Strategy for Achieving Transformative Change

Better living for all—sustainably

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

2010–2011 Annual Report

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

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Our Mission and Vision

The International Institute for Sustainable Development (IISD) contributes to sustainable development by advancing policy recommendations on international trade and investment, economic policy, climate change and energy, and management of natural and social capital, as well as the enabling role of communication technologies in these areas. We report on international negotiations and disseminate knowledge gained through collaborative projects, resulting in more rigorous research, capacity building in developing countries, better networks spanning the North and the South, and better global connections among researchers, practitioners, citizens and policy-makers.

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

Our Reach

Our Websites

In the fiscal year ended March 31, 2011, IISD's two principal websites (the research website at www.iisd.org and the Reporting Services Linkages website at www.iisd.ca) experienced more than a 50 percent increase in unique visitors and PDF downloads compared to the previous 12-month period.

Our Mailing Lists

IISD supports a number of email lists with subscribers from around the globe. Our accumulated number of subscribers as of May 31, 2011 was over 126,000, a 12 percent increase over the same period the previous year. To learn more about, and to subscribe to, our lists, please visit www.iisd.org/mailinglists.asp.

Publishing

In the fiscal year ended March 31, 2011, and excluding Reporting Services documents, IISD produced 165 papers, commentaries, brochures, excerpts, videos and contributions to other publications, a 5 percent increase over the previous 12-month period. These materials can be found at www.iisd.org/publications.

Media

The number of media hits tracked by the Institute fell 20 percent from April 1, 2010 to March 31, 2011, compared to the previous period. The change is due to a large decline in media coverage of the 2010 climate change talks in Cancun as compared to Copenhagen in 2009. The highlight of the year was prominent coverage of the Institute's work on subsidy reform, which accounted for 40 percent of the media hits.

Our Team, Our Knowledge

These numbers are just a few selected measures of our reach. The numbers don't give the complete picture of our efforts and impact. For that, one also needs to look at our people—the IISD team—from our staff, associates and contractors to all those who partner with us to distribute sustainable development knowledge. For example, we conduct and attend many workshops and conferences around the globe; we hold numerous face-to-face meetings with decision-makers and partners; we are consistently present as reporters at international meetings and events; we place interns around the world; and we share all our materials, allowing them to be reposted on other websites and blogs and to appear in a wide variety of journals and magazines.

www.iisd.org

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From the Chair

IISD has, in this past year, focused on its path forward with the successful recruitment of a new president and CEO, Franz Tattenbach, and celebration of the contributions over a decade of its past-president and CEO, David Runnalls. Managing a leadership transition represents a major event that, when achieved with panache and attention to detail, can be a distinguishing mark of sound practice and organizational experience. In terms of performance-based results, the Institute's board members, executive management, program directors and employees demonstrated an enviable ability to manage change.

The challenge for us going forward is the development of a performance-based framework for the operationalization of IISD's strategic plan, which highlights the need for transformative change. This represents a shift in business culture pushed by the strategic approach incorporated in our plan, as well as the introduction of new processes and new measurement criteria. Why move away from a formula or approach that has worked well for over 20 years?

The answer lies in the review and analysis started several years ago under David's tenure and refined with Franz's arrival. The tectonic changes that we face in the coming decades, including population increases, environmental degradation and socioeconomic expectations, require bold thinking and new approaches. Add to this a decreased capacity by governments in the developed world, shifting geopolitical realities, and a growing sense that if the solutions cannot be found at the top they will have to be driven from the bottom and the middle, and you have fertile ground for new approaches as well as the development of new tools.

Looking at events in 2010 and the first months of this year, one is struck by enormous variability in weather events, tsunamis and earthquakes with devastating effects, increasing fragility of endangered species, and demands for limited natural resources and energy resources that push us toward economic and technological transformation. Nor can we ignore the ever-present need for dealing with inequitable treatment in access to resources for a large percentage of our fellow humans. Lest readers imagine that this refers only to minerals, energy sources and similar commodities, there is no greater requirement than that posed by dependency upon water as a precious and limited resource indispensable to human life and well-being. Integrated models for looking at our ecosystems as biofactories hold the promise of revolutionizing the way we approach the Lake Winnipeg Basin challenges, for example.

I encourage readers to reflect on the theme underpinning this year's Annual Report—transformative change. The report denotes a current and future work agenda upon which IISD, its associates, researchers and supporters hold ambitions for making a difference through scientific, peer-reviewed investigation, analysis and publications. We are in the business of dealing with change that will be transformative and for which we must be prepared by better understanding our choices.

Finally, I want to say how impressed I have been over this past year with the dedication and the perseverance of my fellow directors of the Institute and by the talent and the devotion of the management and staff in Canada, Europe and the United States. To our associates in all regions of the world: I can only express my respect and admiration for your body of work. My special thanks to László Pintér for 16 years of contributions to IISD, his leadership of the Measurement and Assessment program and his continued support as a Senior Fellow, and to John Drexhage for his decade of tireless and critical work on climate and energy issues. Our best wishes to László and John in their new endeavours. I also extend a very warm welcome to John's successor at the Institute, David Sawyer.

Daniel Gagnier, Chair, Board of Directors

From the President

In the past year, I have been honoured to lead the International Institute for Sustainable Development (IISD) in advancing our vision of a better living for all—sustainably, succeeding my esteemed predecessor, IISD distinguished fellow and past president David Runnalls, when he retired in 2010.

During this time, I have come to know the Institute from the inside out and I am proud to see how serious and independent—and in many areas, unique—our research, publications and reporting services are, and how valued and trusted our work is by our users, clients and supporters.

In support of this, one of the most important tasks we have undertaken in the past year is to develop the management tools to strengthen IISD and transform it into an ever more results-oriented institution. To this end we have now operationalized our five-year strategic plan and developed its monitoring and reporting system. Drawing on over 20 years of experience and knowledge, this strategic plan provides a blueprint to realize our mission of transformative change for sustainable development.

Our strategic plan gives us unity of purpose. It defines 28 goals to realign macroeconomic policies and global governance with sustainability. It is our mission over the next five years to realize these goals, which we hope will bring a change in consumer, corporate and government behaviour to a tipping point that could transform the workings of the global economy toward the sustainable use of natural and social capital for the benefit of humankind.

By concentrating on results, we can be more creative in working to achieve the changes sought in our strategic plan. Our monitoring and reporting system should provide the accountability framework necessary to give us unity of action. It should also give our program directors the flexibility to collaborate with partners—internally and externally—to create the most effective projects.

This 2010–2011 annual report highlights the Institution's efforts over the past year to operationalize our strategic plan to make the Institution focus on results. The report includes an overview of our new reporting and monitoring system, with a complete list of all our strategic goals. Our staff and associates have provided a selection of reports on the progress we have made to date on some of these goals and why we believe they are important to achieving transformative change toward sustainable development.

Looking ahead, my hope is that the commitment of our staff and associates, the wisdom of our board members, and the generosity of spirit and welcoming I have received over the past year from our users, partners and supporters will continue to evolve into a focused and collaborative effort to achieve our common vision.

I also hope that one day this more open and results-oriented approach can be expanded to provide a platform for other world citizens to engage and make their contribution to achieving our vision of a better living for all—sustainably.

Franz Tattenbach, President and CEO

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IISD Board of Directors 2010/2011

Daniel Gagnier
Chair, IISD Board of Directors (Canada)

Franz Tattenbach
President and CEO, IISD (Canada)
Appointed June 2010

Stephanie Cairns
Principal, Wrangellia Consulting (Canada)
Elected June 2010

Hugo Delorme
Director, Government Relations, NATIONAL (Canada) Elected June 2010

John Forgách
Chairman, Equator LLC (Brazil) Retired June 2010

Roger Gibbins
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Charles Loewen
Board Director, The C.P. Loewen Family Foundation (Canada)

Måns Lönnroth
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Claude Martin
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Retired June 2010

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Brazil Country Manager, Petra Foods Pte. (Brazil)

Mark Moody-Stuart
Chair, Global Compact Foundation (United Kingdom)

Papa Kwesi Nduom
CEO, First National Savings and Loans (Ghana)

Carlos Nobre
Senior Scientist, Center for Earth System Science (CCST) - National Institute for Space Research (INPE) (Brazil) Elected June 2010

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

David Runnalls
President and CEO, IISD (Canada)
Retired June 2010

Bruce Sampson
Former Vice President of Sustainability, BC Hydro (Canada)

Bruce Schlein
Vice President of Environmental Affairs, Citi (United States)

Vicky Sharpe
President and CEO of Sustainable Development Technology Canada (Canada)

Emőke Szathmáry
President Emeritus and Professor, University of Manitoba (Canada)

Tensie Whelan
Executive Director, Rainforest Alliance (United States)

Erna Witoelar
Member of Executive Board, Indonesia Biodiversity Foundation (Indonesia)

Milton Wong
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Advisory Participants

Margaret Biggs, President, Canadian International Development Agency
Paul Boothe, Deputy Minister, Environment Canada *Commenced July 2010*
David Malone, President, International Development Research Centre
Fred Meier, Deputy Minister, Department of Conservation, Province of Manitoba
Ian Shugart, Deputy Minister, Environment Canada *Concluded July 2010*
Paul Vogt, Clerk of the Executive Council, Province of Manitoba

Distinguished Fellows

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Art Hanson
Jim MacNeill, Chair Emeritus
David Runnalls
Mohamed Sahnoun
Maurice Strong

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Lloyd McGinnis

Friends of the Institute

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Gary Filmon
José Goldemberg
Jim MacNeill
Brian Mulroney
Shridath Ramphal
Maurice Strong

The IISD Team

The IISD team is a diverse group of talented, motivated men and women from around the world. While anchored in Winnipeg, Geneva, Ottawa and New York offices, IISD is a colourful, international tapestry of staff, associates and young interns who bring their unique experiences, perspectives and energy to our work. The individuals listed below served with IISD in 2010–2011.

Javed Ahmad
Ben Akoh
Heather Anderson
Jocelyn Andrew
Rod Araneda
Heather Baker
Sue Barkman
Christopher Beaton
Lori Beattie
Nathalie Bernasconi-Osterwalder
Livia Bizikova
Susan Boning
Jessica Boyle
Oli Brown
Johnvee Calaguian
Christopher Charles
Katherine Clark
Karin Clegg
Diane Conolly
Alec Crawford
Heather Creech
Dennis Cunningham
Ramon Dator
Fariba Di Benedetto-Achtari
Rosemary Dohan
John Drexhage
Lael Dyck
Ramona Fryza
Janice Gair
Philip Gass
Pauline Gerrard
Bill Glanville
Vicky Goodall
Karen Goulding
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Anne Hammill
Hilary Hove
Julie Karami
Marius Keller
Kerryn Lang
Grace Lorusso
Jason Macki
Jason Manaigre
Stacy Matwick
Matthew McCandless
Dean Medeiros
Christina Moffat
Elias Mukozi
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Jo-Ellen Parry
Elka Parveva-Kern
Nona Pelletier
Oshani Perera
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Fabrice Ressicaud
Dimple Roy
Marlene Roy
David Runnalls
Christa Rust
Ian Seymour
Adam Stetski
Darren Swanson
Shelly Swidinsky
Franz Tattenbach
Flavia Thomé
Charles Thrift
Henry Venema
Tim Verry
Damon Vis-Dunbar
Vivek Voora
Peter Wooders
Huihui Zhang
Karla Zubrycki

Associates

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Mark Anielski
Stephan Barg
Jane E. Barr
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Aaron Cosbey
Brian Davy
Frédéric Gagnon-Lebrun
Richard Grosshans
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Rochelle Harding
Tara Laan
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Mahnaz Malik
Howard Mann
Fiona Marshall
Sheldon McLeod
Robert McLeman
Alanna Mitchell
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Jean Nolet
Bryan Oborne
Leslie Paas
Jean Perras
Jim Perry
Jason Potts
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Dale Rothman
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David Souter
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Natalie Swayze
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Dave Wilkins
Terri Willard
Robert Wolfe
Christopher Wunderlich

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Adil Najam
László Pintér

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Dan Birchall
Alice Bisiaux
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Douglas Bushey
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Qian Cheng
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Jennifer Covert
Deborah Davenport
Francis Dejon
Daniela Diz
Peter Doran
Susan Edwards
Ángeles Estrada
Socorro Estrada
Renata Foltran
Bo-Alex Fredvik
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Mongi Gadhoum
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Sandra Gagnon
Eréndira García
Johannes Gnann
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Langston James "Kimo" Goree VI
María Gutiérrez
Reem Hajjar
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Cherelle Jackson
Sikina Jinnah
Stefan Jungcurt
Hal Kane
Resson Kantai
Tallash Kantai
Pia Kohler
Hélène Kom
Khemaros "Pui" Kuhasantisuk
Kati Kulovesi
Aaron Leopold
Faye Leone
Kate Louw
Jonathan Manley
Suzi Malan
William McPherson
Leila Mead
Alice Miller
Chad Monfreda
Marie-Annick Moreau
Elisa Morgera
Aki Mori
Miquel Muñoz
Wangu Mwangi
Laurel Neme
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Dorothy Wanja Nyingi
Olivia Pasini
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Gmelina Ramirez
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Anna Schulz
Natacha Schvartz
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Holly Shrumm
Sabrina Shaw
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Elsa Tsioumani
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Brad Vincelette
Ingrid Visseren-Hamakers
Lynn Wagner
Hugh Wilkins
Liz Willetts
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Simon Wolf
Peter Wood
Sean Wu
Kunbao Xia
Yulia Yamineva

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Shannon Beaty
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Ryan Clement
Alex Cook
Catherine-Esther Cowie
Catherine Hickey
Madeleine McPherson
Caitlin Patterson
Andrea Sabelli
Susan Taylor
Candace Vinke

06

GUEST AUTHOR

By Paul Raskin

The Great Transition: Journey of an idea

The jury is still out on whether the Great Transition Initiative's hoped-for Great Transition will be realized; its achievement rests on the emergence of a planetary movement of concerned citizens buoyed by the conviction that together they can change the world.

Sustainability's call for a more just and enduring mode of development, framed as an abstract goal, finds broad adherence. When it comes to specifying targets and paths for reaching them, however, consensus dissolves. Since the concept of sustainable development entered the policy discourse, views on its implications for reshaping society have divided broadly into two distinct approaches: reform and transformation. One-quarter of a century later, as portentous crises roil and assault nature, societies and psyches, the strategic debate grows ever more urgent.

The reform strategy aims to alter unsustainable trends through market adjustments and policy measures that hasten the deployment of green technology and poverty alleviation. Critics of this mainstream approach, while acknowledging that such actions are necessary, fear that a program of incremental change—treating symptoms instead of the underlying disease—will prove insufficient to address the complexity and scale of the task. The long road to a resilient and fair economic system requires a globally coordinated effort in order to overcome such powerful countervailing forces as the growth imperative of conventional development, the resistance of vested interests and a spreading consumerist culture. Noting that the necessary political will has been nowhere in sight, proponents of a transformational strategy advocate deeper cultural shifts—a new sustainability paradigm to drive and guide development.

Prompted by these concerns, Gilberto Gallopín, visionary ecologist (and former scientist at the International Institute for Sustainable Development) and I convened the Global Scenario Group (GSG) in 1995. This international and interdisciplinary body embarked on a multiyear journey of illuminating the requirements for a transition to sustainability.[1] We asked: What environmental and social targets define the boundaries for a sustainable future? What critical uncertainties lie ahead and how might they be resolved? What contrasting pathways might world development take?

In adopting the scenario approach, the GSG recognized that the uncertainties inherent in complex systems and human choice rendered prediction futile. More humbly, scenarios tell contrasting stories in words, images and numbers of how events might unfold. Their aim is to scan possibilities and stimulate the imagination, highlighting dangers and opportunities in the future's terrain in order to broaden awareness and guide present-day action.

The GSG organized its scenarios into three broad types—evolution, decline and transformation—and referred to these as Conventional Worlds, Barbarization and Great Transitions. The Conventional Worlds scenario assumes the structural continuity of global development and persistence of its dominant drivers. Great Transitions portrays paths where, in pursuit of sustainability, institutions and values change fundamentally. In Barbarization scenarios, both reform and transformation fail and civilized norms and institutions sharply degrade. The Group developed narratives for a range of variations, complementing qualitative analysis with quantitative simulation of changing social, economic and environmental patterns.[2]

The GSG summarized its insights in the valedictory essay, *Great Transition: The Promise and Lure of the Times Ahead*.[3] The overarching premise is that we have entered the Planetary Phase of Civilization. The deepening strands of transnational interdependence—trade and finance, communications and culture, conflict and immigration, and climate change and environmental disruption—are manifestations of an ongoing holistic shift to an integrated global system. Some globalized form of society will emerge from the turbulent period of transition now underway, but its ultimate shape remains uncertain and contested.

The world faces the disquieting and unclear prospects of the Planetary Phase still hobbled by outmoded institutions from the Industrial Era. In the disjuncture between a fading order and accelerating challenges, the danger looms of socioecological stresses outpacing Conventional Worlds adaptations and thereby gathering into a systemic global crisis pushing development toward Barbarization. That tendency might take the form of an authoritarian "Fortress World," a kind of global apartheid of elites in privileged enclaves and an outside, impoverished majority more and more restive.

Great Transitions offers both a more secure pathway to sustainability ("the push of necessity") and an attractive social vision ("the pull of desire"). Its scenarios draw attention to levers for changing the course of development, such as building transboundary institutions, nurturing value shifts and encouraging less material lifestyles that transcend the reform repertoire of Conventional Worlds. Beyond such instrumental considerations, rigorous visions of how an organic planetary civilization might emerge from the perils of our historical moment inspire hope and action.

The possibility of a Great Transition is rooted in the very predicament of the Planetary Phase, namely, the deepening interdependencies that bind people and the Earth as a single community of fate. This unprecedented historic condition nourishes a corresponding enlargement of consciousness: awareness of humanity's place in the larger community of life, a nascent sense of global citizenship and our responsibility for the well-being of future generations. In a Great Transition, a new suite of values—human solidarity, quality of life and ecological resilience—displace the prevailing triad of individualism, consumerism and domination of nature. This profound cultural shift would lay the foundation for democratic forms of global governance for matters transcending the scope of disputatious state-centric political orders. The new paradigm would make the well-being of people and nature (not GDP growth) the priority and would welcome multiple cultural and political paths to that end (not the conventional model of unidirectional development, in which consumption and production patterns of poor nations converge toward those of the rich).

Which social actors would be central characters in the drama of transition? The myopia, self-interest and fragmentation of the players now dominating the global stage—intergovernmental organizations, transnational corporations and international civil society—weaken these creatures of the fading era, leaving them with constricted roles. Meanwhile, the prime agent for a Great Transition mills, restless, in the wings: an aware, engaged world citizenry. The quality of future life correlates with our capacity and commitment to nurture a vast and coherent movement of global citizens that can take centre stage.

Thus, with the analysis complete and the central task clarified, the time came to move from ideas to ideas in action. Therefore, in 2003, the GSG segued into the Great Transition Initiative (GTI), a growing network of hundreds of engaged thinkers and thinking activists.[4] GTI serves as a platform for updating and enriching Great Transition scenarios, sharpening the theory of change and spreading awareness.

Recently, GTI joined kindred organizations in an expanding alliance we call The Widening Circle (TWC), a campaign to advance the global citizens movement.[5] TWC aims to offer a vital new mode of engagement for countless people the world over who are eager to be engaged in an initiative equal to the planetary challenge. The next phase of TWC will be launched at a global assembly held in Rio at the time of the 2012 Earth Summit. To all who share its aspiration, TWC will stand as an open invitation to step into the circle and join in spreading ripples of change.

The world today is a baffling mixture of contradictory tendencies: the tenacious momentum of Conventional Worlds, the pushback of Barbarization and the nascent impulse for a Great Transition. The quality of future life rests on the emergence of a planetary movement of concerned citizens buoyed by the conviction that together they can change the world. The extent of this rising will measure the prospects for a transition to a worthy future. The journey continues.

About the Author:
Paul Raskin is President of the Tellus Institute, an interdisciplinary not-for-profit research and policy organization specializing in resource and environmental strategies for sustainable development. Tellus coordinates the GTI. Paul is the Director of GTI. He can be reached at (617) 266-5400 or praskin@tellus.org.

[1] GSG served as the "scenario working group" for the first Global Environmental Outlook.
[2] The PoleStar System, a flexible simulation framework and vast database, was created for this purpose; see http://www.polestarproject.org.
[3] Available online at http://tellus.org/documents/Great_Transition.pdf.
[4] See http://www.GTInitiative.org.
[5] See P. Raskin, 2010, "Imagine all the people: Advancing a global citizens movement," http://www.gtinitiative.org/resources/CriticalIssues.html.

08

By Bill Glanville, Vice-President and Chief Operating Officer and Darren Swanson, Director, Measurement and Assessment

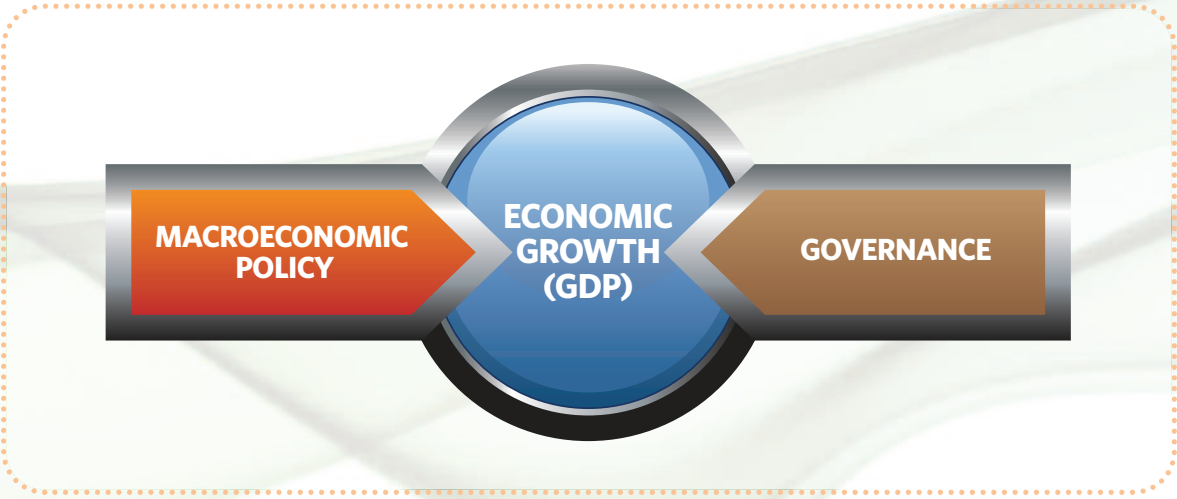
Toward Transformative Change: IISD's five-year strategic plan

IISD's vision is "better living for all—sustainably." The Institute's five-year strategic plan charts a new course for achieving transformative change in support of its vision.

The current development paradigm for nations, be they affluent or developing, is a fixation on economic growth. This is evidenced by the careful watch that nations give to a single measure, gross domestic product (GDP). If a nation's GDP increases dramatically, it will surely boast of such. If GDP stops increasing, news will report it and societies will get nervous. If it drops significantly, the nation is in economic crisis and the situation will be the topic of intense conversations in kitchens, board rooms and cabinet chambers. In response, new policies and governance systems will be created until the decline in GDP is reversed and it is back on its growing track.

One can understand this fixation. Economic growth means jobs, jobs mean income, and income provides a standard of living, ideally above the poverty line. There is evidence to support the rationale of this equation. Economist Jeffrey Sachs notes in his latest book, *Economics of a Crowded Planet*, that we live in the age of convergence, fuelled by networks of trade, finance, production, technology and migration. "What was once the formula of success of a small part of the world—the United States, Europe, Japan and a handful of other places—is now the prize of Brazil, China, India and other vast populations," Sachs says.

Current Development Paradigm



But experience over the past several decades has shown that the development equation is considerably more complex than this. In 1987, the World Commission on Environment and Development, otherwise known as the Brundtland Commission, recognized that this traditional development paradigm was missing important parameters—people and the environment—and, with this, the modern-day sustainable development movement was launched. This realization was reaffirmed by Sachs in 2008, who noted that "the world's ecological, demographic, and economic trajectories are unsustainable, meaning that if we continue with business as usual we will hit social and ecological crises with calamitous results." He goes on to conclude that among four key goals for averting these dire threats is "sustainable systems of energy, land and resource use," the other three being stabilization of population, end of extreme poverty and a new cooperative approach to global governance.

The International Institute for Sustainable Development (IISD) was founded over 20 years ago with the mandate to provide practical research and guidance toward the advancement of sustainable development—the new development paradigm recognizing the inherent interrelationships among the economy, the environment and the well-being of people for current and future generations.

The Institute's mission is to *champion innovation, enabling societies to live sustainably*. Our program areas have evolved and adapted over IISD's 20-year history to meet the challenges of the two decades since the 1992 Earth Summit. In this, our third five-year strategic plan, we are increasing our emphasis on a pursuit of transformative change toward the actualization of sustainable development.

The conceptual model for the strategic plan realigns the traditional development paradigm, which is focused on the relentless pursuit of economic growth, to include two critical missing elements: the sustainability of *ecological systems* that provide goods and services for our well-being, and *social systems*—the connections among, and vitality of, people and institutions upon which we rely for governance, innovation and development of sustainable practices. IISD focuses its intellectual capacities on the research and implementation of 12 thematic areas related to three topics:

- Macroeconomic policy
- Governance arrangements and processes
- Management of ecological and social systems

IISD was founded over 20 years ago with the mandate to provide practical research and guidance toward the advancement of sustainable development

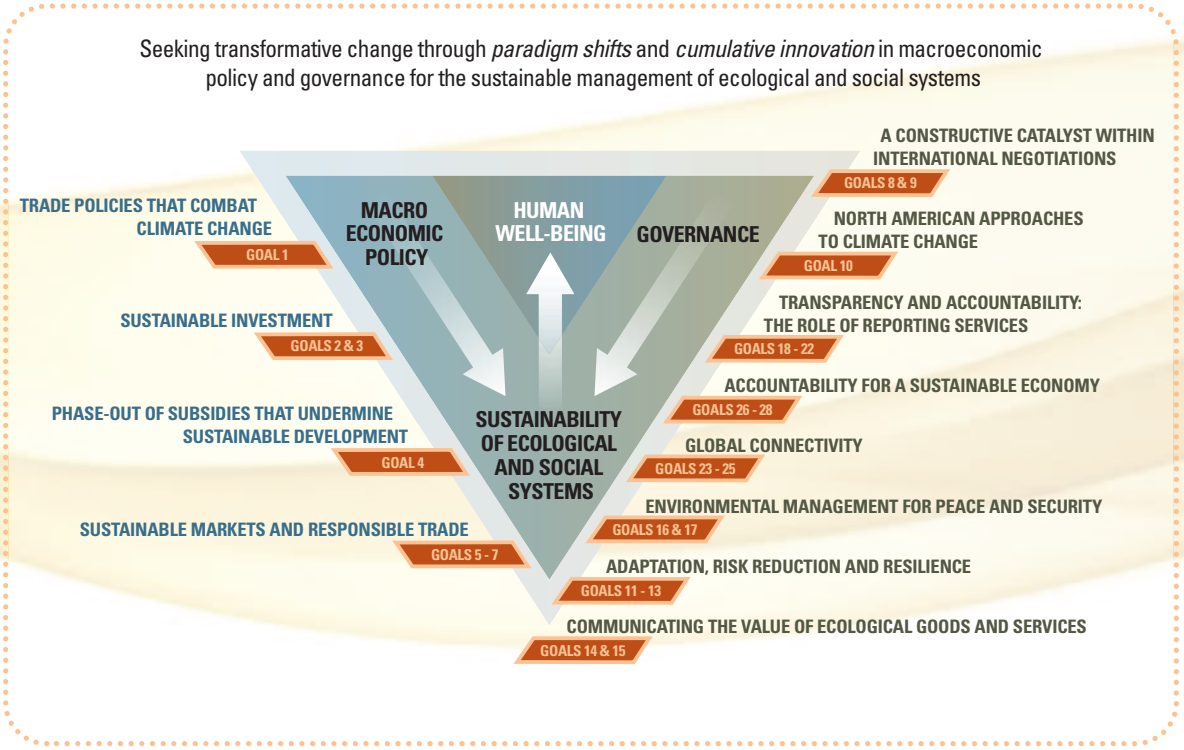
In keeping with the Brundtland definition of sustainable development, our overarching goal is to help governments, businesses and civil society integrate economic, social and environmental considerations collectively into decision-making that benefits both current and future generations. The 12 themes are as follows:

Macroeconomic Policy	Trade Policies that Combat Climate Change Sustainable Investment Phase-out of Subsidies that Undermine Sustainable Development
Governance	A Constructive Catalyst within International Negotiations North American Approaches to Climate Change Transparency and Accountability: The Role of Reporting Services Global Connectivity Accountability for a Sustainable Economy
Sustainability of Ecological and Social Systems	Adaptation, Risk Reduction and Resilience Communicating the Value of Ecological Goods and Services Environmental Management for Peace and Security Sustainable Markets and Responsible Trade

Through our strategic plan we hold ourselves accountable for the achievement of 28 goals across the 12 thematic areas (see Box 1). We report twice per year to our Board of Directors on a set of key progress indicators (KPIs) that track progress toward our 28 goals, and we have committed to reporting our progress each year to the public via our annual report. A report on selected goals for each of the 12 themes follows this introductory report.

IISD looks forward to keeping you apprised annually of its cumulative progress on the global transition to a sustainable future.

Conceptual Framework for IISD's Strategic Plan



Box 1 IISD's 2010-15 Strategic Plan – Areas of Thematic Focus and Goals

Trade Policies that Combat Climate Change

GOAL #1: Trade-related policy instruments are used to address climate change in a way that is environmentally effective and minimally damaging for development.

Sustainable Investment

GOAL #2: Transform international, regional and national investment frameworks and processes so as to effectively foster and promote sustainable investment.

GOAL #3: Investment flows support sustainable development by disseminating climate-friendly goods and technologies.

Phase-out of Subsidies that Undermine Sustainable Development

GOAL #4: The phase-out of subsidies that undermine sustainable development.

Sustainable Markets and Responsible Trade

GOAL #5: To improve understanding of the actual and potential impacts of voluntary sustainability initiatives on global markets and sustainable development.

GOAL #6: To ensure that global markets provide positive opportunities for sustainable livelihoods and poverty reduction among those most in need.

GOAL #7: Enable governments to use sustainable public procurement as a catalyst policy for demonstrating leadership on sustainable development and on promoting sustainable production and consumption.

A Constructive Catalyst within International Negotiations

GOAL #8: An international climate change regime that effectively addresses mitigation, adaptation, technology and financing.

GOAL #9: An international climate change regime that provides opportunities for developing countries in the adoption of technology transfer and low-carbon growth.

North American Approaches to Climate Change

GOAL #10: A constructive and progressive energy and climate change relationship between Canada and the United States.

Adaptation, Risk Reduction and Resilience

GOAL #11: Adaptation metrics able to assess, monitor and prioritize proposed efforts to reduce vulnerability to climate change are available to and understood by development practitioners in developed and developing countries, contributing to a significant increase in the implementation of sustainable measures that support adaptation to climate change.

GOAL #12: Decision-makers routinely consider and integrate the consequences of a changing physical climate into the formulation and implementation of development policies, thereby facilitating adaptation to climate change.

GOAL #13: A reduction in the risk that climate change poses to political and economic stability.

Communicating the Value of Ecological Goods and Services (EGS)

GOAL #14: Lake Winnipeg – that a strategic management plan for the Lake Winnipeg Watershed is developed based on EGS principles.

GOAL #15: EcoHealth – Human health and well-being is improved through EGS investments.

Environmental Management for Peace and Security

GOAL #16: Environmental management is effectively integrated into peacebuilding assessments, mandates and operations, and reinforced by international development and environmental governance.

GOAL #17: Conflict-sensitive conservation and environmental management are widely implemented in conflict-affected and conflict-prone regions.

Transparency and Accountability: The Role of Reporting Services

GOAL #18: To ensure the availability of neutral, trusted, timely and accessible information and analysis at the international/multilateral level that strengthens policy formulation processes; to improve transparency and accountability in intergovernmental negotiations and a level playing field of information.

GOAL #19: Provide a "one-stop-shop" of intelligence, news and analysis that fosters informed policy formulation in critical areas such as climate change and, potentially, one or more other topics such as water and energy.

GOAL #20: Closer cooperation and collaboration among policymakers and other stakeholders in key multilateral environmental agreements, leading to better mutual understanding and improved policy formulation.

GOAL #21: Stronger, better-informed policy formulation processes at the regional levels. This includes fostering transparency and accountability, building communities and improved knowledge management systems at the regional level.

GOAL #22: To contribute in a meaningful way to IISD's wider goals and other programs.

Global Connectivity

GOAL #23: The Internet (and its related technologies and services) is harnessed by Internet policy and sustainable development stakeholders, working together to support transitions to greener economies and more sustainable societies.

GOAL #24: Critical mass of institutions and individuals working toward sustainable development is secured, through the promotion, support and evaluation of new models of Information and Communication Technology-enabled multiple stakeholder collaboration, learning and action.

GOAL #25: The next generation of leaders, in Canada and internationally, is prepared to think and act for sustainable development, using approaches that capitalize on a more connected world.

Accountability for a Sustainable Economy

GOAL #26: The role of accountability in a sustainable economy is clearly established and new accountability mechanisms are in place for the 21st century.

GOAL #27: To bring about a significant improvement in the level of compliance with and enforcement of agreed environmental standards, measures and rules in international organizations and conventions.

GOAL #28: To secure priority political attention to the need to set clear and measurable sustainability targets at the national and subnational levels and to implement robust accountability measures to ensure their realization.

By Aaron Cosbey, Associate and Senior Trade and Climate Change Advisor

Taming the Tiger: Making border carbon adjustment work for sustainable development

IISD is spearheading an effort to develop guidance in elaborating and applying border carbon adjustment, in an effort to build a bridge between trade and climate change policies.

As the urgent challenge of climate change becomes more widely understood, policy-makers in governments worldwide are digging deep into their toolboxes for policies and measures that both address climate change and protect their economic interests. The International Institute for Sustainable Development's (IISD) trade and climate change work has focused on one such tool: border carbon adjustment (BCA). BCA tries to level the playing field between domestic regulated producers and foreign producers who face lower costs. While it sounds sensible, BCA in practice can easily be constructed in ways that frustrate sustainable development, unfairly blocking developing country exports and doing little to address climate change.

BCA is a tool—not yet being used—to make imported goods bear the same climate policy burden born by domestically produced goods, whether it be carbon taxes or the need to buy carbon allowances in a cap-and-trade scheme. Some form of BCA has been included in every U.S. climate bill to date, and France and others are pushing hard (so far, unsuccessfully) to have it incorporated as part of the EU's Emissions Trading Scheme.

GOAL #1: Trade-related policy instruments are used to address climate change in a way that is environmentally effective and minimally damaging for development.

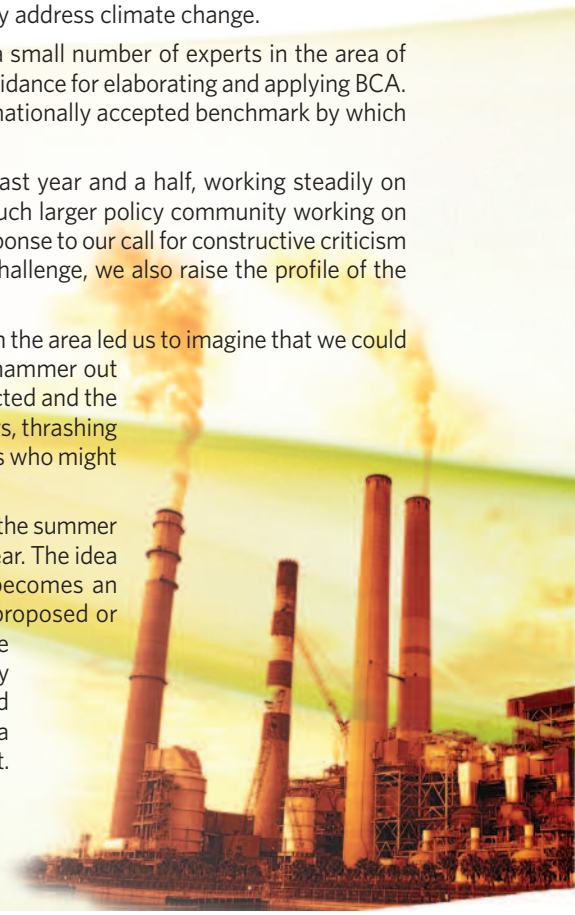
Whether BCA continues to exist as a proposal, as it has for the last decade, or whether it comes into practice, there is a need for solid thinking about how it could be done most effectively and without unfairly punishing developing country exports. Improperly constructed and implemented, BCA can act against sustainable development by eroding developing country export earnings while doing little to actually address climate change.

For this reason, IISD is spearheading an effort by a small number of experts in the area of competitiveness and leakage, working to develop guidance for elaborating and applying BCA. The hope is that the guidance will become an internationally accepted benchmark by which to measure existing and proposed BCA regimes.

The working group has met three times over the last year and a half, working steadily on improving the draft and readying it for wider public comment. There is a much larger policy community working on these issues with an appetite for this kind of work, and we expect a strong response to our call for constructive criticism and input. And we know that by bringing this wider group to bear on the challenge, we also raise the profile of the resulting work and the acceptance of its value.

The drafting process itself has been a revelation. Much previous experience in the area led us to imagine that we could gather a dozen experts together in a room for the better part of a day and hammer out some useful guidance. But the issues run much deeper than any of us suspected and the complexity of the challenge only reinforces our belief that groups such as ours, thrashing through the unexamined issues, can provide valuable insight to policy-makers who might otherwise conceive of the BCA as a relatively simple tool.

Our current target is to release the product of our work for wider comment in the summer of 2011, with public events to follow in the fall, the winter and into the next year. The idea is to garner enough recognition and buy-in that the resulting guidance becomes an internationally accepted benchmark for best practice against which any proposed or operating BCA regime might be measured. If we are successful, we will have helped to build a rare and much-needed bridge connecting two policy communities critically important to sustainable development: trade and climate change. And through this bridge, we will address climate change in a way that is environmentally effective and minimally damaging to development.



SUSTAINABLE INVESTMENT

By Nathalie Bernasconi-Osterwalder, Program Leader, Investment

Seeking a Paradigm Shift in Linkages between Sustainability and Investment

We hope our efforts will help inspire governments to take new and innovative or transformative approaches to sustainable investment.

Investment is the single most vital requirement for generating economic development in developing countries. Although the mix of domestic, regional and transnational investment will vary, it is clear that investment is becoming increasingly global in nature. Further, the qualities of these investments are critical for advancing the social and environmental dimensions of sustainable development. It is only through investment in sustainable technologies, products and processes that the shift from unsustainable economic activity to sustainable development can be made. For this to happen, we need a paradigm shift that focuses on building the positive linkages between investment and sustainable development. This involves a transformation of the overall legal framework governing investment flows today.

Pressure on developing countries to sign investment agreements with more developed countries has multiplied over the past decade. The increased complexity and importance of international investment treaties and contracts has not, to date, been met with the requisite capacity of developing countries to fully understand and negotiate these treaties and contracts in a way that promotes long-term sustainable development. The International Institute for Sustainable Development (IISD) is working with developing countries to do just that: create legal frameworks that provide pathways to socially and environmentally sound economic development by, among other things, achieving a better balance between the rights and obligations of investors and host governments.

Over the past year, we have worked toward improving the quality of developing country participation in international investment rule-making processes—negotiations and arbitrations included—and in providing key actors with the skills, tools and resources needed to engage more effectively in these processes. We have provided advice and training to 21 developing countries, of which over 50 percent were low income.

But capacity building alone is not sufficient. Developing countries additionally need to know they are not alone in their struggle to get development priorities and investment negotiations right. They need a platform to share experiences with peers. This is particularly important in a fragmented context in which developing countries face stronger negotiating partners at the bilateral level, where the power imbalance is greatest. In order to respond to this need and to maximize synergies and the sharing of experiences—positive and negative—in 2007 IISD began convening an annual forum of investment negotiators from developing countries. This forum allows developing countries to freely consider and develop their own negotiating priorities and goals. Last year we held our Fourth Annual Forum of Developing Country Investment Negotiators in New Delhi, India. The Forum was co-organized by India's Ministry for Industrial Policy and Promotion, Invest India, IISD and the South Centre.

Transforming an existing legal framework takes time. Because negotiations or internal review processes can typically span several years, the fruits of our work with developing countries and civil society partners are not always immediate, nor is the impact of the work always direct. For example, if our work with a developing country government relates to treaty negotiations that are already in an advanced stage, IISD's advice may result in smaller changes to the treaty—changes that are aimed at damage control and addressing specific problems with the original negotiating text, rather than sweeping changes to the investment regime. At the same time, our work can be a determining factor in future negotiations or policy settings to help inspire governments to take truly innovative or transformative approaches. We believe our efforts will continue to inspire these fundamental changes.

GOAL #2: Transform international, regional and national investment frameworks and processes so as to effectively foster and promote sustainable investment.

PHASE-OUT OF SUBSIDIES THAT UNDERMINE SUSTAINABLE DEVELOPMENT

By Kerryn Lang, GSI Research Officer

Fossil Fuel Subsidy Reform is a Tough Nut to Crack

IISD has made headway in establishing the mechanisms to assist in phasing out fossil fuel subsidies. However, those efforts have yet to translate into successful reform.

Energy plays a central role in economic development, environmental change and social welfare. Governments often subsidize energy—in particular, fossil fuels—with the objective of distributing resource wealth, lowering living costs for the poor or improving energy security. In reality, however, these subsidies become huge burdens on countries' budgets, encourage wasteful energy consumption and are often socially regressive.

Fossil fuel subsidy reform offers the opportunity to make big gains on the critical policy challenges facing governments: recovering from economic crises, reducing carbon emissions and transitioning to a green economy. Global estimates put fossil fuel subsidies upward of US$500 billion per year. Phasing out these subsidies has the potential to reduce global carbon emissions by up to 10 percent by 2050. For developing countries where fossil fuel consumption subsidies are most prevalent, removal or reduction would free precious public resources that can be used more effectively for poverty alleviation and development goals.

However, despite the clear and substantial benefits, reformation of fossil fuel subsidies is politically difficult and care must be taken to protect poor and vulnerable groups from the adverse impacts of rising energy prices.

International action to advance subsidy reform is gaining momentum. A breakthrough came in September 2009 when G-20 leaders announced a commitment to phase out inefficient fossil fuel subsidies over the medium term. The G-20's call to action was almost immediately picked up by the leaders of the Asia-Pacific Economic Cooperation (APEC), who pledged a similar commitment in November 2009. At that time, the International Institute for Sustainable Development (IISD) was the only organization with a substantive program dedicated to research and policy advice on fossil fuel subsidy reform.

IISD offered its support to the G-20. Through informal and flexible collaboration, IISD helped the G-20 chairs (United Kingdom, United States and now France) to develop reporting templates to coordinate national reform efforts. IISD now assists G-20 governments such as Indonesia in overcoming some of the challenges facing their subsidy reform plans.

The G-20 and APEC commitments inspired New Zealand, in collaboration with IISD, to establish a supporting group of countries—the "Friends of Fossil-Fuel Subsidy Reform." The group first announced its membership, including Denmark, New Zealand, Norway, Sweden and Switzerland, at an IISD event in June 2010. The group's objective is to champion fossil fuel subsidy reform in international forums. In April 2011, IISD had the honour of announcing that Costa Rica would be the first developing country to join the group.

GOAL #4: The phase-out of subsidies that undermine sustainable development.

The impact of the G-20 commitment has extended beyond the national reform efforts of its 20 members. It has influenced governments to join the call to action and to champion the issue in other forums. It has boosted new research and policy support from international organizations and generated more public interest in the issue. Being flexible, constructive and neutral has enabled IISD to engage in every step of the process with a diverse range of partners.

The Global Subsidies Initiative (GSI), an IISD project designed to put the spotlight on subsidies and their corrosive effects on environmental quality, economic development and social welfare, is collaborating with the governments of New Zealand and the United States to host an APEC workshop to discuss the political and practical obstacles facing subsidy reform and to share examples of best practice. GSI also plans to support those developing countries, like Indonesia, that want to reform subsidies, by providing country-specific research and policy guidance.

IISD has made much headway in establishing the mechanisms to assist in phasing out fossil fuel subsidies. However, the goal of achieving real change in this domain is a significant and complex challenge.

SUSTAINABLE MARKETS AND RESPONSIBLE TRADE

By Jason Potts, Associate and Program Manager, Sustainable Markets and Responsible Trade Program

Facilitating a Shift to Sustainable Markets and a Green Economy

IISD is helping to develop the elements of an international framework and database to assist stakeholders in navigating sustainability standards. However, one of the major challenges is the significant investment needed to assess the field-level sustainability impacts behind market claims.

Demand for green and/or certified sustainable products is currently undergoing a massive expansion worldwide. The growth of the market for products with explicit sustainability attributes is a major opportunity for policy-makers, the private sector and consumers to directly support a broader transition toward a more sustainable global economy. But ensuring that this opportunity is realized depends on development of a better understanding of the trade, governance and field-level impacts of a growing array of sustainability standards and related initiatives.

At the Rio Earth Summit in 1992, the international community called upon the private sector and consumers to take direct responsibility for the implementation of sustainable development by engaging in sustainable consumption and production. Over the past five years, this call seems to have been answered, with major retailers and manufacturers around the world making formal commitments to source sustainably. The question that the world now faces is whether or not any of these commitments will make a difference.

The past five years have seen sales of major certified"sustainable" products grow between 15 percent and 35 percent per annum. Current market trends signify the crest of a wave of change occurring in the global marketplace. Recently, Walmart, Cadbury, Mars and Unilever announced they will source sustainably within the next decade; these actions set the stage for even more significant growth in the near future.

If the international community has been looking for significant engagement of the private sector and civil society in implementing sustainable development, current market trends suggest that the request has been granted. There can no longer be any question of whether or not markets will integrate sustainability requirements within their supply chains: the transition has already begun and the evidence clearly suggests transformative change.

However, as the number of "sustainable" products grows, we face a new information burden—that of sifting through the different claims to determine whether "sustainable" products are truly delivering on their promised changes. At present, there is no single internationally recognized reference for answering these questions and yet the very success of the sustainable consumption and production agenda—indeed, the entire green economy agenda—depends on robust answers to them. One major challenge facing proponents of voluntary sustainability labels, standards and other market-based approaches will be to generate the significant investment necessary to credibly assess the sustainability impacts behind market claims.

Over the past several years, the International Institute for Sustainable Development's (IISD) Sustainable Markets and Responsible Trade program—through its Committee on Sustainability Assessment and State of Sustainability Initiatives projects—has been partnering with the United Nations Conference on Trade and Development, the International Trade Center, the Convention on Biological Diversity, and other UN affiliates to develop the elements of an international framework and database that will assist stakeholders in assessing the sustainability impacts of market-based approaches. In the coming year, IISD will look to expand its partner base, with the objective of establishing an international secretariat for impact assessment that can serve as a reference for policy-makers, the private sector and civil society seeking to leverage market forces for sustainable development.

GOAL #5: To improve understanding of the actual and potential impacts of voluntary sustainability initiatives on global markets and sustainable development.

A CONSTRUCTIVE CATALYST WITHIN INTERNATIONAL NEGOTIATIONS

By Jessica Boyle, Project Officer, Climate Change and Energy and Deborah Murphy, Associate

A Voice for Change that is Making a Difference

IISD has been able to help bring about changes in attitudes that encourage openness to new views and approaches to help better address climate change and energy policy capacity needs.

Agreement on REDD+ (reducing emissions from deforestation and forest degradation, plus conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries) was a significant outcome of the 2010 Cancun climate change meetings. REDD+ is a mechanism to provide financial benefits to help preserve forests, but this funding can do much more. A well-designed mechanism has the potential to provide significant sustainable development benefits, including enhanced biodiversity, improved livelihoods and increased adaptive capacities. But designing and eventually implementing an effective REDD+ mechanism requires a great deal of priority setting, information sharing and capacity building, particularly among developing countries currently involved in REDD+ planning.

The International Institute for Sustainable Development (IISD) has partnered with the Alternatives to Slash and Burn Partnership for the Tropical Forest Margins at the World Agroforestry Centre (ASB-ICRAF) to deliver "Building REDD+ Policy Capacity for Developing Country Negotiators and Land Managers." This Norwegian Agency for Development Cooperation-funded project aims to encourage active participation of negotiators, land managers and civil society in the planning and preparation of REDD+ strategies.

Over 200 stakeholders have participated in IISD project activities, which have included a series of regional workshops in Asia and Africa, a high-level REDD+ task force meeting, the launch of a Web platform and the development of policy papers. In particular, our regional workshops have played a fundamental role in bringing together stakeholders to discuss key elements of REDD+ such as measurement, reporting and verification (MRV) and to address safeguards and co-benefits in the design and implementation of REDD+ activities. Our project encourages the South–South exchange of information which has, in turn, led to increased understanding of both technical and policy issues among attendees. We have seen not only enhanced awareness of REDD+ options among the participants, but also openness to different views and approaches. A softening of opposition to the use of market mechanisms and an increased understanding of the role of agriculture in an international climate change agreement are examples of subtle but important changes in attitudes that have been influenced by the project.

IISD is one of many voices in the international negotiations, but this does not inhibit our ability to be effective. Working with partners, we have been able to increase the action on REDD+. As a trusted and neutral knowledge broker, IISD has been able to encourage new ideas and increase understanding of different points of view. We don't have all the answers, but rather we look for solutions through constructive dialogue and debate.

IISD's REDD+ work over the coming year will promote progress in the international negotiations, focusing on the processes and modalities of the REDD+ mechanism. A continued emphasis on South-South learning will encourage pragmatic solutions that promote sustainable development in developing countries.

GOAL #8: **An international climate change regime that effectively addresses mitigation, adaptation, technology and financing.**

By Philip Gass, Project Manager, Climate Change and Energy Program

The Road to a Low-Carbon Future

IISD is working at the subnational level in Canada to drive climate change action in a "bottom-up" approach that recognizes the importance of carbon pricing, but is flexible, to ensure that any good climate change strategy, pricing or not, is effectively implemented across North America.

Ensuring strong policy in North America is essential to the wider international efforts to address climate change. Efforts by the International Institute for Sustainable Development (IISD) will potentially strengthen continental climate change and energy policies and contribute to the global push for a low-carbon future.

IISD has a central goal of moving North America to a low-carbon energy future to reduce greenhouse gas (GHG) emissions and provide an international example of low-carbon development. We have sought to achieve this goal by engaging policy-makers in provinces that have taken steps through energy and climate change policy to find ways forward on low-carbon development—for example, the encouragement of policies promoting renewable technologies, emissions trading and direct carbon pricing. The result is a "bottom-up" climate change and energy policy regime that IISD seeks to help build.

In order to build a constructive and progressive climate change and energy relationship in North America, IISD works heavily at this subnational level, providing advice, including policy recommendations and analysis encouraging progressive action, to provincial governments and private sector players. One such example of this is our involvement in the Manitoba-Wisconsin Partnership on Clean Energy and Agriculture technology, where IISD provided concrete advice to the partners on effective use of climate modelling and enabling conditions for a green economy. IISD also continues its support of, and advice to, the Western Climate Initiative as it moves forward to the launch of emissions trading. In the past year, we have also advised companies and governments on how to enable green economics, implement emissions reporting and trading, and promote mitigation technologies such as carbon capture and storage (CCS). All of these endeavours work to achieve the goal of cooperation across borders and implementation of strong climate change and energy policies.

There has been a long-standing desire, reflected in IISD's strategic plan, to see a carbon pricing model adopted across North America as the most effective and efficient way of reducing GHG emissions. While there is some progress on the subnational and regional levels, it appears we are now further from an international or continental price, because events since the 2009 United Nations Framework Convention on Climate Change meeting in Copenhagen have served to slow implementation of carbon pricing. Although carbon pricing is still an important goal, we have seen the need to be flexible and we work to see emissions reduced through multiple potential policy avenues, including pricing and non-pricing approaches (such as direct regulation) that are stringent and effective in addressing climate change.

GOAL #10: A constructive and progressive energy and climate change relationship between Canada and the United States.

IISD worked with several provinces and companies in Canada in 2010 and we hope to retain our current working relationships, build new ones, and thus strengthen our role in the subnational policy development process.

Elections and potential government changes in Canada and the United States over the next two years have the potential to produce policy upheaval. Within this transitional period, IISD will strive to ensure that the various national and subnational governments retain a commitment to energy and climate change policies and that IISD's current progress toward major change is not lost in the process.

TRANSPARENCY AND ACCOUNTABILITY: THE ROLE OF REPORTING SERVICES

By Kimo Goree, Director, IISD Reporting Services and Chris Spence, Deputy Director, IISD Reporting Services

Knowledge Management Broadens IISD's Impact and Reach

Reporting Services' use of knowledge management will help extend transparency beyond conference rooms where deals are struck and assist in determining whether these deals are honoured.

Information may be power, but only if that information is reliable and timely. For the past two decades, the International Institute for Sustainable Development (IISD) Reporting Services' flagship publication, *Earth Negotiations Bulletin (ENB)*, has championed transparency and accountability in international negotiations, strengthening policy formulation at the multilateral level.

Today, Reporting Services uses its expertise and reputation to launch a new generation of products and services that broaden its impact and reach. With a new knowledge management initiative based on a cutting-edge online content management system, Reporting Services has already brought online several new initiatives to inform its ever-growing readership about the policies and practices of United Nations programs, parties to key international treaties and other stakeholders.

IISD Reporting Services supports sustainable development by championing transparency in key intergovernmental processes. Through the *ENB*, Reporting Services has brought a new level of accountability to diplomacy on multilateral environmental agreements (MEAs). In our most recent survey, 91 percent of respondents said *ENB* contributes significantly to greater transparency. Clearly, the *ENB* has become a critical source of trusted information for negotiators.

But what happens between meetings? Who is monitoring the ongoing actions, policies and practices of key players such as the UN and parties to major treaties? Can transparency be extended beyond the once smoke-filled conference rooms where deals are struck? And how can we judge whether these agreements, once made, are honoured?

This is the goal behind Reporting Services' expansion into the knowledge management field. In 2008, the UN's Chief Executive Board and key donors supported the Climate Change Policy & Practice initiative. The initiative has been so successful that our team of climate experts now produces a daily newsletter with reports and updates on key activities, as well as an "iCal" calendar feed with a comprehensive listing of significant climate change meetings, viewable in all major personal calendars (Outlook, Google, Lotus Notes and others). In addition, Climate Change Policy & Practice offers regular high-level opinion pieces and policy updates from IISD experts (http://climate-l.iisd.org).

The success of this initiative has resulted in demand for similar coverage of other major sustainable development issues. In late 2010, Reporting Services launched Policy & Practice coverage of biodiversity (http://biodiversity-l.iisd.org), sustainable development and the Rio+20 process (http://uncsd-l.iisd.org), and small island developing states (http://sids-l.iisd.org). Following successful *ENB* coverage from the new International Renewable Energy Agency (IRENA) process in April 2011, Reporting Services was offered funding to launch Energy Policy & Practice.

The ultimate aim of this work is to better inform policy formulation. The main obstacle so far has been securing long-term funding.

IISD plans to launch a customizable daily newsletter and an iOS/Android application at Rio+20 in June 2012 that will allow decision-makers to receive information tailored to their interests in their inboxes or on their handheld devices. During the next 18 months, Reporting Services will move all of its data onto its new content management platform. This will permit users to search our publications more productively to supply specific answers to their questions about sustainable development policy and practice.

GOAL #18: To ensure the availability of neutral, trusted, timely and accessible information and analysis at the international/multilateral level that strengthens policy formulation processes; to improve transparency and accountability in intergovernmental negotiations and a level playing field of information.

Kimo Goree, Director, IISD Reporting Services demonstrates the pilot Energy Policy & Practice knowledgebase during the IRENA Assembly to Ogunlade Davidson, Co-Chair of the Intergovernmental Panel on Climate Change Working Group III and Minister of Energy and Water Resources, Sierra Leone.

By Mark Halle, Director, Trade and Investment and European Representative and Darren Swanson, Director, Measurement and Assessment

ACCOUNTABILITY FOR A SUSTAINABLE ECONOMY

Fostering Change through Stronger Accountability Mechanisms

IISD is working to strengthen the accountability mechanisms by which the WTO ensures that it will contribute to both social development and environmental responsibility, and through which the implementation of multilateral environmental agreements is strengthened.

We are all aware of how our nations foregather and agree to take action to face the many challenges besetting the future of the planet. We draft trade rules to eliminate discriminatory treatment of our competitors' goods, create local development plans to ensure we have vibrant communities in which to live and sign regional fisheries conventions to ensure there will still be fish to capture 10 years from now. Agreement signed; problem solved? Sadly, that is not how it works. As a result, while our shelves creak under the weight of solemnly adopted goals, of formal written undertakings, or resolutions signed with the flourish of the pen, our trade partners continue to discriminate, local development plans collect dust, and the fish we catch are ever smaller and harder to find. This is the challenge of accountability.

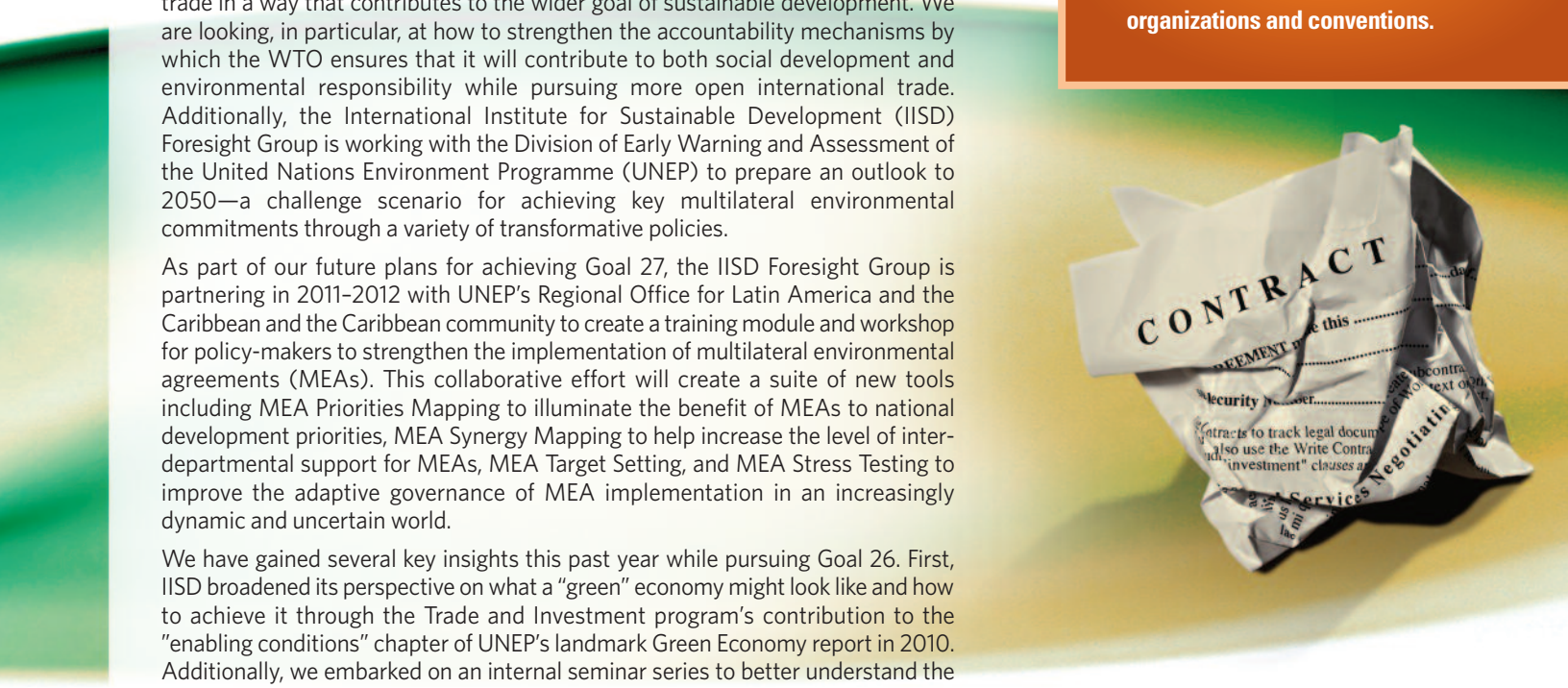
Toward Goal 26, we are working in the lead-up to the United Nations Conference on Sustainable Development (Rio+20) to identify and promote reform of the international environmental governance system. In particular, the program is working with Africa to ensure that robust, realistic ideas come forward from the continent and make their way into the decision texts of the summit itself. We are working with the World Trade Organization (WTO) to give meaning to the undertaking—contained in the Preamble of the Act creating the WTO—to liberalize trade in a way that contributes to the wider goal of sustainable development. We are looking, in particular, at how to strengthen the accountability mechanisms by which the WTO ensures that it will contribute to both social development and environmental responsibility while pursuing more open international trade. Additionally, the International Institute for Sustainable Development (IISD) Foresight Group is working with the Division of Early Warning and Assessment of the United Nations Environment Programme (UNEP) to prepare an outlook to 2050—a challenge scenario for achieving key multilateral environmental commitments through a variety of transformative policies.

As part of our future plans for achieving Goal 27, the IISD Foresight Group is partnering in 2011–2012 with UNEP's Regional Office for Latin America and the Caribbean and the Caribbean community to create a training module and workshop for policy-makers to strengthen the implementation of multilateral environmental agreements (MEAs). This collaborative effort will create a suite of new tools including MEA Priorities Mapping to illuminate the benefit of MEAs to national development priorities, MEA Synergy Mapping to help increase the level of inter-departmental support for MEAs, MEA Target Setting, and MEA Stress Testing to improve the adaptive governance of MEA implementation in an increasingly dynamic and uncertain world.

We have gained several key insights this past year while pursuing Goal 26. First, IISD broadened its perspective on what a "green" economy might look like and how to achieve it through the Trade and Investment program's contribution to the "enabling conditions" chapter of UNEP's landmark Green Economy report in 2010. Additionally, we embarked on an internal seminar series to better understand the notion of a sustainable economy. However, achieving a pragmatic and shared understanding within IISD of the look and feel of a sustainable economy for this century will require a coordinated effort across the Institute. We will continue our work by making this a cross-cutting focus among all IISD programs in the year ahead.

GOAL #26: The role of accountability in a sustainable economy is clearly established and new accountability mechanisms are in place for the 21st century.

GOAL #27: To bring about a significant improvement in the level of compliance with and enforcement of agreed environmental standards, measures and rules in international organizations and conventions.



By Heather Creech, Director, Global Connectivity

Communication Technologies Can Bring Global Change toward Sustainability

We must participate, be visible and have voice in the ever-growing virtual community, where opinions and norms influencing future choices are now being shaped.

GOAL #23: The Internet (and its related technologies and services) is harnessed by Internet policy and sustainable development stakeholders, working together to support transitions to greener economies and more sustainable societies.

GOAL #24: Critical mass of institutions and individuals working toward sustainable development is secured, through the promotion, support and evaluation of new models of Information and Communication Technology-enabled multiple stakeholder collaboration, learning and action.

In 2010–2011, we saw how communication technologies could underpin critical masses of support for political change in many countries. The Global Connectivity program at the International Institute for Sustainable Development (IISD) works with other organizations to ensure the continuity of an open, accessible communication infrastructure that supports the exchange of knowledge and the building of relationships necessary for global change toward sustainability.

The virtual world is moving to horizontal, less authenticated discourse; ideas and actions are being influenced through massive networks of friends and colleagues, as much as by (or more so than) the availability of information and data alone. The transfer of information is starting to shift from the use of search engines to the sending of queries through networks of friends on social media sites and to central destination sites.

These trends raise new challenges for those working toward sustainable development. Policy on Internet communications and access to knowledge is being set in forums far off the beaten tracks of the multilateral environmental agreements (MEAs) and ministries of environment. Sustainable development practitioners are, by and large, not engaged in the current heated debates over Internet policy, digital literacy, online identity, trust, accountability and freedom of information. And yet, these debates are building the critical policy frameworks for social discourse, collaboration and the transfer of information through new channels.

In 2010–2011, the Global Connectivity team supported the emergence of two new public policy forums for the governance and management of the Internet: the West Africa Internet Governance Forum and the Canadian Internet Forum; we continued to be active within the United Nations' Internet Governance Forum. Our primary focus has been to ensure that these forums are truly multistakeholder, representing a broad cross-section of civil society as well as business and government interests. In all cases, we have brought major environment and development organizations to the table to raise awareness of the growing complexities surrounding Internet policy and its resulting impact upon our goals to promote and achieve sustainable development.

In particular, we have been successful in introducing linkages to the green economy into the debate, with our observations on the role of Internet infrastructure in greenhouse gas mitigation and natural resource management supported by Cisco; the Organisation for Economic Co-operation and Development's Information, Communications and Computer Policy; Canada's Advanced Research and Innovation Network; and others.

We have observed a tendency for many organizations in the sustainable development field to mistrust social media. But rather than focus on possible misrepresentations or misinterpretations of environmental data or policies in online forums or websites, sustainable development practitioners need to advocate for appropriate mechanisms for managing trust and identity online, for reinforcing access to information legislation, and for accountability. We must participate, be visible and have a voice in the ever-growing virtual community, where opinions and norms influencing future choices are now being shaped.

In 2011–2012, we plan to complete our Toolkit for Building National and Regional Forums on Internet Policy and Governance. We will be testing components of this in Togo and one or two other West African countries, with a review of the full Toolkit planned for the UN Internet Governance Forum in the fall of 2011 with the aim of building capacity for broad stakeholder engagement in the determination of future Internet policies.

ENVIRONMENTAL MANAGEMENT FOR PEACE AND SECURITY

By Alec Crawford, Project Manager, Environment and Security

Two Approaches to Achieving Sustainable Peace and Development

By assisting in the management of peacebuilding structures and through training courses on natural resource management for peacekeepers in post-conflict countries, IISD helps achieve change.

Violent conflict remains the primary barrier to achieving sustainable development in the world's most desperately poor countries. According to the 2011 *World Development Report*, no low-income, fragile or conflict-affected country has achieved a single Millennium Development Goal. Several of the countries at the bottom of the United Nations Development Programme's *2010 Human Development Report* are plagued by or recovering from violence: the Democratic Republic of Congo, Chad, Liberia, Sierra Leone, Central African Republic and Guinea-Bissau. In many of these countries, violence carries with it a natural resource dimension. In fact, current United Nations Environment Programme (UNEP) research suggests that over the last 60 years, at least 40 percent of all intrastate conflicts have had a link to natural resources.

To achieve sustainable peace and development in many fragile and conflict-affected states, major change is required in the approach taken by the international community to prevent, resolve and recover from war. Often that will include a better approach to natural resource management. Sustainable peace and development, for many countries, requires what we have identified as Goal 16 in the strategic plan.

The International Institute for Sustainable Development (IISD) achieves this goal in two main ways. First, we continue to manage the UNEP Expert Group on Conflict and Peacebuilding, a network of international experts that the UN can call upon for advice and action on integrating the environment and natural resources into the organization's peacebuilding structures. Our direct involvement has included deployments to Afghanistan, Rwanda, Sierra Leone and the Central African Republic, to analyze post-conflict environmental needs and to develop guidance for natural resource management in these fragile and post-conflict states. In addition, we have co-authored UN policy reports on natural resources and conflict, environmental diplomacy and the greening of peacekeeping operations.

GOAL #16: **Environmental management is effectively integrated into peacebuilding assessments, mandates and operations, and reinforced by international development and environmental governance.**

Second, in partnership with UNEP and the United Nations Institute for Training and Research, IISD has managed the development and pilot testing of a training course on natural resource management in post-conflict countries, targeted at UN peacekeepers. To date, the course has been tested in Geneva, Nairobi and Cairo; the Nairobi training was attended by 25 peacekeepers from missions around the world, from Haiti to Sudan to East Timor. Our goal is to train 200 peacekeepers by 2015, but initial demand from UN partners and peacekeeping training centres indicates that the final number is likely to be higher.

IISD has succeeded thus far in establishing strong partnerships with UN agencies, and that gives us an effective outlet for influencing UN peacekeeping and peacebuilding policies with our work and research. Understanding and negotiating internal UN politics remains a challenge, but as outsiders looking in, we can often leave that heavy lifting to our partners.

We continue to strengthen these UN partnerships. Demand for the services of the Expert Group is only growing. We are in the process of developing an online version of the peacekeeping course to ensure a broader reach, free of the restrictions of geography. Our attention has shifted to fundraising to greatly expand our roll-out of the course over the coming years, and we are focusing on increasing our roster of trainers to deliver the course and ensure its long-term sustainability. As greater numbers of peacekeepers are trained in this methodology, practice in the field will change in a manner consistent with our strategic goals.

ADAPTATION, RISK REDUCTION AND RESILIENCE

By Jo-Ellen Parry, Program Manager, Climate Change and Energy

Achieving Positive Change through Better Management of Climate Risk

Our ongoing work involves a narrower examination of the implications of climate change for specific sectors or locations to help determine concrete policy and programing actions that will lead to significant positive change.

For sustainable development to succeed, societies must have the capacity to understand and respond to the economic, ecological and social shifts resulting from climate change. The International Institute for Sustainable Development (IISD) is committed to developing the strategies, tools and advice needed to understand and integrate climate risks into decision-making, thereby helping to increase adaptive capacity and promote human well-being.

As climate change progresses, historical experience with climate hazards is no longer a sufficient basis for sound decision-making. Rather, attention needs to be given to understanding observable trends and longer-term climate projections, and their implications for sustainable development. IISD helps developing countries increase their capacities to identify and manage climate risks through action at the policy and field level.

GOAL #12: Decision-makers routinely consider and integrate the consequences of a changing physical climate into the formulation and implementation of development policies, thereby facilitating adaptation to climate change.

Working with the United Nations Development Programme and local partners, IISD uses a participatory process to strengthen the capacity of three African (Kenya, Niger and Uganda) and four Latin American and Caribbean (Dominican Republic, Honduras, Nicaragua and Peru) countries to manage climate risk. IISD helps our country partners gain a broad understanding of the climate-related risks they face, prioritize areas for a more in-depth climate risk assessment, and identify climate risk management options. This work is accomplished through a bottom-up approach that combines research, local stakeholder consultations and national-level dialogues with representatives from government, civil society, private sector and academia.

Through this initiative, participating countries are identifying innovative and practical approaches that support adaptation to a changing climate, along with entry points through which measures can be integrated into national policies. Capacity within countries is being built in essential areas such as crop and hydrologic modelling to assess broad-based risk, community-based risk screening to identify localized impacts, and participatory scenario development to improve knowledge on opportunities to build resiliency and reduce risk. As well, by bringing together individuals from the climate change and disaster risk reduction communities in each country, understanding of the need for greater cooperation between these groups—and how this might be accomplished—is growing.

Most adaptation initiatives in recent years have involved providing broad assessments of potential climate risks and possible adaptation measures. Our research, however, indicates that knowledge needs are becoming more sophisticated, requiring a narrower examination of the implications of climate change for specific sectors or locations to determine concrete policy and programing actions that will lead to significant change. The need to continue building the capacity of stakeholders in many developing countries to understand their vulnerability to climate change, and how this might be reduced, is also clear.

Over the remainder of 2011, IISD and its partners will continue to identify and prioritize climate risk management options in each of the seven participating countries. The final analysis will assist with prioritization of future adaptation support, promotion of specific policy changes and identification of opportunities for replication within the countries and regions. The insights gained through this process will also be integrated into IISD's broader suite of adaptation and risk reduction initiatives.

COMMUNICATING THE VALUE OF ECOLOGICAL GOODS AND SERVICES

By Hank Venema, Director, Sustainable Natural Resources Management

Future of Lake Winnipeg: A counter-narrative of opportunity and vision

IISD's WIC has helped to redirect the narrative from crisis to hope and to embrace the opportunity for innovation and transformative change in the long-term management of Lake Winnipeg.

Lake Winnipeg is the world's most eutrophic large lake, enduring major stress from nutrient over-enrichment due to impaired ecological goods and services (EGS) across its million-square kilometer basin or catchment area.

The Lake Winnipeg Basin Summit, organized and hosted by the International Institute for Sustainable Development's (IISD) Water Innovation Centre (WIC), brought together approximately 150 scientists, policy-makers, business leaders, civil society members, non-governmental organizations and others to discuss long-term management of the Lake Winnipeg Basin. We hosted the summit to confront Lake Winnipeg's long-standing problem, but more importantly to redirect the narrative from crisis to hope and to embrace the opportunity for innovation and transformative change.

Since the earliest days of European settlement, the natural landscape and ecosystem services of the Lake Winnipeg Basin have been profoundly altered and simplified to accommodate extensive and intensive export-oriented agriculture. Regions like the Lake Winnipeg Basin, which encompass 90 percent of the agricultural land base of the prairies (the so-called breadbasket of the world), have typically responded to increased global food demand by intensifying production. The scarcity of key inputs, particularly energy and nutrients, challenges this paradigm. Furthermore, the massive blue-green algae blooms that blight Lake Winnipeg tell us that the pressure on the system may already be too high.

For Lake Winnipeg, the transformative change narrative that IISD is facilitating takes its inspiration from the insight that the agricultural nutrient, phosphorus—regarded as the noxious pollutant responsible for fouling Lake Winnipeg—is, in fact, a scarce and strategic resource that can be captured, recycled and transformed into high-value biomaterials. Furthermore, the key mechanism for harnessing these new value chains will be the restoration of EGS throughout the Lake Winnipeg Basin, resulting in a multitude of benefits.

The summit was a great opportunity to reveal to a broad spectrum of community, business and government leaders that we can move beyond the crisis narrative for Lake Winnipeg to an opportunity narrative grounded in sustainable development and EGS principles.

During the summit, we were deliberate and transparent in our efforts to re-frame the Lake Winnipeg narrative from crisis to opportunity, posing the central question as, "How do we create and take advantage of opportunities for Manitoba's economy while reducing nutrient loading within the Lake Winnipeg Basin?"

We asserted that Manitoba has every reason to develop a visionary strategy embracing innovation and the opportunity for sustainable development; that strategy should embrace the Cleantech Revolution signalling the rise of the 21st bioeconomy. A bioeconomy in the Lake Winnipeg Basin will focus on the integrated production of food, energy and biomaterials, and—critically—will harness the natural and human-induced flow of nutrients for high-value production before these nutrients foul the lake, a concept we encapsulated as the "Watershed of the Future."

Our goal of a strategic management plan for the Lake Winnipeg Basin is now well underway, with support from powerful regional voices including the Keystone Agricultural Producers, the Business Council of Manitoba and the Manitoba Chamber of Commerce. We have effectively reshaped the narrative of Lake Winnipeg, from intractable environmental problem to innovation and economic development opportunity.

Based on the mandate IISD received at the summit, WIC will provide secretariat functions for a new Lake Winnipeg Basin sustainable development planning process and initiate a signature project using key regional partners within the sustainable development planning process (the Lake Winnipeg Bioeconomy Project) to pursue the summit focus challenge—creation of economic opportunities for Manitoba while reducing nutrient loading to Lake Winnipeg. The Lake Winnipeg Bioeconomy Project is the key vehicle for our strategic goal of a Basin management plan based on EGS principles.

GOAL #14: Lake Winnipeg – that a strategic management plan for the Lake Winnipeg Watershed is developed based on EGS principles.

By Sue Barkman, Director,
Development and Community Relations

Funding for the Future: The changing face of giving

Donors want more—more tangible involvement in the cause, preferably a partnership where they have a voice in planning for solutions with genuine impact.

Donors are increasingly wondering whether writing a cheque or making a pledge is enough to create the kind of change that will actually make a difference. What will my support accomplish? What impact will it have? This perspective has developed into a transformational movement.

People everywhere still give for the reason they always have: they believe in the cause or mission of an organization. They see a gap in society and want to do something about it. However, donors want more—more tangible involvement in the cause, preferably a partnership where they have a voice in planning for solutions with genuine impact.

Collaboration: A high priority

Funders cite collaboration as one of their key rationales when making funding decisions. The International Institute for Sustainable Development (IISD) has always been a champion of this concept, believing that achieving social transformation requires a new set of operating values. This means cooperation rather than competition; it also means long-term support for systemic solutions and high impact, rather than immediate, results. We understand that donors now see themselves as social investors.

Donors of all stripes expect collaboration, alignment of mission, purpose and values as they plan their investments in giving.

IISD has turned the corner in achieving transformation through revolutionary thinking, especially when it comes to financing its strategic plan and mission. It has done this by being dedicated to engagement and impact, by generating and maintaining high levels of public recognition, by being open to and seeking out emerging opportunities, by promoting diversification of revenue sources, and by providing stewardship and accountability.

Alignment with the convictions of our funders, donors and supporters is—and will continue to be—integral to IISD's strategic plan and 28 goals (see page 11 for a list of the goals).

The State of Corporate Giving

The majority of today's corporations demand clearly defined benefits, value and return on their investments. Many tend to openly embrace "specialization funding" through their support of areas where they have a vested interest or see a natural fit. There is a trend toward forming corporate foundations that are separate from the boardroom. In addition, there is a focus on employee tie-backs wherein the employee relationship and benefits to employees are an important corporate consideration.

The State of Foundation Giving

Foundation giving is also changing. Like-minded foundations are beginning to collaborate with each other toward a common cause. This trend is much more pronounced in the United States and Europe. Major foundations are pooling funds, staff and board resources to address issues such as climate change and water management, as well as social issues such as poverty, hunger and disaster relief. Proposals can no longer be "dropped off at the door." They now involve a joint effort between the funder and the recipient organization to explore innovative ways to solve problems. Joint proposal development is the norm, as opposed to proposal writing by only one party.

The Days Ahead

Just as the world has changed over the past 20 years, so have donors. The Institute's vision and mission, however, remain as clear as ever and the support of people who share this vision is essential to our continued progress. We highly value each of these relationships—they strengthen our determination and our innovation while enriching and enhancing our ongoing efforts toward a sustainable world.

By Marlene Roy, Manager,
Research and Learning Resources

IISD: Carbon neutral since 2004

IISD's strategy has been to determine its carbon emissions and then find ways to reduce them and purchase carbon offsets to reach carbon neutrality.

The International Institute for Sustainable Development (IISD) aimed for carbon neutrality almost 10 years ago when the idea was new, especially for non-profit organizations like ours. Our strategy was first to determine our carbon emissions and then find ways to reduce them and purchase carbon offsets to reach carbon neutrality. IISD has been carbon neutral since 2004, but the undertaking has not necessarily been easy.

When we started, it quickly became evident that we had a great deal to learn, as the voluntary carbon market was without standards and had few smaller participants.

We learned through doing. Our first task was to set up a system to track our emissions, which we fine-tuned over the subsequent months. When we were confident in our numbers, we consulted a "carbon broker" to help us locate and make our first purchase.

Since then we have become more proficient and have streamlined the process, and we learned several lessons. Primarily, we aimed to source offsets from projects with direct social benefits as well as environmental ones, but quickly discovered—at least for the first few years—that there were few smaller projects able to provide us with the amount of offsets and level of verification we required, let alone assure us those projects met social criteria as well as environmental criteria. Additionally, once we had more experience, we decided to look for offsets from developing countries, but initially found little information and few projects.

Much has changed over the last few years, however. Information technology has improved and become more affordable, making it easier to meet "virtually" and thus reducing some travel. The voluntary market now has standards that both offset providers and purchasers can follow. Information on offset projects worldwide is more readily available and there are many more carbon brokers with which to work. Even so, our purchases do not always go as smoothly as we would like.

One challenge for us is to source projects with smaller offset amounts. Many smaller projects cannot afford to provide verification and certification, although this is slowly changing. Some larger offset providers are not willing to divide their offsets into smaller amounts suitable for us. To overcome this challenge, we now aggregate our emissions over two years so that we can make slightly larger purchases.

The table below shows annual carbon emissions calculated for: heating and electricity consumption at IISD's largest office, Winnipeg; IISD's total business travel; and the total of the two.

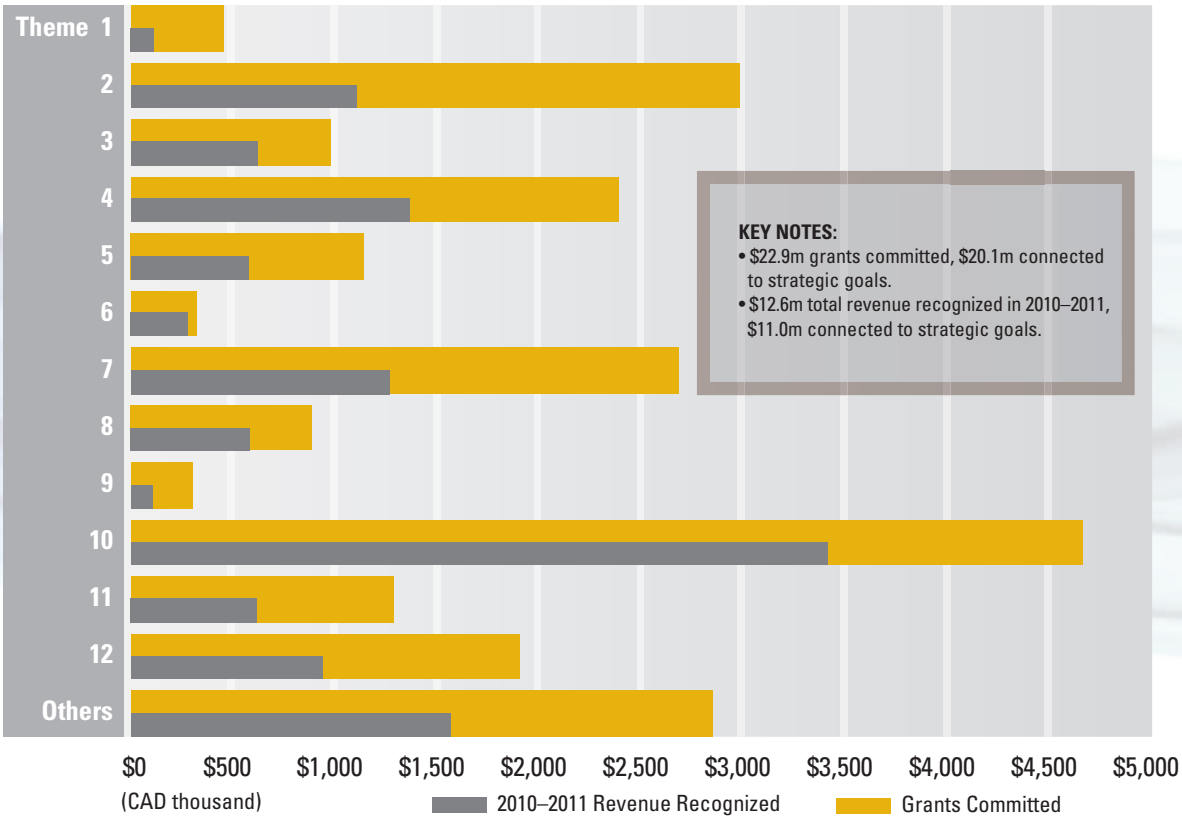
Emissions from heating and electricity scarcely fluctuate. The most noticeable decrease happened when we reduced the Winnipeg office space in 2004–2005. Business travel emissions have ranged from a low of 631 tonnes in 2010–2011 to a high of 796 in 2009–2010. For a list of IISD's carbon offset purchases, please visit: http://www.iisd.org/about/sdreporting/footprint.asp.

IISD has aimed to "walk the talk" since its inception. We have developed several goals such as "carbon neutrality" that are part of our operational culture. We also track a number of other factors that contribute to a healthy and equitable work environment. All of our indicators and data may be viewed at the following website: http://www.iisd.org/about/sdreporting.

Annual carbon emissions for IISD's Winnipeg office and IISD business travel, 2004 to present (carbon tonnes).

Fiscal year	Heat and electricity, Winnipeg	Business travel, IISD	Total
2004–2005	425	680	1,105
2005–2006	340	691	1,031
2006–2007	376	752	1,128
2007–2008	359	713	1,072
2008–2009	282	653	935
2009–2010	339	796	1,135
2010–2011	339	631	970

Grants Committed and 2010–2011 Revenue Recognized by Strategic Plan Theme



2010–2011 REVENUE RECOGNIZED BY THEME—FUNDERS (OVER $50,000)

1. Trade Policies that Combat Climate Change (Goal 1)

The Swedish Foundation for Strategic Environmental Research (MISTRA)	$ 73,724

2. Sustainable Investment (Goals 2 & 3)

Department for International Development (DFID) UK	$422,597
Swiss Agency for Development and Cooperation (SDC)	144,794
Rockefeller Brothers Fund	108,014
International Development Research Centre (IDRC)	105,237
Norwegian Agency for Development Cooperation (NORAD)	90,626
Simon Fraser University	62,771

3. Phase-out of Subsidies that Undermine Sustainable Development (Goal 4)

Ministry of Foreign Affairs (Norway)	$161,201
Ministry of Foreign Affairs (Denmark)	123,311
Swiss Agency for Development and Cooperation (SDC)	117,635
Hewlett Foundation	68,781

4. Sustainable Markets and Responsible Trade (Goals 5 – 7)

Swiss State Secretariat for Economic Affairs (SECO)	$479,378
Norwegian Agency for Development Cooperation (NORAD)	202,433

Citigroup Foundation	164,340
Department for International Development (DFID) UK	140,380
Accountability Strategies	116,581
Humanist Institute for Cooperation with Developing Countries (HIVOS)	94,298
The Swedish Foundation for Strategic Environmental Research (MISTRA)	73,724

5. A Constructive Catalyst within International Negotiations (Goals 8 & 9)

Norwegian Agency for Development Cooperation (NORAD)	$399,613

6. North American Approaches to Climate Change (Goal 10)

Province of Manitoba	$ 66,000
Shell Canada Energy	58,884

7. Adaptation, Risk Reduction and Resilience (Goals 11 – 13)

United Nations Development Program (UNDP)	$658,430
US Department of State	180,543
United Nations Environment Programme (UNEP)	126,233
Ministry of Foreign Affairs (Denmark)	84,715

8. Communicating the Value of Ecological Goods and Services (Goals 14 & 15)

Manitoba Hydro	$261,714
Royal Bank of Canada Foundation	104,049
Genome Prairie	70,674
International Development Research Centre (IDRC)	50,995

9. Environmental Management for Peace and Security (Goals 16 & 17)

United Nations Environment Programme (UNEP)	$ 97,308

10. Transparency and Accountability: The Role of Reporting Services (Goals 18 – 22)

United Nations Environment Programme (UNEP)	$323,425
Swiss Agency for Development and Cooperation (SDC)	252,583
European Commission	228,696
Federal Ministry for the Environment (BMU) (Germany)	197,187
Ministry of Foreign Affairs (Norway)	168,633
Ministry for the Environment (Italy)	136,000
United Nations Development Programme (UNDP)	134,217
Ministry of Foreign Affairs (Denmark)	130,884
Swiss Federal Office for the Environment (FOEN)	128,759
Climate Change Department – Government of Australia	125,713
Ministry of the Environment (Spain)	118,710
Ministry of Ecology (France)	112,789
Ministry of Foreign Affairs (Finland)	111,247
Masdar	96,980
Ministry of the Environment (Sweden)	70,290
Netherlands Agency, Ministry of Agriculture, Nature and Food Quality (LNV)	68,850
International Development Research Centre	68,135
Institut de l'Energie et de l'Environnement de la Francophonie (IEPF) (France)	64,350
Ministry of Foreign Affairs (New Zealand)	60,632
Instituto Interamericano de Cooperação para a Agricultura (IICA) (Brazil)	55,677

11. Global Connectivity (Goals 23 – 25)

International Development Research Centre (IDRC)	$155,495
Canadian International Development Agency (CIDA)	114,106
Canarie Incorporated	86,576
Canadian Internet Registration Authority (CIRA)	72,553

12. Accountability for a Sustainable Economy (Goals 26 – 28)

Ministry of Foreign Affairs (Denmark)	$192,507
The Swedish Foundation for Strategic Environmental Research (MISTRA)	147,448
Ministry of Foreign Affairs (Norway)	147,299
Hewlett Foundation	68,781
United Nations Environment Programme (UNEP)	62,301

For a complete list of our funders, please visit: www.iisd.org/about/funders.asp

INDEPENDENT AUDITOR'S REPORT

To the Members of
The International Institute for Sustainable Development

We have audited the accompanying consolidated financial statements of The International Institute for Sustainable Development, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets, cash flows, and the notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The International Institute for Sustainable Development as at March 31, 2011, 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
June 9, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	$ 1,063,546	$ 2,487,387
Marketable securities	8,104,934	8,281,403
Accounts receivable	9,790,219	8,608,564
Prepaid expenses and deposits	161,970	282,818
	19,120,669	19,660,172
CAPITAL ASSETS	244,301	294,788
	$ 19,364,970	$ 19,954,960
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 1,440,861	$ 2,106,419
Deferred revenue	10,302,168	10,718,830
	11,743,029	12,825,249
NET ASSETS		
Net assets invested in capital assets	244,301	294,788
Reserve for program development	4,445,049	4,523,318
Innovation Fund	5,972	37,640
Campaign Fund	26,242	48,993
Unrestricted net operating assets	2,900,377	2,224,972
	7,621,941	7,129,711
	$ 19,364,970	$ 19,954,960

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended March 31, 2011

	2011	2010
REVENUE		
Designated grants	$ 12,618,357	$ 13,385,202
Operating grants	3,111,467	3,353,952
Innovation Fund	32,664	66,295
Interest	267,633	248,965
Other revenue (loss)	282,681	(989,347)
TOTAL REVENUE	16,312,802	16,065,067
EXPENSES		
Projects		
Trade and Investment	5,210,805	4,781,443
Reporting Services	3,296,281	3,438,410
Climate Change and Energy	2,167,190	3,307,224
Sustainable Natural Resources Management	1,349,763	1,424,658
Global Connectivity	727,376	626,614
Measurement and Assessment	695,607	1,071,999
New Project Development	91,088	124,723
Innovation Fund	33,671	69,051
	13,571,781	14,844,122
Administration	1,229,383	1,363,415
Fund Development and Publishing and Communications	850,937	919,974
Board	114,052	136,309
TOTAL EXPENSES	15,766,153	17,263,820
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	546,649	(1,198,753)
APPROPRIATION TO UNRESTRICTED NET OPERATING ASSETS		
Net assets invested in capital assets	50,487	68,959
Reserve for program development	78,269	72,240
Reserve for long-term development	–	460,759
INCREASE (DECREASE) IN UNRESTRICTED NET OPERATING ASSETS	675,405	(596,795)
UNRESTRICTED NET OPERATING ASSETS, BEGINNING OF YEAR	2,224,972	2,821,767
UNRESTRICTED NET OPERATING ASSETS, END OF YEAR	$ 2,900,377	$ 2,224,972

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 2011 ($000's)	2010 ($000's)
Governments and agencies		
Canada	$ 1,901	$ 1,983
International	7,253	7,612
	9,154	9,595
United Nations agencies	1,009	4,130
International organizations	901	605
Philanthropic foundations	585	363
Private sector and other	767	981
	$ 12,416	$ 15,674

Designated grants and other revenue are summarized by activity area as follows. Other revenue includes publication sales, cost recoveries and, in the case of Administration, New Project Development, Fund Development and Publishing and Communications the net foreign exchange gain recognized at March 31, 2011 in the amount of $147 thousand (2010 – $1,146 thousand loss):

Activity Area	Other Revenue ($000's)	Innovation Funds ($000's)	Designated Grants ($000's)	Total ($000's)
Trade and Investment	$ 42	$ –	$ 4,845	$ 4,887
Reporting Services	7	–	3,420	3,427
Climate Change and Energy	22	–	1,852	1,874
Sustainable Natural Resources Management	6	–	1,207	1,213
Global Connectivity	8	–	577	585
Measurement and Assessment	26	–	504	530
Administration, New Project Development, Fund Development and Publishing and Communications	172	–	213	385
	283	–	12,618	12,901
Innovation Fund	–	33	–	33
	$ 283	$ 33	$ 12,618	$ 12,934

Operating grants The Institute had entered into a six month agreement with Environment Canada from October 1, 2010 to March 31, 2011. In April 2010, a one year agreement was reached with Canadian International Development Agency (CIDA) for a total of $1.52 million. The full amount attributed to the 2010-11 fiscal year has been received and is included in revenue for the year. The arrangement with CIDA provides operating grants. The arrangement with Environment Canada provides a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of Canada. IISD has funding agreements with the Government of Manitoba and the International Development Research Centre (IDRC) for five and six year periods ending March 31, 2011 and June 30, 2012 respectively. Both of these arrangements also provide for a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of the funders.

A summary of the operating grant funding is as follows:

	Funding Commitment ($000's)	Funding Recorded 2011 ($000's)	Prior years ($000's)	Funding Commitment Remaining ($000's)
Government of Canada				
Environment Canada	$ 375	$ 375	$ –	$ –
Canadian International Development Agency	1,520	1,520	–	–
Government of Manitoba	4,186	837	3,349	–
International Development Research Centre	2,022	379	1,264	379
Operating grant revenue	$ 8,103	$ 3,111	$ 4,613	$ 379

Subsequent to year end, the Institute concluded agreements to renew prior operating grant relationships. A one year agreement was reached with Canadian International Development Agency (CIDA) for a total of $1.67 million. A five year agreement was reached with the Province of Manitoba. The total commitment from the Province is $5.6 million, $4.19 million comprising operating grants and the remainder designated for specific future projects.

NOTE ON FUNDING ARRANGEMENTS

Innovation Fund

In 2005, the Board of Directors established the IISD Innovation Fund to receive contributions from donors, which are to be used in developing new ideas for a better world and to meet the needs of the future. The Innovation Fund provides IISD's researchers with "intellectual venture capital" to push the boundaries of innovation with a flexibility that is typically not present in conventional funding mechanisms. Grants are awarded to specific Innovation Fund projects through a formal review process using pre-set criteria.

Summary of Innovation Fund activity from inception to March 31, 2011	**($000's)**
Contributions received:	
Alcan Inc.	$ 90
The Kathleen M. Richardson Foundation	75
The Great West Life Assurance Company	75
Investors Group	75
Manitoba Hydro	75
JFC Burns Investment	35
E. I. du Pont Canada Company	20
Others (under $10,000)	14
	459
Appropriation from Reserve for Program Development	20
	$ 479
Grants awarded to projects:	
Prior years	
Human Development and Ecosystem Report	$ 17
Identify Environment and Security Challenges in China	14
Governance and Accountability Challenges for Non-Legal Entities	13
Natural Disasters and Resource Rights	13
Building Capacity for Sustainable Development in North Korea	7
Climate Change, Resources & Conflict: Understanding the Links Between Environment & Security in Sudan	25
Realizing the Budapest Advantage: Institutionalizing IISD's Presence in the European Union	9
An Electronic and Updatable Digest of International Investment Law Arbitration Decisions	34
An Ecosystem Approach to the Millennium Development Goals and Multilateral Environmental Agreements	26
Health Dimensions of Climate Change	17
Advisory Centre for International Investment Law	29
Sustainable Procurement	25
Commonwealth and Francophonie Dialogue	30
Building Next-Generation Stakeholder Information Systems for Integrated Indicator/Future Scenario Projects	30
Cold Fusion/Open Source Software: IISD's Communications Lab	23
GreenSpace Feasibility Study	19
Promoting Sustainable Investment in the Water Sector: Refocusing the OECD Cross-Division Project on Water	40
Private Social Equity	31
Gender Impacts of Regional Trade Agreements	29
Gender Equity in Commodity Sustainability Standards	13
Recovery of prior years grants under expended	(9)
	435
Current year	
Promoting Gender Equity in Sustainable Commodity Standards	38
	473
Innovation Fund balance at March 31, 2011	$ 6

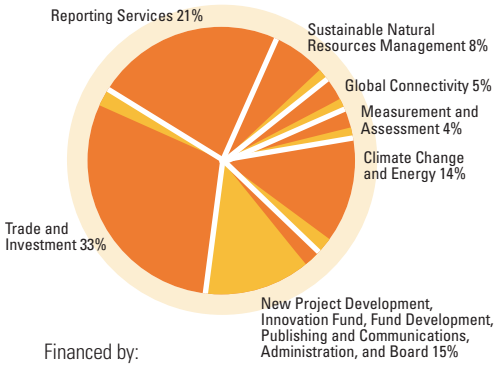
Campaign Fund

In 2007, the Board of Directors initiated a fundraising campaign to receive contributions from donors, which are to be used for projects involving young professionals in sustainable development, climate change related initiatives, community initiatives and other program needs. Grants are awarded to specific projects which meet the Campaign criteria.

Summary of Campaign Fund activity from inception to March 31, 2011	**($000's)**
Contributions received:	
Manitoba Hydro	$ 500
McCall MacBain Foundation	237
RBC Foundation	200
Individuals	110
JFC Burns Investment	35
Stewards Edge	25
Winnipeg Foundation	25
CP Loewen Family Foundation	20
HSBC Bank of Canada	13
Delmar Global Trusts	12
Lake Winnipeg Foundation	10
Gold Coast Securities	5
Assiniboine Credit Union	2
Export Development Canada	1
	1,195
Grants awarded to projects:	
Prior years	
Water Innovation Centre	325
Clean Energy and Climate Change	248
Leaders for a Sustainable Future/Trade Knowledge Network Internship	39
Canadian Sustainability Indicators Network Conference: Accountability Through Measurement	34
Manitoba Eco Tender	25
Sustainable Leadership Innovation Centre	25
Intern Community Training Platform	20
IISD Board Youth Consultation	13
Building Alliance of Institutions Training Young Professionals	10
Recovery of Prior Year Grants Under Expended	(19)
	720
Current year	
Water Innovation Centre	$ 350
Assessment of Microbial Genomics for Bio-refining	34
Sustainable Leadership Innovation Centre – Domestic Winnipeg Pilot	25
Linkages between Poverty and Ecosystem Services	25
Winnipeg Community Indicator System – United Way Pilot	10
Canadian Sustainability Indicators Network Secretariat	5
	449
Campaign Fund balance at March 31, 2011	$ 26

2010–2011 Revenue and Expenses by Activity Area

Total expenses of $15,766,153

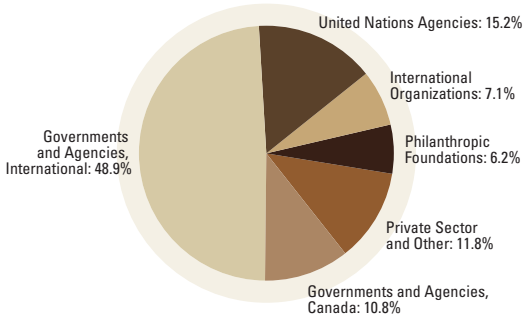


Financed by:

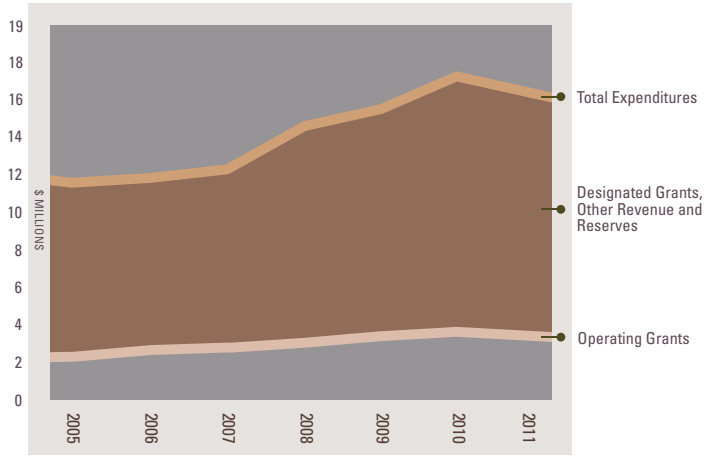
- Operating Grants and Reserves
- Designated Grants and Other Revenue

2010–2011 Designated Grant Revenue by Donor

Total designated grant revenue of $12,618,357



2005–2011 IISD Financing Trend



CONSOLIDATED SCHEDULE OF OPERATIONS BY ACTIVITY AREA ($000'S)

For the Year Ended March 31, 2011

	Trade and Investment	Reporting Services	Climate Change and Energy	Sustainable Natural Resources Management	Global Connectivity	Measurement and Assessment	Innovation Fund	New Project Development	Publishing and Communications	Fund Development	Administration	Board	2011 Total	2010 Total
Revenue	$ 4,887	$ 3,427	$ 1,874	$ 1,213	$ 585	$ 530	$ 33	$ 13	$ 1	$ 108	$ 263	$ –	$ 12,934	$ 12,462
Personnel	2,765	897	1,289	919	407	397	26	77	282	267	828	–	8,154	8,332
Collaborators	1,286	1,153	335	138	170	129	5	–	57	18	91	–	3,382	3,817
Travel	382	873	270	87	65	79	–	7	5	21	70	–	1,859	2,361
Rent	159	112	80	55	25	28	–	–	16	17	54	–	546	507
Supplies and other	108	111	73	51	25	17	–	–	30	20	125	–	560	486
Meetings	241	–	32	40	7	20	–	1	1	32	17	–	391	836
Publishing	159	72	16	22	11	2	3	4	39	17	1	–	346	346
Telecommunications	49	50	44	17	8	15	–	1	6	4	27	–	221	223
Amortization of capital assets	43	21	19	14	7	6	–	–	10	4	10	–	134	160
Board	–	–	–	–	–	–	–	–	–	–	–	114	114	136
Research materials	19	7	9	7	2	3	–	1	2	3	6	–	59	60
Total expenses	5,211	3,296	2,167	1,350	727	696	34	91	448	403	1,229	114	15,766	17,264
Excess of expenses over designated grants and other revenue	$ (324)	$ 131	$ (293)	$ (137)	$ (142)	$ (166)	$ (1)	$ (78)	$ (447)	$ (295)	$ (966)	$ (114)	(2,832)	(4,802)
Excess of expenses over designated grants funded by:														
Operating grants													3,111	3,354
Interest													268	249
Excess of revenue over expenses (expenses over revenue)													$ 547	$ (1,199)

CONSOLIDATED SCHEDULE OF DESIGNATED GRANTS COMMITTED ($000'S)

For the Year Ended March 31, 2011

Government of Canada (and Agencies)		
Canadian International Development Agency (CIDA)		$495
International Development Research Centre (IDRC)		450
Natural Resources Canada		83
Agriculture and Agri-Food Canada (AAFC)		67
Department of Foreign Affairs and International Trade (DFAIT)		64
Department of Indian and Northern Affairs Canada (INAC)		60
Environment Canada		20
Human Resources and Skills Development Canada (HRSDC)		10
National Round Table on the Environment and the Economy (NRTEE)		10
		1,259
Governments of provinces		
Manitoba		523
Alberta		40
Nova Scotia		31
Saskatchewan		13
New Brunswick		11
Newfoundland and Labrador		6
Ontario		6
British Columbia		6
Quebec		6
		642
Governments of other nations		
Norway		
Norwegian Agency for Development Cooperation (NORAD)	2,707	
Ministry of Foreign Affairs	508	3,215
Denmark		
Ministry of Foreign Affairs		1,580
Switzerland		
State Secretariat for Economic Affairs (SECO)	282	
Federal Office for the Environment (FOEN)	172	
Federal Office for Agriculture	11	
Swiss Agency for Development and Cooperation (SDC)	4	469
Sweden		
Ministry of Foreign Affairs	297	
Ministry of the Environment	70	367
Germany		
Federal Ministry for the Environment (BMU)	297	
Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ)	33	330
United States of America		
U.S. Department of State		270
Finland		
Ministry of Foreign Affairs		181
Australia		
Climate Change Department – Government of Australia	126	
Agency for International Development	27	153
Italy		
Ministry of the Environment		136
Spain		
Ministry of the Environment		119
New Zealand		
Ministry of Foreign Affairs and Trade		89
Netherlands		
Netherlands Agency, Ministry of Agriculture, Nature and Food Quality	69	
Ministerie van Landbouw, Natuur end Voedselkwaliteit	8	
Ministerie van Volkshuisvesting, Ruimtelijke, Ordening en Milieubeheer	7	84
Brazil		
Instituto Interamericano de Cooperação para a Agricultura (IICA)		56
Taiwan		
Taipei Economic and Cultural Office in Canada (TECO)		47
Japan		
Institute for Global Environmental Strategies (IGES)	35	
Global Industrial and Social Progress Research Institute (GISPRI)	11	46
France		
Ministry of Ecology	27	
Institut de l'Energie et de l'Environnement de la Francophonie (IEPF)	10	37
India		
Ministry of New and Renewable Energy		37
Austria		
Federal Ministry of Agriculture, Forestry and Environment		24
Korea		
Ministry of Foreign Affairs and Trade		13
		7,253
United Nations agencies		
United Nations Environment Programme (UNEP)		564
United Nations Development Programme (UNDP)		197
United Nations Institute For Training and Research (UNITAR)		115
United Nations Office at Nairobi (UNON)		62
United Nations Food and Agriculture Organization (FAO)		38
United Nations Framework Convention on Climate Change (UNFCCC)		17
United Nations Office at Geneva (UNOG)		16
		1,009
International organizations		
Climate Strategies		152
African Development Bank		124
World Bank		91
Commission for Environmental Cooperation (CEC)		80
International Institute for Environment and Development (IIED)		56
Global Environment Facility, USA		50
International Council on Mining and Metals		47
Union of Forest Research Organizations (IUFRO)		43
Organisation for Economic Co-operation and Development (OECD)		39
World Resources Institute (WRI)		32
Commonwealth Secretariat		25
Global Initiatives, Singapore		24
Greenpeace International (GPI)		21
Institute for Social and Environmental Transition		21
Rights and Resources Initiative, USA		20
Caribbean Community Secretariat (CARICOM)		20
World Wide Fund for Nature – South Africa (WWF-SA)		18
Friends of the Earth		14
World Business Council for Sustainable Development		11
Others (under $10,000)		13
		901
Philanthropic foundations		
The Swedish Foundation for Strategic Environmental Research (MISTRA)		445
Citigroup Foundation		80
The German Marshall Fund of the United States		27
United Way of Winnipeg		15
The Free Software and Open Source Foundation of Africa (FOSSFA)		12
Others (under $10,000)		6
		585
Private sector and other		
Simon Fraser University		145
Canadian Internet Registration Authority (CIRA)		102
Masdar		97
Pimachiowin Aki Corporation		95
Shell Canada Energy		66
Greenland Consulting		56
University of Delaware		40
Mekong River Commission		25
Enbridge		25
TransCanada Pipelines		21
AECOM International Development, Inc.		20
Carrier Sekani Tribal Council		19
University of Sheffield		16
Suncor		10
Others (under $10,000)		30
		767
		$12,416