



www.iied.org

3 Endsleigh Street,
London WC1H 0DD, UK
T: ++44 (0)20 7388 2117
F: ++44 (0)20 7388 2826
E: info@iied.org

natural resources

international institute for environment & development



2006
annual report

iiED

IIED special annual report focusing on

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After a year as busy as 2005, it might be time to sit back and reflect. But 2006 has been even busier, with major events outside IIED and further institutional developments within. Our end of year conference *How to Make Poverty History* brought together 60 people from across the world, and showed why local people and their organisations must be at the heart of the aid and development debate. Poverty is caused by much more than lack of money. Donor governments have relied ever more on direct budgetary support as the means to deliver larger aid flows. But this mechanism renders governments less and less accountable to their peoples. Strong and effective local organisations, including rural councils and city municipalities, are essential for promoting good, bottom-up development. These messages are core to our analysis of next steps for overseas aid, and also fed into the UK government's consultation on drafting a new White Paper on aid and development. This came out in July 2006, and highlights ways of *Making Governance Work for the Poor*. It was heartening to see so many of IIED's suggestions for improving development assistance clearly flagged up in the text of the White Paper, especially the recognition of climate change as a risk of such significance that it could wipe out all development achievements, unless addressed promptly and effectively.

The challenge of cutting greenhouse gas emissions to prevent dangerous climate change has at last become a political hot potato. The Conference of the Parties to the Climate Change Convention at the end of 2005 showed the US government to be isolated in its refusal to adopt firm targets for future cuts. Our work with climate negotiators from least developed countries and small island states helps them argue a stronger case as talks proceed on what should follow the Kyoto agreement, which ends in 2012. We urgently need a much more ambitious, robust and equitable pattern of rights and obligations, which recognises that many communities around the world are already being damaged by ongoing shifts in rainfall and temperature patterns. Such adverse damage needs compensation. Our work has also fed into the Stern Review on the Economics of Climate Change, a high-level process which reported in late 2006.

IIED's Human Settlements Group held a major set of events at the World Urban Forum in Vancouver, June 2006. More than half the world's population is now reckoned to be urban and, over the next few decades, most growth in numbers will take place in the big cities of the developing world. What will this mean for poverty reduction measures, ensuring access to basic services, jobs, livelihoods and secure tenure? And how will climate change impact on city dwellers; can city growth be planned in ways which minimise carbon emissions? These are some of the big questions being tackled by IIED and partners.

We have much to celebrate in 2006. The UK's Department for International Development (DFID) awarded IIED a Partnership Arrangement giving financial support over 5 years, and recognising the strategic nature of our work programme. DFID joins our long-standing framework donors (Sweden, Denmark, Netherlands, Norway, Switzerland, Ireland) in a joint agreement which supports collective learning on the barriers to making the world a more sustainable place. As Director of IIED, I am particularly grateful to all our donors for their support, and their interest in sharing ideas about future challenges.

IIED's Sahelian office became independent in late 2005, grounds for great satisfaction that our common agenda can be taken forward with yet more energy from an independent base in Dakar, Senegal. We have celebrated 10 years joint work with francophone colleagues in West Africa, providing research analysis, and exchange of ideas amongst policy makers, researchers, and civil society groups on options for securing rights to land and natural resources in the vast and diverse region. We have recently appointed 12 new International Fellows, offering opportunities for much closer working relationships with key actors around the world. And we shall launch an annual lecture series in honour of our founder Barbara Ward, with the first lecture on Climate change and global justice given by IIED's Chair Mary Robinson in December 2006.

We mourned the death of Richard Sandbrook in December 2005, who joined IIED in 1975, and was Director from 1988 till 1999, when he went to join the Mining, Minerals and Sustainable Development project (MMSD). A celebration of Richard's life and work was held in London July 2006, and allowed a great number of friends, family and colleagues from early and recent days to acknowledge the spirit, energy, and principles of the man.

Camilla Toulmin

Supporting more equitable and sustainable use of land and natural resources is key to livelihoods, whether in the pastoral drylands of East Africa, the upland watersheds of China, or the tropical forests of Brazil. That is why this year's Annual Report highlights the activities of IIED's Natural Resources Group. The natural world gives us a wealth of resources and assets from which to draw nourishment, construct homes and shelter, fabricate a range of tools and products, delight the eye and restore the human spirit. Soils, water, plants, micro-organisms, insects, forests, grazing land, wildlife, wetlands and fisheries – all have been harvested, transformed, appropriated, improved, or degraded in differing measure.

For those of us living in big urban centres, it is sometimes hard to remember how much our lives depend on the resilience and productivity of the natural world. Yet our reliance on natural systems becomes only too evident when things go wrong, as recent floods in Dhaka showed us so clearly. Rich countries are only partially protected by their wealth, as Hurricane Katrina made evident in 2005. The *Millennium Ecosystem Assessment* which reported last year presented a stark reminder of the rising pressures on resources of all sorts, most especially on the semi-arid drylands, the global wetlands and oceans. It is also clear that the poor bear a disproportionate share of the burden from the degradation of ecosystems.

IIED's work demonstrates clearly that investing in land and natural resources is the key to growing incomes and livelihoods for billions of people, particularly those living in the developing world. How can we make it happen? By building on local knowledge and skills to increase resilience, and reduce vulnerability to shocks like drought; by opening up market opportunities to generate incomes and provide incentives for long-term investment; and by strengthening institutions for effective governance of land and natural resources - firming up local rights to manage and benefit from resources and designing good decentralised local systems and control.

Much of IIED's work is local in focus, building knowledge and developing the tactics that allow local groups to strengthen their rights over local resources. While laws may exist to provide protection in theory, access to legal process is often much harder in practice. Poor people are at risk of dispossession from powerful higher-level forces, such as market pressures, and incomers seeking access to resources. At IIED, we are committed to help local people and more vulnerable groups to assert their claims to land and resources, claims that too easily get ignored or swept away by big forestry companies, agribusinesses, or developers of wildlife tourism.

Our local focus for work on natural resources is matched by a strong commitment to multilateralism at global level. Nowhere is this more needed than with the likely changes to the world's climate now predicted, which will bring massive and unpredictable shifts in rainfall and temperatures, sea level rise, floods and drought. IIED and our partners are pledged to strengthen a truly global system able to respond to the urgent challenges which lie ahead.



Mary Robinson



Ecosystems give us life and the prospect of development. They give us food, timber, fibres, fuels, medicines and fresh water, they help purify air and water, ensure nutrient cycling and climate regulation, and they provide cultural services such as spiritual values and educational experience. There is no shortage of lofty policy commitments requiring that natural resources and ecosystem services be shared out and used fairly and carefully. Yet the majority of people on our planet continue to live on the edge of natural resource scarcity. Understanding why this is, and finding ways to put more equitable and sustainable natural resource use into practice, is a massive challenge.

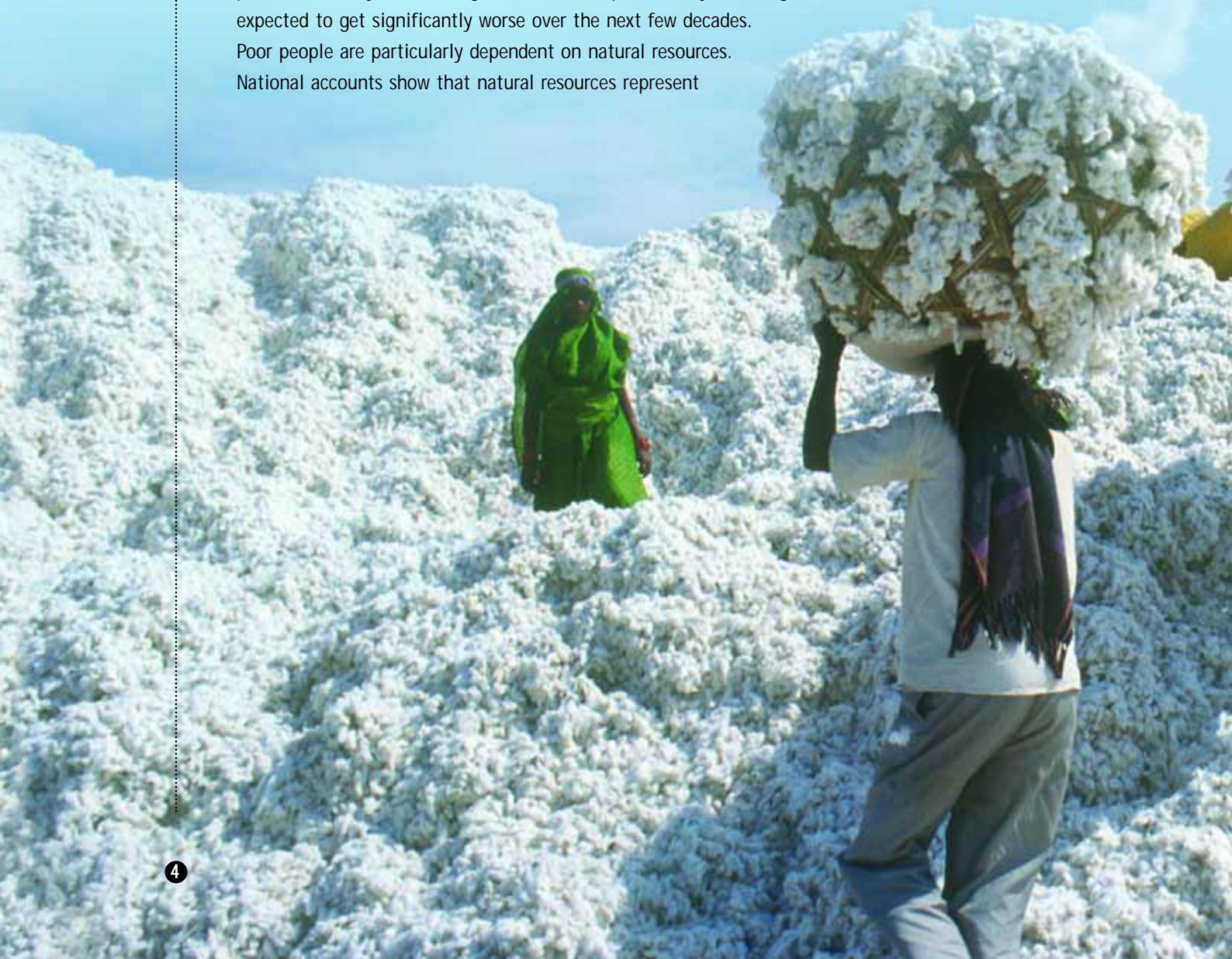
IIED's efforts to respond to this challenge are driven by the Natural Resources Group. The Group brings together three well-established programmes: Drylands; Forestry and Land Use; and Sustainable Agriculture, Biodiversity and Livelihoods. It also involves initiatives to promote cross-sectoral environmental investment and sustainability as the foundation on which the achievement of all Millennium Development Goals (MDGs) rests. The Group and its partners have produced much of IIED's best-known work to enable greater participation of marginalised groups and to promote more sustainable and equitable patterns of land and natural resource use. The Group has been widely consulting and developing its strategy over the last year and the following sections present some of this thinking and progress made.

A time of change - problems and prospects

Natural resource use is changing around the world, in many cases for the worse. According to the *Millennium Ecosystem Assessment*, which reported in 2005, 60% of the planet's essential ecosystems are degraded to the point where they can no longer sustain their productivity. This degradation is expected to get significantly worse over the next few decades.

Poor people are particularly dependent on natural resources.

National accounts show that natural resources represent



26% of wealth in low-income countries, compared to just 2% in the OECD. Yet many developing country economies have grown by liquidating their natural assets. High risk regions, such as dryland Africa, are especially vulnerable to natural and man-made hazards and above all, increasing climate volatility.

Economies and societies are evolving rapidly. Inequities between rich and poor countries are being overtaken by growing inequality within many nations, with large segments of the world's population denied control over the natural resources on which their future depends. Political and economic marginalisation of family farming North and South is increasing, despite massive subsidies in OECD countries. Here, agricultural support is more than five times total spending on overseas development assistance. Rising land scarcity in many poor countries is leading to the dispossession of the poor, while inappropriate land-use management fuels conflict and environmental degradation. Private investment holds out promising prospects for sustainability in some places, whilst in others it exacerbates these trends of resource dispossession and degradation. Energy supplies are likely to provoke further global changes in production systems and market access, as societies try to adapt to rising fossil fuel costs and their impacts on farm inputs, transport and distribution.

People are responding. Some are developing more flexible, diverse and mobile livelihood strategies that can spread risks and seize new opportunities as they arise. Others are able to respond by favouring goods and services that are local, organic, fairtrade or certified. Systems for good local governance are being pioneered in local practice around natural resources like forests and, in some countries, governments are devolving greater responsibility and authority. Understanding is spreading of the ways in which private enterprise can thrive whilst giving good returns to local economies and being responsive to local needs. Civil society organisations are getting better at holding government to account and providing greater democratic participation by citizens in the policy arena. IIED supports these responses by building on local self-reliance and spreading recognition of 'what works'.

Joerg Boethling/Still Pictures



rights, livelihood

IIED's Natural Resources Group aims to build partnerships, capacity and wise decision-making for fair and sustainable use of natural resources. There are three big themes in our work:

1 Institutions, governance and power. Much of our work with partners helps improve institutions, policies, and legal frameworks for better natural resource governance at local, national and international levels. Our approach develops the tools and tactics, capabilities and practical action needed to get better action on the ground. We work with local and national government to encourage participatory decision-making and accountability procedures in the management of local affairs. We argue for governments to empower local resource tenure systems, and achieve a fairer distribution of natural resource assets, revenues, and benefit sharing, recognising the differences faced by old and young, men and women.

2 Small-scale producers and local economies. We want to improve understanding of small-scale production and enterprise in generating pro-poor growth and well-being. We examine the evidence and foster debate and action on issues such as access to markets, options for small and medium sized enterprises and small family farms, the impacts of new product standards on smallholder producers, and increasing corporate concentration within commodity supply chains. We work with IIED's Sustainable Markets Group to show how investment in natural resource and land use can bring social and environmental returns – such as through company-smallholder partnerships, pro-poor tourism and payments for environmental services.

3 Ecosystem resilience and adaptive management. Securing ecosystem resilience reduces human vulnerability to shocks and helps people adapt to change. We work with our partners to develop practical systems for this, so that ecosystems can be maintained for their provisioning and regulating services, as well as for their roles in cultural and spiritual well-being. Our focus is on tailoring tools and knowledge – to build on local learning networks, and combine environmental gains with equitable benefit sharing.

In our work, we pay great attention to building links between local level action, national policy debates and global levels. Our methods include collaborative research, participatory learning and action, multi-stakeholder platforms, local and national learning groups, policy engagement, information materials and tools, and support for advocacy coalitions.

ds & resilience

Our strength lies in a diverse and experienced network of partners made up of NGOs, government departments, universities, independent research organisations and international agencies in Asia (Cambodia, China, India, Indonesia, Iran, Pakistan, Vietnam), Africa (Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Namibia, Niger, Senegal, South Africa, Tanzania, Uganda, Zimbabwe), Latin America and The Caribbean (Bolivia, Brazil, Chile, Costa Rica, Grenada, Guyana, Jamaica, Mexico, Peru, St. Lucia, St. Vincent, Trinidad), as well as collaborators in Australia, North America and Europe.

Together we produce a steady flow of communication products. These include detailed synthesis and short opinion material posted on IIED and partner websites.

Participatory Learning and Action continues to be the world's leading series on participatory approaches and methods. It provides a forum for all those engaged in participatory work - community workers, activists and researchers - to share their experiences, conceptual reflections and methodological innovations with others. The series is informal and seeks to publish frank accounts, address issues of practical and immediate value, encourage innovation, and act as a voice from the field.

- *Critical reflections, future directions (PLA 50)*. In this special edition authors give an up-to-date picture of developments in participatory approaches in their particular fields.

- *Mapping for change: practice, technologies and communication (PLA 54)*. This includes papers presented at the "Mapping for Change: International Conference of Spatial Information

Management and Communication" held in Nairobi, Kenya, in September

2005. We host e-forums on questions

seeking practical answers from the field. We put increasing emphasis on producing films for general broadcast and specific audiences.

Avenues for opinion-forming through the print and broadcast media are growing and staff put a lot of effort into project-specific communication strategies, conferences, workshops and direct work with decision makers.

Printed products continue to be key tools in our policy work, as the following highlights show.





highlights of our work this year

The following examples of progress over the last year are chosen from a wide range of work to illustrate the diverse but complementary ways needed to pursue fair and sustainable natural resource use.

Strengthening the case and capacity for environmental investment

In 2005, we began a new programme to improve environmental management capacities in poor countries. We launched this by putting together a definitive case for investing in environmental assets and improving poor people's access to them. Working with the late David Pearce (co-founder of IIED's environmental economics work) ensured a rigorous assessment of 400 investment case studies. Targeting the 2005 Millennium Summit ensured high-level attention – our Policy Dialogue in New York, attended by ministers and CEOs from many countries, strongly affirmed the case for investing in environment and called for action. Coordinating this work for the multi-donor Poverty Environment Partnership enabled us to get strong endorsement from many influential donor agencies.

We are focusing not only on investment but also on what it takes for poverty reduction initiatives to respond to environmental risks and opportunities. We carried out a global review of initiatives in three continents, *Reducing Poverty and Sustaining the Environment* (Earthscan), which is now being taken forward in three work streams:

- **'What works' for bringing environment and development together:** A national learning group in Tanzania is exploring the many drivers and initiatives which unite action to reduce poverty and improve the environment. The results will inform Tanzania's poverty reduction strategy (PRS).
- **Effective local organisations:** We are helping a range of local organisations to assess how they balance environment and development challenges at the end of the 'MDG delivery chain', and identify what kind of support helps them to thrive.

- **'User guide' to tools for integrating environment into mainstream policy:** We are pulling together a 'consumer panel' from the South to review, rank and add to the tool-kits designed to integrate environmental concerns into policy and its implementation. Donors and development banks promote a range of tools, from strategic environmental assessment to environmental accounting - but how well they fit their purpose is another matter.

Securing rights to land – beware the 'one size fits all' approach

Research in Ethiopia, Ghana and Mozambique shows that the pattern of winners and losers from land registration depends critically on how these programmes are designed and run. Our partners' work shows that land registration can protect the land rights of poor and marginalised groups, if attention is paid to getting the procedures right – the language used, level of fees charged, and the accessibility and accountability of the system. Approaches to register land rights must also find ways to recognise secondary and collective rights, such as those held by women, incomers and herding groups. Above all, we need to avoid a one size fits all approach to securing rights to land, since the methods chosen need to build on existing practice and institutions. Results from the research have been discussed at local, national and international levels, and fed into the discussions of the High Level Commission on the Legal Empowerment of the Poor.

Legal tools to get local benefits from foreign investment

Many governments in Africa are keen to secure foreign investment. Lacking the capital and technology to exploit forestry, mining, oil and gas, tourism and water development, African governments often look to foreign investors for solutions. But investment projects often undermine access by local communities to the resources on which they depend for their survival. This may take the form of land being expropriated without adequate compensation, or allocation of exploitation rights to foreign investors that damage local people's ability to gain a livelihood from these resources. Investment projects may also lead to pollution of water, from mining for example, and degradation of other resources essential to local communities. Many legal systems give greater protection to the property rights of foreign investors than national citizens.

Legal tools for citizen empowerment is an initiative which aims to strengthen local resource rights in Africa, when faced by foreign investment projects. Starting in

Senegal, Tanzania, Ghana and Mozambique, the project so far covers mining, forestry and tourism.

With partners we aim to sharpen innovative legal tools that give local resource users greater control over natural resources; build local capacity to make use of these tools; and engage with law-making to change legal frameworks for the better.

Initial work is focusing on tools that secure substantive rights

(e.g. collective land registration, mandatory consultation processes) and improve procedural rights (e.g. freedom of information, access to justice).

Strengthening voices of pastoralists

Drought in East Africa hit the headlines again in 2006, with dramatic pictures of starving people, food aid deliveries and dried-up carcasses. The pastoral way of life - characterised by seasonal moving of livestock in search of pasture and water

over large areas of rangeland - is charged with being at the root of the problem. Policy makers generally regard pastoralism as backward, economically inefficient and environmentally destructive. They call for pastoralists to change their ways, become modern livestock keepers and settle down. But, while it is true that pastoral systems in Africa are increasingly failing to provide a sustainable livelihood for their members, it is these policy-makers' inappropriate prescriptions rather than an intrinsic weakness of the pastoral system that is at the root of this crisis.

Building the capacity of pastoral civil society groups in East and West Africa to understand, engage and ultimately challenge these policy frameworks has been a major focus of our work over the past eight years. Much of this work is brought together in the design and implementation of a policy-oriented training course on pastoralism in French, English and Pulaar (a widely spoken West African language). Over the past year, training has been conducted with several key NGO partners: with ARED in northern Senegal; with Sahel-ECO and EVEIL in Mali; with CARE-Denmark and a coalition of pastoral associations and local NGOs in eastern Niger; and with MS-TCDC and RECONCILE in Tanzania, Kenya and Uganda. In each place the course is adapted and further developed.

The testimony of men and women who attend this training suggests that pride in their culture and a sense of personal identity have been restored. *"Today, I am no longer ashamed to be a pastoralist"...* *"I have come to terms with myself"...* *"I am proud to be my father's son"...* are some of the statements made by participants. These are small but significant steps towards the emergence of a strong and articulate pastoral civil society movement. Over the coming years, this training looks set to stimulate a critical mass of informed rural people with the skills and confidence to influence local and national decision-making processes that will make a difference to the lives of many pastoralists and their children.

Women's changing access to land and natural resources

Decentralisation has opened up new opportunities for women to participate in public life and improve their access to natural resources and services, such as health and education. In practice, however, women's participation in the decentralisation process is very disappointing. In Senegal and Mali, women account for fewer than 10% of elected mayors and councillors and, even when they are elected, they are rarely given positions of power in the municipality.

A principal reason for women's low level of involvement in decentralisation is their lack of social status. Status is made up of many factors, but one way to improve it is to gain greater economic independence, normally through agricultural production. In Niger, for example, women who accumulate a surplus from their farming activities, will hold a large feast for the community and join the ranks of the *tambara*, a respected group of women with a right to speak out.

A recent study carried out by the Drylands programme showed that in the Maradi and Zinder regions of southern Niger, acute land shortage as a result of rising population has led to married women being denied access to land and, in extreme cases, losing the skills to farm. These trends are exacerbating poverty levels among women.



This has stimulated us to look at the links between gender, decentralisation and access to land and natural resources. It builds on previous work developing portraits of women leaders in Senegal and Burkina Faso, and feeds into a regional programme to improve women's participation in local government.

Getting international recognition for bio-cultural heritage

Rights over 'bio-cultural heritage' have emerged as an important rallying call for indigenous communities in Kenya, India, China, Peru and Panama. Our work with partners in these countries aims to strengthen communities to safeguard their traditional resource rights, by developing approaches that are based on customary laws and practices, rather than alien concepts that prevail in international debates on biodiversity (like 'Intellectual Property Rights' and 'Access and Benefit Sharing'). Drawing on this work, IIED has engaged with key international policies – of the Biodiversity Convention, the World Intellectual Property Organisation, the UN-Working Group on Indigenous Populations and the UN Permanent Forum on Indigenous Issues – to push for recognition of these locally-grounded, holistic approaches to protection of community bio-cultural heritage.

Disrupting unholy alliances – the Forest Governance Learning Group

The Forest Governance Learning Group is an informal alliance of in-country groups and international partners steered by IIED. Currently active in seven African and three Asian countries, it aims to connect those marginalised from forest governance with those who control it. The Group carries out focused studies, develops tactics and tools, holds learning events, and works as a group to effect change.

In Ghana, for example, the Forest Governance Learning Group helped shape the forestry reforms underway since 2004. It strengthened the evidence base for these reforms, drawing Forestry Commission, ministerial and parliamentary attention to major problems in the sector. For example, our studies made clear the wholesale violation of Ghana's permits regime and huge associated losses to the state and society. Almost all timber harvested in Ghana was found to be illegal and the revenue lost to government estimated at about US \$100 million annually. Evidence like this inspired a civil society campaign and a programme led by the Ministry of Lands, Forestry and Mines for achieving compliance in 2006.

Social justice continues to be the focus of the Group's work in Ghana. The Group has hosted learning events; developed a tool for advancing community rights in forestry called "People's Law"; and presented findings to key international forums. It supports rights-focused local forest management initiatives, and aims to shape the 'Voluntary Partnership Agreement' process - in which the EC and the Ghana government work to ensure that EU member states only import legally sourced timber from Ghana. This work has helped to disrupt the cosy relations between government and the timber industry. Community activism has increased and critical questions are being asked, about rights, and the distribution of costs and benefits from forestry.



Banging heads together – the Poverty and Conservation Learning Group

Debates rage about the links between conservation and poverty, and the disconnect between poverty reduction programmes and conservation initiatives. The Poverty and Conservation Learning Group seeks to do something about this internationally. This multi-stakeholder forum, coordinated by IIED promotes learning on the nature, extent and implications of links between biodiversity conservation and poverty in order to strengthen organisations working on these issues, help build consensus on key issues, and improve policy-making and practice.

The Learning Group initiative started in 2004, with support from the Ford Foundation, and now with additional support from Irish Aid, the Group has been formalised. A website has been established containing searchable databases of publications, organisations, projects and case studies and a conceptual framework discussion paper produced and circulated. The first learning event of the Group was held in Cambridge in December 2005 with participants from conservation organisations, development agencies and indigenous peoples' groups. A range of international poverty-conservation initiatives were debated. In 2006, the Group initiated *BioSoc – the Biodiversity and Society Bulletin* – a monthly e-mail shot highlighting new research on biodiversity and society, poverty and conservation. *BioSoc* is available in English, French and Spanish. The Group's journey has just begun – more information on its planned functions and activities can be found at www.povertyandconservation.info.

Citizens' jury in Mali rejects genetically modified crops

As part of our action research on democratising the governance of food systems, IIED helped organise a 'Citizens' Jury on Genetically Modified Organisms and the Future of Farming in Mali' in January 2006. The five-day event took place in Sikasso, in the south of Mali, where two-thirds of the country's cotton is produced. Mali is the largest producer of cotton in sub-Saharan Africa, largely grown by smallholder farmers whose livelihoods depend on it.

The citizens' jury involved small and medium scale farmers, both men and women, and a balanced set of specialist witnesses from industry, government, research, civil society and producer organisations, as well as an independent oversight panel. The jurors cross-examined 14 international witnesses representing a broad range of views on this controversial issue. These included biotech scientists, agencies such as the Food and Agriculture Organisation, and farmers from South Africa and India with first-hand experience of growing genetically modified crops. The farmer jury then discussed the evidence presented to them, and developed recommendations for public research, bio-safety, and agricultural policy. The recommendations were strongly against introducing genetically-modified crops and in favour of building on traditional agricultural practice and support for local farmers. This set of findings has had a major impact on national policy-making and the ongoing process of decentralisation in Mali.

Barefoot communicators bring political ecology down to earth

Our work on 'Sustaining Local Food Systems, Agricultural Biodiversity and Livelihoods' combines a political ecology perspective on food systems and livelihoods with action research grounded in local practice. We bridge the gap between the academic orientation of political ecology and the largely activist focus of food sovereignty, human rights and environmental justice movements. We work with partners in four different countries, India, Iran, Indonesia and Peru. Throughout, the emphasis is on doing research with, for and by people – rather than on people – for learning and change. Much of this research process and its outcomes have been captured in the form of videos produced by 'barefoot' film makers as well as written publications on the governance of food systems and natural resources.

Recent titles in IIED's Reclaiming Diversity and Citizenship series include: *Agro-ecology and the Struggle for Food Sovereignty in the Americas* - a co-publication with the Yale School of Forestry and Environmental Studies, and IUCN's Commission on Environment, Economics and Social Policy; *Sowing Autonomy: Gender and Seed Politics in Semi-Arid India*; and *Future of Food and Small Scale Producers* - the proceedings of an electronic conference in which small scale farmers and indigenous peoples were the main participants. The latter is a multilingual co-publication of IIED, the UK Food Group, Progressio, the Small and Family Farm Alliance, and the Indigenous Peoples' International Centre for Policy Research (Tebtebba).



Women's struggle in the agri-food trade

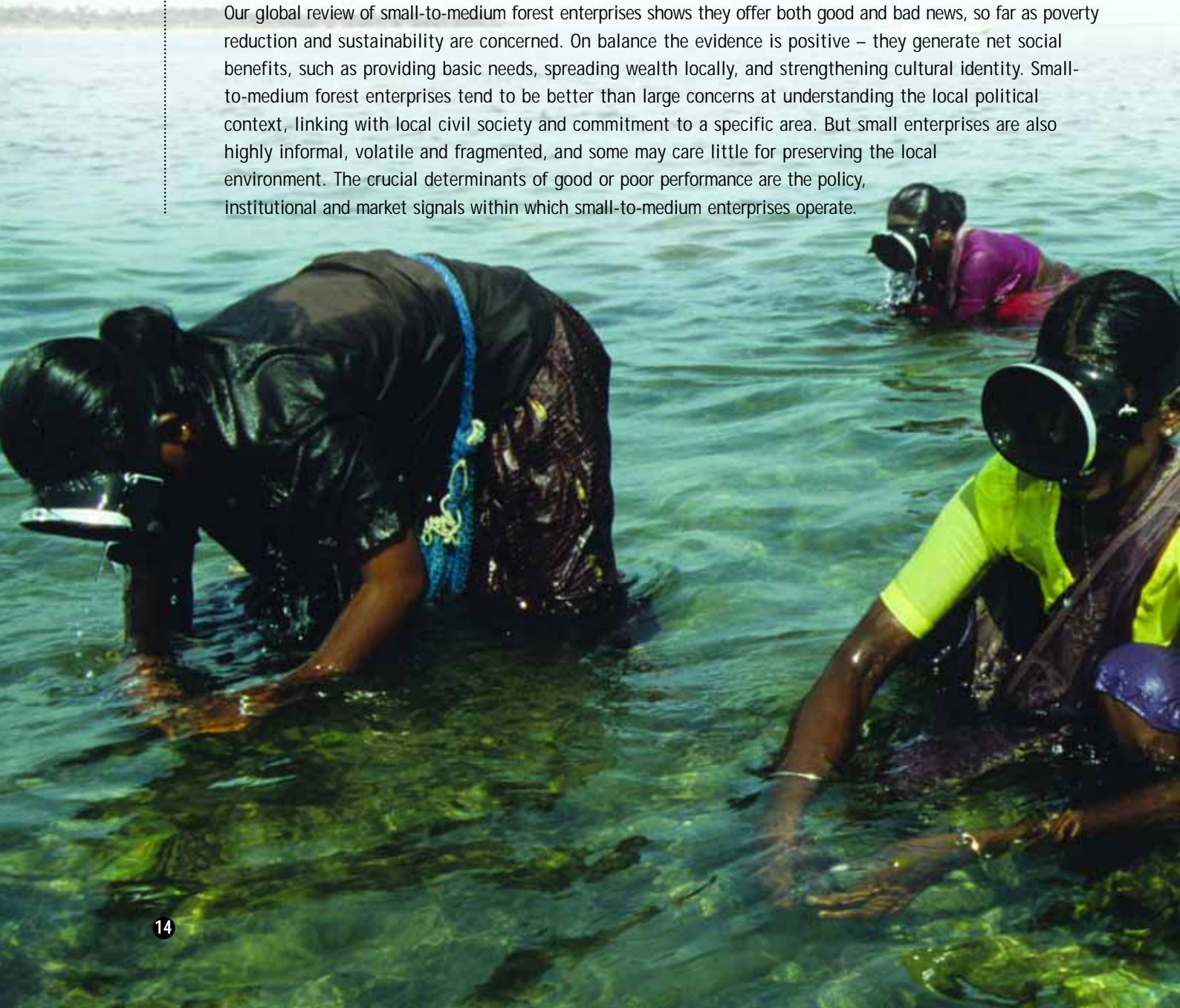
Collaborative research by IIED and partners on gender, markets and livelihoods has examined the links between export markets and poverty reduction, using the cashew nut industry in Mozambique and India as an example. Our evidence shows that the concentration of power in food production, processing and marketing systems leads to more informal employment, and hazardous working conditions, especially for women workers who are central to the cashew nut supply chain. While different actors in the supply chain use what room they have for manoeuvre, current policies neither foster secure and equitable employment nor lead to poverty reduction.

Policy change can begin to reverse these trends, protect diversity in agri-food supply chains, value the development of local and national markets, and address concentration in buyer power in global value chains. The research results have been widely disseminated at local, national and international levels and add to a growing body of evidence calling for alternative trade policies.

Small-to-medium-sized forest enterprises – good bets for poverty reduction

About 85% of wood from tropical forests is reckoned to be used for fuel, another 10% for other local purposes, and only about 5% exported. Whilst exports are generally the preserve of large-scale enterprises, the domestic market is dominated by small-to-medium forest enterprises. Good information on small enterprises is scarce, but IIED estimates that they provide over 50% of forest-sector employment in many countries, providing jobs to more than 20 million people worldwide. There are perhaps another 140 million people working in informal household-level forestry micro-enterprises, mainly in developing countries.

Our global review of small-to-medium forest enterprises shows they offer both good and bad news, so far as poverty reduction and sustainability are concerned. On balance the evidence is positive – they generate net social benefits, such as providing basic needs, spreading wealth locally, and strengthening cultural identity. Small-to-medium forest enterprises tend to be better than large concerns at understanding the local political context, linking with local civil society and commitment to a specific area. But small enterprises are also highly informal, volatile and fragmented, and some may care little for preserving the local environment. The crucial determinants of good or poor performance are the policy, institutional and market signals within which small-to-medium enterprises operate.



An effective way to make small-to-medium forest enterprise more responsive to external signals is to work through associations. Many thousands of forest enterprise associations are springing up around the world. Some fail, but many succeed. IIED has worked with partners in Brazil, China, Guyana, India, South Africa and Uganda to identify what makes for successful associations and how they might spread. Our work identifies three critical actions that help bring success. Firstly, it needs to be made easier for small-to-medium forest enterprise associations to operate. Secondly, investment in communication networks that link associations, markets and service providers needs underwriting. And thirdly, ways need to be found to distinguish and label the produce of local forest enterprise associations in the market place, and to increasing their returns.

Payments for watershed services – from a trickle to a flood?

Water runs over land in many and various ways, as it journeys from the rain-cloud to our wells and taps. If people are paid to look after their land with water quantity and quality in mind, then they should benefit from their actions, and be rewarded by downstream water users. This simple idea of 'payments for watershed services' could bring better conservation of watersheds if well handled. But despite a lot of talk, real evidence of social and environmental benefits is scarce.

Working with partners, we have been examining experience of those who are setting up schemes to pay for watershed services. We want to learn by doing, and try to improve current watershed practice in India, Indonesia, China, South Africa, Jamaica, St Lucia and Bolivia. Our work reveals that the hydrological evidence for these schemes is generally weak, and schemes often diminish rather than enhance watershed services. In China, for example, it is widely believed that tree-planting is good for watersheds. But whilst sometimes helping with soil conservation, planting the wrong trees in the wrong way – particularly in arid and semi-arid areas - often damages water flow and, in pushing people off the land, damages many livelihoods too. Internationally there is little data showing that poor people benefit directly from payment for watershed services, although the evidence of indirect 'muscle-building' effects of negotiating in some schemes is compelling.

When designing payments for watershed services, two key rules of thumb stand out: start small, and stay flexible. It is only at small scale that the real causes and effects of different payment schemes can be understood. Adaptive, flexible management is also vital – to support what local people identify as priorities, to consider trade-offs between different uses, and to negotiate fair deals.



climate

2005 witnessed a dramatic rise in the evidence of global warming. Current carbon levels have reached 375ppm with likely growth to 450ppm by 2020. We shall by then have passed the threshold figure for exceeding the 2 degree rise in average global temperatures, at which our confidence in global climate models and forecasts becomes increasingly uncertain. We will be entering unknown territory, with the possibility of unanticipated changes, such as accelerated warming trends, loss of major ice sheets, and turning-off of the Gulf Stream.

Efforts to reduce greenhouse gas emissions have been far less than is needed to prevent 'dangerous' climate change for most people and ecosystems on the planet. However, efforts to reduce emissions are still urgently needed to prevent further, potentially 'catastrophic' impacts.

IIED's Climate Change Group aims to promote the linkages between climate change and development. We have focussed on 'adaptation' as a vital response to climate change especially for most of the world's poorer and more vulnerable countries. The relative importance of adaptation strategies are now being recognised and IIED can rightly claim some credit. Our strategy has been to contribute to the scientific debate, influence global policy negotiations and strengthen capacity with those organisations working at the frontline of climate change and development.

International policy negotiations

The UNFCCC is the main policy making body for addressing global climate change. A key part of IIED's strategy for influencing change has involved being present at the COP negotiations promoting discussion around adaptation. Our Development and Adaptation Days are now an informal but well recognised part of the COP programme and this year we had over 200 people attend. Our training programme for climate change negotiators from the Least Developed Countries is also growing and we are now witnessing the increasing power of this group. This year we have added to our existing programme, a regional workshop for Francophone negotiators in West Africa, held in Bamako, Mali.

Developing the science and policy of adaptation is vital to shift the emphasis from mitigation. We are contributing to the fourth assessment report of the IPCC, and have held the Second International Workshop on Community Based Adaptation. We are also preparing a jointly edited volume of *Environment and Urbanization* with IIED's Human Settlements Group, looking at climate change and cities.

Climate change and development linkages

IIED is one of the founder members of the Working Group on Climate Change, a coalition of 18 environment and development NGOs. The group meets regularly to promote the importance of climate change and the links between this and environment and development. This year we marked the anniversary of Hurricane Katrina, launching the third *Up in Smoke* report, this time focussing on Latin America and the Caribbean.

In 2006 our partners in 12 LDCs have begun to build similar coalitions of environmental and development

change

NGOs and this year will be producing a newsletter for distribution at the COP12 in Nairobi, November 2006.

Through the Capacity Strengthening for Least Developed Countries on Adaptation to Climate Change (CLACC) programme IIED has supported Fellows in 15 countries. These Fellows, mainly from local NGOs, have been involved in the dialogue within their own countries and played an important role in the development of National Adaptation Programmes of Actions (NAPA). CLACC Fellows have also been engaging health sector professionals to collaborate on research into the health impacts of climate change in their countries.

We are also supporting a range of community-based adaptation projects in six developing countries in Africa, Asia and Latin America. As part of the South South North coalition we have developed a methodology for identifying vulnerable communities to work with on adaptation (SSNAPP methodology). Now the team has begun building project designs with local partners working in those communities.

Public Awareness

The general public in the North, and increasingly in the South, is becoming more engaged in the issue of climate change but remains misinformed about the scale of the problem and its diverse impacts around the world. *Tiempo*, a quarterly bulletin brings views from the South about climate change challenges. In 2006 the bulletin covered issues including gender, impacts in Malawi, livelihoods in Bangladesh, coastal zone human settlements, as well as a special issue on Nepal.

Can carbon markets deliver sustainable development?

With IIED's Sustainable Markets Group, we 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 - organisations that invest in a portfolio of offset projects from which they then sell small slices of the resulting emissions reductions to a range of customers. The projects in which they invest do not necessarily have to follow the formal Clean Development Mechanism (CDM) process and associated certification and are free from the stringent guidelines, lengthy paper work and high transaction costs of the CDM. Therefore there is more scope for project developers 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.

In March 2006 we held a round-table on the voluntary carbon market which generated a lot of interest and will be followed up. We published two reports on the voluntary carbon market and have been supporting further research into the potential of this market to tackle adaptation as well as mitigation in poor communities.

human settlements

Urban settlements cover less than 3% of the world's land area, but are home to half of the human population. In the coming decades, almost all of the increase in world population is projected to be in the urban centres of Africa, Asia and Latin America. Urban development is highly path-dependent so that decisions made now will influence the location and form of urban activities for many decades to come.

In the international development arena, the urban dimensions of poverty and environment do not receive the attention they deserve. Debates about poverty tend to focus on rural areas, with urban poverty and rural-urban linkages both underestimated and misunderstood. Equally discussions of environment also tend to focus on rural areas, where the bulk of the resources and ecosystems are located, rather than on urban areas, where most economic production and consumption take place.

The problem with neglecting urban poverty and environment is not that urbanisation is inherently bad for poor people or for the environment, but that it could be so much better. The goal of IIED's Human Settlements Group is to help urbanisation bring greater benefits for poor groups and the environment, through developing partnerships with local groups, undertaking innovative research, and advising international development agencies.

Rural-Urban Linkages

Rural-urban linkages – the flows of people, goods, information, money, wastes and natural resources between rural and urban areas – both reflect and shape change. They create transformations that combine positive and negative elements. We want to understand these transformations, and support a dialogue amongst stakeholders on how to limit negative impacts and support positive outcomes. Current projects include:

- In Vietnam, as part of a multi-country research project led by the University of Copenhagen, we are working with local partners to assess the impact of changes in agricultural markets, land use, urbanisation and industrialisation on livelihoods and poverty in the Mekong Delta.
- In collaboration with partners in Africa, Asia and Latin America, we are developing a multi-country project on the impact of migration in sending areas, with a special interest in how this affects the livelihoods of migrants and non-migrants, and the capacity of local institutions to respond to change.

Publications this year include new papers from *The Rural-Urban Working Papers* series and *The Earthscan Reader in Rural-Urban Linkages*. We have also worked with CGIAR on their Global Mountain Programme to develop their rural-urban linkages thematic research in Ethiopia and have prepared on-line resources on rural-urban issues for staff at the Department for International Development in the UK.



Urban Poverty

As IIED's work has helped to demonstrate, the scale of urban poverty has long been under-estimated, because of inappropriate definitions and measurements. A large and increasing proportion of poverty worldwide is in urban areas in low- and middle-income nations. The problems faced by the urban poor are multiple. They include the difficulties in earning sufficient income in highly commodified markets in which even the most basic needs such as housing, water and access to toilets must be purchased, and the environmental costs to health of living and working in very overcrowded settlements with inadequate investment in infrastructure. Fundamental to poverty reduction is a greater capacity among the poor to organise and press for re-distribution, a more favourable policy context and more external support for local, community-driven development.

In 2006 we continued our work with Shack/Slum Dwellers International through the International Urban Poor Fund that provides small grants to community groups to acquire land and basic services

Publications for this part of the Human Settlements Group included a special issue of *Environment and Urbanization* on chronic poverty in urban areas and a series of papers on poverty reduction in urban areas on the role of savings organisations in pro-poor development, the contribution of urban poor federations to meeting the MDGs, and the Orangi Pilot Project's mapping programme.

The World Urban Forum in Vancouver in June 2006 provided good a networking opportunity with our partners and we put together a programme of joint events that included a well attended session on climate change and cities.

We provided advice to a number of international organisations and donor agencies. In particular, we worked with the Swedish International Development Cooperation Agency (Sida), advising them on their urban strategy.

Urban Environment

Our work on the urban environment focuses on local issues of particular concern to urban poor groups, and the global changes that affect them. In 2006, we stepped up our work on both urban water and sanitation, and adaptation to climate change. For the urban poor, water and sanitation are longstanding local issues, and often a matter of life and death, for infants and children. Climate change, by contrast is largely an outcome of affluent urban lifestyles, to which urban poor groups are increasingly vulnerable. Examples of our urban environment work this year include:

- In collaboration with IIED-America Latina and the Municipality of Moreno, we are working to help improve environmental conditions and reduce poverty in one of the poorest municipalities on the outskirts of Buenos Aires.
- We are developing a multi-city project on water and sanitation, focusing on innovations in local financing, information systems and institutions.

Our flagship journal *Environment and Urbanization* devoted two issues to 'Ecological Urbanization' and we have a new book in production with Earthscan entitled *Scaling the Urban Environmental Challenges: from the local to the global and back*.

Advice to international development agencies for this part of our work included preparation of UN-Habitat's second global review on Water and Sanitation in the World's Cities which focused on small urban centres and the preparation of a chapter on sanitation for the *Human Development Report 2006*.



governance

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. Governance lies at the heart of fair and sustainable natural resource management, whether it's the local rules and structures which administer access to forests, grazing and water in rural communities, or the agreements reached at global level to ensure an equitable sharing of benefits and burdens from the world's wealth of biological diversity. Governance issues are also central to how we tackle 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 Governance Group helps poorer countries both to understand the opportunities and implications of these different agreements for their specific situation, and to 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.

IIED's Global Governance work has three broad aims:

- To bring the analysis and understanding of IIED staff and our partners to key audiences around the world
- To strengthen collaboration with international organisations, using our influence to shape their priorities and activities
- To challenge powerful actors to take into account the priorities of poor people and countries

Over the last year our activities have included:

Work with the Poverty-Environment Partnership: The main members of the PEP are bilateral and multilateral development agencies. IIED led the PEP's analytical work in preparation for the UN 2005 World Summit, presenting clear evidence of the returns for poor people from investment in environmental assets. We have continued our involvement, developing initiatives intended to influence donor thinking on issues, such as the roles played by effective local organisations in delivering development benefits.

Work with the Ring: IIED acts as secretariat for the Ring, a group of 14 sustainable development policy research organisations from around the world. The Ring met in Chile in April 2006 and discussed options for future joint work with the UN regional body CEPAL. The Ring also held a series of e-discussions on trade policy, climate change and the international development system, to frame the shared visions for us to advocate in our joint work.

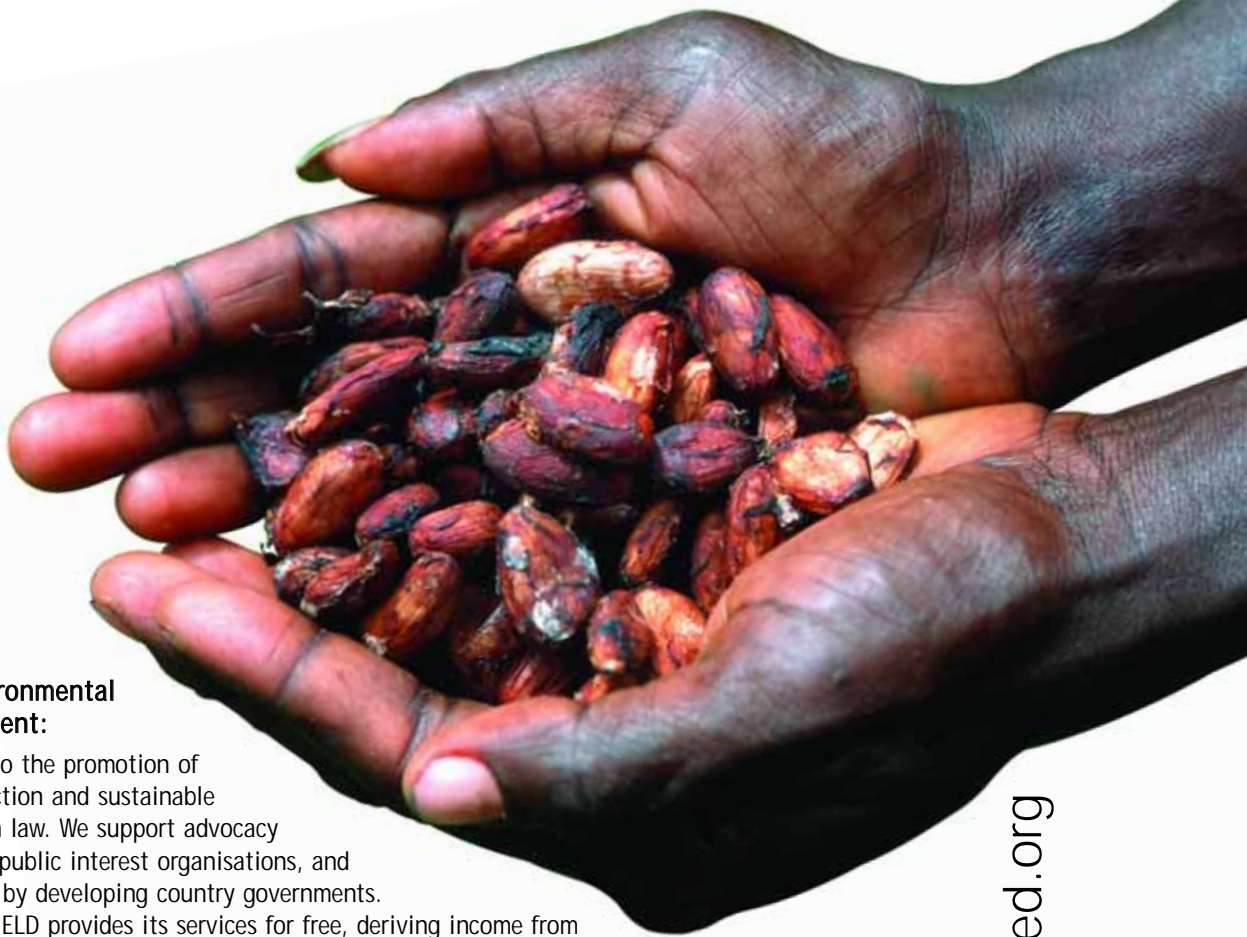
Strategies, Planning and Assessment

IIED provides the Technical Secretariat to the OECD DAC Task Team on Strategic Environmental Assessment (SEA). The DAC Guidance on SEA was launched in May at the annual conference of the International Association for Impact Assessment (IAIA06) in Stavanger, Norway, where the Task Team was awarded its prestigious Institutional Award for thinking and practice on SEA in development cooperation.

IIED is publishing with Earthscan a major two-year review of international experience and practice in sustainability. This book reviews the challenges for integrating Strategic Assessment internationally and the different approaches and experimentation so far encountered.

Our work included a project with the World Bank Institute on an SEA of Vietnam's hydropower sector plan. This included a training workshop and scoping exercise. We also undertook a review of approaches to monitoring national sustainable development strategies (NSDS) which was presented to the OECD Workshop on NSDS in Stockholm (August).





Foundation for International Environmental Law and Development:

FIELD is committed to the promotion of environmental protection and sustainable development through law. We support advocacy by communities and public interest organisations, and sound policy-making by developing country governments. Wherever possible, FIELD provides its services for free, deriving income from foundation grants, governmental institutions and fee-paying clients.

FIELD's Internship Programme trains law students from around the world, who work closely with FIELD lawyers and staff in every facet of the organisation's work. FIELD staff are also actively engaged in teaching, particularly in association with University College London and in the design and execution of training materials for use by national and international institutions.

FIELD's activities over the last year:

Biodiversity and Marine Resources: we participated in three major international negotiating sessions under the Biodiversity Convention. With FIELD's advice at these negotiating sessions, small island delegates have been better prepared to understand their rights and defend their interests. Through FIELD's participation in side events, governments and community representatives have increased their awareness of how state sovereignty over natural resources might impact the participation of indigenous and local communities in the management of natural resources. We investigated the impact of domestic legal mechanisms regulating production and trade in genetically modified (GM) products on the livelihoods of poorer farmers and communities, in collaboration with IIED.

Climate Change and Energy: Our lawyers supported government delegates in preparing for a series of major international climate change negotiating sessions in Bonn and Montreal. This included co-hosting a capacity building workshop for junior negotiators from LDCs, providing written briefings to small island negotiators and assisting negotiators during sessions. Between sessions, FIELD worked with WWF-South Pacific Programme and the secretariat of the South Pacific Regional Environment Programme (SPREP) in hosting two capacity-building workshops for Pacific Island governments. FIELD also engaged in a series of workshops to facilitate debate in EU New Member States and Accession Countries on challenges and opportunities arising from international and EU post 2012 climate change policy.

Trade, Investment and Sustainable Development: We attended the World Trade Organisation (WTO) Sixth Ministerial Conference in Hong Kong where we assisted other international non-governmental organisations and developing country negotiators on environmental matters. While there, FIELD co-hosted a session on the relationship between the WTO and multilateral environmental agreements (MEAs) as part of an ongoing project being undertaken with Chatham House and the International Centre for Trade and Sustainable Development (ICTSD). FIELD also presented a number of papers at international workshops and symposia on topics including EU regulation of chemicals, market access for organic products, and labelling and traceability of GM products.

FIELD
Foundation for International
Environmental Law and Development

www.ied.org

Friedrich Stark/Silli Pictures

sustainable

The goal of the Sustainable Markets Group is to work for policies that allow markets to support rather than undermine sustainable development. We do this through policy research, advocacy and engagement. The Group is a home for much of IIED's work on environmental economics, trade for sustainable development, business and sustainable development, foreign direct investment, and market governance.

Environmental Economics

Our economics work gives particular emphasis to markets and payments for environmental services, an incentive mechanism through which beneficiaries of environmental services, such as carbon sequestration, watershed protection, and biodiversity conservation, pay the providers of such services.

Following up on our 2002 global review of markets for forest environment services *Silver Bullet or Fools Gold?*, we have completed an analysis of initiatives for markets for watershed services in developing countries. The profiles of each initiative have been made available as a searchable database at www.watershedmarkets.org.

Building further on these lessons, we have begun work on a project led by World Soil Information (ISRIC), and involving the Stockholm Environment Institute and the Institute of Agricultural Economics (Wageningen University) on Green Water Credits. Focusing initially on the Tana basin in Kenya, we are examining a scheme by which small farmers in rainfed areas would receive payments for adopting land and soil management practices that improve the quantity and quality of water downstream.

Our project with WWF Cambodia on sustainable tourism in the Srepok Wilderness Area, is another example of how to capture value from environmental services. This project in the dry forests of Northeast Cambodia aims to improve species conservation through greater involvement of poor rural communities. We are conducting a feasibility study of tourism potential in Mondulkiri district. We are also developing robust community-based wildlife monitoring systems and will transform the findings into a conservation approach to tourism that emphasises the sharing of benefits with local communities.

We will address the challenge of financing biodiversity conservation through new mechanisms and innovative approaches to conservation that go beyond the traditional preservation-based approaches. This entails examining the cost-effectiveness of different approaches to conservation and assessing effectiveness in delivering broad biodiversity conservation, efficiency in terms of financing requirements, and equity in terms of delivering development benefits.

Trade in support of sustainable development

Our work on trade focuses on the sustainable development impacts of trade, key issues affecting trade in developing countries, and trade in sustainable products. We are currently investigating whether trade in biofuels can deliver benefits for sustainable development.

The threat of global warming, high oil prices, and concerns about energy security have all contributed to a renewed global interest in biofuels as an alternative to oil for transport, and a rapid expansion of biofuel markets. But what are the implications of this expansion for sustainable development? Our scoping study on the links between biofuels production, trade and sustainable development shows that the impacts of biofuels are not straightforward: production of biofuels can help to tackle climate change and increase rural employment but it brings with it concerns about environmental degradation, labour practices and food security. Thus, we are now embarking on a larger collaborative project to explore further the key issues involved; to provide policy recommendations to enhance the benefits of trade in biofuels and minimise negative impacts; and to create synergies between trade, agriculture, energy, environment and development.

e markets

Business and Sustainable Development

IIED's Business and Sustainable Development Programme works to foster positive links between business and sustainable development. We focus on business impacts in middle and low income countries, and on the public policy, business and civil society actions needed to maximise positive outcomes and support responsible business. The recruitment of a new Senior Researcher in 2006 ensures that we strengthen our contribution to the wider agenda on business, development and poverty reduction.

IIED's engagement with the International Organization for Standardization continues the process to develop an international guidance standard for social responsibility. We published the report of *CSR at a Crossroads*, a collaborative project to develop scenarios for the future of corporate social responsibility in the UK to 2015. Our project concluded that increasingly, CSR business leaders and NGOs agree on the need for a clear, progressive public policy framework. 'Localising' today's CSR through a greater emphasis on local perspectives and priorities will be important for the future.

We also began an experiment in collaboration with BP Azerbaijan. Following wide-ranging discussions during two scoping visits to Azerbaijan, an initial six-month period of engagement will see a wide range of IIED staff working through hands-on advice, workshops and analysis. The aim is to build on the social investment and regional development activities that BP Azerbaijan has undertaken so far, and assist them in addressing sustainable development challenges related to the company's business in Azerbaijan.

Foreign Direct Investment and Sustainable Development

Foreign direct investment (FDI) has the potential to make a major positive contribution to sustainable development. But benefits that are promised at national level are too often not matched by positive contributions to environmental protection, poverty reduction or sustainable livelihoods at local level. IIED is working with partners to look at the implications of some of the less well-explored aspects of foreign direct investment. We work on the relationship between project finance and sustainable development; the sustainable development implications of contracts between foreign investors and the governments of the countries that host their projects; and the role of investment promotion agencies in supporting inward investment that is good for sustainable development.

Market governance

Over the past year, we have been very active in the area of governance of agrifood markets. The restructuring of agrifood markets within middle- and low-income countries, driven by the growth of modern grocery retailing, wholesaling, catering and processing, has hugely important consequences for the position of poorer farmers and small enterprises. The 'Regoverning Markets' programme, designed to understand the keys to inclusion of smaller scale producers in these dynamic markets, is now in full swing. IIED is coordinating a powerful global consortium to conduct rigorous research on the issue, and also make sure that policy-makers, businesses and producer organisations have the wherewithal to anticipate and adapt to these changes.

On the issue of agrifood standards - the passport to accessing global trade - we have deepened our relationship with the supply chains that link sub-Saharan Africa with UK supermarkets. With our partners, NRI and DFID, we are examining the way in which the supermarkets' own standards affect smallholder access to high value markets, and ways in which the supply chain businesses, producers and policy-makers can ensure a place for small scale farmers. The growing controversies around air freight and 'embedded water' have added an urgent environmental context to discussions about 'making markets work for the poor'.

communications

The communications team is a central resource for IIED colleagues and partners, and provides a mix of skills and expertise. This year we worked alongside the Natural Resources Group to design its communications strategy, as part of its broader review of goals and direction. We are building a strong foundation of communications skills and effective methodologies within the organisation to add value to the targeted work done at project level. Our aim is to get the voices of our partners and the policy issues that concern them raised in international arenas. Our strategy has three broad aims:

1 Making our information accessible to key global audiences

Our main focus is currently on developing our web capacity and building a robust publications database and dissemination programme. Building on last year's re-launch of the main site, www.iied.org, we have been improving the impact, influence and reach of all IIED web sites, making them an indispensable port of call for people looking for information on environment and development.

A survey of external users of the IIED site led to a number of modifications, including the addition of a multi-media section containing video and audio clips, and improvements to make navigation easier. Staff training in 'Writing for the Web' was organised in response to the view that the site was too wordy.

New additions to the IIED family of hosted sites are the Poverty and Conservation Learning Group site (www.povertyandconservation.info) and www.prajateerpu.org, which translates from Telegu as 'the peoples verdict'. This last site looks at the Citizen's Jury hearings into food sovereignty in Andhra Pradesh, India.

In addition to our long established monthly New Books e-bulletin, we have introduced a bi-monthly IIED News and Events bulletin, and BIOSOC, a monthly newsletter for the Poverty and Conservation site that is available in English, French and Spanish.

We are looking at new technologies, given some successful e-discussions this year with our Ring partners. We also plan to publish in other media, such as video and audio, as well as looking at tools such as weblogs, collaborative workspaces and RSS feeds.

Each year, together with our partners, we generate a wealth of knowledge on issues of sustainable development. For this information to have real influence and impact we need a wider, more targeted approach to dissemination and communication. Nearly all our publications from the last four years are now available to download free from our website. We have built a fully searchable online database, making it quicker to source materials from our back-list. We also aim to finalise a project to digitise our complete backlist of publications, providing over 25 years of published work available free to download through our website.



Finding new channels to disseminate our work, both electronically and in hardcopy, has been a focus over the past year through closer ties with organisations such as BookAid International, the Technical Centre for Agricultural and Rural Cooperation (CTA), the Institute for Development Studies' ID21 programme, and the Asian Development Bank. We continue to work closely with our research partners to ensure more effective local dissemination of project research findings and outcomes.

2 Getting the voices of our partners better heard by policy makers at national and international levels

Many of our most successful communication activities are a result of strong relationships forged at country level. We complement stakeholder engagement at local level with finding means to amplify these voices towards those in the international decision making arena.

This year we focussed much of our effort on several big international events at which the communications team supported the work of IIED groups with stands, publications and targeted events:

- The Convention of the Parties on Biological Diversification in Curitiba, Brazil in March
- The World Urban Forum in Vancouver, Canada in June
- The Convention of the Parties on Climate Change in Nairobi, Kenya in November

Our media work has also been focussed around raising awareness of those issues which really matter for IIED. Key successes this year have been around climate change, GMOs and the Mali Citizen's Jury. We recognise the continuing importance of the media as a countervailing power in the ability to influence change and to that end we recruited a Senior Press Officer to the communications team. This will give us much greater flexibility to leverage media interest in our material.

We use Briefing Papers and Sustainable Development Opinion papers to maintain a regular dialogue with policy makers. This year we have added a series on the 'MDGs and the Environment' and a number of two-page briefings on how climate change impacts on other areas of our work.

3 Sharing best practice in the environment and development field

An important part of our work in the communications team is to contribute to learning and best practice in communicating research for social change. Two projects this year have included working with other organisations to explore the challenges behind communicating research effectively.

IIED is a member of the steering group - with Panos, Healthlink and IDS - that organised a two day workshop on Research Communications M&E. The outcomes of this workshop resulted in a number of key recommendations for M&E including a process of exchanges and peer review between organisations for whom communications are of central concern.

IIED is also co-authoring a paper for a workshop organised by DFID, IDRC and IDS that explores how funders can encourage more effective research communications.



Camilla Toulmin
Director

Steve Bass
Senior Fellow
Natural Resources

Barry Dalal-Clayton
Senior Fellow
Governance, Law & Planning

David Satterthwaite
Senior Fellow
Human Settlements

INTERNATIONAL FELLOWS

Lwandle Mqadi
South Africa
Climate Change (CC)

Mozaharul Alam
Bangladesh
CC

Victor Orindi
Kenya
CC

Jiri Dusik
Czech Republic
Governance, Law and Planning
(G)

Hernán Blanco
Chile
G

Coral Pasisi
Fiji
G

Celine D'Cruz
India
Human Settlements (HS)

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Lyuba Zarsky
USA
Sustainable Markets (SM)

Diego Muñoz Elsner
Bolivia
SM

Jespar Stage
Sweden
SM

GROUP HEADS

Tom Bigg
Governance (G)
Head of Partnerships

Saleemul Huq
Climate Change (CC)

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

Gordon McGranahan
Human Settlements (HS)

Bill Vorley
Sustainable Markets (SM)

GROUP AND CORE STAFF

Caroline Adebajo
Finance Officer
(from October 2006)

Andrew Archer
Information Technology
Manager

Nicole Armitage
Administrator, NR

Holly Ashley
Participatory Learning and
Action, NR

Liz Aspden
Executive Assistant

Brian Barban
Finance Manager

Roula Barlika
HR Officer

Ivan Bond
Senior Researcher, NR

Steph Bramwell
Receptionist

Liz Carlile
Director of Communications

Lorenzo Cotula
Researcher, NR

Leanne Dmyterko
Communications Assistant
(to March 2006)

Annie Dufey
Researcher, SM

Rae Gardner
Finance Officer

Ben Garside
Researcher, SM

Peter Gordon
Financial Reporting Officer

Nick Greenwood
HR Manager

Maryanne Grieg-Gran
Director, Environmental
Economics, SM

Sarah Henson
Partnerships Officer

Ced Hesse
Director, Drylands, NR

Leda Hodgson
Receptionist

Beth Hughes
Administrator, CC

Marie Jaecky
Administrator, NR

Nazneen Kanji
Senior Researcher, NR
(to September 2006)

Nicole Kenton
Senior Administrator, NR
Participatory Learning and
Action

Isabelle Lemaire
Communications Assistant
(from September 2006)

James MacGregor
Researcher, SM

Duncan Macqueen
Senior Researcher, NR

Ruth Mayo
Office Services Supervisor

Vanessa Mcleod
Publications and Marketing
Manager

Angela Milligan
Participatory Learning and
Action, NR

Diana Mitlin
Senior Researcher, HS

Elaine Morrison
Researcher, NR

Debola Ogunnowo
IT Support Officer

Ashley Parasram
External Relations
Partnerships

Michel Pimbert
Director, Sustainable
Agriculture, Biodiversity and
Livelihoods, NR

Ina Porras
Researcher, SM

Steph Ray
Administrator, HS

Hannah Reid
Researcher, CC

Frances Reynolds
Senior Administrator, SM

Christele Riou
Senior Administrator, NR

Dilys Roe
Senior Researcher, NR

David Sankar
Web Services Manager

Mike Shanahan
Press Officer
(from November 2006)

Krystyna Swiderska
Researcher, NR

Cecilia Tacoli
Senior Researcher, HS

Su Fei Tan
Researcher, NR

Franca Torrano
Finance Director

Khanh Tran-Thanh
Administrator, NR

Michelle Tsoi
Finance Officer

Nick Turner
Communications Officer

Clare Vannakorn
Partnerships Assistant
(to July 2006)

Sonja Vermeulen
Senior Researcher, NR

Halina Ward
Director, Business and
Sustainable Development, SM

Emma Wilson
Senior Researcher, SM

FIELD

Charlotte Healey
Administrator
(to July 2006)

MJ Mace
Programme Director,
Climate Change and Energy

Iiona Millar
Staff Lawyer
(from September 2006)

Christoph Schwarte
Staff Lawyer
(from August 2006)

Karen Sherman
Administrator
(from October 2006)

Linda Siegele
Staff Lawyer

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 United Nations Environment Programme (UNEP)
 United Nations Development Programme (UNDP)
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Corporate

Adrag Ltd
 Ramboll, Hannemann & Hojlund A/S

The Statement of Financial Activities is not the full statutory accounts but is 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 15th September 2006 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

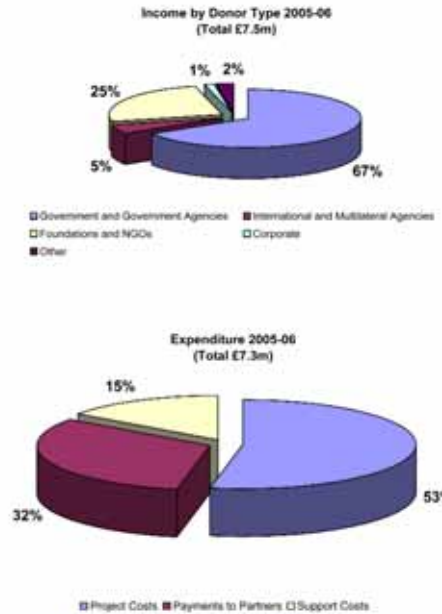
We conducted our work in accordance with Bulletin 1999/6 "The auditors' statement on the summary financial statements" issued by the Auditing Practices Board for use in the United Kingdom.

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

The diagrams below show where we sourced our income in 2005/06 and how we spent the money



**International Institute for Environment and Development
Consolidated Statement of Financial Activities
(Incorporating an Income and Expenditure Account)
For the year ended 31st March 2006**

CONSOLIDATED INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2006

	Unrestricted Funds General £	Unrestricted Funds Designated £	Restricted Funds £	Group* Total 2005/06 £	Total 2004/05 £
Incoming Resources					
<i>Incoming Resources from Charitable Activities</i>					
- Commissioned Studies and Research	406,265	-	6,933,047	7,339,312	6,294,080
- Publications	58,953	-	5,258	64,211	61,071
	465,218	-	6,938,305	7,403,523	6,355,151
<i>Incoming Resources from Generated Funds</i>					
Voluntary Income	5,384	-	-	5,384	-
Investment Income	53,628	-	7,595	61,223	73,802
	-	-	-	-	-
<i>Other Incoming Resources</i>					
	34,952	-	10,676	45,628	1,788
Total Incoming Resources	559,182	-	6,956,576	7,515,758	6,430,741
Resources Expended					
<i>Charitable Activities</i>					
- Commissioned Studies and Research	107,318	173,590	6,673,938	6,954,846	6,284,450
- Publications	58,998	-	241,387	300,385	297,287
<i>Governance Costs</i>	5,000	-	45,578	50,578	46,136
Total resources expended	171,316	173,590	6,960,903	7,305,809	6,627,873
Net Income/(Expenditure) for the year before transfers	387,866	(173,590)	(4,327)	209,949	(197,132)
Transfers between funds	(338,172)	338,172	-	-	-
Net Movement in Funds	49,694	164,582	(4,327)	209,949	(197,132)
Subsidiary Reserves brought forward	117,298	-	65,760	183,058	-
Funds brought forward at 1st April 2005	1,381,960	554,550	683,088	2,619,598	2,816,730
Funds as at 31st March 2006	1,548,952	719,132	744,521	3,012,605	2,619,598

* In April 2005 the International Institute for Environment and Development merged with the Foundation for International Environmental Law and Development.