

climatechange

international institute for environment & development



2005

annual report

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IIED special annual report focusing on the global challenge of

climatechange

Global warming threatens our life on earth.

It is too late to avoid the damaging impacts on many of the world's most vulnerable communities. But we must also act now to stop such changes getting worse. IIED works to help poor people adapt to climate change, and get a fairer deal.

This special annual report describes what we do and how we can work together to make progress.

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We want to change the world and make it a fairer, more sustainable place. Being realistic, we know we must work with others to achieve our goals. Collaboration with many partners around the world has been the hallmark of our work. The *Working Group on Climate Change and Development* has launched two flagship reports - *Up in smoke?* - and held a very successful meeting on how the impacts of climate change are affecting the livelihood prospects of poor people and countries. The *GreenHouse* partnership of eight London-based organisations housed in a landmark sustainable building is moving forward with plans for a centre of excellence in environment and development. Our new alliance with the *Foundation for International Environmental Law and Development* (FIELD) has brought valuable new skills and experience into IIED, on which to build further.

The year has also seen the re-organising of IIED's programmes into five larger groups, bringing increased coherence and focus, together with a valuable debate on strategy, priorities and communicating more effectively to diverse audiences.

We have established a climate change group to provide greater focus by IIED on this vital challenge. This year's annual report takes climate change as its principal focus. In the pages that follow each group outlines how its particular body of work contributes to a better understanding of how to address climate change and its impacts on livelihoods, health and development. It is vital we bring the best thinking and innovation to address this complex and challenging problem that threatens to engulf our planet. This review of activities by each group makes very evident the many aspects of climate change, whether availability of water for farming, animals and human needs, the risks to cities from floods and hurricanes or concerns amongst the financial and insurance sectors. It demonstrates very clearly that what might seem like an "environmental" problem cannot be dissociated from its broader political, social and economic dimensions.

Work to re-position environment within the mainstream development agenda has led us into a strong and productive role with the *Poverty Environment Partnership*. This group of 30-plus organisations has focused on putting environment back into global debates, especially the review of progress with the Millennium Development Goals. We have generated powerful findings about the high returns gained from investment in environmental assets (water, soils, forests, fish, atmosphere) and shown the very strong dependence of the poor on access to lands, resources and water supplies.

We live in interesting times. Hurricane Katrina has shown us the awesome force of nature and the inadequacy of our responses. Systems for dealing with crisis will sadly find themselves increasingly tested in the years ahead. The rising cost of oil should help spur changes in behaviour and a search for new energy technologies, so essential if we are to cut back significantly on carbon emissions. However the hike in oil prices has hit poorer countries very hard, given their high dependence on fuel for transport and power generation. So helping African countries invest in alternative sustainable energy systems needs much higher priority.

If we are to change the world, we will need to harness values and vision to sound analysis generated by strong partnerships around the world. At IIED, we are fortunate in our partnerships and especially lucky in the skills and vision of our new chair. Together we shall achieve great things!

Camilla Toulmin

The year 2005 has been a rollercoaster for people and organisations concerned with environment and development. The campaign to *Make Poverty History* provided a powerful focus for individuals and groups to rally in favour of a fairer, more sustainable planet. The *G8 Summit* offered a chance for citizens around the world to show their support for doubling aid, cutting debt and pushing for fairer trade while listening to their favourite bands – a very effective way of enlisting the involvement of a new generation. The review of the *Millennium Declaration* in New York, the *Climate Change Convention* in Montreal and the *World Trade Organisation* ministerial meeting in Hong Kong round off the year's key events.

An impressive set of global meetings and opportunities to re-write how we conduct our business globally – yet the problems that beset the UN summit in September illustrate clearly the stark challenges we face in designing a better world. Nowhere is this more clear than in the case of climate change. Presidents and Prime Ministers make the right noises yet do not grasp the urgent need for action. Driven by the fear of electoral losses if they take tough action, they remain blind to the rising costs of doing nothing. And, at a global level, the rich nations remain unwilling to admit responsibility for damaging the prospects and livelihoods of poorer countries and communities - and unwilling to make fair reparation.



Can we make the step-change needed to fulfil the aspirations of all people across the world? As Kofi Annan has made clear, there can be no security without sustainable development, no development can be sustainable without ensuring security and there can be neither security nor development without human rights. Yet security is so often couched in the language of military might and tough laws. The global war on terror is eating away hard-won gains for human rights and liberty. Faced by risks of bombings, governments are seizing the chance to monitor ever more closely the activities of citizens and visitors and amplifying further the grotesque misallocation of resources to fund arms. Military spending now tops \$1,000bn, some fifteen times the amount currently devoted to aid and development.

The latest *World Development Report* shows that while some people and countries are becoming better off, others are slipping backwards. We will all need to push hard for the fulfillment of the commitments made at the G8, UN and other world summits. Throughout this rollercoaster ride, IIED has provided a strong, consistent set of messages about what makes for sustainable development. Two stand out most clearly: first, in practice it is local people and their organisations who play the most vital role in delivering fair and effective development on the ground. And second, environment must be at the heart of all development, whether MDGs, PRSPs or any other plans. Well-grounded in the life and experience of real people and places, IIED's independent voice needs to be heard loud and clear, in global arenas and local settings. There will be no lasting development unless we ensure sound and just management of life and wealth on this beautiful but fragile planet.

Mary Robinson



The year 2005 has seen both a dramatic rise in evidence of global warming and a number of key political milestones. But efforts to reduce greenhouse gas emissions to date have been far less than is needed to prevent dangerous climate change for most people and ecosystems on the planet. In the next decade or two, the adverse impacts of climate change are already "locked in" because of delays in the global climate system responding to greenhouse gases already emitted.

The G8 summit focused on climate change and Africa. The two issues are intimately linked: Africa is the poorest continent and is most vulnerable to climate change but has contributed the least to the causes of the problem. The review of the Millennium Declaration in September demonstrated that these global goals are facing increasing difficulty, given the growing impact of climate change on hunger and poverty, access to water, and biodiversity.

The Kyoto Protocol came into force as international law, albeit without the USA and Australia. This has led to the launch of the Clean Development Mechanism while the establishment of the Emission Trading Scheme in Europe has widened the market for carbon trading. An increasing number of voluntary carbon offsets are being marketed for those people and organizations seeking to play their part in reducing their carbon footprint. And despite the lack of interest from the Federal Government in the USA, more than 100 cities are now engaged in cutting and trading carbon emissions. These are all important first steps. But they are not sufficient to prevent further emission increases and halt the alarming speed of global warming.

Although there is growing awareness of the problem, and support for action, amongst key constituencies whether governments and politicians, the development community, or business people, 2005 has also shown the limitations to current approaches. The G8 meeting made significant progress on better aid and debt relief for Africa, but little was achieved on progressing the climate change agenda. There is much resistance in the US to working within a multi-lateral framework of rules. Instead, a rival approach is being pursued, based on promoting technical innovation rather than signing up to stricter emission limits. The steady rise in oil prices does provide a powerful incentive to innovate, in both technology and institutional mechanisms. But a multi-lateral framework is absolutely key to our making progress as a planet towards a fairer, more effective means of tackling climate change. Regulations and market-based approaches should not be seen as polar opposites. Tighter limits for emission reductions offer a strong steer in favour of technical innovation.

Politicians around the world talk about climate change as a challenge to be faced, yet balk at considering the major shifts in priorities, fiscal policy and behaviour that will be needed. They over-emphasize the cost of action today, and under-estimate the benefits of new, cleaner energy systems, and the rising costs of inaction. We need to re-think basic economic tools to take climate change into account, such as by more systematic use of green accounts, and less discounting of costs and benefits accruing in the longer term.

If the slow pace of change in the last 15 years is any guide, we must act now to achieve changes in policy and practice over the next five to ten years. If we are to make progress we need not only new ideas but new actors and forms of engagement. Mainstream decision makers – in business, government and communications – need to understand the size of the challenge we face. The general public must find ways of mobilising behind a common set of objectives to reduce the risks of dangerous climate change. This means transforming climate change from an "environmental" or "green" issue into a clear priority for us all. We must therefore bring together the best in research, policy, advocacy and communications to push for major actions on climate change that address the real development priorities of all countries.

Countries like China, India and Brazil are already taking measures to encourage more sustainable energy use and address carbon emissions. But many of the poorest developing countries lack

knowledge about the options and will face the most severe impacts of climate change, whether they like it or not. Partnerships are needed to raise capacity among developing countries, by building on existing knowledge and institutions to deal with the future impact of climate change. The focus of work on climate change and development must therefore move as rapidly as possible from theory to practice.

How do we make change happen?

We are convinced that a combination of diverse actions are needed, working at different levels, combining politics with clever thinking, engaging with many different actors, phased and tailored to shift the agenda forward. Stakeholders are numerous and include governments, politicians, business, faith groups, NGOs, researchers and the media. If we are to have a real impact on policy at local, national and global levels a range of tools, skills and actions are crucial. We have to generate knowledge, engage with diverse stakeholders and communicate effectively so as to influence decision-makers, build constituencies, create alternative visions and seize policy opportunities.

We have decided to focus this Annual Report on climate change and how each of the IIED Groups will integrate a climate change focus in their work. Such a shift in emphasis enables us to build on existing strengths while looking forward to ensure we are ready for new priorities over the next decade. Each of IIED's Groups has major contributions to make in understanding impacts of climate change on resources, welfare and livelihoods, as well as showing how carbon emissions can best be reduced. IIED is forming a close partnership on addressing climate change with sister organisations in Sweden (Stockholm Environment Institute - SEI) and Canada (International Institute for Sustainable Development - IISD), allowing us to bring together a critical mass of activity, networks and collaborators in the South. Together with other actors from civil society, government and business, we hope to bring about the changes needed in awareness, institutions and technologies that will allow our children and grandchildren a viable future on this planet for which we are responsible.



Jean Leo Duggast/Still Pictures



Pablo Alfredo de Luza/Still Pictures



climate change

Our work this year has revolved around five main themes with a special focus on poorer nations: climate change and sustainable livelihoods; strengthening capacity to adapt to climate change; information dissemination; gaining development benefits from the carbon market; and networking.

Climate change and sustainable livelihoods in poor countries

Climate change is happening – the evidence is mounting South and North. We must find ways to adapt to climate change as well as prevent further acceleration of greenhouse gas emissions. For many of the world's poor, climate change impacts are now unavoidable; they bring major challenges for livelihoods and prosperity. Support is needed to help people adapt to changes such as falling water supplies, loss of species, and shifts in crop choice and pest attacks. IIED has joined the *Poverty and Climate Change Project* led by SouthSouthNorth, an NGO based in South Africa, to help expand its work on adapting to climate change. As part of the project, IIED works with partners in Brazil, Bangladesh, Indonesia and South Africa to train them on adaptation issues and explore how best to ensure win-wins for adaptation and poverty reduction. This should generate a number of adaptation projects in each country that show what can be done to bring tangible improvements in incomes and livelihoods, as well as addressing climate change.

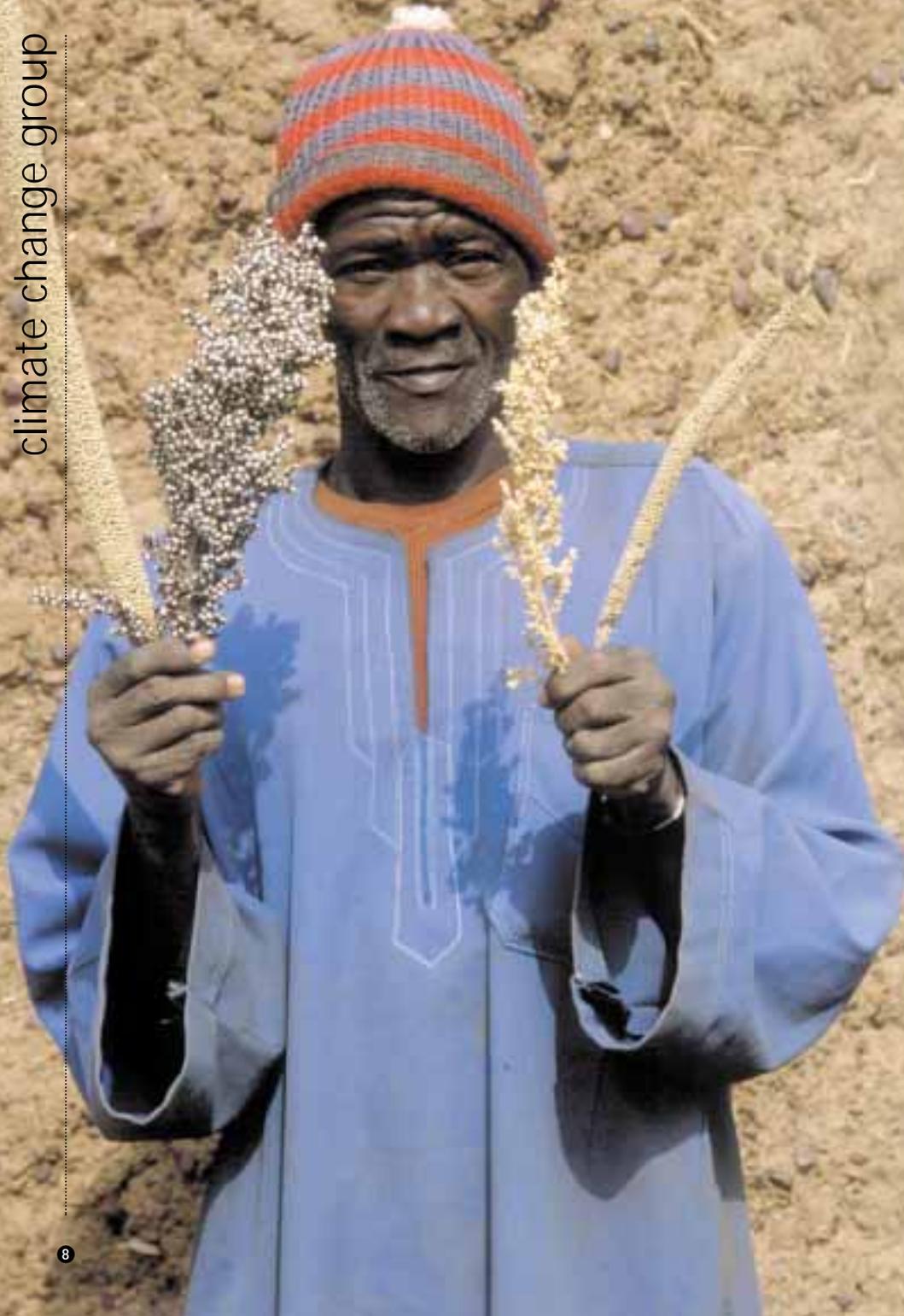
Bringing climate change into the mainstream of development policy and practice is essential. Awareness of climate change amongst donors is increasing, yet many are looking for guidance on how best to make sure climate change is incorporated into their existing work. IIED has been working with the UK's Department for International Development (DFID) to think through priorities for research on climate change and bring to this discussion the perspectives of stakeholder groups in the South. We carried out a wide-ranging consultation on key researchable issues on climate change and development in collaboration with the Regional and International Networking Group (Ring), The Energy and Resources Institute (TERI) in India and LEAD International, to offer guidance to DFID. This consultation sought to establish what developing country stakeholders regard as their most urgent needs in relation to climate change research and the implications for poverty reduction and sustainable development. Our work also identified research being supported by other funders and where there are significant gaps.

Capacity strengthening in poor countries on adaptation to climate change

Climate change is one of the most important challenges facing the Least Developed Countries (LDCs). It affects this group of the world's poorest nations more than other countries, for various reasons. First, the poorest people and countries are more exposed to droughts, cyclones and other extreme weather events due to their location within the tropics. Second, heavy reliance on natural resources and rain-fed agriculture means incomes are vulnerable to shifts in rainfall. Third, poor people tend to live in the most vulnerable areas that are subject to the greatest risks. Fourth, these people and countries have low capacity to adapt to these changes because they are already struggling to survive.

Our project on *Capacity Strengthening in the LDCs for Adaptation to Climate Change* (CLACC) is documenting how people are coping with climate change. Working with civil society organisations, we are supporting adaptation in the LDCs by informing the official National Adaptation Programme of Action (NAPA) process led by governments.

A major plank in our CLACC project is the fellowship programme, working with civil society organisations in twelve LDCs and strengthening regional centres of excellence. In 2004, fellows from four regional partners spent two months at northern host institutions, and this year fellows from twelve LDCs spent two months hosted by regional CLACC partner organisations. The principal focus for fellows and partner organisations is on research to assess how people and institutions are adapting to climate change in various sectors, particularly health. This information is fed into national levels of planning for adaptation to climate change, including the design of NAPAs. We are also bringing these local findings into global debates on the importance of climate change.



Mark Edwards/Still Pictures

Region	Regional CLACC partner	LDCs and organisations
South Asia	Bangladesh Centre for Advanced Studies (BCAS), Bangladesh	Nepal (Local Initiatives for Biodiversity, Research and Development - LI-BIRD), Bangladesh (BCAS, CARITAS and RDRS) and Bhutan (Royal Society for Protection of Nature - RSPN)
West Africa	Environmental Development Action In The Third World (ENDA), Senegal	Senegal (ENDA), Benin (Organisation des Femmes pour la Gestion de l'Energie, de l'Environnement et la promotion du Développement Intégré - OFEDI), Mauritania (Tenmiya) and Mali (AMADE PELCODE)
East Africa	African Centre for Technology Studies (ACTS), Kenya	Tanzania (Environmental Protection and Management Services - EPMS), Sudan (Sudanese Environment Conservation Society - SECS) and Uganda (Development Network for Indigenous Voluntary Associations - DENIVA)
Southern Africa	ZERO Regional Environment Organisation, Zimbabwe	Malawi (Coordination Unit for the Rehabilitation of the Environment - CURE), Mozambique (Action Group for Renewable Energies and Sustainable Development - GED) and Zambia (Energy and Environmental Concerns for Zambia - EECZ)

Training for LDC negotiators

Capacity strengthening for the LDCs is also important in the context of international climate change negotiations. Our work supports effective participation in these negotiations, the implementation of results and feeding experience with policy and practice back into the negotiation process. A key limitation of the negotiations on the Climate Change Convention (UNFCCC) is the lack of a level playing field for delegates. For the past two years we have worked with negotiators from LDCs, holding training workshops prior to the negotiations. The workshops cover a range of issues, such as negotiation strategies, co-ordinating positions amongst LDCs and substantive issues, like the operation of the Clean Development Mechanism (CDM). The workshops also help build a network of individuals who can continue to share ideas, knowledge and strategies beyond the walls of the convention negotiations.



Cyril Rubogo/Still Pictures

Our training workshops are continuing in the future under the auspices of the wider European Capacity Building Initiative (ECBI). This covers three integrated activities designed to support a sustained effort in training and capacity building for the international climate change negotiations. First is a senior fellowship programme for negotiators and other stakeholders from selected developing countries. Second, a research programme provides much needed analytic support for many of the participating developing countries. Third, a workshop programme led by IIED involves training sessions held before each session of the UNFCCC negotiations. In addition, capacity building workshops are being held at regional levels to strengthen links and sharing of lessons between key government stakeholders, negotiators and those with a responsibility to implement. These workshops are being run by IIED's Climate Change Group in collaboration with the *Foundation for International Environmental Law and Development (FIELD)*, now based at IIED, and *Oxford Climate Policy*.

Information dissemination



Interest in adaptation to climate change is growing. But many people still perceive the challenge of climate change largely in terms of cutting atmospheric greenhouse gas levels and developing regulations or market-based solutions to achieve this. To help shift perceptions, IIED is involved in many outreach activities to raise the profile of climate change as a key issue with major impacts on poverty and development. Through its editorial role on *Tiempo: A Bulletin on Climate Change and Development*, IIED publishes articles on climate change impacts in low-income countries

and some of the more creative ways people are coping with change. Authorship by writers in low-income countries is strongly encouraged and supported by IIED editorial staff. Some 6000 copies of *Tiempo* are distributed each quarter; subscribers in low-income countries receive free copies.

For the past three years IIED, in collaboration with Ring partners, has held an 'Adaptation Day' at the annual UNFCCC negotiating sessions. In 2004 this event was expanded into 'Development and Adaptation Days' to involve the increasing number of conference participants from the development community who have previously engaged little with climate change issues. Each year, these events bring together over 100 scientists, policy makers, negotiators and practitioners from both climate change and development groups. Additional funds are raised to bring developing country participants to the event and to the negotiations that precede and follow it.

In January 2005, IIED joined with the BCAS, IUCN and Ring to manage the *International Workshop on Community Level Adaptation* in Dhaka. This was a timely opportunity for practitioners, researchers, policy makers, donors and community representatives to review the latest state of knowledge on climate change, discuss links to sustainable development and exchange experience of community-level adaptation.

Opportunities from growth in the carbon market

More and more businesses as well as civil society and government bodies want to make sure their activities are 'carbon neutral'. This usually combines activities to reduce their greenhouse gas emissions with ways to offset unavoidable emissions. A range of options exist for those wanting to invest in projects to offset carbon emissions. Some of these focus solely on the carbon component, but others consider additional benefits, such as poverty reduction and sustainable development. IIED has been assessing the size of the market for these 'carbon plus' offsets, for which many organisations are willing to pay a premium (see page 26).

Networking and building alliances

Effective networking helps put communities and institutions in touch with each other to share ideas, work collaboratively and build capacity to tackle challenges like climate change. The *Linking Climate Adaptation* (LCA) Network, co-ordinated by the Institute of Development Studies (IDS) and IIED, is one example. Working with partners in Bangladesh, India, Zimbabwe, Senegal, Kenya and China, we try to ensure poor people benefit from policies and interventions aimed at encouraging adaptation, rather than them bearing a greater burden. A key aim of the LCA project is to find out what institutional frameworks are required to support local adaptation. We are also bringing together communities in low-income countries to exchange lessons with each other on ways to adapt, as well as encourage dialogue with those from science and policy making.

The *Working Group on Climate Change and Development* was established in 2003 by IIED and the new economics foundation (nef). We recognised the urgent need to involve development organisations in the climate debate and leverage the added value of networking between development and environmental organisations. The *Working Group on Climate Change and Development* members include ActionAid International, Catholic Agency for Overseas Development, the Catholic Institute for International Relations, Christian Aid, Friends of the Earth, Greenpeace, IIED, Institute of Development Studies, nef, Oxfam, People and Planet, Practical Action, the Royal Society for the Protection of Birds, Tearfund, Water Aid, World Vision and WWF. Since 2003, the Group has targeted activities to raise the profile of climate change issues within the UK government and motivate political action in the UK and elsewhere through events such as the G8 summit.

The strength of our Group lies in showing that climate change is of equal concern to both environmental and development organisations. It stresses that solving poverty and tackling climate change are inter-linked – we cannot have one without the other. The Group operates by identifying a few key demands that lend themselves to popular-style campaigning and media activities. Building on the success in 2004 of the Working Group's first publication – *Up in Smoke? Threats from, and responses to, the impact of global warming on human development* – the Group produced a second report in time for the 2005 G8 summit, *Africa – Up in Smoke?* including a forward by Archbishop Desmond Tutu. The production of this report was timed to coincide with the UK presidency of the EU and the G8, where Prime Minister Tony Blair made clear his intentions to give particular emphasis to both Africa and climate change. Parallel to the official G8 meeting, the Working Group held an event called the Global Warming 8, or GW8, in Edinburgh. Eight speakers from low-income countries or regions under particular threat from climate change spoke about the effects of climate change and some of the more creative ways local people are working to tackle the problem. As with the two *Up in Smoke?* publications, this event generated considerable publicity and helped move the debate forward in calling for urgent political action.

Global governance and sustainable development

The 2005 UN World Summit started as an ambitious attempt to bring together the UN's work on development, human rights and security and to agree approaches to address these issues more coherently. The end result is rather less encouraging, yet there are grounds for hope. IIED has been centrally involved in 'Environment for the MDGs' – an initiative developed by the *Poverty-Environment Partnership*, an informal network of over 30 development agencies and civil society organizations. This has led to a robust, shared set of evidence and strategic options for the Summit and beyond which aim to re-energise attention to the environmental challenges central to achieving the Millennium Development Goals.

Key messages from this work include:

- Environmental goods, services and hazards are critical factors in poverty reduction
- MDG7 promotes a set of environmental objectives, but is also integral to the entire set of MDGs and enables their achievement in more sustainable ways
- Governance reform and capacity development are often the principal ways to meet MDG7
- Investment in strengthening institutions and in environmental management - produces high returns for poverty reduction

Sustainability planning and assessment

Governments urgently need to get more joined up thinking between departments. Drawing up a National Strategy for sustainable development can be key to making this happen more effectively. We have tested a method to peer review the national strategies of different countries, using France as a pilot case, and Belgium, Ghana, Mauritius and the UK as the reviewers. Presented at the UN in April, various other countries are now planning to use the approach and have sought our help. For more information, see www.nssd.net. Our work also integrates environmental assessment, sustainability appraisal and development planning. Working with the Organisation for Economic Co-operation and Development (OECD), we have reviewed progress with strategic environmental assessment, providing a baseline for further guidance to donor agencies. We have also completed a review of international experience and practice in sustainability appraisal, which provides a benchmark on recent progress.

governance





Foundation for International Environmental Law and Development

In April 2005, FIELD joined IIED, and now benefits from shared office premises and core services. To ensure FIELD's distinctive profile is maintained, it remains a separate legal entity, and continues to be responsible for raising its own funds. The alliance with IIED enhances the work of both organisations, as we share common goals but offer different expertise. FIELD also has a formal association with University College London (UCL), through teaching activities and hosting of interns from UCL's Centre on Law and the Environment.

FIELD helps people use international law to protect the global environment, recognising that the people most susceptible to the impacts of environmental degradation are often the least equipped to shape the necessary solutions. We work directly with communities, public interest organisations and developing countries, to assist them in using international law to protect the environment. Wherever possible, FIELD provides assistance for free, deriving income chiefly from foundation grants and governmental institutions.

In the field of bio-diversity, over the last year, FIELD has focussed on the international rules on access to genetic resources and the regulation of trade in genetically modified organisms. We contributed to the preparation of two highly-respected guides: the 'Convention on Biological Diversity Handbook'; and the 'Explanatory Guide to the Cartagena Protocol on Biosafety'. These guides help people understand the complex international agreements that regulate: access to genetic resources (plants, animals and micro-organisms); the sharing of benefits gained from their use; and the movement of genetically modified organisms from one country to another.

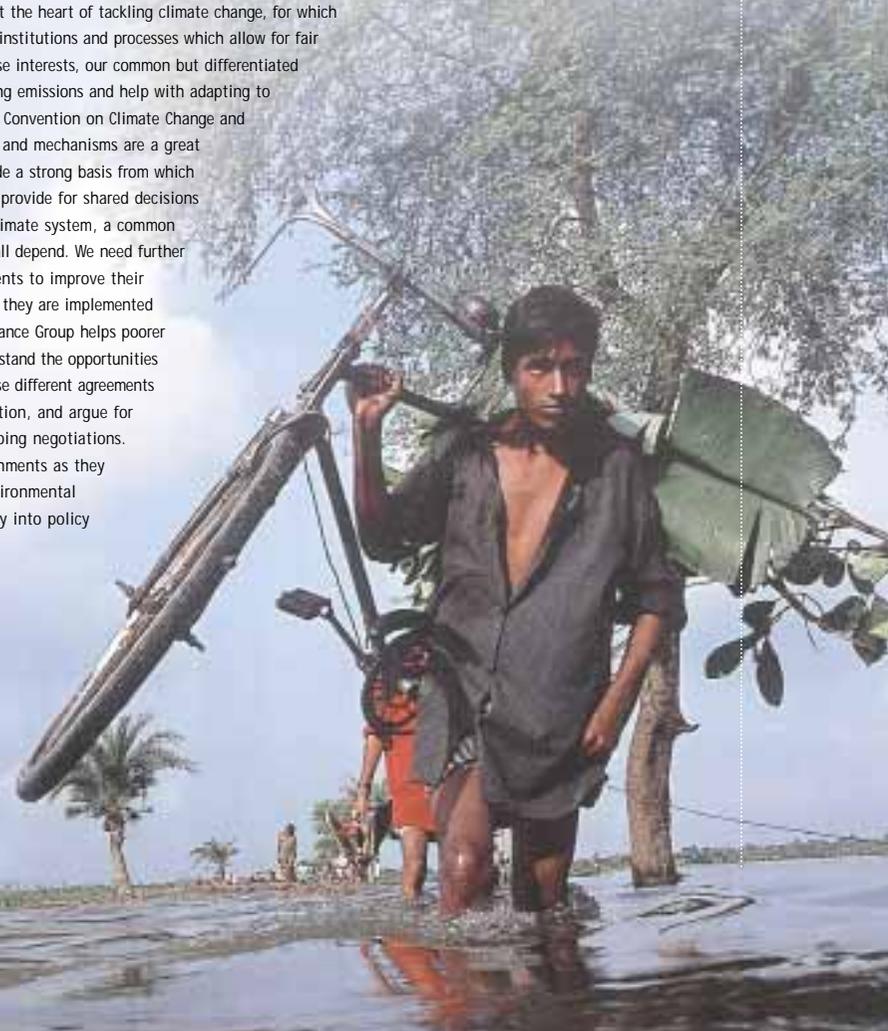
On climate change, FIELD's lawyers have been directly involved in the international climate regime since its beginning and continue to be pivotal in plans for effective implementation. We continue to provide direct assistance to climate negotiators from the Alliance of Small Island States (AOSIS). In advance of each international negotiating session on climate change, FIELD prepares briefing documents for the AOSIS negotiators and provided hands-on assistance during the negotiations themselves. At the climate negotiating session in December 2004, small island state negotiators played a significant role in obtaining the agreement of the international community to initiate work on ways to help countries adapt to adverse impacts of climate change. FIELD co-hosted an international conference on *Justice in Adaptation to Climate Change* to discuss an equitable fair framework on adaptation to the impacts of climate change, to be published by MIT Press.

Our work on Trade and Investment seeks to manage the dynamics of globalisation, in favour of more sustainable development. With others, we have submitted a series of 'amicus curiae' or 'friend of the court' briefs in disputes before the World Trade Organisation on a number of trade measures relevant to environmental protection: a US ban on the import of shrimps caught in a manner that harms sea turtles; a French ban on the import and sale of asbestos; and the European Union's de facto moratorium on the import of genetically modified (GM) products.

Governance and climate change

Our Governance group draws together work on global institutions, international environmental law and national level planning – all key elements in getting sustainability centre-stage in decision-making. Sustainable development as a set of ideas and common principles has suffered much erosion since the heady days of Rio's 1992 Earth Summit. Then, the momentum behind concern for biodiversity, desertification, forests and climate generated a set of new agreements aimed at steering the world in a fairer, more sustainable direction. Today, in much of the rich world, environment is seen as a constraint on economic growth and prosperity. The economic challenge to the West from the massive growth potential from China, India, Brazil and other newly industrialising nations is pushing governments to cutback on environmental regulation, and cast aside environmental concerns. Nowhere is this more true than with climate change. Despite the rhetoric about the need for a long term approach, short-sighted worries dominate policy making. Addressing climate change is seen as something that will inevitably be at the expense of jobs and growth. Ministers of Finance, Trade and Industry carry far greater weight in government than those responsible for environment and international development.

Governance issues lie at the heart of tackling climate change, for which we must design global institutions and processes which allow for fair representation of diverse interests, our common but differentiated responsibility for curbing emissions and help with adapting to change. The Framework Convention on Climate Change and associated agreements and mechanisms are a great achievement and provide a strong basis from which to move forward. They provide for shared decisions regarding the global climate system, a common resource on which we all depend. We need further work on these agreements to improve their interpretation and how they are implemented in practice. The Governance Group helps poorer countries to both understand the opportunities and implications of these different agreements for their specific situation, and argue for better terms from ongoing negotiations. We also support governments as they strive to integrate environmental concerns more centrally into policy and decision-making.



human settlements

The goal of the Human Settlements Group is to reduce poverty and improve environmental and housing conditions in and around the urban centres of Latin America, Asia and Africa. Climate change presents particular challenges to poverty, environment and the physical fabric of urban centres around the world.

Urban Poverty: This theme cuts across all of our work and leads us to place special emphasis on initiatives that build on the strategies of the urban poor themselves. We have participated in the *Millennium Development Task Force* for improving the lives of slum dwellers. Some of our recent work on the topic is reflected in the latest additions to our Urban Poverty working paper series on the work of urban poor organisations and their federations, and on the role of savings and savings associations. We have continued to work with a small grants programme to community organisations formed by the urban poor and to co-ordinate an international research effort on disaster preparedness and risk reduction in cities.

Urban Environment: We are concerned here with the localized environmental hazards that contribute to a large share of ill-health, injury and premature death among urban populations, especially low-income groups. We also focus on reducing the environmental burdens that urban development has historically imposed on surrounding regions and increasingly imposes on global resources and sinks. Our work on more localized hazards is reflected in a report

commissioned by the *Water Supply & Sanitation Collaborative Council - Community-driven development for water and sanitation in urban areas* - published as input to the 13th session of the UN Commission on Sustainable Development held in New York, April 2005. The importance of also addressing the regional and global impacts of urban development is reflected in a chapter on 'Urban Systems' we helped to prepare for the report of the *Millennium Ecosystem Assessment*, launched in 2005.

Rural-Urban Linkages: Rural and urban livelihoods and economies are highly interdependent. We work in collaboration with local stakeholders to provide a better basis for recognising and responding to the 'rural' implications of urban development and the 'urban' implications of rural development, especially in peri-urban areas. In 2005 a case study in Vietnam's Red River Delta was finalized, and a case study in the Mekong River Delta was begun. Our recent work on rural-urban issues is reflected in the latest papers in our *Rural-Urban working paper series*. Plans are under way to prepare an *Earthscan Reader on Rural-Urban Linkages*. In 2005 we also contributed work on Rural-Urban Migration to a Task Force on Sustainable Urbanization in China.

In 2005 the themes of our journal, *Environment and Urbanization*, were 'Meeting the Millennium Development Goals in urban areas' and 'Chronic poverty'. Future themes will be ecological urbanization and reducing risks for cities from climate change.





Climate change and cities

All cities need policies on climate change to reduce both their contributions to greenhouse gas emissions and their vulnerability to its likely impacts. But for most of the world's cities this must combine with efforts to address their populations' needs for more immediate environmental improvements, such as safe and secure housing, good water provision, sanitation, drainage, solid waste collection and pollution control. Thus, urban climate change policies need to be grounded in environmental governance that responds to local priorities, including those of the urban poor and other already vulnerable groups.

It is within larger urban areas that a high proportion of the world's greenhouse gas emissions occur. Three quarters of the world's urban population live in Africa, Asia and Latin America. Africa may still be predominantly rural, but 40 percent of its population live in urban areas – and its combined urban population is larger than that of North America. Per capita emissions in low-income cities are far less than in affluent ones and a significant share of emissions in low and middle income cities are from producers exporting goods to more affluent countries. How cities and the enterprises and households they concentrate are planned and governed over the next few decades will have major implications for future emissions and the risks they bring. Action must be taken now in affluent and rapidly growing cities, where there is most scope for cutting future emissions without sacrificing current welfare. But even in the poorest cities there is scope for investing in mitigation – provided this investment contributes to local welfare improvement as well as global risk reduction.

Urban centres also concentrate many of the people most at risk from the direct and indirect effects of climate change. City governments have the potential to reduce this risk. Concentrating people and businesses lowers the cost per person for most measures – for instance providing defences against floods, building spare capacity into water supply systems – and adapting urban infrastructure to cope with extreme weather events and sea level rise. But in the real world these potentials are not used, since local and national governments lack the capacity or choose not to invest in this. In the wake of Hurricane Katrina, the importance of preparedness in the face of climate-related disasters was clear for all to see – as was the special vulnerability of poorer residents. Many cities in Asia, Africa and Latin America are far less prepared for the risks they face than New Orleans.

One worry about focusing on measures to reduce the vulnerability of cities to climate change is that it will divert attention and financial resources from other pressing issues. If half a city's population lives in squatter settlements lacking water, sanitation, schools and health care, it is difficult to justify investments to guard against uncertain future risks. Even as the risks become less uncertain, few politicians have the courage to act for the longer term. There is also considerable anger felt by many politicians and civil servants in low- and middle-income nations towards high-income nations whose production and consumption systems created the problem but who are themselves doing so little to address it. And there is the danger that when measures are taken they will add to the burdens of the urban poor – evicting them from a flood plain, for instance, but not providing more suitable locations to settle in.

There are, however, often synergies between measures to reduce risks from local environmental hazards and those generated by global warming. Many measures, if taken today, can build into the expanding urban fabric lower emissions and more resilience to extreme weather events at low cost. One example is encouraging design of new buildings and settlement layouts that are less dependent on fossil fuels and private car use and that use water more efficiently. These designs also have the advantage of reducing the impact on people's incomes from rising fuel and water prices.

The potential synergy between local, regional and global environmental agendas has long been a central concern to our work on urban environment. It also relates closely to our work on poverty reduction and rural-urban linkages. Local initiatives that ensure poorer groups get secure homes with good quality infrastructure can also improve conditions and reduce risks for those most vulnerable to climate change. They build competence, capacity and resilience into city governments - from the bottom up. Similarly, a greater capacity to build positive rural-urban linkages should create a greater ability to cope with climate change.



Mark Edwards/Still Pictures



Poverty and Conservation Learning Group shares information and learning amongst the conservation, development and human rights communities. This international group seeks ways to redress past and present harm done to local people excluded from their lands by national parks and protected areas, which now cover 12% of the Earth's land area.

Protecting rights over traditional knowledge. We work to protect traditional knowledge of the uses of biodiversity. This helps broaden debate away from arguments about 'intellectual property' and to embrace a more holistic, rights-based approach. Our partners in Peru have developed the concept of 'Collective Bio-Cultural Heritage', that recognises the inextricable links between knowledge, biodiversity, landscapes, spiritual values and customary laws.

natural resources group

natural resources

Poor people living next to rich natural resources...destructive patterns of land use despite plenty of knowledge about more sustainable management. These are some of the contradictions that drive our work at IIED. The Natural Resources Group promotes more sustainable and just patterns of land and natural resource use, and brings together three programmes that have generated much of IIED's best-known work: drylands; forestry and land use; and sustainable agriculture, biodiversity and livelihoods.

Democratising food systems and access to natural resources

Inclusive access to natural resources, diverse livelihoods and fair benefit sharing have all been central to our work on food systems, biodiversity and human wellbeing. Innovative research on food has focused on the role of women in cashew nut chains linking rural areas of Mozambique and India to world markets. This action research has sought ways for women to enjoy a fairer deal and greater power within these commodity chains. It has also shown the importance of local and regional markets.

We have engaged in a long term collective process of 'learning by doing' in the co-management of natural resources, which culminated in *Sharing Power* - a joint book by IIED and IUCN. Drawing on the experience of partners throughout the world, it focuses on the agreements needed for adaptive management of ecosystems through local governance of natural resources. *Sharing Power's* message is not just a call for co-management. It also shows the importance of social justice and economic and gender equity.



Joint work with partners has helped develop methodologies to ensure effective inclusion of marginalised groups in wider debates on environment and development. A combination of farmer-to-farmer exchanges, village level meetings and use of the internet by

individuals mandated by farmer groups made sure small scale producers and indigenous peoples were the main participants in an Electronic Forum on the 'Future of Food and Small Scale Producers', run in French, Spanish and English. Through action research we help strengthen organisations of small scale producers and create safe spaces for citizen action in policy processes.

Smallholder farmers and livestock keepers in Africa's drylands

African smallholder farmers and livestock keepers have been a major focus of our work in 2005. Not only do they make up the vast majority of rural and peri-urban populations, they also account for the bulk of Africa's agricultural production and are active in supplying food for domestic markets as well as exports. The coffee and chocolate consumed in Europe come mainly from smallholder farms in Kenya, Côte d'Ivoire and Ghana, while the bulk of cotton from Mali and Burkina Faso is produced on farms of only a few hectares. Many smallholders are branching out into new areas, supplying European markets with out-of-season vegetables, fruit and cut flowers.

Their ability to produce for both domestic and export markets, with little government support for marketing, is testimony to their resilience and ingenuity. Yet, the central role of smallholder farms is barely recognised by many African governments, who think the modernisation of agriculture is about shifting towards large-scale commercial farming. The desire by governments to transform smallholder producers is driven in part by a belief that they are backward and uncompetitive. These beliefs persist despite mounting evidence that demonstrates the greater potential and productivity of family-run rural enterprises, and challenges the view that large-scale farms are more productive.

Smallholder production is also dependent on secure land rights. Our action research on land registration has identified innovative, low-cost and accessible systems that can counter the bias against poor people often found with land registration efforts in Africa. Meanwhile, with farmer organisations and pastoral associations in East and West Africa, we are designing tools to enable them to argue for development that builds on their own vision, values and priorities.

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Keep it in the Family is a film giving rice and vegetable farmers in Senegal a chance to explain their plight to policy makers. Despite their efforts to invest in farming, they are blocked at every turn by unfavourable domestic policies and cheap food imports from Europe and Asia. Shown on BBC World, the video is also used in Senegal to stimulate debates between farmers, their representatives and government.

Pastoralism and Policy. This training course helps pastoral communities in the Sahel play a more informed role in local decision-making on issues affecting their lives. A key objective is to build the skills and confidence of pastoralists to articulate the rationale underpinning their livelihood system in a highly uncertain risk-prone environment, now further exacerbated by climate change.

Shed Loads. Markets for watershed protection could deliver sound environmental and social outcomes. Working with the Television Trust for the Environment (TVE) IIED has helped produce a 30-minute documentary called *Shed Loads*. The programme opens with the impressive achievements of New York City and then looks at the complex problems with payments for watershed services at project sites in South Africa, India and Bolivia.



Jeremy Horner/Panos Pictures

Power Tools. Many natural resource users have no opportunity to shape the policies and institutions that govern their use. The Power Tools initiative aims to close the gap between policy design and marginal communities. Coordinated by IIED in partnership with NGOs and policy researchers in Africa, Latin America and Asia, the initiative has developed and shared tools that enable day-to-day managers of natural resources to influence how policy is created. Some 26 tools and a handbook have been printed in four languages – all are available at www.policy-powertools.org.

natural resources group

Practical tactics for forest governance

Prescriptions for sustainable natural resource use abound, but there are far fewer practical tactics to put them into practice. The Forest Governance Learning Group is an alliance, steered by IIED, developing such practical tactics in Africa. In Malawi, Niger and Mozambique groups recognise the danger that communities will disengage from forest stewardship unless practical mechanisms are found to strengthen their ownership and responsibility. The Uganda group has used the space created by decentralisation and high-profile cases of corruption in the timber trade to develop improved systems for governing forests. In Ghana, work points to the potential powder keg created at community level by those involved in flouting the law and over-harvesting timber. Renegotiation of rights and responsibilities is being called for to bring the major abusers to book. Over the coming year new country groups will be set up in South Africa, Cameroon, India, Indonesia and Vietnam.

Associations of small and medium enterprises (SMEs) provide another focus for work on forest resources. Association lies at the heart of attempts by SMEs to fight political marginalisation and reap some of the benefits of globalisation. SMEs based on forest resources could play a major part in securing more sustainable livelihoods in many rural areas where few other alternatives exist. Our research has demonstrated the magnitude of this contribution to economic opportunity. It also highlights the unrealised potential of SMEs for lack of policy support and joint action. We are now working with partners in Brazil, India, Uganda, China, Guyana and South Africa to spread understanding of how SME associations can work for the poor.

Reducing risk in a changing climate

For people living in dryland Africa adapting to climate variability and change is a way of life, which has shaped local livelihood strategies for hundreds of years. Local people hedge their bets against uncertain and irregular rain by adopting flexible land use practices. Farmers cultivate a broad range of crops on different soils and locations. Pastoralists adopt highly



mobile lifestyles to track available pasture and water. Both groups diversify into many other activities and invest in reciprocal agreements to guarantee access to resources in times of crisis. Customary institutions enshrine these principles of flexibility, opportunism and reciprocity to spread risk. We work with our partners to understand how these institutions and practices are changing as a result of policies and interventions and the degree to which they still represent useful principles to manage uncertainty.

'Sustaining Local Food Systems, Agricultural Biodiversity and Livelihoods' emphasises a reduction in the use of fossil fuels and so called 'food miles'. It identifies policies and practices needed to reduce significantly the impact of food production and distribution on climate change.

Livelihoods and carbon management

Land-based ecosystems can act positively as a 'sink' for carbon - by sequestering carbon through photosynthesis. But they can also work as a 'source' of carbon emissions through deforestation, decomposition and soil erosion. Whilst emissions control must be the main focus for controlling climate change, successful strategies will often include improved management of the land-based components of the carbon cycle. In recent years 'carbon offset' initiatives have sought to sequester carbon in one locality through changes in land management, that can be used to offset emissions elsewhere.

With others we have reviewed the evidence and arguments linking rural livelihoods and carbon offsets. We conclude there is still much to do if carbon offsets are to contribute to just and sustainable livelihoods. Globally the design of carbon offsets must build on sustainable forestry, land use and livelihoods criteria. National institutions need to be strengthened to act as brokers between the global carbon marketplace and potential local suppliers. Local carbon service providers need to be well-organised and competitive - building on mechanisms that already work well for sustainable land use and multiple rural stakeholders, such as rural development banks and extension systems.

Exploring new ground

Over the coming year we will also explore other areas, including tourism, sovereignty and ethics, legal tools for resource access, ecosystem resilience and sustainable energy systems. We will further develop our communications activities, adapting our different publication series, experimenting with a range of media and sharpening our tactics for policy influence.



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Can wood combat climate change?

Use of wood as first choice for building, packaging and energy can cut risks of climate change. Forests and wood products act as valuable carbon stores, while natural forests provide multiple added benefits such as water management, biodiversity, and landscape value. See www.woodforgood.com.

Markets are rightly described as the dominant social institution of our time. Understanding what they are, how they work and how they can be shaped is essential to achieving more sustainable development, including responding to the challenge of climate change, overleaf.

The Sustainable Markets Group drives IIED's policy research, advocacy and engagement in support of markets, trade and private sector actions that contribute to positive social, environmental, and economic outcomes. The group brings together the work of the Environmental Economics programme with that of the Business and Sustainable Development programme. There are also significant areas of work being carried out on global food and commodity chains and design of markets for watershed services (jointly with the Natural Resources Group).

The formation of our new group is timely, given the very rapid changes under way in the world economy that bring unpredictable consequences for environment and development. There is a marked expansion in the global reach of markets, with growth in both trade and investment flows. There are major shifts in economic power between countries and especially towards India and China, as well as changes within sectors as a consequence of increasing corporate concentration. The widely promoted role that business might play in achieving the Millennium Development Goals is constrained by the polarised debate on 'corporate responsibility'. Such concerns are often poorly integrated within core business decisions that are disconnected from growing labour markets in the South and selective in their commitment to the economic, environmental and social justice dimensions of sustainable development. The positive and negative spin-offs from increased trade and investment are increasingly complex and linked to issues such as intellectual property rights, environmental and labour standards and competition policy. Interactions between trade, investment and sustainable development need to be better understood. In most countries there is currently little government appetite for intervention in markets,

which leaves a commitment to secure environmental and human rights and social justice goals on the sidelines.

The 'toolbox' for making markets more sustainable and equitable in their operations is also in need of thorough review. The benefits of current mechanisms to correct for market failure, such as carbon trading, tend to accrue to the rich, with very limited returns accessible to poor countries and groups.

Environmental Economics

Over the past year we have continued our collaboration with the University of Newcastle and the National University of Costa Rica on socio-economic impacts and market opportunities associated with land use and hydrological change in tropical montane cloud forest areas in Arenal. The project is developing a system to support negotiations between different stakeholders to improve coordination of water use in the watershed. The aim is to help design solutions and market-based management mechanisms that bring both social and environmental gains. The tools from this project are now being tested in a very different context, in Bhopal, India to ensure their broad applicability.

We continue to provide an economics input for the project on Developing Markets for Watershed Protection Services and Improved Livelihoods. We have also been updating and extending a global review of experience with payments for watershed services.

We are assessing the marketing of biodiversity and ecosystem services, and how to secure a greater share of the benefits for local people. In collaboration with WWF and with support from the UK Darwin Initiative we have started a new project on sustainable tourism in the Srepok Wilderness Area in Cambodia. The purpose is to secure community access to benefits generated from sustainable wildlife tourism in this area, based on the long-term viability of key animal species, such as tigers, elephants, banteng, Eld's deer and kouprey.

sustainable markets



Carbon Markets

How can carbon markets deliver sustainable development?

With the coming into force of the Kyoto Protocol there is heightened interest in the potential of markets for carbon offsets to promote efficiency in cuts to greenhouse gas emissions and contributions to sustainable development. The Clean Development Mechanism (CDM), created by the Kyoto Protocol, was envisioned as a means to link the carbon market and sustainable development objectives in developing countries. Through the CDM, countries seeking to achieve their targets to reduce greenhouse gas emissions can gain credits from projects in developing countries that involve emission reductions or carbon sequestration, provided those projects also contribute to sustainable development priorities in their host countries. The operations of the CDM have come under criticism for their tendency to support large-scale projects that offer few benefits to local livelihoods. Small community-based projects are often not economically viable under the CDM, due to the high transaction costs and lengthy bureaucratic procedures involved. Furthermore, most projects are concentrated in large, better-off developing countries, such as India and Brazil, and have virtually bypassed the least developed countries.

The Sustainable Markets and Climate Change Groups are exploring the potential of the voluntary carbon market for delivering sustainable development benefits. An increasing number of companies, governments, organisations, international events and individuals have started taking responsibility for their carbon emissions by voluntarily purchasing carbon offsets. These voluntary offsets are often bought from carbon retailers. These tend to be organisations that invest in a portfolio of offset



sustainable markets group

Regoverning markets

A major project, *Regoverning Markets*, is focusing on the growing concentration of corporate power in the food sector globally, and its consequences for sustainable development. The dynamic changes in how agri-food markets are structured pose great challenges for private and public sector bodies at international, regional and national levels. Working in partnership with a global consortium of institutions, the goal is to find ways to secure more equitable benefits for producers. We will identify a range of policy interventions to strengthen the resilience of rural producers and local economies in a climate of unprecedented market change.

The cycles of crisis in agricultural commodity markets are closely linked to issues of poverty and environmental degradation. During the year we held a Strategic Dialogue in partnership with the International Centre for Trade and Sustainable Development (ICTSD) on Commodities, Trade, Poverty and Sustainable Development. Our discussions will feed into further action research work identifying public policies and private sector strategies to improve governance and sustainability in commodity markets.

Large supermarkets in Europe play a decisive role in structuring the production and processing of fresh vegetables exported from Africa. The product standards they set for producers are often even more exacting than official standards, making it increasingly hard for many small farmers to sell their goods profitably, and concentrating business in the hands of large farms. Given the rise of private standards we are forming close partnerships with food retailers, manufacturers, standard-setting bodies, traders and producers and are leading a project with DFID and NRI to identify opportunities and favourable outcomes for small-scale producers to participate in international horticultural supply chains.

A new agenda?

'Is corporate social responsibility at a crossroads?' This question has been at the heart of a new project, supported by the Esmée Fairbairn Foundation, to develop scenarios on the future of corporate social responsibility in the UK to 2015. Based on wide ranging engagement across government, civil society and business, as well as two workshops, we have developed scenarios that build on that central question.

We have continued to engage in a new initiative of the International Organisation for Standardisation (ISO). ISO has begun work to develop an international standard on social responsibility, that can act as guidance for organisations of many kinds. IIED is a member of the international working group established to develop this standard. Our aim, in collaboration with a wider group of NGOs, is to make sure the standard reflects Southern perspectives. We have also expanded our work on the role of small and medium-sized enterprises and how they fit within the corporate social responsibility agenda. This work will increasingly find its way into our advocacy on business and development.

The term 'corporate responsibility' is increasingly problematic and constrains the creative thinking and innovation needed to harness business for sustainable development. We are now embarking on a major programme of work to deliver the analysis, advocacy and networks needed to generate a new agenda on business and sustainable development - an agenda that addresses the challenges of the twenty-first century.



Mark Edwards/Skill Pictures

Trade and investment

Work on trade has focused on trade liberalisation and sustainable products, and assessing the impact of trade on various measures of sustainability.

We have produced a number of papers, including the state of negotiations on environmental goods at the WTO, and the relationship between 'sustainable products' and trade. In collaboration with Chilean colleagues, we have been examining voluntary initiatives in sustainable production and consumption in the Asia-Pacific region.

In collaboration with ODI, we have been looking at how changes in key EU policies in agriculture and trade affect global patterns of production and trade. Over the next year, we will continue to focus on how southern countries can benefit from trade opportunities and minimise their negative impacts.

Foreign direct investment (FDI) has the potential to contribute greatly to sustainable development.

But the benefits of FDI promised at national level are seldom matched by positive contributions to environmental protection, poverty reduction or sustainable livelihoods at the local level. A major new programme of work is designed to strengthen the positive contribution that FDI can make to sustainable development. We will investigate investment contracts between major foreign investors and host country governments. We want to understand the distinctive role of project finance in FDI, the deals that underpin it and the opportunities for leveraging better outcomes for local communities. Together with key individuals and associations we will target the hitherto under-explored role that investment promotion agencies could play in attracting businesses committed to sustainable development.



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projects, from which they then sell slices of the resulting emissions reductions to a range of customers in relatively small quantities. As retailers generally sell to the voluntary market, the projects in which they invest do not necessarily have to follow the formal CDM process and associated certification. Free from the stringent guidelines, lengthy paper work and high transaction costs of the CDM, project developers have more scope to invest in small-scale community based projects. The multiple benefits stemming from these projects, in terms of local economic development or conservation of biodiversity, are often a key selling point. IIED itself has recently adopted a policy to offset its carbon emissions and is currently supporting a community forestry project in Mozambique.

Although the voluntary market is small and fragmented, it is growing rapidly and has potential for significant expansion. Policy developments in the regulatory sector, such as the ratification of the Kyoto protocol and the EU Emission Trading Scheme, appear to have boosted rather than dampened such voluntary markets. Current regulatory regimes in Europe, Australia and elsewhere only cover large emitters. Hence, there is plenty of scope for smaller companies, organisations and individuals to be active in the voluntary market. Barriers to expansion of the market include lack of awareness and difficulties of demonstrating credible benefits to carbon balances and development outcomes. We will examine how this potential for substantial growth can be unlocked.

communications



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Improved, fully searchable publications database of over 1200 IIED titles.

To facilitate easy searching all titles are searchable by author, series, region or country. Please try it out and give us your feedback and subscribe to our monthly new publications electronic newsletter that goes to over 10,000 email subscribers. We welcome new subscribers on www.iied.org.

In Plain English

We are working to make our materials accessible to the widest range of global audiences. IIED staff are being trained in writing plain English, and developing presentation and media skills.

Together with our partners we produce a wealth of material in many different formats – books, reports, working papers, websites, journals and newsletters. This information represents a vital resource to those working in international development and we are constantly refining the way we make our materials accessible.

This year has been particularly stimulating. Environment and development news has been filling the headlines as never before, with Live 8, the Africa Commission, the G8 and UK hosting of the EU Presidency as backdrops. In response, we have made a number of exciting improvements to our communications infrastructure.

Information dissemination is not the only form of communications activity at IIED. One key role is to influence current thinking on environment and development issues. To this end we speak with many different audiences, from grass roots organisations to global decision making arenas. Closing these gaps between global and local levels informs much of our communications work.

The Communications Group adds value to the activities of IIED's projects and programmes, by working with the media, maximising outreach for each publication, exploring different communication formats, convening meetings, briefings and networking events. We also manage the IIED website and project related sites.

Extending our reach

New projects to reach broader audiences this year included three television programmes broadcast on BBC World television, to 270 million households worldwide. Through IIED's collaboration with TVE's *Earth Report* we were able to widen greatly our reach and will evaluate these projects over the next year.

Old Growth and Gorillas featured a panel discussion between Camilla Toulmin, Dame Anita Roddick, Simon Counsell of the Rainforest Foundation, David Kaimowitz of CIFOR and Sir Alan Knight of the Kingfisher Group. Staff member Duncan McQueen was a vital resource in the 'expert' audience.

Keep it in the Family, broadcast as the first item in the *Earth Report Africa* season in July, was timed to coincide with the G8. "Keep it in the Family" followed IIED Senegal's project officer Awa Baly Fa as she visited small farmers whose livelihoods are being jeopardised by imports of cheap rice and other agricultural products.

Finally, **Shed Loads** was broadcast in September. Filmed in New York, South Africa, India, Bolivia, Jamaica and Indonesia, this film tracks various examples drawn from IIED's *Markets for Watersheds* project. It examines how incentives for more sustainable land use can be directed towards poor people living upstream, safeguarding their income, while also protecting the environment.

Power of Networking

A new range of exhibition materials has been developed – exhibition stands and banners, posters, postcards and reports - to help project a consistent image for IIED. This allows us to respond to opportunities like the World Conservation Congress in Bangkok, our G8 event and more.

Media Friendly

We have made two significant strides to becoming more media friendly. We produced our first *Media Directory* that presents IIED researchers and teams, with details of their expertise. This media friendly booklet is easy-to-read and update.

Recognising the potential offered by the G8, we hired a media consultant to position IIED through this critical period. This has helped secure coverage for a story on indigenous people's rights over potato varieties in Peru, and several climate and development stories. Media work for the G8 included a background briefing with IIED Chair, Mary Robinson and Trustee Youba Sokona, as well as briefings by staff members Camilla Toulmin, Awa Faly Ba, and Ced Hesse with journalists from *The Observer*, Reuters, Inter Press Service, British Satellite News and the Irish Times. All carried pieces and it was the top story on IPS in the week of G8.

Next Steps

In September we published an illustrated document outlining IIED's 2005-08 strategy. It demonstrates how IIED is "working for a just and sustainable world". Communications are a major part of this strategy and the coming year's programme of media events, communications projects and publications reflect this commitment. As with all policy research institutes, we continue to learn how best to influence our diverse audiences. If we want to change the world, in alliance with others, we must first communicate the combined vision and practical steps needed to move us in the right direction.

2005 IIED staff list

Camilla Toulmin
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(from April 2005)

Barry Dalal-Clayton
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Planning & Assessment

David Satterthwaite
Senior Fellow, Human Settlements

GROUP HEADS

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James Mayers
Natural Resources (NR)
Director, Forestry & Land Use

Gordon McGranahan
Human Settlements (HS)

Bill Vorley
Sustainable Markets (SM)

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Participatory Learning and Action, NR

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Brian Barban
Finance Manager

Roula Barlika
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(from April 2005)

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Senior Researcher (G) &
Head Partnerships Unit

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(from September 2005)

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Researcher (to March 2005), NR

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(to May 2005)

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Finance Officer

Peter Gordon
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Dilys Roe
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David Sankar
Web Services Co-ordinator

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Cecilia Tacoli
Senior Researcher, HS

Su Fei Tan
Researcher, NR

Chi-Chi Tang
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Acting Finance Director

Khanh Tran-Thanh
Administrator, NR

Michelle Tsoi
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Clare Vannakorn
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Sonja Vermeulen
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Halina Ward
Director, Business and Sustainable
Development, SM

FIELD

Welcomed to IIED as part of the
FIELD-IIED merger, April 2005

Charlotte Healey
Administrator

MJ Mace
Programme Director,
Climate Change and Energy

Alice Palmer
Head of FIELD & Programme Director,
Trade and Investment

Jona Razzaque
Staff Lawyer (to August 2005)

Linda Siegele
Staff Lawyer (from July 2005)

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The Statement of Financial Activities and Balance Sheet are not the full statutory accounts but are a summary of the information which appears in the full accounts. The full accounts have been audited and given an unqualified opinion. The full accounts were approved by the Trustees on 19th September 2005 and a copy has been submitted to the Charity Commission and Registrar of Companies. These summarised accounts may not contain sufficient information to allow for a full understanding of the financial affairs of the Company. For further information the full annual accounts, including the auditors' report, which can be obtained from the Company's offices, should be consulted.

INDEPENDENT AUDITORS' STATEMENT TO THE TRUSTEES OF IIED

We have examined the summarised financial statements of the International Institute for Environment & Development.

Respective responsibilities of Trustees and Auditors

The Trustees are responsible for preparing the summarised financial statements in accordance with the recommendations of the charities' SORP. Our responsibility is to report to you our opinion on the consistency of the summarised financial statements and Trustees' Report. We also read the other information contained in the Trustees' Report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the summarised financial statements.

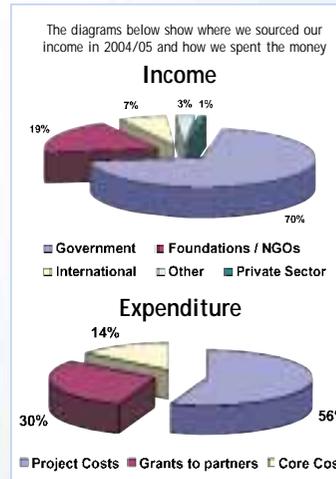
Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 "The auditors' statement on the summary financial statements" issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summarised financial statements are consistent with the full financial statements and the Trustees' Annual Report of the International Institute for Environment & Development.

Kingston Smith, Chartered Accountants and Registered Auditors Devonshire House, 60 Goswell Road, London EC1M 7AD



Income & Expenditure for Year Ended 31st March 2005

	£ Unrestricted General	£ Unrestricted Designated	£ Restricted	£ 2004/05 Totals	£ 2003/04 Totals
Incoming Resources					
Government & Government Agencies	442,904	-	3,423,428	3,866,332	3,935,844
International & Multilateral Agencies	-	-	759,652	759,652	416,597
Foundations & NGOs	-	-	1,422,034	1,422,034	878,166
Corporate	-	-	114,207	114,207	217,154
Movements in Deferred Income	-	-	131,855	131,855	(469,242)
Investment Income	65,893	-	7,909	73,802	61,100
Trading Activities (Publishing)	61,071	-	-	61,071	74,160
Other	1,788	-	-	1,788	35,619
Total Incoming Resources	571,656	-	5,859,085	6,430,741	5,149,398
Resources Expended					
- Cost of generating funds					
Fundraising & Publicity	135,805	-	-	135,805	63,215
- Charitable Expenditure					
Payments to Partners	-	-	2,061,944	2,061,944	1,427,745
Programme Direct Costs	77,366	42,801	3,373,726	3,493,893	3,276,810
Support Costs	0	7,061	870,487	877,548	925,862
Management & Administration	58,683	0	0	58,683	156,232
Total Resources Expended	271,854	49,862	6,306,157	6,627,873	5,849,864
Net Income/(Expenditure) for the year before transfers	299,802	(49,862)	(447,072)	(197,132)	(700,466)
Transfer between Funds	(217,875)	217,875	-	-	-
Balance	81,927	168,013	(447,072)	(197,132)	(700,466)
Funds Brought Forward 1st April 2004	1,300,033	386,537	1,130,160	2,816,730	3,517,196
Funds as at 31st March 2005	1,381,960	554,550	683,088	2,619,598	2,816,730