

GRID-ARENDAL **2003**
ANNUAL REPORT



UNEP

GRID
Arendal



GRID-ARENDAL
ANNUAL REPORT 2003

Environmental Knowledge for Change

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2003\ grid-arendal

GRID-Arendal is an official United Nations Environment Programme (UNEP) Center located in Southern Norway, with outposted offices in Geneva, Ottawa and Stockholm. GRID-Arendal was established as a foundation under the Norwegian Ministry of Environment by the Government of Norway in 1989. GRID-Arendal is a unique model of a non-profit foundation supporting international activities within the framework of the United Nations.

GRID-Arendal supports UNEP with capabilities

- as UNEP's key center for Polar early warning and assessment,
- in environmental data and information management,
- regional and thematic assessments,
- visual communication,
- on-line environmental education,
- facilitation of training programs, and
- events management.

The mission of GRID-Arendal

GRID-Arendal provides environmental information, communications, and capacity building services for information management and assessment. Established to strengthen the United Nations through its Environment Programme (UNEP), our focus is to make credible, science-based knowledge understandable to the public and to decision-making for sustainable development.

The mission of UNEP

To provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and people to improve their quality of life without compromising that of future generations.

The mission of UNEP's Division of Early Warning and Assessment (DEWA)

To keep under review the state of the global environment, assess global and regional environmental trends, and provide early warning information on environmental threats.

GRID-Arendal values

GRID-Arendal adopts the United Nations Core Values as the shared principles underpinning our work and guiding the daily actions and behaviours of our staff, the Core Values being:

Integrity

- Demonstrates the values of the United Nations in daily activities and behaviours;
- Acts without consideration of personal gain;
- Resists undue political pressure in decision-making;
- Does not abuse power or authority;
- Stands by decisions that are in the Organisation's interest, even if they are unpopular;
- Takes prompt action in cases of unprofessional or unethical behaviour.

Professionalism

- Shows pride in work and in achievements;
- Demonstrates professional competence and mastery of subject matter;
- Is conscientious and efficient in meeting commitments, observing deadlines and achieving results;
- Is motivated by professional rather than personal concerns;
- Shows persistence when faced with difficult problems or challenges;
- Remains calm in stressful situations.

Respect for Diversity

- Works effectively with people from all backgrounds;
- Treats all people with dignity and respect;
- Treats men and women equally;
- Shows respect for and understanding of diverse points of view and demonstrates this understanding in daily work and decision-making;
- Examines own biases and behaviours to avoid stereotypical responses;
- Does not discriminate against any individual or group.

In addition to these three UN core values, we adopt a fourth value reflecting our affiliation with the United Nations Environment Programme (UNEP):

Environmental Commitment

- Actively disseminates information on the environment based on scientific knowledge of high quality;
- Promotes environmental awareness by agenda-setting "green" thinking and innovation among staff and within projects with partners and stakeholders;
- Practices environmentally friendly office routines;
- Funds an internal project on a continual basis dedicated to promoting internal and external environmental knowledge and commitment.

2003 \ review



Leif E. Christoffersen
Chairman of the Board

In a rapidly changing world, it is reassuring to know that the mission of GRID-Arendal remains highly relevant. The many conflicts occurring at global and local levels show the need for environmental information that is based on credible science and that is easily understandable for users. These conflicts call our attention to the need to help strengthen the United Nations. As a Norwegian foundation, we take pride in our ability to support the United Nations system with relevant expertise and with help in mobilizing additional resources.

Within our main focus of providing environmental information products and services to the United Nations Environment Programme (UNEP), we have been given the special responsibility to serve as UNEP's key Polar Center. Similarly important to UNEP, our capacity building activities continue to focus on the development of assessment and management tools, as well as innovative communication products.

Our key user groups are policy- and decision-makers in both the private and public sectors, and the general public. This means that we must, as the 2002 World Summit in Johannesburg reminded us, develop a solid understanding of the larger sustainable development context within which such services and products can be put to good use.

Leadership changes took place in GRID-Arendal during the year. Svein Tveitdal began a two-year assignment in June as a Divisional Director at the headquarters of UNEP in Nairobi. In September, after an intensive international recruitment process, Steinar Sørensen assumed the position of Managing Director. The recognition that UNEP has given Svein Tveitdal makes all of us at GRID-Arendal proud on his behalf. We are also very pleased that Steinar Sørensen, a person with a technical and scientific background and proven leadership experience in the private sector, has been motivated to take on the executive leadership role of our foundation.

Our mission leads us naturally towards an increasing emphasis on education. The Global Virtual University (GVU), a program under the UN University, and hosted by GRID-Arendal, has received both international and national attention. The UN Secretary-General commended this initiative in his

speech to the UN General Assembly in the autumn of 2003. In June, Norway's Prime Minister led the inauguration of GVU at our headquarters in Arendal. The key challenge is to ensure that GVU, with its academic partners around the world, will be able to produce programs and courses of high value to students in developing countries.

The UN-House in Arendal became a reality during the summer of 2003 with the purchase of new office buildings along the spectacular waterfront of downtown Arendal. This will enable us to move our headquarters to a more visible and accessible location. We were honoured by the presence of Norway's Environment Minister Børge Brende, when the UN-House was inaugurated on September 2. The municipality of Arendal and the regional government of Aust-Agder deserve high praise for helping us to make it possible.

The new buildings have provided us with needed assets, but the emergence of significant funding shortfalls has caused financial strains. 2003 was the first year in GRID-Arendal's history when we suffered a financial loss. Fortunately, the reserves built up in previous years were able to cover this shortfall. We expect significant financial improvements in 2004. Nonetheless, we will need to be increasingly more cost-conscious in all our operations.

GRID-Arendal's most important resource is its staff. We are fortunate to have an international staff with high-quality and relevant expertise, committed to cost-effective delivery of products and services, and motivated by our mission objectives. While determined efforts have been made to recruit more female staff for higher level positions, this remains a continuing challenge.

As in earlier years, we owe UNEP colleagues our warm appreciation for very productive working relationships. We are thankful for the support received from the Norwegian Ministry of Environment and from our growing network of partners, sponsors and donors.

2003 has been a busy year for the Board. I wish to express special thanks to our Board members for their impressive commitment and dedication to the foundation. The teamwork between staff, management and the Board has contributed to the annual achievements and results of our foundation.



Steinar Sørensen
Managing Director

I am pleased to be a part of the GRID-Arendal team and I am encouraged to bring private sector experience in economic decision-making to the organization. It is of crucial importance that GRID-Arendal maintains its main mission, i.e. to provide politicians and decision-makers with scientifically-based environmental information contributing to a sustainable development for future generations. Our vision *Environmental Knowledge for Change* is not only a slogan, but also expresses GRID-Arendal's belief that knowledge about environmental issues will

make people care and reconsider their way of living, and also make politicians focus on the environmental aspects of decision-making issues. Our role is to ensure the outreach of environmental information, consistent with UN and UNEP policies.

GRID-Arendal, at the end of 2003, has worked within four core areas: polar, capacity building, information outreach, and online education. These four programs will form the basis for further growth of the organisation and its international recognition.

2003\ activities and achievements

GRID-Arendal is organized as four main programs of activity to fulfil its mission to support UNEP.

UNEP's Key Polar Center

The GRID-Arendal Polar Program undertakes a range of activities in support of UNEP's objective of working towards sustainable development in the Arctic, and engaging constructively in the protection of the Antarctic environment. These activities include representing UNEP in international polar fora, facilitating cooperation between key stakeholder groups, preparing synthesis reports on emerging issues, and implementing ecosystem management projects in Arctic Russia. A special emphasis is placed on partnership projects with the Arctic's indigenous peoples.

2003 was a busy and productive year, with the Polar Program professionals actively participating in several international conferences and meetings, including those of the Arctic Council and the Standing Committee of Arctic Parliamentarians. In addition, GRID-Arendal hosted a successful seminar on Arctic Science and Policy, with attendance by the Chair of the Arctic Council, noted scientists, and representatives from several Arctic indigenous peoples' organizations.

The skills of GRID-Arendal's publication house were also exercised, with a number of publications launched or initiated during the year. These included a second edition of the newspaper canvassing current Arctic – and for the first time, Antarctic – issues. Re-launched as the *Polar Environment Times*, it was well-received at the Arctic Council and other international meetings.

The Polar Program also prepared two synthesis reports: the Polar chapter for UNEP's 2003 *GEO Yearbook*; and in conjunction with the European Environment Agency (EEA), a report on Europe's interactions with, and impacts on, the Arctic. Both are scheduled for release in March 2004. In addition, work was commenced on a new volume in GRID-Arendal's series of Vital Graphics, outlining Arctic issues from the perspective of indigenous peoples; and plans were laid for publishing a Satellite Atlas of the Arctic in cooperation with the Canadian Space Agency.

Strong progress was achieved on the GLOBIO 3.0 (Global Methodology for Mapping Human Impacts on the Biosphere) model being developed in partnership with RIVM (The Royal Dutch Institute for Public Health and Environment) and WCMC (the World Conservation Monitoring Centre). GLOBIO 3.0 builds on the conceptual approach of previous versions, and is being enhanced to allow scenario generation of the impacts of climate change and pollution – as well as habitat fragmentation – on biodiversity. The use of previous versions of the GLOBIO model has had great impact in the popular media.

Partnerships were developed with other organizations, including the Chilean Centre for Scien-



In conjunction with EEA, GRID-Arendal prepared a report on Europe's interactions with, and impacts on, the Arctic.

tific Studies and Canterbury University in New Zealand, to produce an assessment of climate change impacts in the high southern latitudes. GRID-Arendal also promoted the development of Earth Observation services for the Arctic through its work in the European Space Agency/European Commission-funded project called Northern View. Under this initiative, standardized circum-arctic services are being set up, including oil spill surveillance, glacier, iceberg and sea-ice monitoring, and the mapping of land-use and land-cover change.

In other projects with a focus on Arctic indigenous peoples, and in cooperation with University of the Arctic institutions, the Polar Program is promoting the development of an Environmental Impact Assessment training course, so that Arctic communities are better able to respond to industrial development. Work conducted in cooperation with the Russian Association of Indigenous Peoples of the North (RAIPON) on a survey of health and living conditions also came to fruition.

GRID-Arendal finalized the project execution planning for the approved GEF ECORA project (integrated ECOSystem approach to conserve biodiversity and minimize habitat fragmentation in the Russian Arctic). Fieldwork on establishing ecosystem baselines was started. A complementary effort to ECORA was also in planning, a workshop to be held in Russia in 2004 focusing on how indigenous peoples and local communities can sustainably manage their natural resources. Known also as Community Based Natural Resource Management (CBNRM), the event will share lessons from practitioners from around the world to define best practice strategies for use in the Arctic.

GRID-Arendal's Capacity Building Program

GRID-Arendal's Capacity Building Program focuses on Eastern Europe, the Caucasus, and Central Asia, and also supports UNEP's activities in Africa. It aims to strengthen environmental information management capacities of developing countries and the UNEP GEO collaborating network. We have successful partnerships with the European Environmental Agency (EEA) and the UN Economic Commission for Europe (UNECE), amongst others.

Besides facilitating environmental reporting and establishing environmental information networks, activities are increasingly focusing on environmental journalism and the media, including the organization of media roundtables, virtual and real media tours, which in 2003 covered Albania, Bor (Serbia), the Carpathians, the Caucasus and Central Asia. GRID-Arendal was also the lead organizer of UNEP's workshop for African Environmental Journalists in Addis Ababa in December and has developed and distributed a "media kit". Work with local authorities, for instance in NorthWest Russia, is also increasing.

The Capacity Building Program is also, together with UNEP, taking a lead in analyzing and producing information on cross-cutting issues, such as Environment and Poverty, Environment and Security, Environment and Health and making this available to wider audiences.

A report on Environment and Security in Central Asia and the Balkans was launched by UNEP, OSCE

and UNDP at the "Environment for Europe" Conference in Kyiv, Ukraine in 2003. For this purpose, GRID-Arendal developed a "mapping" methodology for defining national and regional priorities in an interactive and participatory process.

GRID-Arendal is cooperating with the World Resources Institute (WRI) on the next World Resources Report (WRR2005) focusing on Poverty, Environment and Governance. This will complement our existing work supporting the CGIAR centers and UNEP on poverty-environment assessment and mapping.

Learning is best achieved through practice; thus our capacity building activities are integrated with the development of training tools and with design and dissemination of written and graphical publications. In 2003, a beta version of the GEOkit for integrated environmental assessment was launched and used. This is based on UNEP's GEO report (*Global Environment Outlook*). GRID-Arendal has become a leader in environmental cartographic products with an annual output of hundreds of maps, graphs and illustrations covering key environmental issues and appearing in major publications of UNEP and its partner organizations. In 2003, a collection of updated Eastern European State of the Environment reports were published on a CD-ROM. With our 13 *Environmental Stories from Central Asia* booklet, we have also launched a publication appealing to a broader audience.



Population groups in South Eastern Europe, one of several maps produced by GRID-Arendal in 2003 for the UNEP/UNDP/OSCE report *Environment and Security: Transforming risks into cooperation*.



The Capacity Building team serving customers at the 5th Ministerial Conference *Environment for Europe* in Kyiv, 2003. On the "Moloko Bar" menu were various environmental information products.

GRID-Arendal's Web and Information Program

The Web and Information Program at GRID-Arendal specializes in communications with main target groups on behalf of UNEP, our partners and clients. We are increasingly building expertise on communication with the public: from school children to academics, the press and the general public. GRID-Arendal is also appointed by UNEP to play a major role in the dissemination of information related to climate change.

The program has an extensive history in providing complete web site development services, media and PR services and technical support to internal project teams. In addition to online information products, we produce promotional materials in a variety of graphic and digital formats.

The Web and Information Unit has a challenging role as the implementing partner of the Technology Transfer Network Program (TTN), headed by UNEP's Division of Technology, Industry and Economics (DTIE) in Paris. In this Technology Transfer project, GRID-Arendal is responsible for the set-up of local assistance desks in developing countries and a web-based TT information facility. The purpose is to help local businesses to overcome major technology transfer obstacles without compromising benefits such as cost savings, revenue, innovation and easier access to new markets. TTN acts as a broker of information and cleaner technology expertise for business experts in companies, consulting firms and financing institutions. www.sustainablealternatives.net.

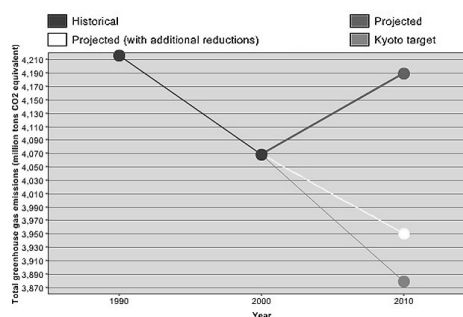
GRID-Arendal continues to run the Norwegian Environment News Portal, *Miljønytt*, collecting the latest environmental news from national press, organizations and ministries. The counterpart, *Earthwire.org*, is also running in Southern Africa, Serbia and the UK news services. www.miljonytt.no, www.earthwire.org/africa, www.earthwire.org/serbia, www.earthwire.org/uk.

GRID-Arendal's Publication Service continued to work closely with IPPC (Intergovernmental Panel on Climate Change) by providing support in the publication of IPCC reports. We've completed the translation, formatting and printing of the report *Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories* in Arabic, Chinese and French and produced a CD-ROM containing all six UN language versions of the report. We've also completed the web site *Climate Change 2001: IPCC Third Assessment Report*. This web site contains the three Working Group contributions to the *IPCC Third Assessment Report* in English and the Synthesis Report of the Third Assessment Report in English, Arabic, Chinese, French, Russian and Spanish.

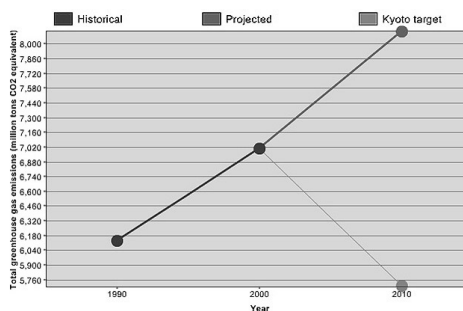
Climate Convention Annex 1 emissions graphics

At the Climate Change Convention Conference of the Parties 9th Meeting, GRID-Arendal presented and launched an updated version of the Climate Convention Annex 1 emissions graphics. The graphics show that several countries have problems in complying with their Kyoto commitments. If extra efforts are not put into reducing the emissions from these countries, they will increase by 10% instead of being reduced by 5% as the Kyoto Protocol requires. The graphics received broad media attention in the Nordic countries.

www.grida.no/climate change.



An updated version of the Climate Convention Annex 1 emissions graphic showing how the **European Union** complies with their Kyoto commitments.



An updated version of the Climate Convention Annex 1 emissions graphic showing how the **United States of America** complies with their Kyoto commitments.

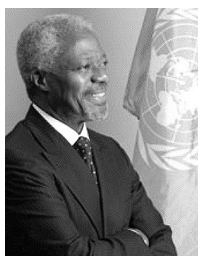
GRID-Arendal's Publication Service also facilitated the production of a brochure and a poster for Northern View (Earth observation services for the Arctic), an initiative of the European Space Agency and the European Commission, with participation by the Canadian Space Agency.

As a partner in www.earthprint.com, GRID-Arendal has initiated a more effective online environmental publication distribution service, disseminating publications from UNEP and other key international organizations.

The Global Virtual University (GVU)



Norwegian Prime Minister Kjell Magne Bondevik officially opened GVU on June 17, 2003



United Nations Secretary-General Kofi Annan referred to GVU as a fine example of building digital bridges in his message to the GVU launching ceremony

In September 2002 at WSSD, the United Nations University (UNU), UNEP and the Government of Norway signed an agreement, where it was agreed that GRID-Arendal should host a new operational unit of the United Nations University, GVU (Global Virtual University).

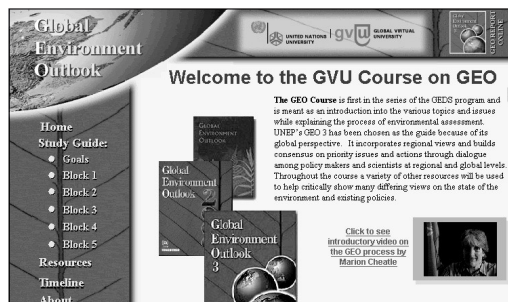
GVU comprises a network of universities worldwide, providing online-based higher education within the fields of environment and development. It is particularly designed to meet educational needs of developing countries.

GVU was officially opened by Kjell Magne Bondevik, the Norwegian Prime Minister, on June 17, 2003, where he said: *"It only seems natural that GRID-Arendal now joins forces with UNU, UNEP and other partners to create the first virtual university for sustainable development. And ... My government will continue to focus on sustainable development initiatives as a follow-up to the Johannesburg summit."*

Kofi Annan, the United Nations Secretary-General, in his message to the ceremony launching the GVU said: *"The Global Virtual University under the auspices of the United Nations University and the United Nations Environment Programme is a fine example of building digital bridges in an area of crucial importance to human security and prosperity: environmentally sustainable development. As such it can make an important contribution to efforts to achieve the objectives set out at last year's World Summit on Sustainable Development in Johannesburg. It also offers the prospect of constructive international cooperation, not only between rich and poor countries but also within the developing world. I am pleased to know that African universities from Ghana, Uganda and South Africa are among the participants."*

The main focus of GVU's first operational year was on building up the pedagogical and technical platform for the development of courses, programs and university networking. The following are some of the highlights from 2003.

GVU worked closely with Agder University College (AUC) on the development of "Global Environment and Development Studies" (GEDS), a Master Program to be offered in 2005.



A Master level pilot course was conducted September-December 2003 with students from Pakistan, India, Singapore, Philippines, Canada, UK, Austria, Kenya, Uganda, Kosovo and Norway. Pedagogical principles, technology and connectivity from developing countries were tested. This project will be used as a template for further development in 2004.

As collaboration with partner universities is of key importance for the development and implementation of GVU, workshops were held at Makerere University in Uganda and Pretoria University in South Africa. The Makerere workshop established a system for collaborative conversion of existing lecture-based, on-campus courses to a dual-mode social constructivist (socio-cultural) courses. Two on-campus instructional courses, one in freshwater management, the other in demography were modified and adapted according to the system developed during the workshop. Cooperation with the University of Pretoria was enhanced through the workshop there, and the university has started the development of a GEDS specialisation course in environment information management together with GRID-Arendal.

The Kwame Nkrumah University of Science and Technology in Ghana has in close cooperation with UNU been developing course material in the field of environmental assessment.

Noragric, the Agricultural University of Norway's Center for International Environment and Development Studies, was an important partner in developing the pilot GEDS-GEO course (based on UNEP's Global Environment Outlook Report), and contributed to the content development of GEDS.

In November 2003, the UNU Council designated GRID-Arendal as a UNU-associated institution.

2003\ board report

GRID-Arendal's operations continue to focus on serving the United Nations Environment Programme (UNEP) with environmental information products and services. We are strengthening our role as the designated UNEP focal point for polar activities, and, under the guidance and supervision of the UN University, we are focusing on developing the full potential of Global Virtual University, whose main mission is to provide long-distance learning program for students in developing countries. As in previous years, we are expanding our involvement in capacity building efforts that will enhance environmental understanding and that can relate it to overall sustainable development.

Early in 2003 the Board agreed to grant a two-year leave of absence to Svein Tveitdal, the Managing Director of GRID-Arendal, to enable him to accept an offer to serve in a senior level position with UNEP at its headquarters in Nairobi. An extensive international search for a replacement took place during the first half of 2003. The Board was pleased with this response, which led to the selection of Steinar Sørensen as new Managing Director. Mr. Tveitdal left his position on May 31, the Chair assumed interim management responsibilities over the summer months, and Mr. Sørensen took on his new duties on September 1.

Another major event in 2003 was the purchase of office buildings in downtown Arendal for the future location of GRID-Arendal's headquarters. We are most appreciative to the Municipality of Arendal and the County Council of East Agder for the financial support that made it possible for GRID-Arendal some time in the future to move to a location where it will become more accessible to the general public. Such relocation was also considered highly desirable by the staff of GRID-Arendal. The main office building is in good condition, but it will need some external and internal improvements, some of which will be carried out in 2004.

We have received broad support from national leaders for the work of GRID-Arendal. The Prime Minister of Norway, Kjell Magne Bondevik, visited us on June 17 to celebrate the inauguration of the Global Virtual University; the Education Committee of the Parliament paid a visit for a related purpose on June 5; and Børge Brende, the Minister of Environment, led the inauguration ceremony on September 2 for our new office building, which will be called the UN House in Arendal.

In his speech to the UN General Assembly in October, the UN Secretary-General Kofi Annan made a complimentary reference to GRID-Arendal for the efforts to start up GUVU. We were also pleased that the Governing Council of the UN University designated GRID-Arendal as an Associated UNU Institution.

During the year a feasibility study was completed by GRID-Arendal for the Ministry of Foreign Affairs, as a follow-up to a request made by the UN General Assembly to UNEP and its GRID system, to establish a center for the UN Convention of the Law of the Sea (UNCLOS) that would assist developing countries in setting the boundary lines for their legal rights to the continental shelves outside their coastlines. It is possible that the main responsibility for setting up such a center may be given to our foundation in 2004.

While we made good progress on many fronts in 2003, some financial weaknesses have emerged. Unexpected funding shortfalls were encountered already in the first quarter of the year and these persisted through the rest of 2003. This has led to valuable reassessments of the methods used for considering 'secured contracts' at the beginning of the year, for more focused monitoring of fund-raising during the year, for improving follow-up on UNEP documentation needed for the release of funds under its contracts with us, and for making the entire management team more directly involved in such efforts. Furthermore, there is a renewed focus on keeping continuing oversight of our foundation's cost structure and implications of our costs for future project opportunities. In particular, costs associated with the management and the administration of GRID-Arendal, including its field offices, are now being reviewed for possible savings. It is also evident that past problems are still affecting our financial situation, including changes in exchange rates and lower returns on financial assets.

The Board continued discussions on the findings and recommendations of the independent external evaluation of GRID-Arendal in 2002. It was agreed that consideration of how to improve and strengthen GRID-Arendal's institutional structure and management capacity would be merged into the forthcoming Board discussions on revisions to be made in the GRID-Arendal Strategy. This strategy sets forth how GRID-Arendal can provide environmental information, communications, and capacity building services for information management and assessment related to the UN system, particularly the United Nations Environment Programme. While most of GRID-Arendal's activities are operated from its headquarters in Arendal, it conducts some activities from office locations in Geneva, Switzerland, Ottawa, Canada, and Stockholm, Sweden.

While there is room for improvement, the Board is generally satisfied with the organization and management of GRID-Arendal.

The working conditions within the foundation were found to be good. The sick leave in 2003

amounted to 2.8% of the total working days. There were no injuries to staff in 2003, and there were no significant damages to the equipment of the foundation.

There were regular meetings between staff and management where issues concerning working conditions were discussed. Continuing efforts are being made to improve teamwork and provide more effective feedback to staff. In close collaboration with the management and staff in GRID-Arendal, the Board completed preparatory work for including a staff representative as a new member of the Board in 2004.

The Board notes with appreciation the many contributions made by Mrs. Anu Pärnänen-Landtman and Dr. Gordon McInnes who left the Board in 2003. A special thanks is due to former Board member Hanne K. Petersen who, after her departure from the Board in 2002, has continued to provide us with valuable advice and guidance on our polar activities, including taking part in our Arctic Science and Policy seminar last September.

Consistent with its overall institutional objective, we are pleased to report that the foundation does not conduct activities that damage the environment. As is the case with many similar organizations, GRID-Arendal uses energy, creates waste, consumes paper, and uses hazardous chemicals (e.g. in copying machines). Efforts are being made to raise awareness among staff and reduce its ecological footprint through a "green office" policy. GRID-Arendal makes determined efforts to use environmentally friendly materials and to reduce the accumulation of waste. GRID staff tries to use environmentally friendly forms of transportation when possible. Since its activities involve extensive international travel, GRID-Arendal encourages video-conferencing and phone-conferencing means to help reduce staff travel.

Gender issues need continuous attention by the Board and the management of GRID-Arendal. At the start of 2003 female members of the Board ac-

counted for 40 % of total Board membership. The staff composition of 13 women and 20 men means that 39 % of the staff are women. However, female staff occupies many of the administrative support positions, while recruitments to management and senior-level technical positions have not achieved satisfactory results, despite special efforts made. An internal task force is working on finding ways to making our recruitment efforts more effective in obtaining a good gender balance. It is also formulating proposals for an appropriate gender policy for GRID-Arendal.

It is the Board's view that the annual accounts give a fair and accurate view of the foundation's position as of end 2002. The project portfolio has been exposed to fluctuations during the year but at the end of December seemed to be in a relatively healthy state. The overall result for the year was a loss of NOK 3 057 107 compares unfavorably with the positive result of NOK 964 481 achieved in 2002.

The Board concluded that the loss of NOK 3 057 107 in 2003 will be covered from its equity. It should be kept in mind that the Board follows the general principle that earnings will be used solely to support the mission statement and the long-term goals of the foundation. As a non-profit foundation, a main financial goal of GRID-Arendal is to have an equity level equivalent to about half of the fixed operational cost. Due to the losses that occurred this year, this ratio has been slightly reduced – from 54% in 2002 to 43% in 2003.

Notwithstanding these losses, and taking into account its substantially increased ownership of fixed assets, as represented by the purchase of new office buildings, the Board considers the foundation to have a sound financial structure.

The Board concludes that it is satisfied that the foundation activities are consistent with its charter purposes and that it has a sound basis for continuing operations and for planning further strategy-relevant operational activities for several years into the future.


March 4, 2004

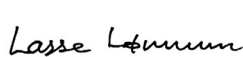

Leif E. Christoffersen


Daniel van R. Claasen


Øystein Dahle


Kari Elisabeth Fagernes


Lars Kristoferson


Lasse Lønnum


Sigrun Møgedal


Eva Thörnelöf



Leif E. Christoffersen
Lars Kristoferson
Daniel van R. Claasen
Anu Pärnänen-Landtman
Eva Thörnelöf
Øystein Dahle
Sigrun Møgedal
Lasse Lønnum
Kari Elisabeth Fagernæs

Leif E. Christoffersen

Chairman of the GRID-Arendal Board of Directors
Norway

Daniel van R. Claasen

Deputy Director, Division of Early Warning and Assessment
UNEP Headquarters

Øystein Dahle

Board Chairman, World Watch Institute Washington
Norway

Kari Elisabeth Fagernæs

Deputy Chairman of the GRID-Arendal Board of Directors
Research Director, Norwegian Institute for Nature Research (NINA)
Norway

Lars Kristoferson

Secretary-General, World Wide Fund for Nature (WWF)
Sweden

Lasse Lønnum

Research Director, Norwegian Polar Institute
Norway

Sigrun Møgedal

Senior Advisor, Norwegian Agency for Development Cooperation (NORAD)
Norway

Anu Pärnänen-Landtman (until April)

Counsellor, Global Environmental Affairs, Ministry of Foreign Affairs
Finland

Eva Thörnelöf

Deputy Director, MISTRA/Foundation for Strategic Environmental Research
Sweden

2003\ financial statement

Balance (NoK) as of 31.12	31.12.03	31.12.02
Fixed assets	NOTE	
Machinery and equipment	2 538 325	733 573
Investments in subsidiaries	8 4 022 000	0
Shares, Geodatasenteret a/s	8 100 000	100 000
Pension funds	4 186 169	243 701
Total fixed assets	4 846 494	1 077 274
Current assets		
Accounts receivable trade	5 7 698 523	7 987 640
Other receivables	926 175	853 750
Work in progress	6 4 341 329	6 159 371
Investments in shares	7 0	1 071 636
Petty cash and bank accounts	9 3 258 814	4 371 340
Total current assets	16 224 842	20 443 738
Total assets	21 071 335	21 521 012
Equity		
Paid in capital		
Foundation capital	500 000	500 000
Total paid in capital	500 000	500 000
Retained earnings	9 645 531	12 702 638
Total retained earnings	9 645 531	12 702 638
Total equity	10 145 531	13 202 638
Long-term liabilities		
Loan	1 400 000	0
Total long-term liabilities	1 400 000	0
Short-term liabilities		
Accounts payable trade	1 859 942	1 762 124
Public duties payable	1 512 803	1 170 288
Accrued salaries and vacation fees	1 371 769	1 213 116
Other current liabilities	192 182	752
Advance	10 4 589 109	4 172 094
Total short-term liabilities	9 525 805	8 318 374
Total equity and liabilities	21 071 335	21 521 012

Profit and loss account (NoK)		2003	2002
Operating revenues		NOTE	
Operating revenues		32 576 839	42 721 617
Total operating revenues		32 576 839	42 721 617
Operating expenses			
Project costs		12 486 479	16 128 915
Personnel costs	3	16 975 528	17 496 264
Depreciation	2	405 408	390 836
Other operating expenses		6 336 042	7 014 194
Total operating expenses		36 203 456	41 030 209
Operating result		-3 626 618	1 691 408
Financial income and expenses			
Financial income		1 042 747	375 197
Financial expenses	7	-473 236	-1 102 124
Net financial items		569 510	-726 927
Result for the year		-3 057 107	964 481

Cash flow statement (NoK)		2003	2002
Cash flow from operating activities			
Result of the year		-3 057 107	964 481
Depreciation		405 408	390 836
Write-down of fixed assets		44 961	576 504
Profit on sale of fixed assets		-212 896	0
Changes in inventory, accounts receivables and accounts payable		2 204 977	-5 758 460
Changes in other balance sheet items		1 094 720	-650 265
Net cash flow from operating activities		480 062	-4 476 904
Cash flow from investment activities			
Purchase of tangible fixed assets		-210 159	-426 988
Proceeds from sale of other investments		1 239 571	300 000
Purchase of shares		-4 022 000	0
Net cash flow from investment activities		-2 992 588	-126 988
Cash flow from financing activities			
Proceeds from issuance of long-term debt		1 400 000	0
Net cash flow from financing activities		1 400 000	0
Net changes in cash and cash equivalents		-1 112 526	-4 603 892
Cash and cash equivalents 01.01	4 371 340	8 975 232	
Cash and cash equivalents 31.12	3 258 814	4 371 340	

NOTE 1

Basic principles – assessment and classification – other issues

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31 December 2003, consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts. In order to simplify the understanding of the balance sheet and the profit and loss account, they have been compressed. The necessary specification has been provided in notes to the accounts, thus making the notes an integrated part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and caution. Transactions are recorded at their value at the time of the transaction. Income is recognised at the time goods are delivered or services are sold. Costs are expensed in the same period as the income to which they relate is recognised. Costs that cannot be directly related to income are expensed as incurred.

When applying the basic accounting principles and presentation of transactions and other issues, a “substance over form” view is taken. Contingent losses which are probable and quantifiable are taken to cost.

Accounting principles for materials items Revenue recognition

Revenue is normally recognised at the time goods are delivered or services are sold.

Cost recognition/matching

Costs are expensed in the same period as the income to which they relate is recognised. Costs that cannot be directly related to income are expensed as incurred.

Fixed assets

Fixed assets are entered in the accounts at original cost, with deductions for accumulated depreciation and write-down.

Assets are capitalised when the economic useful life is more than 3 years, and the cost is greater than 15 000 NoK. Operating lease costs are expensed as a regular leasing cost, and are classified as an operating cost.

Depreciation

Based on the acquisition cost, straight line depreciation is applied over the economic lifespan of the fixed assets.

Accounts Receivables

Trade receivables are accounted for at face value with deductions for expected loss.

Pension liability and pension costs

The company has a pension plan that entitles its members to defined future benefits, called defined benefit plans.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, is classified as an operating cost, and is presented in the line item payroll and related cost.

NOTE 2

Machinery and equipment

Purchase Value 01.01.03	NoK	4 746 260,-
Added this year	NoK	210 159,-
Accumulated depreciation 31.12.03	NoK	4 418 095,-
Book Value 31.12.03	NoK	538 324,-

Depreciation this year	NoK	405 407,-
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NOTE 3

Salary costs

	2003	2002
Salary and holiday pay	NoK 13 129 363,-	NoK 12 991 233,-
Employer's contribution	NoK 1 980 480,-	NoK 1 904 738,-
Other personnel costs	NoK 1 865 685,-	NoK 2 600 293,-
Total	NoK 16 975 528,-	NoK 17 496 264,-

Average no of employees	33	36
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Salary of Managing Director	NoK	550 555,-
Fee of Chairman of the Board	NoK	35 000,-
Fee of other Board members	NoK	152 000,-

The audit fee for 2003 was NoK 54 560,-. The fees for other services provided by the auditor was NoK 17 360,-.

NOTE 4

Pension funds

The premium for the year, NoK 1 189 836,- is charged to personnel costs. The movement from the pension premium fund of NoK -57 532,- is included under financial expenses.

Value 01.01.03	NoK	243 701,-
Movement	NoK	-57 532,-
Value 31.12.03	NoK	186 169,-

NOTE 5
Accounts receivable trade

Accounts receivables are included in the accounts at face value.

NOTE 6
Work in progress

Work in progress carried out and costs incurred, not invoiced at the year end, related to 37 projects, and costs incurred amounted to a total of NoK 4 341 329,-.

NOTE 7
Short-term investments

Other shares	No. of shares	Purchase cost	Market value
Earthprint Ltd	3500	NoK 44 961,-	NoK 0,-

The shares in Earthprint Ltd are written down to its market value, and the loss of NoK 44 961,- is included under financial expenses.

NOTE 8
Long-term investments

Shares subsidiaries

Name	Office address	Owners share	Purchase cost	Share of result 2003	Share of equity 31.12.03
Teaterplassen AS	4800 Arendal	67%	NoK 3 012 000,-	NoK -331 334,-	NoK 8 335 333,-
Rådhusgaten 6 AS	4800 Arendal	100%	NoK 1 010 000,-	NoK -233 472,-	NoK 766 528,-

Other shares	No. of shares	Purchase cost	Market value
Geodatasenteret AS	1000	NoK 100 000,-	NoK 100 000,-

The shares in Geodatasenteret AS are valued at purchase cost.

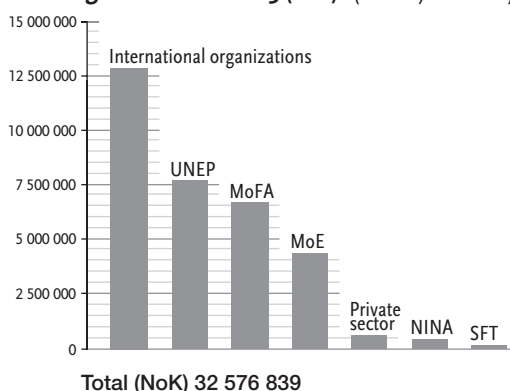
NOTE 9
Petty cash and bank accounts

NoK 590 648,- of the total cash in the bank is restricted to meet the liability arising from payroll taxes withheld.

NOTE 10
Advance

Work in progress invoiced on accounts and advances at the year end, related to 20 projects and amounted to a total of NoK 4 589 109,-.

Funding sources in 2003 (NoK) (Not subject to audit)





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To the GRID – Arendal Foundation

AUDITOR'S REPORT FOR 2003

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of the GRID – Arendal Foundation on pages 12-14 as of 31 December 2003, showing a loss of NOK 3.057.107. We have also audited the information in the Board of Directors' report on pages 9-10 concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements and the Board of Directors' report are the responsibility of the Foundations Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices an audit also comprises a review of the management of the Foundations financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Foundation as of 31 December 2003, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Foundations management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and comply with the law and regulations.

Arendal, March 4, 2004
KPMG AS

Terje H. Holst
State Authorised Public Accountant

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only



KPMG AS is the Norwegian member firm of KPMG International, a Swiss cooperative

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Ålesund
Arendal
Bergen
Esbjorn
Faroese
Hamar

Haugesund
Krokarand
Lillehammer
Molde
Rana
Sandefjord

Sandnessjøen
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