in India, many interesting developments took place. See page 17.
- In partnership with the International Centre for Trade and Sustainable Development, IISD produced the Doha Round Briefing Series, a collection of 13 reviews of key issues in the current round of World Trade Organization negotiations. See page 18.
- IISD's *Earth Negotiations Bulletin* covered more than 30 United Nations meetings. See page 20.
- There were roughly five million Web page requests for Linkages (<http://www.iisd.ca>) last year with traffic peaking during the World Summit on Sustainable Development. About 1.2 million copies of the *Earth Negotiations Bulletin* and 720,000 IISD research reports were downloaded.
- The Mining, Minerals and Sustainable Development – North America project drew to a close this past year. The MMSD-NA process involved about 150 people and brought the issue of sustainable development to the attention of an entire industry. See page 21.
- The IISD Research Library online database now contains 20,000 documents and links on sustainable development. The library also handled about 1,000 requests for information and 400 interlibrary loans last year. The *Weekly Journal Review*, an electronic mailing list derived from 125 peer-reviewed journals on sustainable development, now has 1,700 subscribers.
- The institute earned \$8,331,750 in designated grant revenue, an eight per cent increase over last year. See page 27 for a breakdown by activity area.

FROM IISD'S PRESIDENT & CHAIR



With some 100 heads of state and government gathering in Johannesburg for the World Summit on Sustainable Development (WSSD) in August, this past year was to have represented a fresh start for sustainable development.

Indeed the “side events” at WSSD were a great success, illustrating the many actions that governments, civil society and the business community are taking to implement sustainable development. By contrast, though, the official negotiations were disappointing, characterized by a number of heroic statements with few specific timelines and even fewer financial commitments. One success was the agreement among virtually all countries on the critical link between a healthy global environment and the

elimination of mass poverty in the developing world. This is familiar territory for IISD. It lies at the heart of our Economic Policy activities.

Based on the work of Nobel Laureate Amartya Sen, IISD developed a poverty-environment framework which was endorsed by the Governing Council of the United Nations Environment Programme. The UNEP GC also adopted a workplan to demonstrate the application of this framework in Africa over the next three years. IISD expects to advise and to play a leading role in coordinating the related network and in conducting country studies.

Prime Minister Jean Chrétien announced at WSSD that Canada would ratify the Kyoto Protocol. This

touched off a spirited national debate culminating with Parliament’s ratification in December. IISD played an important role in this debate through frequent media appearances and through our close association with the Canadian and Manitoba governments on the issue. We have also been actively exploring the links between climate change and development through our work on a Clean Development Mechanism project in Chile and our collaboration with the Centre for International Climate and Environmental Research (CICERO) of Norway and The Energy and Resources Institute (TERI) of India on the impacts of climate change and globalization on Indian agriculture.

Board of Directors



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(Canada), Chair



David Runnalls
(Canada), President



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Huguette Labelle
(Canada)



Elizabeth E. May
(Canada)



Mark Moody-Stuart
(United Kingdom)



Bob Page
(Canada)



Edward Schreyer
(Canada)

Our collaborative style

This spirit of partnership is essential to our institutional health and performance. If sustainable development is our purpose, collaboration is our style. From our work with TERI on green budget reform, adaptation to climate change and subsidies; through our knowledge networks on trade, climate change and communications; through our work with numerous development research institutes, we have always sought to strengthen ourselves and our Southern partners and to help ensure that the information flow does not just run from North to South.

We also believe firmly in building our partnerships with the private sector. We completed the North American study for the global Mining, Minerals and Sustainable Development initiative, which involved more than 30 of the world's major mining companies, and we continue to be active participants on the Shell Canada Climate Change Advisory Panel.

Preparing policy recommendations is one thing. They must also be communicated effectively. We are proud of the effectiveness of our Knowledge Communications and Reporting Services teams. The *Earth Negotiations Bulletin* offered comprehensive coverage of more than 30

international environmental meetings for delegates and interested observers around the world. For the eleventh straight year, the *ENB* helped to keep processes open and transparent, while levelling the playing field for all negotiators. The *ENB* also continued to contribute to remarkable traffic on IISD's Web space. There have been nearly two million document downloads in the past year. We're very proud of our reach.

People and planning: Laying the groundwork for the future

This past year was a good one for our research and dissemination activities, which are celebrated throughout this report. We are also laying the groundwork for the future. The Long Range Planning Task Force of the Board has updated our Strategic Plan and provided direction for enhancing IISD's impact and effectiveness. Our budget deficit is down from last year and we will balance our books this year.

IISD does not manufacture widgets. Our strength lies in our people and their ability to create and share ideas. And we are beginning to invest more in our people through major training initiatives and upgraded tools. We

believe that our continuously improving ability and willingness to support our people and to create a rewarding and stimulating work environment helps us to attract many of the best and the brightest. We are confident that our investment in staff development will lead to even greater levels of institutional performance.

Our efforts on Trade and Investment, Reporting Services and Climate Change have reached critical mass. Over the coming year we will put major resources into developing our programs on the sustainable management of natural resources and to extending the success of our initial efforts on Environment and Security, a vital subject in the post-September 11 age. We are grateful to our staff, our associates, our Board and our partners for their efforts and for their commitment to IISD.

Jacques Gérin, Chair of the Board

David Runnalls, President and CEO

Advisory Participants

Norm Brandson, Deputy Minister, Manitoba Conservation
James Eldridge, Clerk of the Executive Council, Province of Manitoba
Len Good, President, Canadian International Development Agency
Alan Nymark, Deputy Minister, Environment Canada
Maureen O'Neil, President, International Development Research Centre
Mary Simon, Ambassador for Circumpolar Affairs (DFAIT)

Distinguished Fellows

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

Founding Chair

Lloyd McGinnis

Friends of the Institute

Gro Harlem Brundtland
José Goldemberg
Sir Shridath Ramphal

WHAT HAVE WE LEARNED?

WHAT HAVE WE LEARNED?

Insights from IISD staff

Over the course of a year, IISD staff members engage in complex research and, collectively, interact with hundreds of stakeholders around the world. We continue to learn and grow as individuals and as an organization. In this feature, several members of the IISD team reflect on learning and on recent experiences and encounters.

“As part of our Local Agenda 21 capacity building project, three IISD staff members and two other individuals led training sessions in three Romanian cities. It was one of the most satisfying experiences of the past year. It was a pleasure to see the interest and enthusiasm of the trainees. We were received warmly and it was so good to realize that so many people are interested in sustainable development and in Local Agenda 21 issues. And it was satisfying to learn that we could contribute to building partnerships among the Romanians as well as between them and the Canadian team.”



Peter Hardi
Senior Fellow

“It is always satisfying to see a challenging project draw to a successful conclusion. In May 2002, the United Nations Environment Programme released its new Global Environment Outlook (GEO) report, the third in an increasingly well-known and respected series. Although IISD has been involved mostly in GEO’s global and behind-the-scenes aspects, we were ideally positioned to bring global messages to our local audiences through a launch we organized in Winnipeg. It was good to see a high turnout that included students and a provincial minister. There is much more to learn about ways of connecting global issues to local audiences, but through GEO, and in a small way through this event, we made a difference.”



László Pintér
Director,
Measurement
and Indicators

“Who cares about securing wildlife sanctuaries or ensuring clean air for future generations, when wars are being fought and innocent lives are lost? In Belgrade, a young bear conservationist from Greece described to me how, during the NATO bombing campaign in Serbia in 1999, he was invited by authorities at the Belgrade Zoo to rescue their bear cubs. Driving several hundred kilometres through war-scarred countryside, through roadblocks and checkpoints, he succeeded in bringing several cubs back to Greece. Environment can bring people together in ways we have not imagined. And therein lies a slender branch of hope for a more peaceful future.”



Jason Switzer
Project
Manager

“Innovation and continuous learning caught my attention this year. While policy-making and inter-governmental negotiations often move ahead at a snail’s pace, sustainable development research can advance by leaps and bounds. The challenge for an organization the size of IISD is to keep very busy research staff ahead of the pack. With this in mind, I developed two modules for our Intranet: aptly named the “Innovatory” and the “Complexatory.” Each became a virtual space for our collective knowledge on innovation and on complex adaptive management. Brainstorming “brown bag” lunches were held at which staff further developed their knowledge and we purchased materials and developed bibliographies and other information tools for these e-laboratories. The World Summit on Sustainable Development also provoked discussion and idea generation, as we worked with sustainable development ‘movers and shakers’ looking for ways to invigorate the Rio process. We also handled many inquiries from a new crop of people wanting to know about the basics of sustainable development, with my colleague Stacy Matwick and I feeling that we were going ‘back to the future.’ ”



Marlene Roy
Information
Resources
Coordinator

“I’d have to say the single most significant thing I’ve learned since joining the IISD team three years ago is how important the *Earth Negotiations Bulletin* has been for the practice of global environmental governance. Not only do *ENB* summaries provide a useful tool for environmental negotiators, they also serve to connect policy-makers from around the world by furnishing them with objective, up-to-date play-by-play as the events of a negotiation unfold. This is crucially important for those unable to attend specific negotiation sessions. But perhaps more profoundly, I’ve learned that the importance of *ENB* extends well beyond the policy domain. In my own work as a graduate student, I am forever encountering academic texts that reference the *ENB* as a definitive primary resource! ”



Andrew Baldwin
ENB
Writer/Editor

“Climate change is an issue of such enormous complexity and scale that it is quite easy to become overwhelmed by the volume of information generated on the subject. I believe that the most successful projects have had strong networks supporting them. This applies internationally and locally. Case in point, IISD and the other members of the Climate Change Knowledge Network (CCKN) are actively engaged in addressing the inequities inherent in climate change: developed countries create the majority of emissions—developing countries will bear the brunt of the predicted impacts; developed countries dominate international negotiations—developing countries struggle to participate effectively in the negotiations. I firmly believe CCKN projects contribute greatly to bridging these gaps and to bringing us closer to a more equitable climate change regime. CCKN members have collaborated on several projects that may not have occurred—or have had much impact—without collaboration. The importance of encouraging climate change research organizations from developing, transitional and developed countries to work together cannot be overstated. ”



Dennis
Cunningham
Project
Manager

WHAT HAVE

“In recent months, the two of us have had the distinct pleasure of considering how an organization learns and assessing why institutional learning is so important to IISD. In the process, we have learned that achieving our mission depends on continually improving two key aspects of institutional performance.

First, because our agenda is one of change, IISD’s role is essentially to manage change in terms of how we work and how other organizations approach sustainable development. Second, in order to stay on the leading edge of innovation for sustainable development, we must continually assess the effectiveness of our work and identify the lessons we’ve learned, which can be integrated into future work.

As the two of us examine how we can best capture and share the lessons, it has become increasingly apparent that the critical element is the actual implementation of change. This requires an emphasis on effective communication and engagement with those people we’re trying to influence. Through the work of a Board Long Range Planning Task Force and institute staff, we are currently examining how we can increase the impact and effectiveness of our work by articulating specific strategies to identify and interact with our most important target audiences. Also, our internal proposal development and review processes include consideration of how to ensure that the dissemination strategy is designed to include the means by which progress on a piece of work and the results of that work are shared with stakeholders and target audiences. Finally, more effort will need to be spent on evaluating the outputs of projects and their effectiveness in creating the changes that are originally planned. The second point leads to an ongoing examination of how to create an organizational culture of learning and the

structures to encourage that learning. IISD encourages staff to work across different institutional strategic objectives, contributing their skills to projects in different areas. This has been successful to varying degrees, depending on the nature of the work and the flexibility of the staff involved. Considerable effort has been expended this year to create new tools for individual and organizational learning, and to identify the linkages among projects and goals of different research programs. To serve our offices and associates around the world, we’ve expanded our Intranet service to include online project management training modules and access to project support files and other tools. We have also recently developed an Intranet organizational learning framework called the Innovatory—a visualization of IISD’s project development cycle to help us foster innovation and to identify lessons learned at all stages of project development, from incubating ideas to project learning and adaptation. In the coming year, regular lessons-learned briefings are being planned for major projects nearing completion to record key lessons in our institutional memory. We look forward to exciting results.”

“As an IISD intern placed at the International Institute for Environment and Development in London, my initial interests were to gain skills that I would later be able to use in an advertising career. However, when you work day after day with brilliant people who genuinely want to make a difference that isn’t attached to western-style consumption, your view is bound to change. At least mine did. Working in communications, I would find it hard to be less than general about SD. From a communications standpoint, I’ve gained a greater understanding of the need to set the public agenda in Northern countries. Londoners seem to have a fairly developed social conscience as has been demonstrated during the recent crisis of war. A major key is therefore making development issues accessible through mainstream media. In fact, I find it questionable whether some of the energy put into new research shouldn’t be redirected towards effectively communicating existing research, thereby gaining broader support and knowledge for SD initiatives. I still believe in the power of effective advertising, but far more in the sense that it will be a necessary tool to create real change in development.”



Bill Glanville
Vice-President,
Chief
Operating
Officer



Darren Swanson
Research
Associate



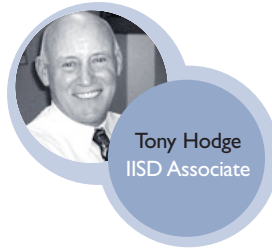
Jared Huber
IISD Intern

WE LEARNED?

“This past year has served to strongly reinforce a commitment to always maintaining a double perspective, one dealing with the *substance* of what we do and the other dealing with the *process* of how we act. In terms of substance, I have seen a focus on the practical, nose-in-the-mud activity of mining reveal great insight into how the lofty concept of sustainability can be unbundled in a concrete way. There are several keys to this unbundling. First, the central sustainability issue of “resource management” is not at all whether the resource itself is renewable or non-renewable. Rather, the central sustainability issue of all human activities (focused or not on the management of resources) is whether or not the human activity in question results in a positive contribution to both human well-being and ecosystem integrity over the long term. This is the ultimate test of sustainability. Both are required. This two-dimensional design criterion provides a clean perspective. In order to achieve these results, relationships between interests, the economics of project and community, the institutions and mechanisms of governance must all be healthy. Furthermore, there must be in place a way to ensure continuous learning and a capacity to adapt to changing conditions. In years to come, this perspective will come to be seen as nothing more than common sense and it is that ingredient that is both demanded and offered by the nose-in-the-mud mining industry.

From a process perspective, I have learned much in this past year. But dominant is that I have seen the power of a small team working together effectively. Here, there are two key ingredients. First is to have a common purpose that is understood, not only because of intellectual prescription but also because of a common spirit that is more intuitive than anything else. Once such a spirit is in place, huge efficiencies are possible. Second, is to build a team based on respect for the creative gift that each has to offer. Each of us has to play a part in bringing that out in colleagues. No matter where in the organizational hierar-

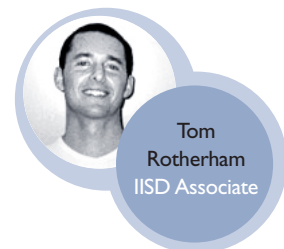
chy one might sit, each of us carries this multi-directional management responsibility and its effective discharge makes an enormous difference.”

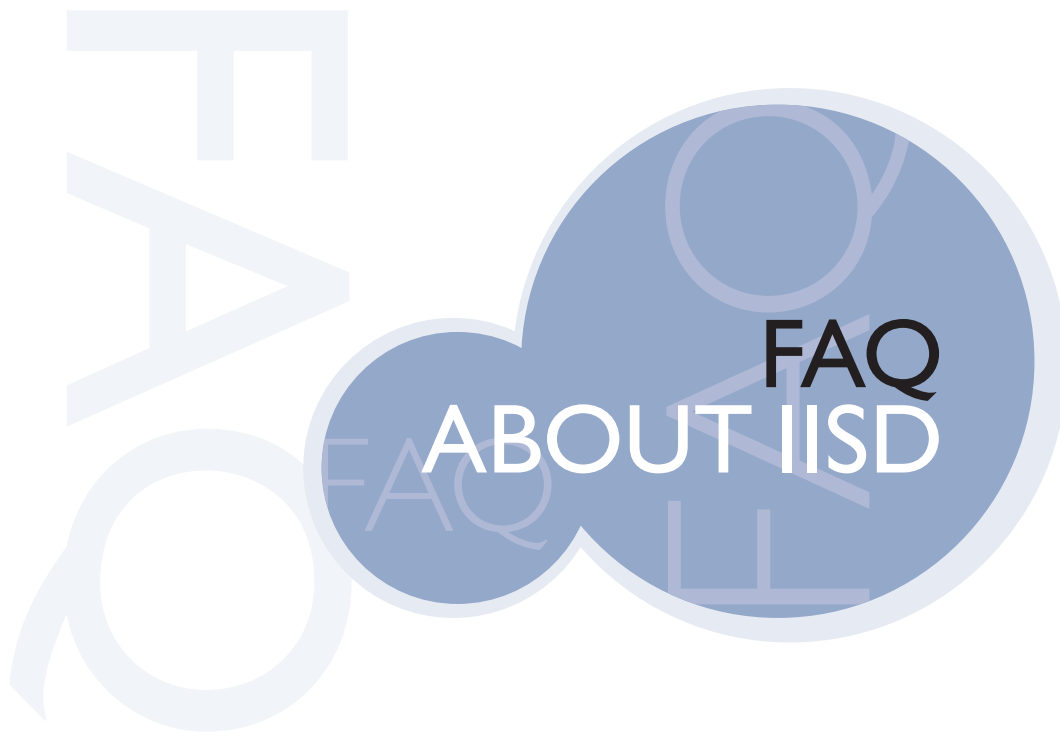


“Most of the time, I find people talking about youth leadership as something that’s nice and cute. But, it’s not. It’s urgent. As E.O. Wilson notes in *The Future of Life*, ‘The people of the developing countries are already far younger than those in the industrial countries and destined to become more so. The streets of Lagos, Manaus, Karachi, and other cities in the developing world are a sea of children... In at least 68 of the countries, more than 40 per cent of the population is under 15 years of age.’ If we are all going to make it through the next 50–100 years, it will be because young people reclaim their ability to act and to lead. We simply cannot afford a global culture of bored youth with extended adolescences. Young people around the world will be increasingly called upon to play important roles in providing education and health care as well restoring the environment. I’ve learned that youth leadership is not a matter of building capacity for tomorrow, but a matter of survival for us all today.”



“IISD’s role includes finding ways for different groups to work together, be it the World Trade Organization and NGOs, countries from the North and South, or even different ministries within the same government. Without trust, nothing can happen. Something that I have learned this past year is the importance of investing in relationships—with people and with organizations. Through my work on the role of standards in sustainable development, IISD is bringing together two groups with almost no shared history: NGOs and national standards bodies. Our experience shows that there are areas where cooperation can be mutually beneficial. But without trust, nothing can happen. There are no shortcuts to building up trust. It takes time, and sometimes it takes sacrifices. But after working cooperatively with the standards community for over four years—making an effort to find common ground rather than focusing on the obvious differences—IISD is now able to act as an honest broker between these two communities. Understanding someone is not enough. They have to know that you understand them and see how your appreciation for their concerns is shaping your opinions. Only then can trust and cooperation develop.”





Frequently asked questions about the International Institute for Sustainable Development

What

does IISD try to achieve?

The International Institute for Sustainable Development is in the business of promoting change towards sustainable development. Through our research and through effective communication of our findings, we engage decision-makers in government, business, NGOs and other sectors to develop and implement policies that are simultaneously beneficial to the global economy, the global environment and to social well-being. In the pursuit of sustainable development, we promote open and effective international negotiation processes. And we believe fervently in the importance of building our own institutional capacity while helping our partner organizations in the developing world to excel.

What

is sustainable development?

Sustainable development is the notion that humanity should strive to develop the economy in a manner that does not damage the integrity of ecosystems and social well-being. It's about working toward a better life for all people for today and for the future. The most commonly accepted formal definition of SD is taken from *Our Common Future*, the landmark 1987 report of The World Commission on Environment and Development. Chaired by former Norwegian Prime Minister, Dr. Gro Harlem Brundtland, the Commission noted that "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Is

IISD primarily a think tank?

As an independent, not-for-profit company, IISD indeed thoughtfully advances discourse on the sustainable development issues of the day. But IISD is far more than a think tank. Increasingly, we are becoming an institute of applied research where our people conduct research, and then work toward effective implementation of results and findings on the ground. We are increasingly sought after as a consultant to business and government. And as a coordinator of powerful networks, we are a facilitator of worldwide alliances in the areas of trade, climate change and communications. Finally, we are an exciting Internet and technology company reporting on international negotiations, delivering our research to the world and sharing our technical expertise.

How

did the institute start?

In 1988, former Canadian Prime Minister Brian Mulroney announced at the United Nations General Assembly that Canada was poised to launch and fund a sustainable development institute in response to the World Commission on Environment and Development. At the urging of the province of Manitoba and then-premier Gary Filmon, the institute was launched in Winnipeg (Manitoba's capital) in 1990, funded wholly by the governments of Canada and Manitoba. While our funding sources are becoming increasingly international and diversified in nature, the federal and provincial governments continue to support the institute and the institute's head office remains in Winnipeg.

Is

the institute genuinely international?

While we are a Canadian-based organization, our team and our work are clearly international. Our 150 staff, associates, freelancers and Board members come from more than 30 countries. Our work and our relationships keep us active on five continents. IISD's offices are located in Winnipeg, Ottawa, New York and Geneva.

How

is the institute funded?

IISD has a budget of roughly CDN\$11.32 million. About 20 per cent is financed by core funding. Roughly 80 per cent is financed by designated grants for specific projects. Funding comes from numerous Canadian and international government sources, international organizations, the private sector and foundations. Our designated funding profile is increasingly international in nature with almost the same amount of designated funding coming from international governments and agencies as from Canadian governments and agencies.

How

is the institute organized?

IISD is divided into seven activity areas including five strategic objective areas and two strategic functions. The five strategic objective areas where a bulk of our research is carried out are: Climate Change and Energy; Measurement and Indicators; Trade and Investment; Natural Resources Management; and Economic Policy. The two strategic functions are Reporting Services and Knowledge Communications. Our Reporting Services team covers international negotiations on environment and development, and the Knowledge Communications group helps research staff to get their messages out to those they most want to inform and engage, while conducting its own research on sustainable development communications and engagement practices.

Who

is your audience?

In broad terms, IISD aims to influence, inspire and communicate with decision-makers—those people in government, business, civil society and other sectors who are in a position to develop and implement policies to achieve sustainable development. The specific make-up of the audiences, of course, varies across our activity areas and over time.

What

is the composition and role of your Board of Directors?

Under Canadian law our Board is required to retain a Canadian majority of 50 per cent plus one. The 2003–04 Board has members from Ghana, Trinidad and Tobago, Denmark, Switzerland, the United Kingdom, Thailand and Pakistan. The Board meets twice a year in Canada and has an active committee structure. The Board governs, sets the institute's strategic direction and is responsible for oversight of the sound management of the institute's finances.

How

has IISD changed since it launched?

Like all organizations, IISD has changed significantly since its inception. Perhaps the most important change has been the increasing trend toward project funding. The institute launched with undesignated seed funding, and has moved toward a project orientation. The original funding model allowed for a broad implementation and exploration of sustainable development, while today we increasingly focus our efforts on a number of specific issues. Another important change has been our relationship with information and communications technology. The Internet was in its infancy when IISD was born. Today, it is the very soul of our communications culture and our most important tool for reaching our audiences. There are millions of downloads from our Web sites annually.

What

challenges and opportunities are ahead for IISD?

As an organization with a policy solutions mandate, we face the ongoing challenges of encouraging change towards sustainable development in a world of flawed mechanisms and inconsistent signals and incentives. Some people believe that the World Summit on Sustainable Development held last summer in Johannesburg could mark the end of sustainable development summitry. As the urgency grows to address SD issues, we will need to work increasingly at a multilateral level. And, as the funding environment becomes more competitive, we will need to become increasingly innovative. Still, IISD is poised to make great advances. Our technological competence, our substantive expertise, our healthy relationships, our ability to adapt to change and our unwavering passion stand us in good stead to define and address the issues, and to continue to contribute positively to economic, social and environmental well-being around the world.



Aban Kabraji and Ashok Khosla

The International Institute for Sustainable Development is governed by an international Board of Directors. As a group, members set the strategic vision for the organization and guide its progress.

The June 2003 meeting of the IISD Board in Winnipeg was the last one for Aban Marker Kabraji and Dr. Ashok Khosla, whose terms have come to an end after years of energetic service.

Aban Kabraji, who joined the Board in 1994, is the IUCN Regional Director for Asia in Thailand. Dr. Ashok Khosla, an IISD Board member since 1997, is President of the Development Alternatives Group in India.

In this interview, they share some thoughts about IISD and about sustainable development.

Since joining the IISD Board of Directors, what do you consider to be the institute's most important achievements?

Aban Kabraji: IISD has grown from a very young institute wholly dependent on core funding from Canadian government sources, to a vibrant, mature and independent organization. We have defined clear international niches with our work in trade and with the *Earth Negotiations Bulletin* while maintaining a strong presence in Canada in areas like agriculture and climate change. Through years of strong leadership, we have recruited quality people and have become an important player on the international scene.

Ashok Khosla: Substantively, it has made significant contributions during this period on several fronts, but I suppose I would rate the impact of the institute highest in the fields of climate change and environment-related trade issues. IISD is also concerned with processes at various levels. Externally, it has built up several unusually strong knowledge networks throughout the world, both in the North and the

South. Through these, it not only benefits through the inflow of information, but also nurtures the capacity of others in areas of mutual interest. Internally, it has been able to build a financial resource base that is very solid for a civil society organization.

What do you consider to be IISD's greatest strengths?

Aban Kabraji: The institute has kept a clear focus on the fact that we are a global institution that links Canada to the world. A prime example of this is our work with the China Council on International Cooperation on Environment and Development. We have great international strength and credibility in the areas of climate change and trade. And we are among the leaders in electronic communications, especially with our networks and the *ENB*, the jewel in the crown.

Ashok Khosla: Credibility in the fields of its expertise, strengthened by a commitment to excellence and intellectual rigour—these give IISD considerable convening power and legitimacy nationally and in international fora.



ABAN MARKER KABRAJI

“We need to adapt to the changing realities and to remain ahead of the curve intellectually.”



DR. ASHOK KHOSLA

“The main challenge will be maintaining the balance between focus... and multi-disciplinary capacity.”

share their thoughts about IISD

What do you consider to be the institute’s greatest challenges in the coming years?

Aban Kabraji: Since September 11, 2001, the world is undergoing huge shifts in international alliances and thought processes. Our challenge in this milieu is to define what we need to do and where we need to go as an institute. We need to adapt to the changing realities and to remain ahead of the curve intellectually.

Ashok Khosla: The main challenge will be maintaining the balance between focus—which is needed for achieving results—and multi-disciplinary capacity, which is needed for achieving the right results.

Are you optimistic about the future of the sustainable development movement and message?

Aban Kabraji: I am optimistic. The cause of sustainable development is as valid today as it ever has been, perhaps even more so. The issue has made its way into the mainstream. While effecting the sort of change we need will be tough in the short term and still difficult in the medium term, I’m opti-

mistic that we’ll ultimately get there as more people take notice of the issues. “No man is an island.” You can ignore distant wars, environmental disasters and famine as long as you like, but unless something is done, you will eventually be insecure and go hungry, too.

Ashok Khosla: Two decades have passed since the concept of sustainable development was introduced into everyday language. Although no one would claim that the policies of governments—much less corporations—are yet influenced heavily by it, leaders in all sectors today do compete quite smartly to show their ownership of it. Soon, they will have little choice but to actually take on such ownership, since rapidly growing populations and economies are demonstrably incompatible with our finite resource base. Water scarcity in many parts of the world is now an integral part of political discourse. Personally, I believe that the path from a limited debate among the cognoscenti to widespread action among the public is a matter of not more than a few decades—not because humankind will become wiser but because it does have a highly evolved instinct for survival.

After years of service on the Board, what will you remember most about the experience?

Aban Kabraji: My fondest memories will be of the people with whom I’ve served. By any measure, the IISD Board and professional leadership have been truly outstanding.

Ashok Khosla: Serving on the IISD Board has been one of the most rewarding experiences I have had working at the policy level with an international institution. The quality of the discussions was extraordinary. They were consistently fuelled by excellent staff inputs and documentation. These discussions were always made meaningful by a clear commitment on the part of management to be guided by them. And they were carried forward by a Board whose members were clearly dedicated to proactive planning without falling into the trap of micromanaging. It was a great learning experience for me and I gladly journeyed across the ocean more than a dozen times to take part in it.

MEASUREMENT AND INDICATORS

MEASUREMENT AND INDICATORS

Achievements and

● IISD and the Consultative Group on Sustainable Development Indicators (CGSDI)—an IISD-coordinated team of international experts—have been further developing the Dashboard of Sustainability over the past year. The Dashboard is an interactive, online tool for presenting sustainability indicators and their aggregate indices. With a grant from the Canadian International Development Agency (CIDA), Environment Canada and several members of the Bellagio Forum for Sustainable Development, we've added new functions to the Dashboard, making trend analysis and distance-to-target analysis possible. The Dashboard was presented at two official events at the World Summit on Sustainable Development in Johannesburg, and now includes data for over 240 countries and 60 indicators in the domain of the United Nations Commission for Sustainable Development core set of sustainability indicators. The Dashboard's profile continues to grow and governments, businesses and others continue to express interest. Notably, this past year, IISD presented the Dashboard to a meeting of The International Iron and Steel Institute,

attended by representatives of 15 major steel companies. For more information on the Dashboard of Sustainability, visit http://www.iisd.org/cgsdi/intro_dashboard.htm

● IISD has now completed the first four of five stages of the Local Agenda 21 (LA21) project being conducted with the pilot Romanian cities of Iasi, Oradea and Ramnicu Valcea. IISD, in partnership with Canada's National Round Table on the Environment and the Economy and the International Council for Local Environmental Initiatives (ICLEI), and with the financial support of the Canadian International Development Agency (CIDA), is working with the government of Romania, the National Centre for Sustainable Development in Bucharest and with the three participating municipalities to develop capacity in introducing the LA21 process in the country. Training citizens and municipal staff to be effective in working with all key stakeholders in community development will improve quality of life, provide employment potential and contribute to the further development of local democracy. Highlights from the last year include the successful training

sessions delivered by IISD in Romania and the commitment of the national government to expand the LA21 program to more municipalities throughout Romania.

● As part of our role with the next Manitoba Sustainable Development Report, and in addition to specific inputs such as calculating Manitoba's Ecological Footprint (EFP), IISD assisted Manitoba Conservation in designing the overall reporting process and approach. We helped construct the report's analytical framework, worked with the department to create a reporting template and prepared some of the analysis. IISD also took the lead in writing some of the sections and we provided comments on draft analyses prepared by various provincial agencies. In order to initiate the reporting process, IISD and Manitoba Conservation delivered a training session for provincial contributors. As part of our work with Manitoba Conservation, our team started to prepare the calculations for the EFP in September 2002. A series of sectoral and regional calculations followed.



The Measurement and Indicators Team provides expertise to designing tools and building capacity for measuring progress towards sustainable development.

The Local Agenda 21 project has had a tremendous impact on community development in Romania.

Highlights

● The United Nations Environment Programme's (UNEP) third Global Environment Outlook report (GEO-3) was launched in May 2002 in London, U.K. As a Collaborating Centre of UNEP for the GEO initiative, IISD organized a launch at the institute's head office in Winnipeg. As GEO-3 was coming to an end, our contribution was increasingly focused on issues related to evaluating and planning the future of the GEO reporting system. We took the lead in carrying out a Strengths / Weaknesses / Opportunities / Threats (SWOT) analysis of the GEO-3 process from the perspective of the Collaborating Centres. In cooperation with the World Conservation and Monitoring Centre (WCMC) in Cambridge, U.K., we also prepared a comparative analysis of global assessment and reporting systems, and prepared a draft capacity building strategy for the assessment work of UNEP's Division of Early Warning and Assessment (UNEP-DEWA).

● In cooperation with Environment Canada and the U.S.-based International Sustainability Indicators Network (ISIN), we redesigned the structure of the Compendium of Sustainability Indicator Initiatives, probably the Internet's most comprehensive directory of sustainability indicator initiatives. We also updated over 100 entries in the Compendium in support of the preparation of Canada's new National Environmental Indicators and Reporting Strategy, and launched the new version at ISIN's Annual Meeting in Toronto in March 2003. See <http://www.iisd.org/measure/compendium/>

● In March 2003, with the UNEP-Regional Office for Latin America and the Caribbean (UNEP-ROLAC), we designed and conducted a training session on integrated environmental assessment and reporting that will lead to the small island state of St. Lucia in the Caribbean producing its first GEO-style national reporting on the state of the environment. Building on the methodology of earlier GEO training sessions, the training in St. Lucia was modified to produce outputs directly applicable to the assessment work that follows. As

another change of the methodology, IISD will continue to advise the government of St. Lucia throughout the reporting process until the report is published.

● In cooperation with UNEP/GRID-Geneva and the International Network of Resource Information Centres—better known as the Balaton Group—IISD organized a two-day workshop in September 2002 focused on vulnerability and adaptation to multiple forces of change—including climate change—in the largest lake in Central Europe, Hungary's Lake Balaton. This workshop laid the groundwork for a vulnerability and adaptation project starting in 2003 with UNEP and the Lake Balaton Development Coordination Agency (LBDCA), serving as a pilot under UNEP's Early Warning Strategy.

● Effective April 1, 2003, Dr. László Pintér, who has served with IISD for nine years, became the Director of the Measurement and Indicators program. Former Director, Dr. Peter Hardi, remains with IISD as a Senior Fellow.

KNOWLEDGE
COMMUNICATIONS



KNOWLEDGE COMMUNICATIONS


Achievements and

● Our research into effective communications strategies, network operations and partnership management is strengthening the performance of our strategic objective areas. In the lead-up to the World Summit on Sustainable Development (WSSD), we worked closely with the United Nations Development Programme (UNDP) and Business Action for Sustainable Development (BASD) to hold an international e-consultation on partnerships for sustainable development. Findings from this dialogue were shared with the Regional and International Networking Group (RING), leading to further work on strengthening communications in research partnerships. We continue to be approached by organizations and networks around the world for input on how to manage collaborative relationships to fast track sustainable development.

● As input to the World Summit on Sustainable Development (WSSD), the Knowledge Communications (KC) team led an institute-wide review of the world's 10 successes and 10 failures in the decade since the Rio Earth Summit. Our snapshot, entitled *Ten Plus Ten*, noted important, incremental changes toward the achievement of sustainable development, particularly at local levels. But we also observed that there are serious shortcomings, reflecting, in many cases, the lack of political will and the lack of effective implementation strategies to honour commitments made in Rio. *Ten Plus Ten* served to open debate in the Canadian media, nationally and provincially, with radio interviews and excerpts published in the press. *Ten Plus Ten* and an updated Sustainable Development Timeline are available online at <http://www.iisd.org/briefcase/>.

Our international review served to position ourselves to work with the Policy Research Initiative of the Government of Canada. PRI contracted IISD to identify the leading sustainable development policy research priorities in Canada. This work continues into 2003.

● In previous years we have focused on the practical application of information and communications technologies (ICTs) to help NGOs, in particular from the South and transitional countries, to communicate their knowledge more effectively. This year, we began to look at the broader issue of how ICTs can support—and also hinder—the transition to sustainability. Two substantive interventions on this issue were made in Johannesburg: one through a panel session organized by IISD and the Swiss Agency for Development and Cooperation; and one through the Digital Opportunities Dialogue organized



The Knowledge Communications Team continues to foster good communications practice throughout IISD, helping staff to get their messages out to those they most want to inform and engage.

In the past year, IISD has been preparing overviews of global and national advances towards sustainable development and has been examining the relationship between the emerging “information society” and sustainable development.

Highlights

by IUCN – The World Conservation Union. In our follow-up, we received support from Canada’s International Development Research Centre (IDRC) to bring together a group of young analysts from the South and transitional countries to explore, in greater depth, the connections between the information society and sustainable development.

● IISD continues to demonstrate its commitment to the next generation of decision-makers. Once again, our Young Canadian Leaders for a Sustainable Future program placed 35 young Canadians in partner organizations around the world, with the support of Canada’s Department of Foreign Affairs and International Trade (DFAIT), the Canadian International Development Agency (CIDA) and Human Resources Development Canada (HRDC)/Arctic Council. We

celebrated the accomplishments of this program in Johannesburg, hosting a reception with about 30 former interns all involved in WSSD activities.

● We link our youth work with our interest in the information society through Youth Creating Digital Opportunities (YCDO). In cooperation with the Global Knowledge Partnership (GKP) and TakingITGlobal (TIG), IISD established the YCDO Coalition in 2002 as a follow up to previous interventions on Bridging the Digital Divide. This growing group of organizations seeks to realize the potential of young people as leaders in using information and communications technologies (ICTs) to achieve more sustainable development in their communities and around the world. In 2002–2003, the YCDO Coalition focused its efforts on engag-

ing youth in the preparatory process for the World Summit on the Information Society (WSIS). At the international level, IISD provided strategic and logistical support to the WSIS Youth Caucus. Laying the groundwork for effective grassroots youth ICT-for-development activities, IISD also recruited a young woman from Zimbabwe to serve as the GKP Youth Focal Point intern helping youth to connect with opportunities for mentoring, fundraising and recognition. These young people are increasingly forming a global community of leaders committed to using the tools of the information society to ensure opportunity, empowerment and inclusion for all. To learn more, visit <http://ycdo.net/>

IISD's Climate Change and Energy Team continues to be recognized as a constructive and influential voice in the climate change debate in Canada and around the world.

IISD aims to develop and promote creative responses to climate change and its impacts.

CLIMATE CHANGE AND ENERGY

Achievements and Highlights

● Following the Canadian Prime Minister's decision to ratify the Kyoto Protocol, IISD has been an active participant in the implementation process. Working with the federal government, a number of provinces, industry and other stakeholders, IISD promotes the application of Kyoto in a way that meets environmental objectives while moving our economy fairly and effectively forward in anticipation of a hydrogen-based future.

● IISD's profile has grown significantly within the international scientific community, particularly relating to issues of development, mitigation and adaptation. IISD has been participating in a number of collaborative projects with research institutes around the world to demonstrate why a "development first" approach makes the most sense in effectively addressing climate change. The institute has also been asked to participate in experts' meetings of the Intergovernmental Panel on Climate Change (IPCC), looking at issues related to climate change and sustainable development and the adaptation-mitigation nexus.

● The Climate Change and Energy Team at IISD continues to work on a

number of significant projects supported by external aid agencies, notably the Canadian International Development Agency (CIDA) and the U.S. Agency for International Development (USAID). Work includes:

- identifying the potential of the Clean Development Mechanism in helping to reduce emissions in the transportation sector in Chile;
- analyzing the impacts of climate change and globalization on the agricultural sector in India;
- exploring the connection between decentralized renewable energy, the Clean Development Mechanism and sustainable development;
- enhancing the capacity of developing country partners in the Climate Change Knowledge Network (<http://www.cckn.net>) to engage in effective research and outreach on climate change and its relevance for developing countries; and
- helping developing countries express and share their perspectives on climate change issues.

● Our projects are being completed in partnership with about 30 other research institutes, most of them in developing countries.

● IISD has also been strengthening its contributions in the area of climate change vulnerability and adaptation. Activities include:

- acting as a network coordinator on health-related socio-economic impacts of climate change;
- analyzing the effectiveness of using conservation and disaster preparedness strategies in helping particularly vulnerable communities adapt to climate vulnerability and climate change; and
- working with Manitoba Hydro to begin understanding the hydrological impacts on their hydro system capacity.

● Finally, IISD has expanded its influence in regions across Canada, including the Yukon, the Northwest Territories, British Columbia, Alberta, Manitoba, Ontario, Quebec and Prince Edward Island.

IISD's Economic Policy Team continues to examine the relationship between poverty and the environment, and the impact of subsidies.

The five-year TERI-Canada Energy Efficiency Project draws to a close with numerous useful outputs and learnings.

ECONOMIC POLICY

Achievements and Highlights

● IISD continues to be recognized for our contribution to the dialogue on the relationship between poverty and the environment. In February 2003, the 22nd Governing Council of the United Nations Environment Programme endorsed the poverty-environment conceptual framework developed by IISD. The Governing Council also adopted a work plan to operationalize the framework in Africa over the next three years. IISD expects to provide advice and play a leading role in coordinating the related network and in developing country studies.

● IISD's work on poverty and the environment is based on the writings and teachings of Nobel Laureate Amartya Sen, author of the acclaimed publication, *Development as Freedom*. In cooperation with the Mazingira Institute in Kenya, IISD released *There is a Better Way*, a comic book based on Sen's work. The comic book, which has been well-received in Africa, conveys Sen's thoughts in everyday language for the benefit of all. IISD also published two issues of *Nexus*, a newsletter exploring the linkages between poverty and the environment.

● Economic Policy Director, Dr. Anantha Duraiappah, made a substantial contribution to the Millennium Ecosystem Assessment, co-writing a chapter called "Lessons Learned: Consequences for ecosystems, human well-being and poverty reduction." The assessment addresses the relationship between ecosystems and human well-being. More information is available at <http://www.millenniumassessment.org>

● The five-year TERI-Canada Energy Efficiency Project was carried to near completion. This was a multi-million dollar project funded by the Canadian International Development Agency, and run in partnership with The Energy and Resources Institute (TERI), based in India. The majority of IISD's work this past year focused on Green Budget Reform, identifying budgetary instruments and developing analytical tools to examine the sustainability implications of energy sector development. These aims were achieved through four separate initiatives:

1. Identifying green budget opportunities in TERI's annual budget recommendation to the government of India.
2. By recognizing that people with lower incomes allocate a larger share of their budgets to energy than people with higher incomes, the MARKAL-Equity compensation initiative produced three papers documenting economic modeling efforts to study the impacts of climate change mitigation scenarios on lower income groups and the design of compensation packages to minimize the adverse impacts on households.
3. To bridge the gap among policy-makers, society and the economic, social and environmental systems in which we live, The Framework for Energy Sustainability Assessment initiative produced the Energy Sustainability Gauge, an interactive, Web-based tool linking the analysis of salient indicators of sustainable energy development with the implementation status of the mix of policy

instruments affecting the indicators. The gauge, which has been applied in India and Canada, will be made available to the public and interested policy community by 2004.

4. IISD developed and applied a methodology for estimating the full costs of thermal power production in Canada. Full-cost accounting, as it is commonly known, makes explicit the magnitude of direct environmental costs borne by society from thermal power generation, thereby promoting power sector investment decisions that are indeed least cost.

● Work began on the Van Lennep Subsidies Initiative, a project encompassing the talents of our Economic Policy Team and our Trade and Investment Team. Named after the late Emile van Lennep, a distinguished Dutch economist, the project aims to establish a process to resolve subsidy-related differences between developed and developing countries in a constructive, transparent and equitable manner; to defuse the present antagonistic and suspicious attitudes towards the World Trade Organization on the issue of subsidies; to build research capacity to identify trade-related subsidy issues; and to develop policy approaches to address these priorities.



TRADE AND INVESTMENT

TRADE AND INVESTMENT

Achievements and

● When international negotiations on a Multilateral Agreement on Investment (MAI) were derailed in 1997, many thought that the dangers of rampant liberalization had been put to rest for a long while. Not so. Based on experience with the North American Free Trade Agreement (NAFTA), IISD began to take a close look at cases of arbitration under the rapidly-spreading Bilateral Investment Treaties (BITs). We found evidence that NGO fears about what the MAI would do to social and environmental regulation were being realized under the 2000 bilateral investment treaties. To make things worse, crucial matters of public policy were being decided behind tightly-sealed doors in international business arbitration forums, far from public scrutiny. Indeed, some of these forums are so opaque that it is not possible to find out what cases have been brought, and who the contestants are. IISD has now made the BITS a central pillar of its work on investment. With our close scrutiny of the BITS, we hope to change the world of private investment.

● For years, those promoting environment in the multilateral trading system suffered the frustration of seeing the developing countries roundly reject their agenda. For the South, the push for the environment felt like an attempt to replace with green barriers the tariffs and quotas eliminated through successive rounds of trade negotiations. Legitimate environmental priorities were inevitably perceived as rich-country interests, being imposed on countries that had other priorities. For IISD, this was a troubling situation, knowing as we do the urgency of environmental matters in developing countries, many of them affected by trade liberalization. We decided to pioneer a new approach. Working with the developing country delegations to the World Trade Organization (WTO)—and with research partners in the South—we are trying to craft an agenda that reflects developing country environmental priorities in the trade context. This “Southern Agenda on Trade and Environment” project will allow a balanced agenda to be crafted and, we hope, enable real progress on the environment to be achieved in the WTO.

● What is happening in the Doha Round of multilateral trade talks at the WTO? The answer is either simple—or immensely complicated. The negotiations, which began in early 2002, are spread across 17 negotiating groups with the WTO General Council acting as a Trade Negotiation Committee. Many items are reviewed and negotiated in more than one group. Discussions are closed to outsiders (especially to public interest NGOs). While bits and pieces of news filter out, it is very hard to unscramble them from the general background noise of the WTO beehive. IISD has tried to help. We have co-produced, with the International Centre for Trade and Sustainable Development, the Doha Round Briefing Series, which reviews what has happened in each of the negotiating groups in 2002. See http://www.iisd.org/trade/wto/doha_briefing.asp



The IISD Trade and Investment Team has helped to build the capacity of our partners and has simplified some of the complex information emanating from international negotiations.

IISD endeavours to advocate and influence the design of trade and investment policies that advance sustainable development.

Highlights

● The Soviet Union was not a free-trader, and was never welcomed into the free-trade club of the General Agreement on Tariffs and Trade (GATT). As the Cold War ended, all 15 former Soviet republics started to look more closely at trade issues. About half are now card-carrying members of the WTO, and the rest are in the waiting room. This represents a major change in a short period of time. What does the change mean for sustainable development? The answer is unknown, but IISD is trying to help. We have initiated a program to help eight former Soviet republics prepare for—or adapt to—WTO membership without sacrificing sustainable development in the process. We have produced a wide range of materials in the Russian language, including the highly-regarded IISD-UNEP handbook on Environment and Trade.

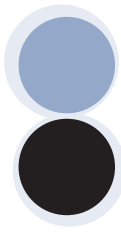
● Thanks in part to IISD's efforts, the WTO is becoming more open and accessible. We have been engaging the trade community on its own terms and the

effort is paying off. IISD was the first NGO ever to have one of its statements offered on the main page of WTO's Web site. We have been chosen as one of only 13 international NGOs to serve on the newly-established NGO Advisory Committee. And we are the first NGO asked to participate in teaching the regular course offered by the WTO to trade policy officials from developing countries. If our aim is to influence, this inside track will stand us in good stead.

● In collaboration with Fundación Futuro LatinoAmericano, the Ecuadorian Centre for Environmental Law and others, IISD hosted trade and environment workshops in Quito, Ecuador, parallel to the Free Trade Area of the Americas Ministerial Meeting in the fall of 2002. The three-day event generated civil society proposals on intellectual property rights and biodiversity; investment law and policy; civil society participation mechanisms; and sustainability assessment in the FTAA. The meetings culminated in the presenta-

tion of a report to the assembled 34 ministers before the FTAA Ministerial. Several workshop proposals appeared in the Ministerial Declaration.

● The second phase of the Trade Knowledge Network (TKN) kicked into high gear this past year. The TKN, which includes eight international partners and is co-managed by IISD and the International Centre for Trade and Sustainable Development, relaunched its Web site at <http://www.tradeknowledgenetwork.net>, conducted numerous workshops and produced important research on the relationship between trade and sustainable development. The goal of the TKN is to foster long-term capacity to address the complex issues of trade and sustainable development in partner-country research institutions, governments and the wider policy community, including business, academia, and environment and development NGOs.



The IISD Reporting Services Team includes more than 50 people, representing almost 30 different countries.

With the *Earth Negotiations Bulletin*, IISD contributes to the transparency and accessibility of international negotiations on environment and sustainable development.



REPORTING SERVICES

IISD Reporting Services
Linkages Web Site
<http://www.iisd.ca>

Achievements and Highlights

- IISD Reporting Services provided comprehensive real-time coverage of the final two meetings of the Preparatory Committee and the Johannesburg World Summit on Sustainable Development with daily *Earth Negotiations Bulletin* reports, online coverage and analyses.
- In collaboration with the United Nations Development Programme (UNDP), IISD Reporting Services published *ENB on the Side*, reporting on the outcomes of side events at meetings leading up to, and including, the World Summit in South Africa.
- During the 2002–2003 year, IISD Reporting Services launched a new HTML-enabled e-mail newsletter, *Linkages Update*, with reports on recent and upcoming events in the sustainable development policy community. This new publication, which is essentially an e-mail version of a Web page with links back to IISD's *Linkages* Web site, now reaches an estimated worldwide readership of 30,000.
- IISD published the *Earth Negotiations Bulletin* at more than 30 United Nations meetings with funding from the governments of Canada, the U.K., the Netherlands, the United States, Switzerland, Denmark, Germany, Norway, Sweden, Iceland, New Zealand, Australia, Austria, Belgium, Spain, Taiwan, France, the European Commission and UNEP.
- IISD Reporting Services was hired by governments and organizations to provide reporting services for meetings on policy issues such as water, forests, sustainable energy, climate change and biodiversity.

The IISD team has helped bring the relationship between security and the environment into focus and has worked with stakeholders in the mining and minerals industry to persuade the industry to integrate sustainable development issues into their business plans.

IISD is actively pursuing expansion of the Natural Resources Management strategic objective area, which is currently functioning without a director. A process to assess our prospects and resource requirements began at the end of the fiscal year.

NATURAL RESOURCES MANAGEMENT

Achievements and Highlights

● This past year saw a remarkable activity level for IISD in the mining and minerals sector. In particular, this period saw the culmination of the Mining, Minerals and Sustainable Development – North America (MMSD-NA) project. MMSD-NA was the independent North American component of a global review of mining practices led by the International Institute for Environment and Development (London). The project aimed to develop industry prescriptions for ensuring the compatibility of mining activities with the broad societal shift to sustainable development. The findings and recommendations of the global project were reported at the Global Mining Initiative Conference held in Toronto in May 2002 with the results further presented in Johannesburg, South Africa, at the World Summit on Sustainable Development (WSSD) in August-September. MMSD-NA, which was led by IISD in partnership with the Mining Life Cycle Centre, University of Nevada, Reno, released its final report to the Mines Ministers of Canada Annual Meeting in September 2002. The results of MMSD-NA's work have subsequently been described at a number of conferences and symposia. MMSD-

NA involved the participation of about 150 individuals drawn from a wide range of interests across North America.

● This was a year of maturation for IISD's work on environment and security, even as security issues were at the top of the international political agenda. Building on the initial work of our expert task force, IISD staff members took part in—or led—several major initiatives, including:

- contributing to the United Nations Global Compact "Conflict Impact Assessment Guidelines for Companies";
- serving as the secretariat for a multi-agency environment and security initiative launched by several UN agencies and the Organization for Security and Cooperation in Europe to address concerns in the former Yugoslavia and the Central Asian states;
- acting as an advisor to the United Nations Environment Programme's Post-Conflict Assessment Unit's missions to Afghanistan, Iraq and the Occupied Territories of Palestine; and
- participating in an Organization for Economic Cooperation and Development working group on environment and conflict.

● *Conserving the Peace*, the IISD/IUCN book on resources, livelihoods and security, is becoming a popular resource in the field, and is currently used in courses at the University of Toronto, the University of Ottawa and the University of California-Irvine, among others. The book contains a number of case studies and many recommendations about how effective conservation practices can contribute to improved security and livelihoods at the community level.

● Arthur Hanson, IISD Distinguished Fellow and Senior Scientist, continues to serve as one of two Ministerial Oceans Ambassadors in Canada, focusing on Canada's Oceans Act. Dr. Hanson also chaired the Technical Advisory Committee for the Equator Initiative, culminating in awards presented by the United Nations at the WSSD, recognizing tropical communities successful in reducing poverty through the conservation and sustainable use of biodiversity. He also spent a considerable portion of his time during the past year as Lead Expert with the China Council for International Cooperation on Environment and Development, helping to set new directions on policy advice.

THE IISD
TEAM

Members of the International Institute for Sustainable Development team reflect a diversity of backgrounds, talents and interests. The following people served with IISD during the 2002-2003 fiscal year:

Mylene Arabit
Rod Araneda
Stephan Barg
Trineesh Mohan Biswas
Jodi Browne
Jennifer Bryant
Carolee Buckler
Chad Carpenter
Jennifer Castleden
Anna Chugunova
Heather Creech
Dennis Cunningham
Shawna Curtis
John Drexhage
Anantha Duraiappah
Lael Dyck
Cristina Esposito
Kyle Fargey
Janice Gair
Bill Glanville
Virginia Gonzales
Langston James
Goree VI "Kimo"
Karen Goulding
Darlene Gregoire
Chantal Guertin
Debbie Xiaolin Guo
Mark Halle
Anne Hammill
Arthur Hanson
Peter Hardi
Pat Hardy
Peter Hughes
Kristen Hildebrand
Jennifer Hirschfeld
Robert Jones
Fabienne Kalifat Turner

Darryl Kutzan
Deborah Lehmann
Jason Macki
Jason Manaignre
Clarita Martinet-Fay
Stacy Matwick
Catherine Muir
Prisna Nuengsigkapien
Jo-Ellen Parry
Alison Patmore
Jacqueline Pilon
László Pintér
Pumulo Roddy
Marcelo Rojo
Marlene Roy
David Runnalls
Darlene Sanchez
Malena Sell
Jennifer Senenko
Ian Seymour
Stuart Slayen
Darren Swanson
Jason Switzer
Henry Venema
Shannon Wentz
Terri Willard
Michelle Wowchuk
Wanhua Yang
Jennifer Zelmer

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Warren Bell
David Boyer
Pamela Chasek
Aaron Cosby
Peter Dickey

Tony Hodge
Victoria Kellett
Howard Mann
Luke Peterson
Tom Rotherham
Marie-Claire Segger
Ian Thomson
Steven Winkelman
Christopher Zegras

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Keith Bezanson
Ola Ullsten
Konrad von Moltke

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de Oliveira
Jacob Andersen
Changbo Bai
Andrew Baldwin
Tonya Barnes
Nienke Beintema
Emily Boyd
Robynne Boyd
Stanley Burgiel
Pamela Chasek
Angela Churie
Elisabeth Corell
Deborah Davenport
Francis Dejon
Joanna Depledge
Rado Dimitrov
Peter Doran
Socorro Estrada
David Fernau
Brandy Filtzer

Mongi Gadhoun
John Gagain, Jr.
Catherine Ganzleben
Langston James
Goree VI "Kimo"
Jonathon Hanks
Tamilla Held
Laura Ivers
Holly Kaufman
Pia M. Kohler
Fiona Koza
Michael Lisowski
Dagmar Lohan
Leila Mead
Gerhard Mulder
Wagaki Mwangi
Diego Noguera
Prisna Nuengsigkapien
Leslie Christine Paas
Teya Penniman
Lavanya Rajamani
Marcela Rojo
Yaël Ronen
Charlotte Salpin
Nicole Schabus
Lisa Schipper
Mark Schulman
Richard Sherman
Malena Sell
Silke Speier
Chris Spence
Jason Switzer
Elsa Tsioumani
Andrey Vavilov
Lynn Wagner
Hugh Wilkins

Interns

Maja Andjelkovic
Eenjin Batsuren
Trineesh Mohan Biswas
Laura Bogomolny
Dena Cator
Xavier Cattarinich
Daniel Cohn
Tricia Colagiovanni
Karl Cox
Nicole Dobinson
Elisabeth Gilmore
Jordan Gold
Keith Gordon
Gwen Healey
Jared Huber
James Keirstead
Glenda Koh
Glenna Lee
Gillian Moran
David Piechota
Sarah Robin
Edan Rotenberg
Erin Russell
Todd Schenk
Christine Short
Erin Silsbe
Karin Simonson
Brad Smith
Scott Stewart
Carrie Taylor
Rebecca Wardle
Jennifer West
Matt Woods

AUDITORS' REPORT

To the Members of
International Institute for Sustainable Development

We have audited the consolidated statement of financial position of the International Institute for Sustainable Development as at March 31, 2003 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.

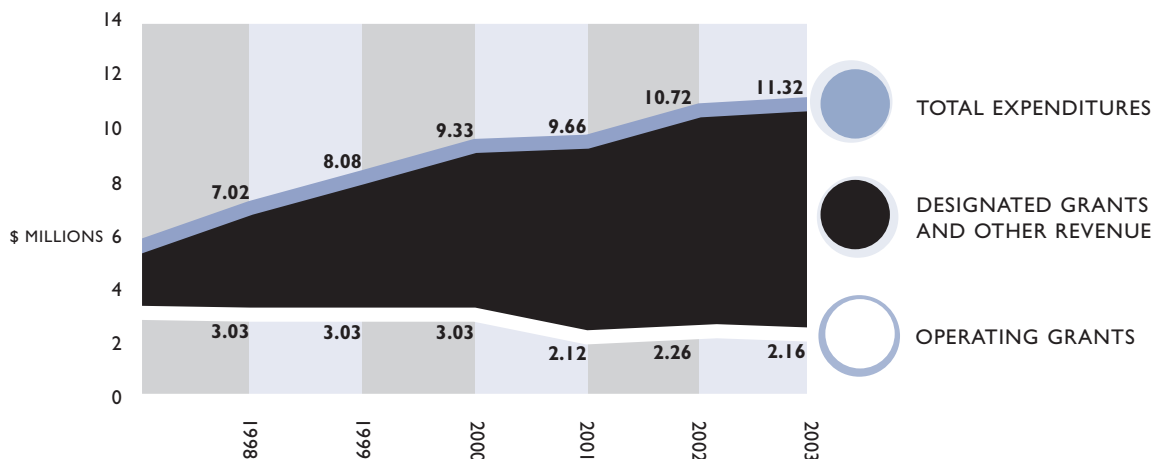
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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, 2003 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
May 7, 2003

1998 - 2003 IISD Financing Trend



Fiscal years ended March 31

● ● CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2003

	2003	2002
ASSETS		
CURRENT		
Cash	\$ 1,309,524	\$ 1,293,208
Marketable securities	5,855,308	5,491,789
Accounts receivable	6,390,612	6,644,663
Prepaid expenses and deposits	160,733	119,934
	<hr/> 13,716,177	<hr/> 13,549,594
CAPITAL ASSETS	240,749	283,288
	<hr/> \$13,956,926	<hr/> \$13,832,882
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,412,338	\$ 1,108,924
Deferred revenue	5,866,580	5,749,768
	<hr/> 7,278,918	<hr/> 6,858,692
NET ASSETS		
Net assets invested in capital assets	240,749	283,288
Reserve for program development	3,808,618	3,835,165
Reserve for long-term development	1,462,490	1,616,471
Unrestricted net operating assets	1,166,151	1,239,266
	<hr/> 6,678,008	<hr/> 6,974,190
	<hr/> \$13,956,926	<hr/> \$13,832,882

● ● CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31, 2003

	2003	2002
REVENUE		
Designated grants	\$ 8,331,750	\$ 7,694,117
Operating grants	2,162,556	2,259,958
Interest	263,622	283,026
Other revenue	261,429	153,853
TOTAL REVENUE	11,019,357	10,390,954
EXPENSES		
Projects		
Reporting Services	2,652,806	2,472,707
Trade and Investment	2,374,372	1,639,464
Climate Change and Energy	1,400,921	1,166,182
Knowledge Communications	1,067,401	1,124,075
Economic Policy	981,516	1,185,634
Natural Resources Management	821,112	1,255,132
Measurement and Indicators	619,295	536,802
New Project Development	41,723	63,860
	9,959,146	9,443,856
Administration	736,062	593,267
Fund Development and Outreach	417,898	547,384
Board	202,433	138,191
TOTAL EXPENSES	11,315,539	10,722,698
EXCESS OF EXPENSES OVER REVENUE	(296,182)	(331,744)
APPROPRIATION FROM NET ASSETS		
Net assets invested in capital assets	42,539	19,455
Reserve for program development	26,547	34,933
Reserve for long-term development	153,981	258,299
DECREASE IN NET OPERATING ASSETS	(73,115)	(19,057)
NET OPERATING ASSETS, BEGINNING OF YEAR	1,239,266	1,258,323
NET OPERATING ASSETS, END OF YEAR	\$ 1,166,151	\$ 1,239,266

NOTE ON FUNDING ARRANGEMENTS

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

	Funding Commitments	
	2003 (\$000's)	2002 (\$000's)
Governments and agencies		
Canada	\$ 3,361	\$ 2,385
International	3,347	2,634
	6,708	5,019
United Nations agencies	471	530
International organizations	923	640
Philanthropic foundations	224	58
Private sector and other	405	421
	\$ 8,731	\$ 6,668

Designated grants and other revenue which includes publication sales and cost recoveries are summarized by activity area as follows:

Activity Area	Other Revenue (\$000's)	Designated Grants (\$000's)	Total (\$000's)
Reporting Services	\$ –	\$ 2,681	\$ 2,681
Trade and Investment	61	2,010	2,071
Climate Change and Energy	66	1,078	1,144
Knowledge Communications	5	782	787
Economic Policy	16	752	768
Natural Resources Management	68	688	756
Measurement and Indicators	33	314	347
Administration, Fund Development and Outreach	12	12	24
New Project Development	–	15	15
	\$ 261	\$ 8,332	\$ 8,593

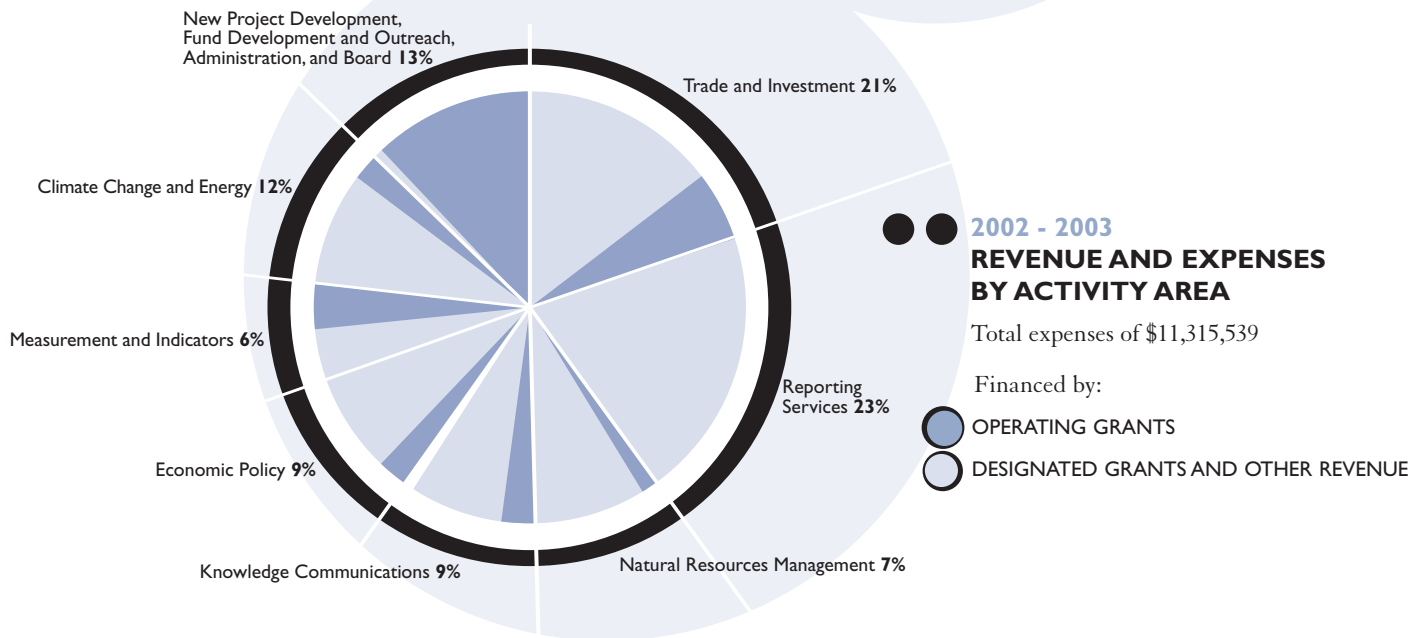
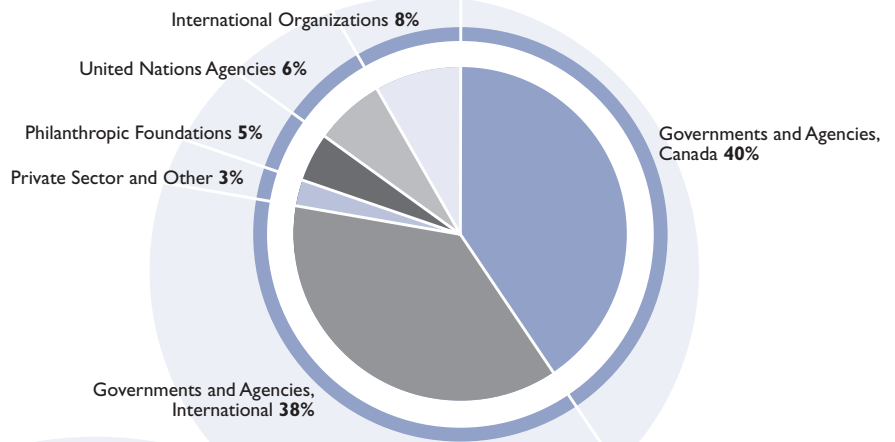
OPERATING GRANTS IISD has entered into renewed funding arrangements with the Government of Canada (Environment Canada and the Canadian International Development Agency (CIDA)). The arrangement with CIDA provides operating grants for the five year period April 1, 2000 to March 31, 2005. Environment Canada 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 funding is as follows:

	Funding Commitment (\$000's)	2003 (\$000's)	Funding Recorded Prior years (\$000's)	Funding Commitment Remaining (\$000's)
Government of Canada				
Canadian International Development Agency	\$ 5,000	\$1,000	\$2,000	\$2,000
Environment Canada	1,000	200	400	400
Government of Manitoba	4,584	963	1,060	2,561
Operating grant revenue	\$10,584	\$2,163	\$3,460	\$4,961

● ● **2002 - 2003**
DESIGNATED GRANT REVENUE BY DONOR

Total designated grant revenue of \$8,331,750



● ● **SCHEDULE I - SCHEDULE OF OPERATIONS BY ACTIVITY AREA** (\$000's) For the Year Ended March 31, 2003

	Reporting Services	Trade and Investment	Climate Change and Energy	Knowledge Communications	Economic Policy	Natural Resources Management	Measurement and Indicators	New Project Development	Administration	Fund Development and Outreach	Board	2003 Total	2002 Total
Revenue	\$ 2,681	\$2,071	\$1,144	\$ 787	\$ 768	\$ 756	\$ 347	\$ 15	\$ 22	\$ 2	\$ -	\$8,593	\$ 7,848
Personnel	402	1,107	685	403	421	546	368	24	601	253	-	4,810	4,221
Consulting	988	615	337	438	332	68	67	12	1	18	-	2,876	2,951
Travel	975	263	199	125	115	97	86	6	30	31	-	1,927	1,896
Rent	61	81	37	25	25	25	22	-	35	16	-	327	316
Supplies and other	55	82	34	20	14	22	27	-	29	26	-	309	288
Publishing	43	56	25	12	11	37	20	-	1	34	-	239	234
Amortization of capital assets	50	29	16	10	18	10	8	-	13	16	-	170	226
Meetings	4	92	14	13	18	2	3	-	1	12	-	159	209
Telecommunications	75	43	47	15	22	10	14	-	17	6	-	249	187
Board	-	-	-	-	-	-	-	-	-	-	202	202	138
Research materials	-	6	7	6	6	4	5	-	8	6	-	48	57
Total expenses	2,653	2,374	1,401	1,067	982	821	620	42	736	418	202	11,316	10,723
Excess of expenses over designated grants and other revenue	\$ 28	\$ (303)	\$ (257)	\$ (280)	\$ (214)	\$ (65)	\$ (273)	\$ (27)	\$ (714)	\$ (416)	\$ (202)	\$ (2,723)	\$ (2,875)
Excess of expenses over designated grants and other revenue funded by:													
Operating grants												2,163	2,260
Interest												264	283
Excess of expenses over revenue												\$ (296)	\$ (332)

SCHEDULE 2 - SCHEDULE OF DESIGNATED GRANTS COMMITTED (\$000's)

For the Year Ended March 31, 2003

Government of Canada (and Agencies)		International organizations	
Canadian International Development Agency (CIDA)	\$1,406	Earth Council	452
International Development Research Centre (IDRC)	650	International Tropical Timber Organization	94
Department of Foreign Affairs and International Trade	527	The World Conservation Union (IUCN)	84
China Council for International Cooperation on Environment and Development (CIDA)	283	Secretariat of the 3rd World Water Forum	78
Human Resources Development Canada	81	World Bank	78
Environment Canada	78	Royal Institute for International Affairs (RIIA)	47
Indian & Northern Affairs	24	The AVINA Group	32
Health Canada	23	Commission for Environmental Cooperation (CEC)	25
Natural Resources Canada	20	Nautilus Institute for Security and Sustainable Development	19
National Round Table on Environment and Economy	19	International Institute for Environment and Development (IIED)	10
Industry Canada	17	World Wide Fund for Nature (WWF)	4
Department of Fisheries and Oceans	5		923
Other	3	Philanthropic foundations	
	3,136	Mott Foundation	112
		Winslow Foundation	77
		Loewen Foundation	21
		Winnipeg Foundation	10
		Rockefeller Foundation	4
			224
Governments of provinces		Private sector and other	
Manitoba	203	University of Rhode Island	70
Other	22	Manitoba Hydro	60
	225	Climate Change Central	50
		Institute of Economic Growth	23
		INAB	21
		Crea Consulting	18
		McCarthy Tetrault	16
		Bechtel Corporation	16
		Golder Associates	16
		Secretariat of the Basel Convention	16
		Tan Range Exploration Corporation	16
		World Business Council for Sustainable Development	15
		Business Action for Sustainable Development	14
		Centre for Global Dialogue	12
		GKP Secretariat	9
		Trans Canada Pipelines	6
		North American Metals	5
		Friedrich - Ebert Stiftung	4
		United Way of Winnipeg	4
		York University (Sustainable Enterprise Academy)	4
		Consensus Building Institute	3
		ESG International	3
		Canada Life Securities	2
		Institute of Global Environment	1
		Shell Canada	1
			405
			\$ 8,731
Governments of other nations			
Switzerland	1,189		
United Kingdom	809		
Denmark	320		
Norway	300		
European Commission	147		
France	143		
Japan	112		
Spain	83		
Australia	65		
Austria	57		
China	56		
Finland	39		
Other	27		
	3,347		
United Nations agencies			
United Nations Office for Project Services (UNOPS)	144		
United Nations Development Programme (UNDP)	93		
United Nations Environment Programme (UNEP)	90		
United Nations Food and Agriculture Organization (FAO)	77		
United Nations Framework Convention on Climate Change (UNFCCC)	54		
United Nations Industrial Development Organization (UNIDO)	13		
	471		