



IISD

ANNUAL REPORT

1995 - 1996

Promoting Sustainable Development
Among Decision-Makers

Table of Contents

Chair's Message	1
Board of Directors	1
President's Report	2
Working in Partnerships Around the World	3
Creating Options for Change	4
Information for Sustainability	5
Fairer Trade	7
Green Budgets, Greener Business	9
Yardsticks of Sustainability	10
Livelihoods – the Key to Community Adaptation	11
The Prairies in Transition	13
IISD's Sustainable Development Report	14
Financial Report	16

IISD is a not-for-profit corporation located in Winnipeg, Manitoba, Canada and directed by an independent, international Board. It is registered as a charity in Canada, and has 501(c)(3) status in the USA.

Sustainable development means integrating environmental integrity, economic efficiency, and peoples' well-being.

IISD's Signature Design

IISD's signature design is Montreal artist Stéphane Daigle's visual interpretation of sustainable development. The circular theme represents the planet Earth and the limits of the biosphere; the forms within the circle convey the interdependent nature of human development and the ecology of our small planet; the eyes symbolize our collective consciousness; the trees – natural systems which sustain life on earth; the blue background and wavy lines – the air and water; the yellow triangles – points of energy from the sun. At the center of the design, open hands represent sharing resources, information and knowledge – the heart of sustainable development's principle of fairness and equity.

Marketing

A small but significant shift in our efforts to diversify our funding base and to market our ideas, products and services, occurred in 1995. We decided to strengthen our corporate identity by featuring IISD's signature design – our colorful and haunting "cosmic circle". This logo, along with our wordmark in French and English now appear on a new set of corporate and program brochures, press kits and other communications tools. We hope others will like our new look as much as we do.



Printed on paper with recycled content

Chair's Message

It is important to assess how far we have come as we approach 1997 and the 5th anniversary of the Earth Summit, at which the world's leaders agreed to seek new development models that respect the Earth and her peoples.

The storms of change are upon us. This is only to be expected. The old UN is under siege: overseas development assistance is in crisis, and "business as usual" thinking – devoid of environmental and social considerations – continues to be bankrupt. Change is necessary in order to meet the new challenges, and the painful reforms that we are witnessing in institutions and ideologies are part and parcel of this shift.

On the positive side, there is now widespread agreement that sustainability is the key to our collective futures on this small planet. Everyone is speaking the language of sustainability. And it's not just development agencies, it's corporations, governments, non-governmental organizations and ordinary citizens. There has been a noticeable convergence of thinking across sectors. Formerly entrenched interests, like industrialists and environmental activists are increasingly working together to bridge the gap between them. Demand has increased for the services of institutes like IISD.

Despite the welcome buy-in to the sustainability imperative world-wide, there is also a sober realization that on many fronts we have been moving backwards since the heady days of Rio. Climate Change and Biodiversity are but two of many examples where governments have retreated from the modest commitments their leaders made at the Earth Summit. The message is clear: despite a broad commitment to the new paradigm of sustainability, we must redouble our efforts.

IISD has become more robust, as widespread recognition of its mandate has challenged the institute to consolidate its work, undertake new projects, find new ways of financing its initiatives and to become markedly less dependent on government and other public funders. The past year began a significant change to the Board of IISD as several of the founding members completed their terms of office. We expressed our great appreciation to Pierre Marc Johnson, Shimwaayi Muntemba, and David Strangway for their leadership and dedication. Soon we will be saying good bye to Dian Cohen, Clay Gilson, Mohamed Sahnoun, Emil Salim, Gloria Knight and one of our Advisory Participants, Robert Sopuck. The founding IISD Board developed a fine sense of teamwork and respect. I wish to take this opportunity to express our profound appreciation to them. Our stability and success as an Institute is a direct consequence of their vision. New Board members will be elected and welcomed early in the summer of 1996.



James MacNeill
Chair

Board of Directors

Jim MacNeill Chair of the Board	Canada
Arthur J. Hanson President and CEO	Canada
Edward S. Ayensu	Ghana
Laurens Jan Brinkhorst	Netherlands
Dian Cohen	Canada
Clay Gilson, Vice-Chair	Canada
David Johnston	Canada
Aban Marker Kabraji	Pakistan
Gloria Knight	Jamaica
Ingrid Munro	Sweden
Mohamed Sahnoun	Algeria
Emil Salim	Indonesia
Maurice Strong	Canada

Advisory Participants

John A. Fraser, Ambassador for the Environment
Mel Cappe, Environment Canada
Robert Sopuck, Province of Manitoba
Donald Leitch, Province of Manitoba
Huguette Labelle, CIDA
Keith Bezanson, IDRC

Friends of the Institute

Professor José Goldemberg, Former Minister of Education and Secretary of Environment, Federal Government of Brazil
Madame Gro Harlem Brundtland, Prime Minister of Norway and Former Chair of the World Commission on Environment and Development
Sir Shridath Ramphal, Chair, Commission on Global Governance

President's Report

Earth Negotiations Bulletin Coverage

New York, 39th Session of the Commission on the Status of Women, 15 March – 7 April 1995

New York, Fourth Substantive Session of the UN Conference on Straddling Stocks and Highly Migratory Fish Stocks, 27 March – 12 April 1995

Berlin, First Conference of the Parties for the Framework Convention on Climate Change, 28 March – 7 April 1995

New York, Third Session of the UN Commission on Sustainable Development, 11 – 28 April 1995

Nairobi, PrepCom II for the Second UN Conference on Human Settlements, 24 April – 5 May 1995

New York, Fifth Substantive Session of the UN Conference on Straddling Stocks and Highly Migratory Fish Stocks, 24 July – 4 August 1995

Nairobi, Seventh Session of the INC for the Convention to Combat Desertification, 7 – 17 August 1995

Geneva, First Meeting of the Subsidiary Bodies of the UN Framework Convention on Climate Change, 28 August – 1 September 1995

Beijing, Fourth World Conference on Women, 4 – 15 September 1995

New York, First Session of the Commission on Sustainable Development Intergovernmental Panel on Forests, 11 – 15 September 1995

Geneva, Second Session of the Ad Hoc Group on the Berlin Mandate, 30 October – 3 November 1995

Jakarta, Second Meeting of the Conference of the Parties to the Convention on Biological Diversity, 6 – 17 November 1995

New York, UN General Assembly, November/December 1995

Geneva, Eighth Session of the INC for the Convention to Combat Desertification, 5 – 15 February 1996

New York, PrepCom III for the Second UN Conference on Human Settlements, 5 – 16 February 1996

New York, CSD Ad Hoc open-ended Working Group on Sectoral Issues, 26 February – 1 March 1996

Geneva, Second Meeting of the Subsidiary Bodies of the UN Framework Convention on Climate Change, 27 February – 4 March 1996

Geneva, Second Meeting of the CSD Intergovernmental Panel on Forests, 11 – 22 March 1996

This is a time of adjustment throughout our societies, and no organization dare rest upon its past accomplishments, or expect to carry out "business as usual." It is a time to seek highly effective and complementary working relationships among organizations. IISD has pursued this approach by forging several new and very exciting initiatives which are described in this Annual Report. We are proud to be a Collaborating Centre with UNEP and to continue strengthening our ties with the Earth Council by hosting its Canadian affiliate.

Our efforts to become a more "virtual" Institute through electronic communications and individual affiliations in various locations continue to expand. IISD's growth in capacity in electronic publishing and Internet use has matched the phenomenal rise of interest in our approaches. We have launched two new electronically-delivered journals (*/linkages/journal/* and *Developing Ideas Digest*) and continue to expand the user base of both the *Earth Negotiations Bulletin* and *IISDnet*.

Internally, our program transition is still underway. Our Board approved a strategy paper in November 1995 covering three year plans for five programs: Trade and Sustainable Development; Community Adaptation and Sustainable Livelihoods; The Great Plains; Measurement and Indicators; and Information and Communications. In addition, we are planning a second phase for Business Strategies and Sustainable Development and a new program on Common Security. Our programs are designed to produce practical results, and generally, to bridge views arising from both high income and low income regions and countries.

Our sixth year marked the start of a renewed funding relationship with IISD's three initial core (operating grant) supporters. We are very pleased to have the continuity of funding arrangements to the turn of the century. The Government of Manitoba has committed \$6.875 million over six years on a matching arrangement that provides a dollar for every three we raise. In the 1995-96 fiscal year revenue from non-core sources covered 43% of our expenditures. We expect this figure to rise as more organizations contribute to our work. In 1995-96 we received support from 60 different sources (see inside back cover).

Our contributions to sustainable development continue to emphasize the principles, policy tools and information needed to get-on with the job. But we are putting more and more effort into new approaches for measurement and indicators of progress. It is essential to *demonstrate* the worth of investment in sustainability, especially in this time of intense change and competing global interests.



Arthur J. Hanson
President and CEO

Working in Partnerships Around the World



IISD is a UNEP Collaborating Centre for International Environmental Assessment, Reporting and Forecasting

Winnipeg, Canada, Head Office; partners – Province of Manitoba, City of Winnipeg (CentrePlan), the Universities of Manitoba and Winnipeg, Manitoba Rural Adaptation Coordinating Council, Canadian Council of Ministers of the Environment, Canadian Environmental Technology Advancement Corporation - West, Winnipeg Chamber of Commerce, Pan American Games Society (Winnipeg 1999)

New York, USA, Office of Linkages and Earth Negotiations Bulletin, UN liaison – (UNDP, UNEP, Habitat, CSD)

Ottawa, Canada, Office of the Trade Program and of the Chair; partners – International Development Research Centre, Centre for Trade Policy and Law, North-South Institute, Association of Canadian Community Colleges, Projet de société, CIDA, Environment Canada, Indian and Northern Affairs Canada, Industry Canada, CANARIE Inc., National Roundtable on Environment and Economy

Great Plains Region, Canada and USA, partners – Northwest Area Foundation, Office of the Attorney General of Minnesota, Red River Trade Corridor, Winnipeg 2000, Minnesota Environmental Quality Board, International Drought Information Center (University of Nebraska), Prairie Farm Rehabilitation Administration, Agriculture & Agri-Food Canada, Environment Canada, Manitoba Agriculture, Keystone Agricultural Producers

Toronto, Canada, Office of Earth Council Institute Canada

Vancouver, Canada, partners – University of British Columbia, Sustainable Development Research Institute

Washington, DC, USA, partners – Academy for Educational Development, World Resources Institute, World Wildlife Fund (US), Center for International Environmental Law

New Haven, CT, USA, partner – Global Environmental and Trade Study

London, England, partners – International Institute for Environment and Development, Foundation for International Environmental Law and Development

Geneva, Switzerland, NGO Resource Centre for Trade and Sustainable Development; partners – IUCN, Swiss Coalition of Development Organizations, Fundación Futuro Latinoamericano (Ecuador), Consumers Unity and Trust (India)

Vienna, Austria, partners – SUSTAIN, the University of Vienna and the Technical University of Graz

San José, Costa Rica, partners – the Earth Council (projects with World Economic Forum and with International Association of Universities)

Mexico City, Mexico, partner – UNEP

Budapest, Hungary, in cooperation with Regional Environmental Centre and Hungarian Academy of Sciences

Norway, in cooperation with the Government of Norway

South Africa, partners – Wits Rural Facility, University of Witwatersrand

Kenya, partners – UNEP, KENGO (Kenya Energy and Environment Organization)

Burkina Faso, partner – Grefco (Groupe de recherches de formation et de conseils)

Ethiopia, partner – LEM (the Environment and Development Society of Ethiopia)

Zimbabwe, partner – ENDA (Environment and Development Activities)

China, partner – China Council for International Cooperation on Environment and Development

Irkutsk, Russia, partner – Canadian Council of Ministers of the Environment

Ecuador, partner – Fundación Futuro Latinoamericano

Creating Options for Change

Convening Global Gatherings

One of the most significant ways in which IISD influences decisions is through our "convening power", that is our ability to bring together people from widely different backgrounds, disciplines, sectors and cultures – to share ideas and experiences relevant to the issues of sustainable development. This is demonstrated by the group we brought together to formulate the Winnipeg Trade Principles and the series of meetings which occurred over the past two years in the Great Plains Region.

Recently we have been asked to serve as the coordinator for two very significant consultations: one for the World Commission on Forests and the other in preparation for the Bolivia Summit of the Americas on Sustainable Development. The Civil Society Consultation for Bolivia will be held in May of 1996 and the North American Public Hearings for the World Commission are planned for the Fall.

In addition to convening such major meetings and events, IISD is now routinely included in the important sustainable development meetings convened by the UN agencies, the World Bank, OECD, as well as national meetings organized by Foreign Affairs and Industry Canada, various parliamentary committees and Environment Canada. Our Board, Fellows and staff are frequent keynote speakers at local, national and international meetings and events.

Three processes are driving much of current global change. The first process, *globalization*, powered most recently and dramatically by the communications technology, actually has been affecting us with ever increasing vigor since the 1950s. We feel it above all in the economic sphere. With freer trade and greater competitiveness, financial markets that never close, shifts in manufacturing from one country to another, a steady rise in structural unemployment, jobless growth, and rising national debt, *few countries are now truly sovereign or independent.*

The second process dates from the 1960s: a growing understanding that we may be nearing environmental limits. Fisheries can, and have, collapsed. Soils have been degraded: many are now too depleted or salty to grow crops. Forests can be exhausted: some countries have destroyed theirs in the last two decades. And Earth's atmospheric thermostat can be overloaded: our climates have begun to alter. *We are starting to run out of planet.*

The third process of change is more recent, dating from the collapse of communism at the end of the 1980s. East-West geo-political confrontation which dominated and in many ways regulated international politics for four decades, has given way to a new fluidity. Freed from the Cold War straight-jacket, second level regional powers are more nakedly pursuing national interests. Environmental decline is adding fresh twists to these traditional power plays:

new flows of migrants and refugees, and new conflicts over diminishing natural resources. Power is flowing away from many nation states, down to regions and up to trade groupings such as the European Union and NAFTA. And today barely discussed in international fora, there is a widening gap between the rich and the poor nations, which may prove to be the most dangerous fault-line of all. *The old certainties have gone, replaced by a confusing mix of geo-political trends.*

It may be too early to predict another trend. We observe a retreat on the part of governments and UN agencies faced with increasing pressures to cut costs, pay off deficits and do more with less. As they abandon the field, they are replaced with an increasingly active, organized and robust, albeit poorly funded, civil sector. If this trend continues the mix of power both within and between nations will change substantially.

Against these three long-term processes of globalization, planetary limits and shifting, fragmented international relations, and the potential emergence of a vital civil sector, the past decade has also seen what may well prove an even more fundamental and positive trend. This is a steadily increasing, if as yet extremely patchy, recognition of a wholly new global game plan: sustainable development.

Although still widely regarded as concerned primarily with the environment, sustainable development demands equally basic changes to economics and social and political structures.

The 1987 report of the Brundtland Commission stressed that "sustainable development is not a fixed state...but rather a process of change."

IISD is part of that process. The Institute is in many ways a child of the Commission: we were established in 1990 as a response to the Commission's report, and like many others, in the coming year we will be taking stock. What has the global community achieved in the ten years since the challenge was articulated in *Our Common Future*, and in the five years since the promises made at the Earth Summit?

IISD is working to achieve change: change toward economic, social and ecological sustainability. The Institute has deliberately chosen some of the most difficult and intractable aspects of sustainability: trade, employment, government budgets, and finding ways



Information for Sustainability

of objectively measuring sustainability. IISD is interested in results. Through research, consensus building and outreach, we are delivering realistic, feasible and sustainable options to business, government and community decision makers.

IISD is confident that our work will continue to contribute significantly to some crucial outcomes on the road to sustainability.

Better trade agreements and practices, especially in the new World Trade Organization.

Improved business practices, with innovative and efficient technologies and much better accountability.

Government budgets and fiscal instruments which genuinely and explicitly promote sustainable development.

Community strategies which aim at sustainable livelihoods and promote a wider concept of employment.

Greater human and ecological security, locally and internationally.

Accurate and comprehensible ways of measuring our progress towards sustainability, so that experiences can be shared among communities and nations.

To help achieve these goals, IISD has during the past year undertaken a Three Year Program of activities. The report which follows indicates some of the strategic directions which the Institute is now following.

Some are already well developed: the enthusiastic adoption of the cost effective computer based communications technology, for example, affecting everything IISD does, and helping make the Internet a primary tool for sharing ideas and practices for sustainability. Other strategic reorientations are still in progress: a rethink of the next steps in our Business program, and plans for an entirely new program area on common security, tackling the growing number of conflicts within communities, regions and between nations whose roots are in non-sustainable forms of development.

Working at the crossroads of information and action, IISD's Information and Communications Program's goal is to deliver timely, authoritative, well-screened and relevant information on sustainable development concepts and practices. Without abandoning print, IISD is pioneering the use of the Internet and other computer-based technologies: interactive toolkits, electronic magazines, on-line databases, and virtual policy dialogues.

The program is aimed at decision-makers and those who influence them: government officials and politicians, business and industry executives, academics, consultants, journalists, international organizations, community leaders – plus the mushrooming communities of Internet browsers, including many youth and students who will influence future as well as present decision-makers.

In previous years, IISD has published a range of books, papers, and diskettes arising from our own work; developed the walk-in Information Centre in Winnipeg; published the *Sourcebook on Sustainable Development*; published the *Earth Negotiations Bulletin (ENB)*, and developed two award winning, on-line Internet information services – *Linkages* (<http://www.iisd.ca/linkages/>) and *IISDnet* (<http://iisd1.iisd.ca/>). As well, IISD acts as an international clearing house on sustainable development. 1,500-2,000 people download 25,000 files on *IISDnet* each week to find the latest on sustainable development.

IISD's flagship publication, the *Earth Negotiations Bulletin (ENB)*, continues to be the "Hansard" of international debate, providing reliable daily reports on key global meetings. *ENB* makes negotiations both more accessible and more transparent, by analyzing and explaining the often complex issues involved. *Linkages*, *ENB*'s World Wide Web site for international meetings provides full text of *ENB* coverage, with links to conference documentation, and identifies further electronic contacts. It has become one of the hot spots on the Internet: every minute a user somewhere in the world starts downloading another *Linkages* file.

Last year, *ENB* received increasing long-term funding commitments from governments, UN agencies and foundations, and was regularly invited to cover upcoming international conferences. In

Developing Ideas

"One of the three hottest new titles on the magazine rack", said the Canadian Broadcasting Corporation's pop culture program *Definitely Not The Opera* in April, 1996. CBC also called *Developing Ideas* sacrilegious and unique, containing development "with attitude", and commended it for its clean and simple language.



"A useful snapshot of the latest thinking in sustainable development"

Mel Cappe, Deputy Minister,
Environment, Canada.

"...enclosed is my subscription..."

Barbara Pyle CNN

IISDnet: <http://iisd1.iisd.ca/>

Contents of SD on the Net

Definitions and Principles

What is SD?
Chronology
Principles

New Thinking

Business
Government Budgets
Trade
Agriculture
Forests
Common Security

In Action

In Canada
On Campus
Great Plains
China
50 Communities
World Commission on Forests
In Winnipeg
What You Can Do?

Information Sources

Hot Topics
Key Organizations
WWW Links for SD
Information Request
Glossary
Products Catalogue
Women
Youth
Oceans

Journals

Linkages Journal
Developing Ideas Digest
China Council Newsletter
Earth Negotiations Bulletin
Countdown Forests 97

September, 1995, ENB completed its largest operation yet, at the World Conference on Women in Beijing, distributing 7,000 print copies to delegates every day. Internet coverage included audio interviews and digital photographs. *Linkages* recorded over 400,000 accesses during the negotiation.

The continuing success of the ENB and *Linkages* has led to a new initiative: [/linkages/journal/](http://linkages/journal/) – a bi-monthly electronic multi-media subscription magazine, giving negotiators and others a more in-depth look at the issues underlying many global negotiations.

Also making its debut in 1996, *Developing Ideas Digest* reports on the hottest ideas in sustainable development. A bimonthly print and electronic newsletter, *DID* features the latest influential thinking, the five hottest new issues, emerging buzzwords, Internet sources, reviews of press coverage. Available by subscription, *Developing Ideas* is becoming essential for those who want to keep up-to-date with sustainable development.

In early 1996 IISD launched a reporting service on the sustainable forests debate, *Countdown Forests 97*: briefings on issues cutting across the 1996-97 international forest policy dialogue at the World Commission on Forests and Sustainable Development and the UN Intergovernmental Panel on Forests.

IISD has developed a toolkit, "*Sustainable Development on Campus*", in support of our partnership with the Earth Council and the International Association of Universities, and is now available via *IISDnet*. Designed for administrators, students and faculty, it deals with everything from policy setting and evaluation to practices in waste management and purchasing, as well as greening the curriculum. The toolkit encourages and enables users to discuss their experiences via the Internet. The design of this prototype was supported by a grant from the Canadian Network for the Advancement of Research, Industry and Education (CANARIE).

Traditionally, international discussions, negotiations and document-drafting have required participants to be physically present around a table, an expensive and time-consuming process. In collaboration with the Norwegian government, IISD last year pioneered the use of the latest Internet technology to organize a "virtual policy dialogue" from personal computers at home or in the office. The topic – Sustainable Production and Consumption – is timely and the results are feeding into a Norwegian policy document on sustainable consumption.

Our print publications continue to be in demand. Last year we published 30 new titles, of which 2 were electronic, and 28 were in print. We participated in the Frankfurt and Zimbabwe Book Fairs and continue to establish relationships with others to co-publish books or to distribute our products. GLOBE 96 in Vancouver proved to be an excellent venue for selling our products and networking with others interested in eco-efficiency and sustainable development in the Asia-Pacific region.

IISD's Information and Communications program contains an expanding R&D component. Our policy is to be innovative with cutting-edge technology, rather than attempting technological innovation by ourselves. We endeavor to harness the latest techniques to serve sustainable development, by using affordable systems which can be widely emulated, by helping transfer these technologies to others, by using open public networks rather than creating private and centralized systems, and by working in partnership with others so that varied viewpoints are represented.

IISD's three-year plan foresees a continuing use of emerging communications technology: more interactive products, more commercially-marketed services (including facilities for on-line policy discussion), and a more animated use of our websites through improved design, user dialogue and information filtering.

Awards for Linkages and IISDnet

Point Communications rated IISDnet as one of the top 5% websites for content and presentation.

Linkages received a three-star rating from the McKinley Group, and other awards from Activism Online and Cornell University.



[/linkages/journal/](http://linkages/journal/)

Fairer Trade

One of IISD's continuing concerns is to extend communications technology and networks which are feasible for our partners. Regrettably, there are tiers of access to information, within countries and regions as well as between industrialized and developing countries. In an attempt to avoid creation of information ghettos, we are working with IDRC and a number of organizations in developing regions, to foster the emergence of a truly global, sustainable development information network. A major project, "Spinning the Web", will commence in 1996 with four developing country partners.

List of Publications 1995-96

Books:

Empowerment – Towards Sustainable Development From Legacy to Vision – Sustainability, Poverty and Policy Adjustment

International Environmental Management, Trade Regimes and Sustainability

Participatory Research for Sustainable Livelihoods – A Guidebook for Field Projects

Green Budget Reform

The Maastricht Treaty and the Winnipeg Principles on Trade and Sustainable Development

Trade, Sustainable Development, and the Environment – A Bibliography

Greening Campuses (diskette)

Periodicals:

China Council Newsletter

Countdown Forests 97

Developing Ideas

/linkages /journal/ (binary file attachment delivered by electronic mail)

Program Working Papers:

IISD's Program Working Papers this past year have covered International Forest issues, Community Adaptation and Sustainable Livelihood studies (in five African countries: Burkina Faso, Ethiopia, Kenya, South Africa and Zimbabwe), and CO₂ emissions on the Canadian Prairies. Consult our Products Catalogue for a complete list.

The Earth Summit secretariat estimated in 1993 that the cost of moving decisively towards sustainable development would be \$600 billion a year. Investment on this scale will not come from hard pressed northern parliaments. Nor will it come from foreign direct investment.

International trade is worth \$5 trillion a year, and UNDP has estimated that Northern trade barriers cost the South some \$200 billion a year. Increased income from trade liberalization, may therefore be one precondition for sustainable development, though not by itself a sufficient one.

How can international trade contribute more to sustainability? The issue is much wider than trade versus environment. Trade must indeed help to protect and restore ecological systems (or at least not destroy them), and improve economic efficiency. But, if it is to be sustainable it must also enhance the well-being of people, particularly the one billion living in poverty.

Arguments between environmentalists and development experts, on one hand and advocates of freer trade on the other, have been as fractious and emotional as any public policy debates in recent memory. But IISD's Trade program believes that it is

The Winnipeg Principles

Efficiency and cost internalization: include all environmental costs in traded prices.

Equity: between nations and between generations.

Environmental integrity: minimize environmental impacts.

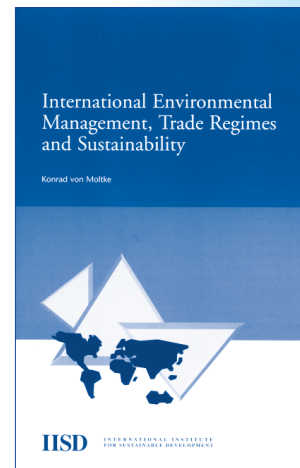
Subsidiarity: act at the lowest effective level; act multilaterally; accept varying national standards.

International cooperation: respect human welfare in trade disputes; protect weaker countries; avoid trade sanctions.

Science and precaution: play safe, recognize ecological uncertainties.

Openness: public participation and accountability.

Since their publication in 1994, the principles have achieved widespread recognition. They have been endorsed by the Costa Rica-based Earth Council and the UN Secretary-General's High Level Advisory Board on Sustainable Development. The World Economic Forum has made them the basis of its partnership with IISD.



"Deterioration of the environment will inflict widespread and long-standing damage on the country....This will ultimately threaten sound and sustainable economic development".

Qiao Shi,
Chairman of the National
People's Congress, China



possible to integrate the overlapping concerns of the trade, environment and development communities so that their apparently conflicting concerns become mutually reinforcing. That is the starting point for the "Winnipeg Principles" for trade and sustainable development. Drafted in 1994 by nine eminent members of these sectors, the principles provide a framework for measuring trade policies and agreements and understanding the underlying issues in a way that can be accepted by those with very different agendas.

The principles have been widely endorsed internationally, and in 1995/1996 IISD has been working to make them operational, primarily by using them to assess trade and environmental agreements and institutions. This past year saw the publishing of *The Winnipeg Principles and The Maastricht Treaty*, which analyzed the agreement on European Union. It was followed in early 1996 by *International Environmental Management, Trade Regimes and Sustainability*, an overview of the links and tensions between international environmental and trade regimes. Reports in progress apply the Winnipeg Principles to APEC, and apply the principle of openness to the World Trade Organization (WTO).

IISD has also been actively monitoring developments at the fledgling WTO. Meaningful dialogue between WTO and NGOs has thus far been limited, and although a 1994 decision to post publicly available documents to the Internet is to be welcomed, it falls far short of the mark. Most documents are still restricted, all meetings are closed except to a few observers from inter-governmental organizations, and there is no organ within the secretariat charged with relations with NGOs.

Against this background, IISD last year undertook a feasibility study for an NGO liaison center in Geneva, to link the international NGO community with both the WTO and UNCTAD. As a result, IISD joined with IUCN, the Swiss Coalition of Development Organizations, the Fundación Futuro Latinoamericano (Ecuador) and Consumers Unity and Trust Society (India) to establish the International Centre for Trade and Sustainable Development, which will start work in mid-1996.

The Centre's main function will be to give NGOs straight reporting on trade and sustainable devel-

opment issues from the insider's perspective. It will also convene policy dialogues among the trade, environment and development communities, and provide a focal point for NGO networking.

The China Council for International Cooperation on Environment and Development (CCICED) was established by the Government of China in 1992, as a 50 member high-level non-governmental consultative group.

IISD provides the secretariat for, and co-chairs, the Council's working group on trade and environment, whose mandate is to assist China in developing and implementing integrated trade and environment policies which support sustainable development. This group is currently working in five areas: green protectionism, production and use of ozone-depleting substances in China, impacts of the Climate Change Convention on China, green food development in China; and the role of foreign investment in developing China's green industries.

The China Council work has great potential. China has become one of the world's ten largest trading nations. The Chinese Government is giving high priority to trade-environment issues, partly because it eventually wants to join the WTO, and partly because its environmental situation is deteriorating alarmingly. Few developing countries yet place as much emphasis on this field as China, and its example is likely to be watched closely.

IISD's role with respect to China was recognized in 1996 when Qiao Shi, the Chairman of the Standing Committee of the National People's Congress made a state visit to Canada. On his official tour he stopped in Winnipeg and met with the Institute and representatives of the CCICED to discuss our work. His forthright analysis and particular emphasis on strengthening the rule of law in this area was of considerable interest to us.

IISD's three-year plan (1996-9) for the trade and sustainable development program has three main components: monitoring the WTO; supporting the integration of trade, environment and development policies; and building capacities in developing countries and in economies in transition.

The first component recognizes that the WTO is currently the key international forum for policy

Green Budgets, Greener Business

reform on trade and sustainable development. IISD plans to produce regular reports on WTO's sustainable development performance, the first to be published in September 1996, in advance of the WTO Ministerial in December.

The second strand involves working toward further implementation and wider understanding of the Winnipeg Principles. IISD studies will apply the principles to NAFTA and MERCOSUR. IISD is also preparing the trade and environment section of UNEP's new *Global Environmental Outlook* report, which makes a number of international policy recommendations based on the framework of the principles. We also plan to tackle intellectual property rights and biodiversity, focusing on the complex and contentious interface between two new regimes: the WTO and the Convention on Biological Diversity.

The third component in the three-year plan reflects a concern that there is too little engagement in the trade debate from developing countries and countries in transition. Although development issues underlie the most intractable trade-environment conflicts, discussions in the WTO and in industrialized countries pay scant attention to these concerns. So developing countries remain reluctant to come to the table, suspecting that the North's trade and environment concerns are simply new obstacles to Southern development.

Building on its work with China, IISD plans to identify one or two additional countries where we can work in partnership to strengthen their capacities to affect these debates. There are three main areas of need: developing research capacities in government, think-tanks or NGOs which can form the basis of national negotiating positions; training negotiators on trade and sustainable development inter-relationships; and strengthening coordination mechanisms among ministries, between the public and civil sectors, so that trade and sustainable development policies may be integrated.

Expenditure and investment decisions, both public and private are a key to sustainable development. Since our inception, IISD has worked to encourage government and business to invest in sustainability.

In government, sustainable development is still seen as more the concern of environment than of finance ministers, yet the annual budget remains the most important single action by which governments influence sustainability. The US government alone spends over \$1,000 billion a year.

In September 1995, IISD published *Green Budget Reform*, a major study of 23 eco-tax reforms in eight North American and European countries. One of the report's main insights was the effectiveness of budget neutral policies, which include deposit-refund schemes and "fee-bates" such as redistributing funds from companies with a poor environmental record to those who perform better. Such policies do not require an expensive regulatory system, and involve little or no net government spending. Budget-neutral initiatives are an increasingly popular fiscal method of tackling environmental problems.

IISD is currently studying the field of environmentally "perverse" subsidies: those which encourage people to undertake environmentally damaging

Eco-taxes really work

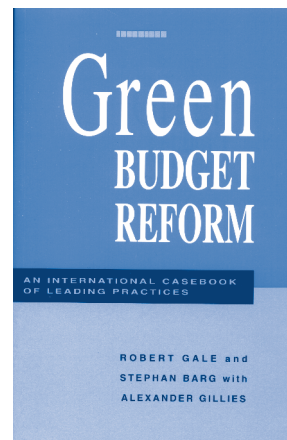
Sweden greened its tax system in 1990. By 1992, a new tax on CO₂ emissions, a sulfur emissions tax and an energy use tax were raising US\$3.2 billion a year, allowing a major reduction in income and payroll taxes. Result: less pollution, more jobs.

Renewable energy in California has been stimulated since the late 1970's, by tax credits and by allowing small renewable producers to sell power to utilities. In 1992, 11.1% of the state's electricity came from geo-thermal, biomass, wind and solar power, compared to under 0.4% nationally. Result: cleaner air, less vulnerability to fuel price increases, and commercially viable renewable technologies.

Saving Canada's soils: Grain monocultures in much of the prairies can cause soil degradation and biodiversity loss. The Permanent Cover Program was developed to convert high-risk crop land to permanent hay, pasture or trees. Result: 1.2 million acres converted to more sustainable use, at less cost than relevant commodity subsidies.

Refundable taxes: Since 1992, Sweden's large fossil fuel energy plants pay a tax based on NO_x (nitrogen oxides) emissions. Much of the money raised goes back to the power plants – in proportion to the energy they produce. The cleaner, more efficient power plants benefit. Result: NO_x emissions down by a third.

Source – *Green Budget Reform*, IISD, 1995



Everything you ever wanted to know...

...about measuring sustainable development. Or, at least, the best starting point to find out what's known so far, and what is innovative.

Read IISD's Compendium, which lists 165 relevant publications on the subject. Don't miss What is EXTASY? A short answer. (Published by the European Commission.)

The Compendium tells you about 167 organizations working on sustainability indicators. Who developed the Children's Stress Index? Ask ZPG in Washington D.C. What's the Honey Bee Network? Go to SRISTI in Ahmedabad. Who knows what local people see as indicators of healthy mountains? FLASCO in Quito have some of the experts. What are barefoot statistics? Someone knows at the Protestant Institute for Interdisciplinary Research in Heidelberg.

If you need to measure the quality of an arctic stream, check trace gases in a forest, monitor sustainability in wetlands, on an island, in agricultural crops or among the grassroots... Easy! The Compendium gives you names, fax numbers complete with country codes, and e-mail addresses.

And, in case the electronic revolution has passed you by, the Compendium lists street addresses too, so you can mail a postcard to Beijing or Budapest, Thunder Bay or Niamey. Get to it.

Data from Performance Measurement for Sustainable Development: A Compendium of Experts, Initiatives and Publications, IISD, 1995.

activities. For example, many governments have spent massively on road systems which effectively subsidize car travel, or on underwriting the costs of nuclear power, leaving legacies of the heavy cost of photochemical smog and long-lived nuclear wastes.

Last year IISD was engaged by the Canadian Council of Ministers of the Environment to report on how Canada's provincial and federal governments achieve "inter-jurisdictional cooperation" on environmental protection, and presented it to a conference in Irkutsk, addressing similar problems in Russia.

The Institute continues to collaborate with the Canadian Institute of Chartered Accountants (CICA) and the Churches' Task Force on Corporate Responsibility in the annual awards for corporate reporting, sponsored by CICA and the Financial Post newspaper. We are working in Canada and internationally to inject broader concepts of sustainability into ISO 14000, and through our Trade Program are helping China adapt to the new system. IISD's President sits on the National Roundtable on the Environment and the Economy's "task force on economic instruments." During 1996/97, IISD's Business Advisory Group will help the Institute select key activities and identify strategic intervention points for the program in the business community.

Making promises is easy, but how are we to judge the success or failure of our policies? Moving towards sustainable societies means that change must be measurable, and it must be measured. These measurements must be comparable, from year to year and from place to place, so we can assess our results. And the public must have confidence in the measurement system if communities are to understand the progress they are making.

So measurement of sustainable development must combine grassroots and multi-stakeholder involvement in setting goals and agreeing on indicators, together with the measurement experts who can design and operate a comprehensive, scientifically-grounded system.

IISD's Measurements and Indicators program is responding to the rapidly growing needs of communities, local and national governments; international agencies; business; and the scientific community, for specific tools by which targets can be set and progress can be assessed. This requires data base and indicator sets to provide an empirical foundation.

At home in Manitoba, IISD is helping the provincial government move from conventional state of the environment (SOE)

reporting to real sustainability reporting, by preparing a chapter on the prairie ecozone in the 1997 SOE Report. This has involved applying a coherent framework based on expert knowledge with a participatory multi-stakeholder process to define the factors to be measured. Using focus groups to identify and prioritize key sustainability issues, IISD developed proposed indicators for each category and sought the advice of a Technical Advisory Committee to verify that measured data was available for the selected indicators. The discussions have identified the practical and pressing methodological problems which must still be tackled to make this on-going process operational.

Canadian government departments, including the Department of National Defense and Indian and Northern Affairs Canada, have sought IISD's advice to design their departmental sustainable development plans and assessment framework.



Livelihoods -The Key to Community Adaptation

IISD is also working with the Austrian organization SUSTAIN to develop "sustainable process indicators" based on in-put/out-put analyses of the technological process in plants and large units of production. Extensive field tests are planned for different regions in Europe and in North America.

The program is participating in all major international efforts to develop SD measurement tools. It is in regular contact with the UN Department on Policy Coordination and Sustainable Development and with the World Bank Indicators and Environmental Evaluation Unit; it assists several organizations in countries in transition and provides clearinghouse services.

How will moves towards sustainability in individual countries affect the international competitiveness of industry? IISD has started working jointly with the World Economic Forum and the Earth Council, to produce a sustainability volume to go with the annual Global Competitiveness Report.

IISD strives to become an international center of excellence for sustainable development measurement, enabling experts around the world to exchange ideas. Last year, IISD published its *Compendium* on performance measurement: worldwide lists of relevant experts, institutions, projects and publications. Data are regularly updated on *IISDnet*.

In the next few years, the program will extend this work, producing training kits and "how-to-do-it" guides for various users.

Although a relatively new program for the Institute, recognition of IISD's leadership in this field is occurring. UNEP has designated IISD as a Collaborating Center for International Environmental Assessment, Reporting and Forecasting and the Rockefeller Foundation has offered its prestigious Bellagio Center for an international meeting in November 1996. The meeting will address three major issues: how to define appropriate conceptual frameworks for measurement; how to ensure the sound scientific basis of measurement methods and indicator selection, and how to integrate the measurement process in decision making.

Despite decades of world-wide economic growth, both poverty and the gap between rich and poor is increasing. A decade ago about 750 million people survived on less than \$1 a day; today over a billion must do so. And from 1960 to 1990 there was an eightfold increase in the income gap between the richest fifth and the poorest fifth of the world's citizens.

Fast-changing global economic conditions are affecting both rich and poor countries. Freer flows of capital, new technology, liberalized trade, difficult access to credit, the exhaustion of renewable and non-renewable resources, declining environmental quality – mean that cradle-to-grave jobs are becoming a thing of the past, even in countries such as Japan where this has been part of the socio-economic culture. Young people and middle-aged professionals are often especially badly affected.

Livelihoods is a broader concept than employment. It encompasses for example, farming, part-time work, job-sharing, home-offices, moonlighting, care-giving, self employment and a host of other mechanisms in addition to formal employment where it exists. It also includes non-income activities that contribute to the well being of households. In changing and sometimes worsening circumstances, many communities adapt and succeed. IISD believes that one key to understanding sustainable livelihoods is through community adaptation.

Turning poverty upside down:

Instead of focusing on what outsiders see as their shortcomings, the sustainable livelihoods approach builds on what local people see as their strengths.

"...while we (in South Africa) accept the bottom-up approach to policy-making we need the tools to do it. This project has the potential to help us learn how to do that..."

*Mattheus Phosa,
Premier of Eastern Transvaal*

"It is an extremely useful document (Adaptive Strategies in Arid and Semi-Arid Lands in Africa)...we are continually looking for new approaches to manage such issues in line with RDP (Reconstruction and Development Program) and are particularly interested in community driven approaches."

*Prof. K Asmal
Minister of Water Affairs
and Forestry, South Africa*

IISD Supports 50th Anniversary of the UN

IISD provided in kind support for the "We the Peoples: 50 Communities Awards" and Study Conference. A citizen's initiative in honour of the 50th Anniversary of the UN, the project's purpose was to identify, document and disseminate the lessons from 50 communities which symbolized the theme "Creating Common Unity". Sponsored by UNEP, UNDP, Habitat and the Sasakawa Peace Foundation, IISD gave leadership and logistical support. Co-chaired by the late Dame Nita Barrow and Dr. Pierre Marc Johnson, the program succeeded in building networks that go far beyond the usual UN/NGO meetings. From eco-villages like Findhorn in Scotland, Sanikiluaq in the Arctic, the hospital at Sarajevo and the pavements of Bombay, from Mondragon in Spain and the Seikatsu Club Consumers Cooperative in Japan, over a hundred representatives of rich and poor communities came to share their lessons with one another and the UN. A summary of their stories are available on IISDnet under "50 Communities".



Community Adaptation in Makaha, Zimbabwe

Using local (indigenous) knowledge, science and technology, and working within a facilitative policy framework, some communities have shown a remarkable ability to adapt to changing social, economic, and ecological environments. This community adaptation is a source of sustainable livelihoods.

Economic Adaptive Strategies

In response to the danger of crop failure due to the dry climate, the people of the Makaha community have developed a diversified economic base, including crop production, livestock production, gold panning, beer brewing, vegetable and fruit production. Even in crop production, two or more staple grain crops are grown as a risk aversion measure, and following good years, households commonly store at least two years supply of grain as a reserve.

Ecological Adaptive Strategies

Indigenous and contemporary knowledge systems combine to conserve precious soil, water, and trees in Makaha. Contour ridges constructed across mountain slopes represent technological innovations to conserve soil and water, while indigenous knowledge, working through traditional community regulations and leadership, protects sacred and valuable trees.

Source: Makaha Community, Mudzi District, Zimbabwe, from Adaptive Strategies and Sustainable Livelihoods: Community Studies, IISD, 1996.

Sustainable livelihoods exist when households and communities find and maintain ways of life which enable them to recover from stresses and shocks. As a policy objective, sustainable livelihoods make equal sense in a Bombay squatter settlement or a Newfoundland fishing town, in the Amazon rainforest or on Wall Street.

What adaptive strategies are being successfully used to achieve sustainable livelihoods in different communities under stress? What factors do these strategies have in common? Can we use appropriate technologies, policies and resources to reinforce the indigenous knowledge and ingenuity which powers them? These are the questions being asked by IISD's Community Adaptation and Sustainable Livelihoods Program.

Over the past year, IISD has further developed the theoretical basis of this integrated approach, tested it out in five countries of Africa, and published the results. In a joint project with UNDP, ten African case studies were undertaken in two villages in each of five dryland countries: Burkina Faso, Ethiopia, Kenya, South Africa and Zimbabwe. The participatory research was carried out by local NGOs, and closely involved the community being studied.

Government policies often impact adversely on the ways communities survive stress. In much of Sub-Saharan Africa, for example, maize has been heavily promoted at the expense of sorghum and millet, which are more drought-resistant. The result has been higher

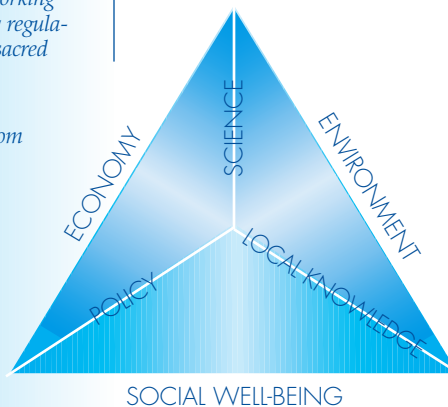
yields in good years, but hunger in times of low rainfall. Multi-cropping, a sensible strategy for coping with drought, has been undermined by these policies.

An alternative policy approach which tries to strengthen peoples' own coping strategies, turns traditional approaches to poverty reduction upside down. Instead of focusing on what outsiders see as their shortcomings, it builds on what they, the local people, see as their strengths.

In the past year, the program has completed the case studies, with a synthesis which links community and policy findings for each country. A combined volume of the synthesis reports is available. A detailed "field guide" on how to undertake participatory research into adaptive strategies has been published. Popular versions of each case study are being prepared for the communities involved.

IISD expects this integrated approach to have a substantial impact on both development theory and practice, by bringing the wealth of community experience into policy-making. Already, sustainable livelihoods is arousing serious interest in the UNDP, World Bank and OECD; among a number of donor and third world governments; and among researchers, NGOs and community groups. Last year, we prepared a report on employment and sustainable development for the Canadian government based on this concept.

Over the next three years the program plans to further develop the sustainable livelihoods approach, testing it on drought mitigation in Southern Africa, on biodiversity conservation and enhancement in dryland Ethiopia and India, and in rural areas of developed countries, starting on the Canada-US Great Plains.



The Prairies in Transition

All the Institute's activities come together in its program for the Great Plains: a vast area of North America stretching 5,000 km from Canada through the mid-western United States to northern Mexico. Its economy is anchored in its soils, waters, flora and fauna. IISD chose to apply its work in this area for two reasons. First, this eco-zone is our home. Second, it forms one of the key breadbaskets for Earth's growing population, and the rest of the world has a massive impact on its economy, society and environment.

The region is currently undergoing unprecedented changes, which may prove as profound as those of the 19th century, when it evolved from hunter-gathering and fur-trading to an economy based on grain and cattle. Among the new pressures are freer trade (through NAFTA and WTO), new government policies bringing an end to traditional subsidies, biodiversity decline, soil degradation and efforts to stem it, rural depopulation, rail line abandonment, and climate change which may in the next century shift current production patterns.

But if the Great Plains is one ecosystem, its fragmented policies are set by a multiplicity of governments, communities, businesses and individuals. Most decision-makers are unable to determine whether their actions will enhance or inhibit sustainable development of the region's natural and human resources because they lack adequate information and management tools. It is these gaps which IISD's program endeavors to fill.

The Program's aim is to address the region's sustainability by: facilitating consultation and negotiation between stakeholders; identifying practical solutions, especially those involving linkages between community adaptation mechanisms, public policy and investment strategies; and helping achieve improvements in the region's science and technology.

The Program has held a series of conferences to bring together key stakeholders, to introduce new ways of evaluating actions and policies, and then taking the results to decision makers through meetings and publications. In 1995/6 two major conferences were co-sponsored by IISD. The first, in May 1995, in Lincoln, Nebraska, was for the scientific community to ensure that the sustainability needs of the Great Plains are reaching the research agenda. The second, in August 1995 in

Winnipeg, co-sponsored by the Winnipeg Chamber of Commerce, was to promote a better understanding of sustainable prairie agriculture and to review IISD's evaluative framework for decision-makers.

As well as activities covering the whole of the Great Plains, IISD's work has had a special focus on the Manitoba-Minnesota region straddling the Canada-US border. We have been instrumental in the formation of a sister institute, the Great Plains Institute in Minneapolis. IISD supported the Global Tomorrow Coalition, in a study resulting in the development of a Great Plains Regional Forum based in Minnesota, which will meet bi-annually to bring together policy-makers from throughout the region. The Forum will be backed by the Great Plains Regional Network, an electronic network allowing a continuous policy dialogue and information exchange. IISD has also signed an agreement to participate in a Fulbright Scholarship focused on environmentally sustainable economic and social development strategies in the Red River region of the Great Northern Plains.

IISD has started work in Manitoba on the strategies with which Great Plains communities cope with stress and change. A Manitoba Adaptation Workshop was held involving a wide range of stakeholders. The participants at the workshop saw the need to form the Manitoba Rural Adaptation Coordinating Council (MRACC). The lead agency in forming MRACC is Keystone Agricultural Producers (KAP), a powerful grassroots farm organization with which IISD collaborates closely.

Throughout the year, IISD staff have provided a sustainable development perspective to meetings throughout the Great Plains. For example, at an organizational workshop for the proposed Prairies Impacts and Adaptation study held in Edmonton, Alberta in February 1996, attendees discussed the potential impacts of climate variability and change on the prairie provinces. At the Saskatchewan Council for Community Development conference held in Regina, Saskatchewan in February, 1996 IISD's work on prairie adaptation was presented to leaders in Saskatchewan community development.



Sustainable Development for the Great Plains

...this study – with its focus on a framework to assess agricultural and transportation policies from a sustainable development perspective – offers useful suggestions to consider in addressing concerns arising from international trading pressures.

*Paul Martin, P.C. M. P.
Minister of Finance,
Canada*

Principles for Great Plains Sustainable Development:

Management

Conservation

Rehabilitation

Market Viability

Cost Internalization

Scientific and Technological Innovation

Trade Policy

Societal Consideration

Global Responsibility

Several studies were completed in 1995-96. One examined the sustainability of the St. Lawrence Seaway, a route by which some of the produce of the Great Plains is exported, the other researched carbon sequestering on the Canadian Prairies and policies used around the world to reduce emissions of carbon dioxide.

Over the next three years, IISD intends to extend many of the program's initiatives more widely in the US and Canadian plains, and to other semi-arid agricultural regions, such as the Ukraine or parts of Africa or Asia.

IISD is committed to assessing and reporting on our own achievements and challenges in the process of integrating environmental integrity, people's well being and economic efficiency.

Environmental Integrity

Energy Efficiency – IISD staff are encouraged to use energy efficient means of transportation to commute to work (bicycle, walk, public transport, or car pool) and to use the stairs rather than elevators. Awareness notices are posted to encourage staff to conserve energy in their own offices by turning out lights and machines. We are unable to set targets and measure performance in the energy area because our rented space is not individually metered.

Pollution Prevention – All employees actively participate in the Institute's multi-material recycling program. This year through our pollution prevention program we have diverted approximately 2,151 kg or nearly 60 kg per employee of waste from landfill.

We have engaged in a community based project with the Rotary Club. Our paper and cardboard is recycled through the "Paper to Trees" program where the profits from the recyclables are used to plant trees to "green" Winnipeg for the 1999 Pan American Games. Our other recyclables are picked up by a commercial service. Due to this change in recycling procedures, specific measurement data between years is not comparable.

Purchasing – Our policy is to use suppliers who adhere to environmentally responsible practices and standards including products with maximum use of post-consumer waste, minimal packaging, and bulk purchases. We use hotels and caterers who have practical environmental conservation programs in place. We offer repeat business to suppliers who are exemplary in their sustainable development practices.

Electronic communications – We emphasize the use of electronic mail and computer discs for communication and data storage. We have an active program for electronic publishing. To the extent possible we operate nationally and internationally using telephone and electronic communication rather than travel.



People's Well Being

IISD is an evolving entity. Our policies are based on values which are lasting and promote sustainable development within the organization while remaining adaptable to the changing work environment. During the year the Institute's policies and procedures affecting people were assembled and distributed in the form of a comprehensive employee information manual.

IISD has incorporated performance incentives into our agreements with our program leaders. In addition, a formal performance appraisal system for the administrative support staff group which rewards staff based on their performance has been implemented. A formal performance appraisal system for program staff will be implemented during the 1996-97 fiscal year.

Weekly one hour staff meetings are held to keep communication channels open and clear. Each meeting includes a "roundtable" discussion during which all staff have the opportunity to share ideas and achievements with their colleagues. Other, less structured "breakfast brainstorming sessions" are held regularly to encourage program staff working in different program teams to exchange information and ideas.

Ergonomic improvements have been made to individual workstations such as replacing older style keyboard trays and other measures to prevent repetitive strain injuries.

A snapshot picture of our organizational profile as of March 31, 1996 shows that of the 38 people associated with the Institute, 53% are women, 3% are disabled, and 24% are minorities or of aboriginal descent. Compared to the position at March 31, 1995, the proportion of women in the workplace has increased, but there has been a decrease of one person in our minority representation. All of IISD's current Fellows and Associates are men. Of the thirteen current Board Members, 31% are women. Our bylaws require that a majority of our Board be Canadian citizens.

IISD continues to engage in outreach activities in our own community of Winnipeg, Manitoba. These include the Winter Cities conference, Earth Day, Careers Day, the city's CentrePlan initiative and other community fora. We invite community groups who are interested in sustainable develop-

ment to tour the Institute and visit our information centre. We make our conferencing facilities available to other organizations in the community, on a cost recovery basis, when they are not required for our own activities.

Economic Efficiency

We continue to dedicate efforts in both programs and operations to maintain or improve our cost effectiveness. For example, virtual office links have been established as the Institute's network of staff members and associates expands to include representation in various strategically significant places outside of the Winnipeg centre. These links integrate our people with us electronically while allowing them to work out of premises which are otherwise available to them. The result is that we enjoy the benefits of representation in these localities, without having to incur significant additional fixed infrastructure costs.

Changes in key performance indicators over the past year reflect IISD's continuing transition toward generating revenues from an increasingly diverse base of supporters. Program expenditures as a proportion of total expenditures have declined slightly from 84% to 82%. Designated grants and other income as a proportion of total expenditures have increased significantly to 43% from 36%.

Independent Opinion on Management's Sustainable Development Report

*To the Members
International Institute for Sustainable Development*

We have assessed the attached Sustainable Development Report for the year ending March 31, 1996. The report is the responsibility of the management of the Institute. Our responsibility is to express an opinion on the report based on procedures described in the next paragraph.

We have reviewed the Institute's policies and objectives related to sustainable development and assessed management's approach to measuring the achievement of these objectives. Our assessment included interviews with management and staff, observation of the premises and office practices and examination, on a test basis, of relevant documents.

Based on the above measures, in our opinion, the objectives related to sustainable development and management's approach to measuring achievement of these objectives are reasonable and management's conclusions in the attached Sustainable Development Report

Michelle Wu + Touche.

are presented fairly.

*Chartered Accountants
Winnipeg, Manitoba
April 24, 1996*

Financial Report

Auditors' Report

To the Members
International Institute for Sustainable
Development

We have audited the balance sheet of the International Institute for Sustainable Development as at March 31, 1996 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte + Touche

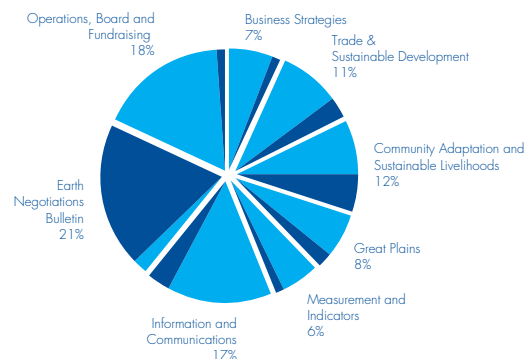
Chartered Accountants
Winnipeg, Manitoba
April 25, 1996

Balance Sheet

	March 31	
	1996	1995
		(restated)
Assets		
Current		
Cash	\$ 700,685	\$ 237,632
Accounts receivable	2,131,106	1,202,746
Marketable securities	6,219,533	4,954,774
Accrued interest	111,032	96,420
Prepaid expenses and deposits	115,699	72,570
	9,278,055	6,564,142
Capital Assets (Note 4)	455,231	476,340
	\$ 9,733,286	\$ 7,040,482
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 346,373	\$ 409,176
Deferred revenue	2,433,130	284,390
	2,779,503	693,566
Net Assets		
Net assets invested in capital assets	455,231	476,340
Reserve for program development	4,251,783	4,251,783
Reserve for long-term development	1,871,250	1,618,793
Unrestricted net operating assets	375,519	-
	6,953,783	6,346,916
	\$ 9,733,286	\$ 7,040,482

1995-96 Revenue and Expenditure by Program

■ Designated Grants
and Other Revenue
■ Operating Grants



Total: \$4,687,446

Statement of Operations and Changes in Net Assets

	Year Ended March 31	
	1996	1995
		(restated)
Revenue		
Operating grants (Notes 3 and 2 a) i)	\$ 3,295,000	\$ 4,653,632
Designated grants (Note 2 a) ii)	1,502,143	1,550,896
Interest	406,008	321,647
Other revenue (Note 3)	91,162	96,804
	5,294,313	6,622,979
Expenses (Schedule 1)		
Programs		
Business Strategies	317,413	-
Trade and Sustainable Development	532,895	847,568
Community Adaptation and Sustainable Livelihoods	566,730	764,583
The Great Plains	381,581	-
Measurement and Indicators	269,891	-
Information and Communications	779,624	763,719
Earth Negotiations Bulletin	982,825	899,801
Business and Government	-	1,336,244
	3,830,959	4,611,915
Operations		
Fundraising	605,623	643,879
Board	117,201	16,066
	133,663	216,583
Total Expenses	4,687,446	5,488,443
Excess of Revenue over Expenses	606,867	1,134,536
Appropriation from (to) Net Assets		
Reserve for long-term development	117,201	-
Net assets invested in capital assets	21,109	51,998
Reserve for long-term development	(369,658)	(780,708)
Reserve for program development	-	(405,826)
Increase in Net Operating Assets	375,519	-
Balance, beginning of year	-	-
Net Operating Assets, End of Year	\$ 375,519	\$ -

Notes to the Financial Statements March 31, 1996

1. Incorporation, Mandate and Tax Status

The International Institute for Sustainable Development (IISD) was incorporated on March 15, 1990 as a corporation without share capital under Part II of the Canada Corporations Act. It commenced operations shortly thereafter at its head office in Winnipeg, Manitoba, Canada.

IISD is a registered charity in Canada. It is also exempt from U.S. income tax under paragraph 501(c)(3) of the Internal Revenue Code.

The objects of IISD are to promote the concept of environmentally sustainable economic development and the integration of the principles and practices of sustainable development within and between the public, private and voluntary sectors on a national and international basis.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

i) Operating grant revenue

Operating grants are subject to the condition that they must be expended in accordance with the mandate of the Institute. Operating grant revenue from the Government of Canada is recorded annually in the accounts in an amount equivalent to one fifth of the total funding commitment over the period April 1, 1995 to March 31, 2000.

Operating grant revenue from the Province of Manitoba is recorded in an amount equal to the

... continued page 18

2. Significant Accounting Policies (continued)

lesser of one third of funding from all other sources and annual amounts prescribed in the funding agreement. Any additional amounts received under current grant agreements are reflected as deferred revenue.

ii) Designated grant revenue

Designated grants must be expended in accordance with the donor's designation. Revenue for grants designated for current activities is recorded in the accounts as the related expenses are incurred. Revenue for grants designated for use in program or long-term development activities is recorded in the accounts in the year in which the grant is awarded.

b) Capital asset expenditures

Capital asset expenditures are recorded at cost. Amortization, which is based on the cost less the residual value over the useful life of the asset, is computed using the straight-line method over the following terms:

Equipment	10 years, 5% residual
Leaseholds	Initial term plus one renewal
Computer Systems	3 years, no residual

c) Publication production costs

Publication production costs are expensed in the year in which the publication is printed.

d) Change in accounting policies

IISD has adopted the recommendations of the Canadian Institute of Chartered Accountants applicable to Not for Profit entities which were issued in March 1996. This resulted in recording capital assets and a related category of net assets invested in capital assets in the amount of \$455,231. In addition, as a result of these recommendations, IISD established a reserve for program development into which accumulated unexpended balances of unrestricted grants previously received were transferred amounting to \$4,251,783. These changes have been applied retroactively and are reflected in the comparative figures presented for 1995.

Statement of Cash Flows

	Year Ended March 31	
	1996	1995
Cash Provided by Operations		(restated)
Operating Grants		
Government of Canada		
Environment Canada	\$ 2,300,000	\$ 2,375,000
Canadian International Development Agency	1,000,000	1,000,000
Government of Manitoba	1,375,000	1,328,000
	4,675,000	4,703,000
Designated Grants		
Government of Canada	797,547	388,695
Governments of Provinces	55,000	459,000
Governments of other nations	698,411	386,039
United Nations agencies	430,635	247,988
Philanthropic foundations	160,886	180,094
Private sector and other	121,476	44,470
	2,263,955	1,706,286
Other Revenue		
Publication sales	31,207	36,804
Facilities rentals	19,132	-
Cost recoveries	47,751	60,000
	98,090	96,804
	7,037,045	6,506,090
Interest received for operating purposes	36,350	-
Cash used in operating activities	(5,555,344)	(6,362,909)
Net Cash Generated Through Operating Activities	1,518,051	143,181
Cash Provided from Investing Activities		
Interest received for long-term development	355,046	252,489
Purchase of capital assets	(145,285)	(116,262)
Net Cash Generated through Investing Activities	209,761	136,227
Net Increase in Cash and Marketable Securities	1,727,812	279,408
Cash and marketable securities, beginning of year	5,192,406	4,912,998
Cash and Marketable Securities, End of Year	\$ 6,920,218	\$ 5,192,406
Represented by:		
Cash	\$ 700,685	\$ 237,632
Marketable securities	6,219,533	4,954,774
	\$ 6,920,218	\$ 5,192,406

Notes to the Financial Statements March 31, 1996

3. Funding Arrangements

IISD has entered into renewed funding arrangements with the Government of Canada (Environment Canada and the Canadian International Development Agency) and the Government of Manitoba. The arrangements with the Government of Canada provide operating grants for the five year period April 1, 1995 to March 31, 2000. The arrangement with the Government of Manitoba provides operating grants for the six year period April 1, 1995 to March 31, 2001.

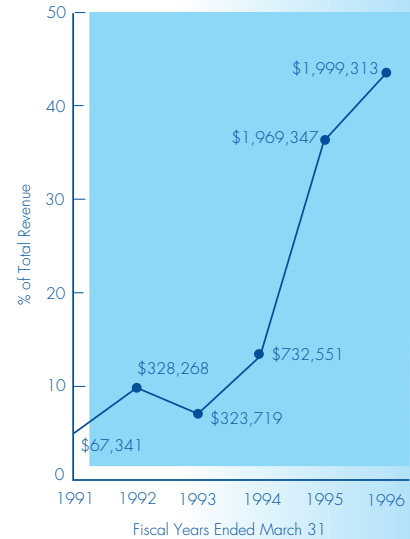
A summary of the funding is as follows:

	(\$000's)		
	Funding Commitment	Funding Received 1996	Funding Commitment Remaining
Government of Canada			
Environment Canada	\$ 4,600	\$ 2,300	\$ 2,300
Canadian International Development Agency	5,000	1,000	4,000
Government of Manitoba	6,875	1,375	5,500
	\$ 16,475	4,675	\$ 11,800
Operating grant revenue (Note 2a) i)		3,295	
Balance added to deferred revenue		\$ 1,380	

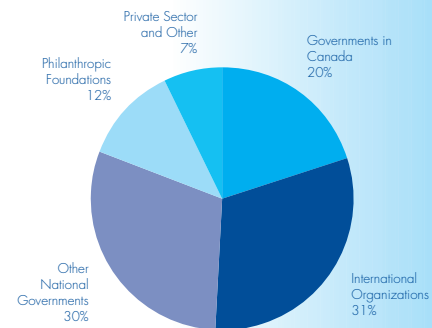
In addition to its operating grants IISD derives revenue from designated grants, publication sales and cost recoveries in connection with specific program activities as summarized below:

Program	(\$000's)		
	Sales and Cost Recovery	Designated Grants	Total
Business Strategies	\$ 25	\$ 30	\$ 55
Trade and Sustainable Development	10	137	147
Community Adaptation and Sustainable Livelihoods	4	226	230
The Great Plains	3	96	99
Measurement and Indicators	4	9	13
Information and Communications	4	114	118
Earth Negotiations Bulletin	4	890	894
Operations	37	-	37
	\$ 91	\$ 1,502	\$ 1,593

1995-96 Designated Grants and Other Income as Percent of Total Expenditure



1995-96 Designated Grant Revenue by Donor



Total: \$1,502,143

4. Capital Asset Expenditures and Amortization

The categories of capital assets and components of net assets invested in capital assets are summarized as follows:

Category	1996			1995
	Cost	Accumulated Amortization	Net Asset Value	Net Asset Value
Equipment	\$ 541,838	\$ 245,727	\$ 296,111	\$ 338,762
Leaseholds	82,309	49,385	32,924	42,801
Computer Systems	456,153	329,957	126,196	94,777
	\$ 1,080,300	\$ 625,069	\$ 455,231	\$ 476,340

5. Commitments

The IISD is obligated to make payments under various leases expiring up to March 31, 2001 as follows:

1997	\$ 57,350
1998	58,751
1999	58,751
2000	58,031
2001	58,031

Schedule 1: Expenses March 31, 1996

The following table summarizes expenses incurred in each of the IISD's programs.

	(\$000's)										Total 1996	Total 1995 (restated)
	Business Strategies	Trade and Sustainable Development	Community Adaptation and Sustainable Livelihoods	The Great Plains	Measurement and Indicators	Information and Communications	Earth Negoti- ations Bulletin	Operations	Fund- raising	Board		
Personnel	\$ 242	\$ 289	\$ 259	\$ 236	\$ 179	\$ 449	\$ 185	\$ 398	\$ 69	\$ -	\$ 2,306	\$ 2,270
Travel	16	54	33	19	24	39	369	13	16	-	583	463
Publishing	2	16	38	5	7	13	82	-	26	-	189	631
Consulting	(1)	61	114	64	-	37	254	2	4	-	535	485
Meetings	7	21	18	2	3	-	2	-	1	-	54	469
Rent	22	40	49	24	24	41	32	29	-	-	261	351
Supplies and other	13	20	21	14	11	20	17	55	1	-	172	170
Telecommunications	7	16	15	8	12	16	22	22	-	-	118	140
Research materials	-	-	-	-	-	52	-	-	-	-	52	42
Amortization of capital assets (Note 5)	6	10	13	6	6	106	20	21	-	-	188	167
Special projects	3	6	7	4	4	6	-	65	-	-	95	83
Board	-	-	-	-	-	-	-	-	-	134	134	217
	\$ 317	\$ 533	\$ 567	\$ 382	\$ 270	\$ 779	\$ 983	\$ 605	\$ 117	\$ 134	\$ 4,687	\$ 5,488

FINANCIAL CONTRIBUTORS

IISD wishes to express our sincere appreciation to the following organizations who have contributed to our work over the past year.

ACCT (Agency for Cultural and Technical Cooperation of the Francophone Countries)

Agriculture and Agri-Food Canada

B.C. Ministry of Forests

Canadian International Development Agency

Canadian Pulp and Paper Association

Canadian Shipowners Association

CANARIE Inc.

CCME - Canadian Council of Ministers of the Environment

China Council for International Cooperation on Environment and Development

City of Thunder Bay

Climate Change Secretariat

Department of National Defense, Canada

Environment Canada

European Commission

Federal Minister for the Environment, Nature Conservation and Nuclear Safety (BMU), Germany

Gesellschaft für Technische Zusammenarbeit (GTZ)

Government of Manitoba

Government of Switzerland - International Affairs Division

Habitat II Secretariat

Human Resources Development Canada

Indian and Northern Affairs Canada

Interim Secretariat to the Framework Convention on Climate Change

International Development Research Centre

IUCN - The World Conservation Union

Lakehead Port Council

Lakehead Terminal Elevators' Association

Les Elevateurs des Trois Rivieres

Manitoba Department of Highways & Transportation

Ministère de Transport du Québec

Ministry of the Environment - Sweden

Montreal Port Corporation/Bunge du Canada/Port of Quebec Corporation

Natural Resources Canada

Netherlands Minister for Development Cooperation

Norwegian Directorate for Nature Management

Norwegian Ministry of Environment

Ontario Corn Producers' Association

Ontario Ministry of Transportation

Ontario Wheat Producers

Overseas Development Administration (UK)

Organization for Economic Cooperation and Development

Permanent Mission of Iceland

Pew Charitable Trusts

Prairie Farm Rehabilitation Administration

Port des Trois Rivieres

Royal Danish Ministry of Foreign Affairs

Royal Ministry of Foreign Affairs of Norway

Seaway Bulk Carriers

St. Lawrence Seaway Authority

The Ford Foundation

The John D. & Catherine T. MacArthur Foundation

Thunder Bay Harbour Commission

United Nations Centre for Human Settlements

United Nations Development Programme

UNIFEM - United Nations Development Fund for Women

United Nations Environment Programme

United Nations Population Fund

US Agency for International Development

US Department of Agriculture

Winnipeg Chamber of Commerce

World Bank