



MILLENNIUM CHALLENGE CORPORATION

REDUCING POVERTY THROUGH GROWTH

October 2006

MCC's Supplemental Natural Resources Management Measurements for FY 2007

MCC is required to evaluate country performance in a variety of specific policy areas through objective and quantifiable indicators including a country's demonstrated commitment to economic policies that promote the sustainable management of natural resources. MCC conducted a public search and extensive consultative process to identify a single indicator or index of natural resources management that would meet its criteria for a selection indicator and satisfy its legislative mandate.

The Indicators

As a result of the public search and consultative process, MCC has identified two measures to be utilized as supplemental information for the FY07 selection process: a ***Natural Resource Management Index*** from Columbia University's Center for International Earth Science Information Network (CIESIN) and the Yale Center for Environmental Law and Policy, and an ***Land Rights and Access Index*** which includes an indicator from the International Fund for Agricultural Development (IFAD) and two indicators from the International Finance Corporation (IFC).

Natural Resource Working Group: MCC held two public conferences and consulted with environmental groups, think tanks, research institutes, and academics. MCC also catalogued over 120 potential natural resource indicators and posted that on our website for public feedback. MCC enlisted the help of 6 independent experts to evaluate proposals received from the public.

Both indices will be used as ***supplemental information*** for Fiscal Year 2007, and MCC intends to recommend to the Board both indices for approval. MCC is considering placement of both indices in the "Investing in People" category. This gradual integration of the indicators into the criteria is intended to give countries notice of the new indicators and an opportunity to learn about necessary reforms. MCC believes this will create the strongest incentives and keep countries engaged in the reform process.

What is Supplemental Information? MCC's Board uses supplemental information to address gaps, time lags, and other weaknesses in the indicators and to provide additional data to inform the assessment of whether MCC funds might reduce poverty and promote economic growth in a country. For FY 2007 this will include: country performance data on natural resource management as measured by a Natural Resource Management index and a Land Rights and Access index; the disabilities component of the U.S. Department of State's Human Rights Report, and Transparency International's Corruption Perceptions Index.

OVERVIEW: “NATURAL RESOURCE MANAGEMENT” INDEX

Columbia University’s Center for International Earth Science Information Network (CIESIN) and the Yale Center for Environmental Law and Policy have created a composite measure of four indicators:

- **Eco-region Protection:** Developed by CIESIN, this indicator assesses whether a country is protecting at least 10% of all of its biomes (e.g. deserts, forests, grasslands, aquatic, and tundra.). It is designed to capture the comprehensiveness of a government’s commitment to habitat preservation and biodiversity protection. World Wildlife Fund provides the underlying eco-region data, and the United Nations Environment Program World Conservation Monitoring Center – in partnership with the IUCN World Commission on Protected Areas and the World Database on Protected Areas Consortium – provide the underlying data on protected areas.
- **Access to Improved Sanitation:** Produced by WHO and UNICEF, this indicator measures the percentage of the population with access to facilities that hygienically separate human excreta from human, animal and insect contact. Facilities such as sewers or septic tanks, pour-flush latrines and simple pit or ventilated improved pit latrines are assumed to be adequate, provided that they are not public.
- **Access to Improved Water:** Produced by WHO and UNICEF, this indicator measures the percentage of the population with access to at least 20 liters of water per person per day from an “improved” source (household connections, public standpipes, boreholes, protected dug wells, protected springs, and rainwater collection) within one kilometer of the user’s dwelling.
- **Child Mortality (Ages 1-4):** Produced by the Population Division of the United Nations Department of Economic and Social Affairs, this indicator measures the probability of a child dying between the ages of 1 and 4. Because the causes of child mortality among 1-4 year olds are predominantly environmental, this indicator is considered to be an excellent proxy for underlying environmental conditions.

This composite indicator is consistent with MCC’s legislative mandate because it evaluates government commitment to sound management of water resources and water systems, proper sewage disposal and sanitary control, air quality standards, habitat preservation, and biodiversity protection. For more, please see: www.yale.edu/epi/ and <http://sedac.ciesin.columbia.edu/es/epi/>.

OVERVIEW: “LAND RIGHTS AND ACCESS” INDEX

The Land Rights and Access Index is made up of three indicators:

- **Access to Land:** Produced by the International Fund for Agricultural Development (IFAD), this indicator assesses the extent to which the institutional, legal and market framework provides secure land tenure and equitable access to land in rural areas. It is made up of five subcomponents: (1) the extent to which the law guarantees secure tenure for land rights of the poor; (2) the extent to which the law guarantees secure land rights for women and other vulnerable groups; (3) the extent to which land is titled and registered; (4) the functioning of land markets; and (5) the extent to which government policies contribute to the sustainable management of common property resources.
- **Days to Register Property:** Produced by the International Finance Corporation (IFC), this indicator measures how long it takes to register property in the capital city. The IFC records the full amount of time necessary when a business purchases land and a building, and to transfer the property title from the seller to the buyer so that the buyer can use the title for expanding business, as collateral in taking new loans, or, if necessary, to sell to another business.
- **Cost of Registering Property:** Produced by the IFC, this indicator measures the cost to register property as a percentage of the value of the property in the capital city. The IFC records all of the costs that are incurred when a business purchases land and a building to transfer the property title from the seller to the buyer, so that the buyer can use it for expanding his business, as collateral in taking new loans, or, if necessary, to sell it to another business.

This index is consistent with MCC’s legislative mandate because secure land tenure facilitates long-term investments in land productivity and diminishes the likelihood of short-term actions with negative environmental impacts such as deforestation. For more on IFAD’s indicator methodology, see: www.ifad.org/gbdocs/gc/27/e/GC-27-L-6.pdf . The 2004 IFAD country scores are at: www.ifad.org/gbdocs/gc/28/e/GC-28-L-9.pdf For more on the IFC’s data and indicator methodology, see: www.doingbusiness.org.