

Natural Resources Working Group Public Meeting

Speakers and Agenda

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Opening Remarks

Governor Christine Todd Whitman

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Sherri Kraham

Transcript

MS. KRAHAM: Good afternoon. My name is Sherri Kraham. I am the Director of Development Policy at Millennium Challenge Corporation. Good afternoon and welcome to the first public event of MCC's Natural Resource Working Group.

Today we're here to publicly launch our search for an indicator that measures governments, economic policies that promote the sustainable management of natural resources, and to invite your participation in that process. We are also delighted to report that later this week we will release a draft of MCC's Interim Environmental Guidelines that will govern our programs, pending any changes resulting from public comment. We will briefly address the guidelines later.

We are very pleased to have MCC Board Member and former Administration of the EPA, Governor Christine Todd Whitman, with us to spearhead this effort. We also have a distinguished group of experts in the field of natural resources, and so we welcome them as well.

MCC's CEO, Paul Applegarth, will introduce Governor Whitman, who will speak about why your participation in this process is so important. After her remarks we will have MCC's Director of Environmental Assessments, Margaret Kuhlow, talk about how you can contribute to this process. A question and answer period will follow.

We are very pleased that you joined us today despite the bad weather, and we look forward to the start of what we hope will be a sustained dialog about natural resources management. Thank you.

So with that, Paul Applegarth, I'll invite you to come to the podium or sit where you are.

MR. APPLGARTH: I think I'll sit here if that's all right.

MS. KRAHAM: Sure.

MR. APPLGARTH: Welcome. I see several familiar faces from our prior outreach meetings, scattered around the room, as well as a few people I don't recognize. But very pleased to have you here today.

Before we move into today's agenda, for those of you who don't know, as I mentioned last week at the first public outreach meeting last week, we have approved internally our first compact proposal. It's going to board in two weeks, and hopefully after congressional notification and board approval we'll be in a position to sign and begin disbursements under our first compact. We're quite pleased that this has happened, needless to say, since we picked countries in May. We picked 16 countries in May.

Starting in August, 15 of those 16 countries have given us proposals that came in between mid August and the end of November, and the proposal which we've approved actually we received the beginning of October. To have gone from basically an idea and set of priorities to a detailed implementation plan, an agreement on outcomes and results of how we're going to measure performance, and have everything in place in under five months is really testimony to our partner country, which happens to be Madagascar. They've done a very good job.

This is what country ownership is all about. It's also what country responsibility is all about, because at the end of the day countries drive the timing of how quickly we can move, and in this case they have moved quite well. We're seeing it with some of the other compact proposals as well where the countries have really stepped up, put the effort and time into this to make it work well.

Let me now move to the agenda for today, which is our environmental or natural resource criterion. Let me differentiate this from something else Sherri mentioned. She said we were putting out our interim guidelines for environmental impact or assessments of proposals in the next couple of days. Once a country gives us a proposal and

we are evaluating it, we want to evaluate whether or not it has a significant impact on the environment, and this is our approach to doing so. These are interim. We very much welcome your comments on this process. Margaret will talk about it a bit later. That is really not today's agenda, but it happens to be going on simultaneously and we'll use today to mention it to you.

Today's purpose is to initiate our broader search for a criterion to use in evaluating our countries for the purposes of determining their eligibility. I think most of you in this group are familiar with our methodology for ranking countries overall, of trying to look at policies, because on the website you see country rankings against 16 existing criteria. On the Web they are green and red. This one is in black and white, for those of you in the back of the room who can't see it. But the point is we would like, if possible, to develop and add an indicator which really evaluates the management of natural resources in the country as a policy measure.

As you know, countries compete to be selected as an MCC-eligible country. They're competing against the other poorest countries in the world, consistent with our mandate to reduce poverty in some of the poorest countries of the world. As part of our founding legislation, we have a requirement that we are supposed to success for economic policies and whether they promote the sustainable management of natural resources. So far we had not been able to find an indicator that met our tests and we've had to rely on qualitative information, and then went to the board. And we're really trying to improve that process. We mentioned that last year when we published the indicator, said we'd be initiating this effort, and we're here to do that.

We're quite pleased that Governor Whitman, who's a member of the Millennium Challenge Board, has agreed to lead this effort for us. We're also quite pleased that we're just soliciting a group of real experts in the field on indicators on the economic impact of the management of natural resources to be working with us.

To give you a sense on what we're looking for in an indicator, it really should meet several tests. First we look for it to be developed by a credible third party. Part of our mission of doing things differently is to be very transparent what we're doing and to take out--make it clear that the board and we are making decisions based on a country's efforts to develop itself by putting in place good policies that will promote poverty reduction and promote growth, and to take politics out of the decision making around our country selection. Therefore, that's one reason we want the indicators to be done by credible third parties.

Secondly, we want it based on high-quality data to the extent that that's possible. Third, using a methodology that's analytically rigorous. Fourth, that the methodology is publicly available, and those of you who go on our website you can see who has done each of our current rankings, each of our indicators, the methodology they've used and how to reach them if you have comments.

We're looking for a link to poverty reduction and to growth. Again, that's our mission and so we want indicators that--and to measure things that will lead to poverty reduction and lead to growth. We also want them to be policy

linked because if a government that we're evaluating can't do something or affect what we're measuring in any way that falls short, because Millennium Challenges is about rewarding countries for putting good policies in place, to promote poverty reduction, but it's also about incentivizing countries to do that and to change the policies. If we're not measuring things that are related to poverty reduction and growth and that they can impact through policy, then it's not particularly helpful to them.

And last, we need broad coverage, country coverage. It can be the world's perfect indicator, but if it only measure five or ten of the countries that we're evaluating rather than 82, then it falls short, and so we're looking for that kind of broad country coverage.

Today is the launch of the process. Going forward, we would invite you all to give us your comments and provide us your input, first on the process itself. We are, as is traditional in MCC--if you can talk about tradition after only a year--but we are really trying to be open and transparent, and we really do welcome your impact on the process of what we're doing, and if you have suggestions, we would appreciate them.

And then secondly, as proposals come out and if we're able to develop an indicator through this process, we would appreciate your comments on the indicator. As you know, when we publish draft indicators each year, we do so as a public comment, and we would hope before that and during that process to continue to get your input.

With that, let me really turn it over to Governor Whitman. I will not spend a long term introducing her. She's known to many of you for her record both as Governor of New Jersey, but also within the administration as the Administrator of the Environmental Protection Agency, a well-known public servant, and with whom we're very pleased to be working.

With that, I want to thank you again very much for stepping up to this, and we'll turn it over to you.

GOVERNOR WHITMAN: Thank you, Paul, very much, and thank all of you for being here again, given the weather and knowing Washington, D.C. When you have even the hint of snow, things come to a crashing halt, so it's great to see so many people here, and it's an indication of your commitment to what it is that MCC is trying to do. I want to use this opportunity to congratulate MCC and its staff for what they've been able to accomplish to date in undertaking this.

This is not going to be easy. Finding a natural resource indicator that is going to be something that is recognized as legitimate and can be applied across the broad spectrum of countries that MCC deals with is a real challenge. I don't think anybody denies or doesn't understand for one instance that sustainable economic growth and a clean and health environment are integrally interrelated, and that it is the poor who suffer disproportionately when you have a compromised environment, whether it's from lost work days or early deaths from waterborne disease, or loss of farming ability because of deforestation practices, it's the poor that get hurt the most.

So with MCC's focus on poverty reduction and growth, a natural resource indicator is something that would seem to be a need. And we don't have one now, don't have one that meets the standard of the other criteria that have been set, and that again--it's a testimony to, I believe, MCC and what it is trying to do, that they are moving forward now with a process that will be an open one.

What we're looking for is, as Paul said, something that links with what MCC is about. As you look at natural resource management, how will this help those who most desperately need the help? How will good management practices, resource management practices, improve agriculture? How will it improve the daily living? Is there something on which we can focus that will be a criteria? And remember, this is a criteria for acceptance into the first round. This doesn't mean that the country is necessarily going to get a program funded, but they're not even going to get in the door if we can't find the kinds of links that we're looking for.

That may be something at the end of the day that you're all going to tell us is impossible, that you can't find an indicator that's going to fit on the kind of chart that Paul held up, which is of course, something that you really want to do, because it is clear, it's definitive and it's very transparent, and people can understand exactly how measurements are occurring.

The problem that you have with finding an indicator that will encompass all of the various countries is because they're natural resources may be so very different, but if you don't have something that is pretty broadly based or that you can apply pretty broadly, you start to come down to a lot of very subjective decisions which can call the process into question and get us in the position where there's a lot of second guessing.

This is an ongoing process, but it is a process that MCC is pushing pretty hard. We're hoping to get something initially formed by May. Is that what the first date is? And Margaret I know will go into that in more detail. But by making the sustainable management of natural resources an indicator for MCC selection, I believe that MCC will be in a position to really be providing a powerful financial incentive because of the money that comes with MCC selection to improved natural resource management. And that will benefit not just the country itself, but--[cell phone ringing]--that's a really good ring, I like that. That's better than most.

[Laughter.]

GOVERNOR WHITMAN: But it will help stimulate--because we've seen this already happen from MCC criteria--it stimulates the kind of behavior that improves the condition of the people we're trying to help just by having those indicators out there, which makes this exercise something that's very worthwhile undertaking in spite of the challenge that it's going to present to everyone.

With that now I'd like to ask Margaret to go over a bit more of the specifics of how this process is going to be managed, moved forward and timelines and why we're where we are.

MS. KUHLOW: Sure. Thank you very much.

First a quick description of what we're using right now to give you a sense of where we're starting from. About a year and a half ago a group of experts from other parts of the United States Government, the State Department, the Treasury Department, U.S. Trade Representative and the U.S. Agency for International Development, got together to say, we have this mandate in the legislation. What is there that's currently available that we could use as an indicator of a country's economic policies to promote sustainable management of natural resources?

And this group spent a lot of time with this question, and ultimately decided there wasn't one thing off the shelf that's currently available that would be satisfactory, and put together an interim process that we all have come to be satisfied with as an interim process, with the understanding that we really needed to go and find something because we weren't pleased with the interim process either.

What we look at is five basic indicators and then provide some qualitative discussion for the board around those five basic indicators because there are shortcomings in those. We look at the percentage of protected area in a country. We look at percentage of forestation, forest cover, forest cover change specifically. We look at the CITES, the Convention on International Trade and Endangered Species of Flora and Fauna implementation categories, so not just whether a country has signed onto the Convention or not, but how they're implementing it. And we look at access to improved sanitation in both the rural and urban areas.

And because some of those indicators are not very informative for countries who, for example, have most of their area as coastline, or who have no trees, or a number of other reasons, we also provide for the board a bit of qualitative discussion around other things happening in the natural resource management area in each country. And we take those five indicators and that qualitative discussion and basically assign an average, above average, below average or a substantially below average rating to each of the countries as part of the selection.

This process hasn't been public until now because we have had to generate something ourselves because we were not pleased with what was in existence. And now we'd like to start an open public examination of how we might do this better, and that's where all of you come into play.

In terms of a tentative timeline, what we would like to do is have a longer, potentially one-day, conference to have a real substantive discussion around all of the issues that come up when we talk about this, from quality of data to how to manage the endowment effect and on. We'd like to have a full one-day substantive discussion around the end of March or early April. And immediately following that, then issue a request for people to send in proposals of what we might think of.

What we'd like to do with the full-day session is better define the criteria, starting with our criteria overall, as our Chief Executive Officer introduced in the beginning, for any indicator, that they be publicly available, that they be comparable across countries, et cetera. All those criteria are on our website.

What we would like to come up with at the end of our one-day session is, is there something additional that we need to take into account for natural resources? And we've had this discussion with some of you in different groups already. So hopefully you've started thought about that.

We will take proposals then till roughly mid May. This is all rough because you can see there are a number of things that can change along the way, but we'll take proposals till roughly mid May. Those proposals will be evaluated by a group of external experts we have asked to help us in this process, and a number of them are here today. You'll see them in the room with name tags.

We will ask them to take a look at each of the individual proposals and compare the individual proposals against the criteria that we've established up front and then provide a rating, if you will, on each of the proposals.

We'll take all of those, put them together, and consider that as we make a recommendation to our board hopefully in early September as to how we might go forward. Now, that doesn't mean that we would need the data already gathered in September. What we need is the idea of how we will go forward.

So with that, I think we can answer questions in a moment if you have more questions about that process.

Now, on to the environmental guidelines. This is a separate issue, but since people always ask about the environmental guidelines when we talk about the selection criteria, we thought that it might make sense to go ahead and discuss them both in the same public session. We have been working on a set of interim environmental review guidelines that we will use as we evaluate the compact proposals that come from the countries who are already eligible, so this is distinct from the process of selecting countries for eligibility in the first place. This is how we will review the environmental impacts of the proposals when the proposals come in, and we hope to make those public--I think they should be out by about Wednesday is my guess, or Thursday. And we will invite your active comments on that.

It looks a lot like a system you would recognize. We will screen proposals, assign an environmental category related to the potential environmental impact and then analysis will follow based on the environmental category, so the degree of potential environmental impact. I think without you having had the benefit of reading them in advance, I won't go into much more detail, but I encourage you to keep an eye on our website so you can see them when they become public, and invite your comments on that. Thank you.

MS. KRAHAM: Thank you. As we indicated, this is the start of a process to seek your input, and we'd like to start that process now. So we'd welcome any questions you might have, any comments or feedback. We'll ask that you line up either in the center of the room or to the side here and use the microphones that are in the audience about halfway up and through the room.

Sir, you're first.

MR. CZECH: Okay, thank you. My name is Brian Czech. I'm with the Center for the Advancement of the Steady State Economy, and also Virginia Tech National Capital Region.

It seems to me there's a bit of a conundrum in the whole concept because to tie the identification of the natural resource management indicator in with poverty reduction and economic growth simultaneously results in something that we recognize in conservation professions as a process called competitive exclusion. Here you see the size of the economy represented roughly by that Sigmoid curve, proceeding at the competitive exclusion of non-human species in the aggregate. So at some point the whole notion of sustainable management of natural resources being consistent with growth becomes fallacious, based on basic principles of ecology and physics.

But I do have a proposal that I think should at least be considered. I mean I know we're starting with different assumptions apparently. So the only way I can think to reconcile it so far is if you took an environmental Kuznets Curve, which Ms. Whitman alluded to in terms of needing economic growth for the sake of environmental protection. If you took that and on the X axis, instead of having environmental conditions, had GDP divided by natural capital stocks, it seems to me that would reconcile the two processes going on, the reduction of poverty in terms of GDP per capita, simultaneously with the reduction in natural capital as a function of economic growth.

And so if you can imagine--the little Kuznets is too hard to see from there I suppose--but while that ratio is increasing, conditions are getting better, if you will, in terms of natural resource management. But the point at which that ratio begins to decline is a sure sign of lessening--of less better conditions in terms of your natural resource base, your natural capital stocks, and the welfare of the people in the country.

So I guess I would propose GDP divided by natural capital stocks.

MS. KRAHAM: Thank you.

MR. BELL: My name is Joe Bell. I'm with the law firm of Hogart and Hartson. My interest here is on the basis of pro bono work that I've been doing with San Tome, with the Europe Institute at Columbia University, where I've been dealing with oil.

And I was struck in the very short description that was put forward that there was no mention about mineral resources, either oil or other mineral resource, which of course are a critical element in management. Unfortunately, all too often that will be caught up in your other indices because this has been frequently correlated with negative government, if you wish, or very poor government. But even to the issue that was just mentioned, there are places between your threshold country, San Tome or East Timor, for instance, to do proposals which will, in effect, if they actually are carried out, manage oil wealth in a way that will actually preserve it in a permanent sort of way.

So it seems to me clear that any natural resource indicators needs to take account of this set of phenomena and not focus so exclusively upon what one might think of as more traditional biodiversity kinds of concepts.

GOVERNOR WHITMAN: I didn't mean to exclude it all. I mean obviously what one calls the traditional natural resource investment, the timber and oil and gas and minerals are clearly a part of what needs to be addressed, and we need to consider those as well. But my only point is there are other parts of it as well, all of which can have a real impact on the goals of the Millennium Challenge Corporation dollars.

MR. BELL: I was just surprised in terms of listening to your interim ad hoc index. I didn't hear a word that dealt at all with those subjects, and that was surprising.

GOVERNOR WHITMAN: That's one of the reasons why we think that isn't--it isn't broad enough. We haven't gotten the indicator that we need yet, and those are precisely the kinds of comments that we need to get so that we can make sure that when we do put something together that is presented to the board, it is one that is as comprehensive as possible.

MS. STEGGE: Good morning. I'm Piper Stegge. I'm with the Environmental Protection Agency.

I have two questions for you. The first is on the indicators. You mentioned that the proposals would be evaluated by a panel of experts. Can we get some idea of who the experts are, where they're coming from, that sort of thing?

And also on the environmental impact analyses that will be conducted, I was wondering who you're looking at or how you're proposing to do the EIAs and who you might have do those. Thank you.

MS. KUHLOW: I'll take the second question first. I think one of the most important things to remember about this program is that it's--the development of priorities and the ownership of the activities are the countries. And I start the response to your question there. It's the country that has to take responsibility for the consultative process leading up to the identification of the priority activities for the compact, and the country that must take the responsibility for implementation of the program. And I make that point first because we will not--the MCC--be conducting environmental impact assessments. The country must either conduct or have those environmental impact assessments done.

What we will be doing is providing guidance in how they should go about that to ensure that they meet some good standards, and then review in a technical sense the quality of the EIA work that has been done. The MCC is not an implementing agency, and that's important to keep in mind because we're not doing the direct implementation of the projects. It's the country and the implementation entities that the country selects. So what we're doing is establishing guidelines that can make us comfortable with the quality of the work that's being done.

And on the first, we haven't asked the experts yet--now, they're all in the room. I suppose you can go and look at their name tags. We have not asked them if it's okay to publish their names as such, and we don't know which of them will in the end choose to be evaluators because some of them may choose to submit proposals themselves,

in which case they won't be evaluating. When we get to that point we will try to make that list of evaluators public, but I don't want to presuppose anyone's interest yet.

GOVERNOR WHITMAN: The only thing that I would say is I think we can probably make a commitment once that list is done to at least tell you where they came from, maybe not identify names if they're suddenly afraid they're going to get inundated with a lot of people calling them up and saying, well, my proposal really is the best.

[Laughter.]

GOVERNOR WHITMAN: So that there's a level of comfort and understanding the professionalism of the people who will be doing this and their independence.

MR. BROADWATER: I'm Tom Broadwater from Battelle Memorial Institute. And I apologize. I found out something about my cell phone. When it says silent and you turn it off, it's not silent. So I apologize, Governor Whitman.

[Laughter.]

GOVERNOR WHITMAN: It's a good ring.

MR. BROADWATER: My question is--and I'm just getting in--just got the invite for this process. Have the panel of experts already looked at things like the country of Sweden, which has a Ministry of Sustainability, in terms of what their indicators are?

GOVERNOR WHITMAN: The panel hasn't looked at anything yet because the panel just met right before this meeting for the first time. So when we say that this is an open process that's just starting, it really is an open process that's just starting. And I would suspect that staff at MCC has looked at some of those.

MR. BROADWATER: Okay. I mean before you delve into that, I'd kind of like to know if that's already been looked at. Also--well, I guess the Commonwealth of Washington, but Washington also has developed indicators for a sustainable Washington. They have a Department of Sustainability as well. So I just wondered if those indicators had already been looked at and how those might apply.

Obviously, the gentleman here indicated it's a lot broader than that and when you spread it over a lot of different countries, it's very difficult to figure out, but at least they've made an attempt. So I was curious if that's been looked at already.

MR. APPEGARTH: And the MCC process is new when it look at this evaluation. I think once the--the experts that we've asked to join us have long backgrounds in this, and I'd be quite surprised if they aren't quite familiar with Sweden as well as other initiatives that are happening. It's just in the context of MCC they have not.

I would like to comment on the earlier comment about there is an inconsistency between poverty reduction and management of natural resources. That inconsistency is not clear to me at all. The reality is that people living in abject poverty go anywhere they can to get anything to improve their lives. Forests are being destroyed in these countries for charcoal. Soil is being lost through agricultural efforts. Countries lack the capability to manage natural resources within the way the government functions and so on.

We see, as part of our effort in poverty reduction and enhancing governments' ability to manage their natural resources to be a strong support for the effort in promoting poverty reduction to enhance the management of natural resources within the country, and we think that you will find a much stronger positive correlation between what we're doing in terms of poverty reduction and management of natural resources than some sort of inverse correlation.

MS. KRAHAM: Thank you.

MS. BRAMBILL: Thank you. My name is Barbara Brambill. I'm with the International Affairs Department of the National Wildlife Federation.

First I'd like to thank you for having this process, because I think you're doing the right thing, and you're going to get some really good information and debate, and you might find things you don't agree with or strongly do agree with, but it's really the right thing to do, so thank you for that.

First a question which has to do with process because when you talk about approving a proposal, I'm assuming that you're going to find a number of good things and bad things about a number of proposals that will be submitted to you, and I'm hoping that your answer will be that you can pick some from column A and some from column B in terms of what you eventually use, and not be stuck with, well, only four people or four groups put in a proposal and each of them has flaws. And if you could switch them all around, you'd end up with something that you liked. So I'd like to know how you think you're going to define a proposal and what you would do with it once you had it.

And then secondly, just a couple of thoughts about how you're looking at all of this. I really do appreciate what you've been using as your interim sort of semi-indicators. Several of those I think we think we would agree with as your first try, particularly access to improved sanitation. And I think we would add access to improved water sources which are in the area where you can get data. They are universally needed. They are the critical first resources for the countries you're going to be dealing with.

And then the question between your first one and your second one is important philosophically. The notion of protected areas being something that you want very poor countries to already have done something about seems to me not what you're trying to do. You're trying to get countries who are going to take this process seriously into the pot of candidate countries, but not those who have already solved problems. And so I'd be more interested in percent of natural area of various different kinds so that it's broadly applicable. Some countries, as you say, don't

have forest cover, so just saying it's forest isn't fair. But there are natural habitats of some kind everywhere, and taking them seriously means either stopping the rate of loss or moving toward improved percentage of cover. Those are things that indicate being serious.

But I think in the end what you're going to find is the most valuable has to do with the improvement in governance and public participation in the country, and while you're going to have trouble figuring out an index, I would mention that the World Resources Institute, working on their Access Initiative, has a process where they invite participation of countries to have an assessment of their policies for public participation, and recommendations are made, and then there's a period of implementation. And this is all under what's called Principle 10 of the Rio Declaration.

And probably your indicator could have something like at least the country has agreed or signed up, if it's in its fairly early stages, to undergo an assessment, and then perhaps later in the life of wherever you are dealing with them, they may have had an assessment. And at some point a couple years after that you want to see them implementing the recommendations of that assessment.

Now, the only trick here is that only 24 countries have had assessments, and that's why the notion of signing up is so important, and there may need to be some seed funding to get those assessments done. But I think that's in the funding availability for your data collection under the law, and that might be the most profoundly important incentive that can be indicating whether countries are going to take this whole process seriously, and that's what you're really looking for.

Thank you.

GOVERNOR WHITMAN: Margaret, do you want to answer the first question?

[Discussion off the record.]

MR. APPLGARTH: Perhaps I--Governor Whitman is suggesting how I answer the question.

[Laughter.]

MR. APPLGARTH: But since your version of the answer sounds a lot better than what I was going to answer.

[Laughter.]

GOVERNOR WHITMAN: Just to reassure you then in the first part, what you were talking about, the indicators of public participation. That's already one of the criteria that MCC looks at. That's one of the goals is to really encourage these countries to engage their NGO community, to engage their public community as well, I mean their for-profit as well, because the most important, or one of the most important things behind what the idea of MCC

is to--and the monies that go out for it is to encourage sustainable growth, something that will continue to develop and then help improve the countries and improve the poverty indicators and things like that after the MCC money has gone away. It's to ensure that there is something sustainable, and you can't do that, as I think we all know, if you can't engage and you don't engage the public at large, if it just comes top down.

And that's one of the differences besides requiring that the countries be so actively engaged in preparing their proposals, and that the proposals meet the criteria that MCC has. One of those criteria is just that, that they bring in their public.

MR. APPLGARTH: See, I told you it was a good and eloquent answer. I hope you enjoyed it.

[Laughter.]

MS. BRAMBILL: [Off microphone.] The first part of the question then, about the [inaudible].

MR. APPLGARTH: I'm sorry. I didn't hear that.

MS. BRAMBILL: The first part of the question was about proposals, whether you can take pieces of them or just whole proposals?

MR. APPLGARTH: Yes. The decision making process, just so you know, ultimately each of our--first of all, none of our indicators are perfect. Let's start with that. And we don't expect, whatever comes out of this process to be perfect. It would exceed our aspirations I think. But each--no matter what we're trying to measure, we expect that there's going to be room for improvement. You saw a couple changes in the indicators between 2004 and 2005. This process will lead hopefully to something, an indicator in this area, and we continue to look to improve the others.

We publish--and, yes, we can put together, the short answer, whatever different suggestions to have something, or we'll look--if a third party is doing it for us, hopefully they can do the same thing. In terms of how it gets decided, we publish, before each selection, what our proposed criteria are, what the rules of the game are, invite public comment for 30 days, then try to incorporate those into the final suggestion or recommendation. The criteria are then approved by the board of directors of MCC. So in the technical sense, the final decision as to what the indicator is will reside with the board, but it will be after a process of both the group of experts and this process formulating a potential indicator, putting it out for public comment and suggestions, and then putting it up to the board for use in the selection of eligible countries.

MR. DIXON: I'm John Dixon. I'm one of the invited participants. Earlier--I guess I have the award for coming the farthest, I came from Hawaii, but I get to go back tomorrow.

[Laughter.]

MR. DIXON: For my sins I just spent 12 years at the World Bank where I headed the Environmental Economics and Indicators Group there. And one of the indicators that we think is a very important one for measuring general both environmental health, but also government responsibilities, precisely the one that Barbara mentioned, is population access to potable water, and I would strongly second that. I frankly think that's a much more robust indicator than sanitation because of the links to mortality and a lot of other things.

But the second point is, one of the key issues here is natural resources as really the asset base of the country, and the gentleman over here mentioned the point about oil and gas not being mentioned. In the work that we did and are still doing at the World Bank in genuine savings, adjustments are made for rates of depletion of natural resources such as forestry, groundwater, fisheries are appropriate, but also minerals and oils, which are very important assets. And the question is, what are the rates of extraction and use and where is that money being reinvested?

And if you think of poor countries, in particular, people live close to the land. They live close to the asset base. And its health and its sustainability obviously is very important both for poverty reduction, but also for sustainable economic growth, although as an economist I do recognize that sustainability has many different definitions, and there may well be mixes in the asset base over time.

I mean what we're seeing right now--well, here was probably a swamp, but it could have been a forest, it could have been something else, and now it's office buildings on K Street . Is that better or worse? It depends. Societies demand different things, and part of the challenge I think for the MCC is to develop an indicator that recognizes that countries are managing a very important natural resource asset, but it's not a static asset, and it will evolve over time, and you want to help guide and encourage policies that do it in a sustainable way. And if it is extracted for oils and minerals, which it is by definition, you want to ask where is that money going, to Mercedes, or into child education, or women's education, or maternal/child health, what-have-you?

And these I think are the important sort of issues that the MCC, with its unique pot of money basically, is going to attract a lot of interest, has an opportunity to try to hold countries a bit more responsible and close this loop and say, you are going to be evaluated on some of these policies, and what that means for the longer term sustainability. Thank you.

MR. O'MALLEY: Hi. I'm Robin O'Malley from the H. John Heinz Center for Science, Economics and the Environment.

And I had two questions, one which was pretty simple. Margaret Kuhlow mentioned that there were five interim criteria, but I only got four of them, protected areas, forest cover, CITES and sanitation, and I wasn't sure if I wasn't writing quickly enough or you dropped one.

The second part of my question though is a little bit broader. Governor Whitman mentioned an indicator, and it's not clear to me whether you're looking for a suite of indicators as the five that are now the interim, or whether

you're trying to push this whole thing to one single criterion for your kind of getting in criteria. Can you talk about suites versus a single indicator, and whether--you may hear some skepticism in my voice about whether you can push it all down into a single item.

GOVERNOR WHITMAN: That's really the essence of the discussion right now, and we had that earlier as well. Is there just one? The chart that Paul held up is how things are presented today, and it is clear and it's easy, and it's very comprehensible and transparent. We may not be able to do that with natural resources, and that's already recognized. We may not be able to come down with one. It may have to be a series, so it won't be reflected this way. How it's then reflected I'm not exactly sure what we're going to do with that.

But that's a very important point. We're not there yet. There hasn't been a preconceived notion. Ideally it would be great if there could be some language that would distill itself down so it could be used and be compatible with everything else that's used as a measurement and put out there for the public to look at so that everyone can compare things and see how countries perform on the indicators. It may not be possible with this one, because, you know, it's interesting if you think about all that MCC had to do in the short period of time, that they were able to do it even understanding that the current indicators aren't perfect, they still were able to do a pretty good job getting them done there. They were not able to do it with this issue. And that's just an indicator that this is going to be a challenge, an indicator of an indicator. It's an indicator.

MR. APPLGARTH: Margaret, do you want to answer No. 5, indicator No. 5?

MS. KUHLOW: Sure. The fifth is--it's

hard to hear the semicolons when you talk. There are two indicators of access to improved sanitation. One is urban and one is rural, to separate that issue.

Thank you.

MS. MAINHARDT-GIBBS: Hi, my name is Heike Mainhardt-Gibbs. I'm with the Bank Information Center. I'd like to pick up on what the gentleman from the World Bank was speaking about because, as I heard in your introduction, the indicator that you're looking for is an indicator specifically, if I understood correctly, on policies that lead to sustainable natural resource management. So I'd like to pick with what the gentleman from the World Bank was talking about in looking at where the money is going from these natural resource stocks.

I'd like to stress the point to make sure that it's looking--it's an indicator that looks at what economic development trajectory these companies are going down, what those policies mean for the future. Most of these countries that you're looking at are heavily dependent on natural resources, specifically on the extraction of them, but not necessarily adding more value before they leave the country, something that could possibly take pressure off those natural resource bases.

So I'd just like to stress that that indicator looks at what the development trajectory is that that country is going down and how are they taking pressure off those sectors, what are the investment incentives, what are the tax incentives, a combination of what the future looks like it's going down as far as those natural resource stocks go.

Thank you.

MS. KRAHAM: Thank you.

MS. BOUDREAUX: Good afternoon. I'm Karol Boudreaux from the Mercatus Center at George Mason University, and I wanted to ask what I think will be a follow-up question to the previous question, but also harking back to something that Administrator Applegarth had to say.

One of the essential tools that we've experienced in the United States to both sustain economic growth and also to help protect and manage our natural resources has been the institution of private property rights. And I see nothing in your short list of indicators that recognizes the fact that private property rights work at the same time to promote economic development, to alleviate poverty, but also to give resource owners incentives to manage their resources wisely, to be good stewards of resources.

So my question is: Do you plan on including private property rights in your list of indicators? And if so, how?

Thank you.

MR. APPLGARTH: I will try to respond to that. First, I will say that we follow Mercatus' work pretty closely. We felt particularly in the areas of economic freedom you've had some solid contributions to the literature, and I want to acknowledge that. Today we're really talking about sustainable management of natural resources, but we are also looking at really more in the area of promoting economic freedom, how we could improve our measures there. We discussed it some last--when we published our criteria in October, November, but we're looking at measures of entrepreneurial activity. We're looking at measures of property rights. We're looking at a variety of other things. Whether we will have something that's a better measure this year or not, I don't know, but it is something quite interesting to us because it does drive a lot of poverty reduction and growth. The jobs are created by people having the opportunity in a society to better their lives, whether it's a farmer, a rural housewife who wants to start a clothing--do tailoring of clothing or start a small catering business and so on.

Right now we capture it a little bit, but only a little bit, through the World Bank indicator we use of the number of days it takes to start a business. But there are other measures out there which would like to evaluate, again, against the same criteria we use in evaluating a natural resource indicator in terms of analytically rigorous third-party, linked to policy, linked to growth, consistency across the years and across countries.

But we would like to look at it. We are looking at it. If you have further suggestions, we'd welcome them.

MR. GOKLANY: Indur Goklany, Department of Interior. I look at your list of indicators here, and under Investing in People, you really have input measures. You do not have output measures. And I think that's important because really you can spend a hell of a lot on health, public health, and it may never show up as any improvement in life expectancy or what have you.

The other reason is that many of the environmental indicators that have been bandied about here will actually end up in improving, for example, life expectancy. That's what having access to safe water is about, and that's also what access to sanitation is about.

I would suggest that it would be better to look at outcome measures and, in particular, you might want to look at life expectancy and so on and so forth.

One of the other things that it would fold in automatically is malnutrition, or actually lack of malnutrition and lack of hunger. All of these get reflected indirectly into the life expectancy route, actually. So I think you could save yourself a lot of small indicators if you went with one large one like that.

MR. APPLGARTH: Well, that's interesting. We have this debate frequently. Actually, I would amend your comment a little bit. If you look at our Investing in People category, you'll see two policy-linked indicators and two outcomes indicators. You'll see the health and education expenditure indicators, which are clearly policy-linked. You see an outcomes indicator in terms of immunization rates and in terms of girls' primarily school completion rates.

To go to--and we'd like to have something that measures both. Going to something like life expectancy probably doesn't meet our standard because it would be a very long time before a government policy change would probably show up in life expectancy indicators. And at the margin we're trying to influence policy change, and a decision of government made 15 years ago or 20 years ago might be a good measure of how a government did 15 or 20 years ago, but isn't very helpful for us in evaluating whether they're a good partner right now.

So it's a constant tradeoff for us as to how to do it, including the policies we evaluate should be linked to poverty reduction and growth, and that should show up in some sort of outcomes measure, which is what we've got right now in the Investing in People category. But that's a constant dilemma to us. You want to look at outcomes rather than inputs. At the same time, you want a policy and you want to have something that's a good measure of policy and reasonably current policy rather than something that was a long time ago.

MR. GOKLANY: In that case, you might want to look at infant and child mortality because that is much more immediate.

MR. APPLGARTH: Yes, we actually are. There are some technical issues with the data currently available to us, including the country coverage. But, yes, we would look at that, and also maternal deaths during childbirth, which is an interesting indicator, also partly policy-linked, outcome-linked.

MR. ROSENBAUM: Hi. I'm Ken Rosenbaum. I'm with Sylvan Environmental Consultants. By training I'm an attorney and a forester. It's something that's--some of the conversation today has brought me back to my training as a forester and, in particular, a story that my old forestry professor used to tell about being pressed into service as a meteorologist during World War II. He found that there were three kinds of meteorologists working with the Air Force: The average guy gave a now-cast; this is what conditions are now over your target, go to it, pilot. The little better guy gave a forecast, here are conditions, here are the trends, this is where it looks like we're going. And the really good meteorologist understood the system on some gut level and could tell the pilots really what the weather was likely to be.

The indicators that I've heard talked about today and that you seem to be using are really now-cast indicators. They're what's happening now with the system. A little bit when you talk about deforestation, a little of this is the trend forecast. But from what you describe what you're interested in, it sounds like you're interested in understanding is this a system that's going to be sustainable. Is this a system that's going to preserve sustainability, not a snapshot of what's happening now? And that's a much, much harder thing to get at with indicators.

You've had some ideas around here, one or two today that I like, about the quality of governance, the presence of public participation, the nature of the land tenure system. But I guess I'd like to ask: Have you thought about how to capture this dynamic changing aspect of sustainability and get from the snapshot now-cast stage into the understanding-the-system stage?

MR. APPLGARTH: There's another one of my good answers coming up here.

[Laughter.]

GOVERNOR WHITMAN: That's the kind of challenge that we would love to have answered in the proposals that come back to us. You know, that really is the issue, and it's something--clearly, that's what MCC is about. It is about looking to the future and trying to anticipate or at least influence those trends so that they are going in the right direction, so you do have poverty eradication, so you do see people living improved lives, for a whole host of reasons. I mean, it benefits all of us. We know that and don't want to get into all the reasons why it does, but it does.

And so it is in our best interest to try to get those long-term trends moving, and to the extent that the MCC investments in these countries can do that through the use of the indicators, then we're doing something good. And that's really what MCC is all about.

So it would be helpful to us, as we look at and try to come up with a natural resource indicator, to get some idea of how you anticipate that. How do you become the good gut meteorologist, not just the one who can look at the maps and say, well, it appears it's going this way, of course, unless this low comes this way, you know, it'll throw the whole thing out of whack.

It is a challenge, and it is something that--that's why we're here. That's why we're here today to have people like you ask those kinds of questions, and hopefully stimulate the thinking amongst others who are here, as well as yourself, and giving us some direction and some idea as to how to capture that with an indicator.

MR. APPLGARTH: I think that's inherent in what MCC overall is about, not just in natural resources. I mean, if you look at what you call the now-cast, every country we're evaluating now is really poor, I mean people living in abject poverty. And we're trying to differentiate between those governments that are taking steps to change that for the future. So everything we're evaluating, every criterion is ultimately systemic, policy change that will lead to long-term poverty reduction and long-term growth. So in each case, that's what we're trying to evaluate. If we can get a natural resources indicator that has the same impact, then we've come a long way in this area.

MS. KRAHAM: Our last question.

DR. CZECH: Thank you. I think I have a better one this time.

[Laughter.]

DR. CZECH: I do want to preface it with noting that thinking that poverty reduction can perpetually be achieved via economic growth is akin to saying there is no limit to growth; and to think that there is none on a finite land mass is mathematically equivalent to saying that you can have a steady-state economy on a perpetually diminishing land mass so that, for example, at some point we could have the \$34 trillion global economy in this room and leave the rest of the globe designated as wilderness area. That's the natural corollary to thinking that you can perpetually alleviate poverty with increasing production and consumption of goods and services.

But I do have a legitimate, I propose, indicator to propose, which would be ecological footprint per acre--ecological footprint being a measure of the land required for the economic activity of, for example, a person or a nation. And, clearly, if the land required becomes more than the land available, that would be unsustainable. And organizations such as Redefining Progress and another one--I forget the name--Mathis Wackernagel is leading that one. They're very much fine-tuning the concept of ecological footprint to a fine art and science.

So EF divided by acre I propose as your indicator, and this time maybe I'd like to get some comment on that notion of limits to growth, perpetual GDP growth, and also the ecological footprint per acre.

GOVERNOR WHITMAN: I think the ecological footprint per acre is an interesting concept, and it's a question of how you would define it and how you would implement it.

I don't think there's anybody that doesn't agree that we have--that natural resources are finite. I mean, we wouldn't be having this discussion if we thought they were inexhaustible. And so that's a given understanding.

But I would also argue that you need the environment and environmental protection desperately needs a healthy economy because we need the money thrown off from that to invest in new technology to help protect the environment and the ability to take some land out of contention entirely and put it aside. And you can't do that if you have desperately poor areas where people rely on the land; i.e., it's been fascinating watching what's been happening in Brazil recently with the rainforests and the government attitude toward it. They're putting the moratorium on a lot of the deforestation, getting enormous economic pressure to back away from that, and then finding that there, in fact, was a real understanding within the country of the importance of protection of the rainforest and then having to change course yet again.

Growth is going to take place. What we need to do is try to make it as smart and sustainable as possible. And at the same time, what MCC is trying to do is focus on those who are in most desperate need of help and try to encourage their governments to understand that there are finite resources here and you have to treat them well. I really think that's a premise behind the whole approach. We care, that these resources are finite, you cannot continue to trash them, and you can't have a thriving economy if your environment is bad. I mean, if people are dying because they can't--don't have access to clean water, if they are hospitalized because of filthy air, no one makes an investment in those countries. You don't get economic growth when you have those kinds of environmental conditions.

So the two things really do go hand in hand, and I'd certainly love to know how you do your math to come up with the ecological footprint per acre and would love to hear more on that from you.

MS. KRAHAM: Thank you, Governor Whitman.

MR. APPLGARTH: I think there was an earlier part of your format. I think you had environmental capital or natural capital your denominator. At some point I'd like to see more about that.

GOVERNOR WHITMAN: Reduction of natural capital stocks, is that divided by GDP or GDP divided by the--

PARTICIPANT: GDP divided by--

GOVERNOR WHITMAN: Okay. I have my division on the wrong side. I'll switch it.

MR. APPLGARTH: Well, if we could figure out what we're dividing, that would also help. But that would be--

[Laughter.]

MR. APPLGARTH: We'd welcome your comments.

GOVERNOR WHITMAN: We'd like to hear more about both of those.

MR. APPLGARTH: Yes. And--well, never mind. Sherri, I'll let you wrap up at this point.

MS. KRAHAM: We would welcome you monitoring our website over the next month. We'll all post more information about ongoing discussions about these issues and invite you to start formulating your ideas into proposals for an indicator.

We thank you for your participation, and we thank the panel for its participation, Governor Whitman, and thank you for coming.

We would welcome your feedback on this process through the address on our website. Thank you.