SUMMARY OF THE SEPTEMBER 13, 2012
MEETING OF
THE BOARD OF DIRECTORS
OF THE MILLENNIUM CHALLENGE CORPORATION

The following is a summary of the September 13, 2012, meeting of the Board of Directors (the "Board") of the Millennium Challenge Corporation ("MCC"), which was held in closed session at 3:08 p.m. at the U.S. Department of State, Washington, D.C.

The following individuals were present at the meeting:

DIRECTORS AND ALTERNATES, ACTING AS DIRECTORS:

      Hillary Rodham Clinton, Secretary of State (Chair);
      Charles Collyns, Assistant Secretary, (attending for Timothy F. Geithner, Secretary of
          Treasury (Vice Chair);
      Mary Ryckman, Senior Policy Advisor, (attending for Ambassador Ron Kirk, United
          States Trade Representative);
      Rajiv Shah, Administrator, USAID;
      Daniel W. Yohannes, Chief Executive Officer, MCC;
      Mark Green, Private Sector Member; and
      Alan J. Patricof, Private Sector Member.

INVITED GUEST:

      Gayle Smith, Special Assistant to the President and Senior Director, National Security Staff;
Cristina Killingsworth, Program Examiner, OMB.

OTHER PARTICIPANTS (at all or a portion of the meeting):

      Robert Hormats (State +1); Chris McCoy (Treasury+1); Steve Radelet (USAID+1); Steven Kaufmann (MCC+1); Chris Tuttle (Green+1); Julie Sunderland (Particof+1); Keri Lowery (NSS+1); Rebecca Grutz (State); Robin Matthewman (State); Maya Seiden (State); Lailee Moghtader (Treasury); Cecily David (USAID); Cassandra Butts (MCC); Chuck Cooper (MCC); Patrick Fine (MCC);Frances Reid (MCC); Melvin F. Williams, Jr. (MCC); Chantale Wong (MCC); Jonathan Bloom (MCC); Tom Hurley (MCC); Andrew Mayock (MCC); Jim Parks (MCC); Henry Pitney (MCC); Terry Bowie (MCC); Nasserie Carew (MCC); Lia Hanley (MCC);Laura Leussing (MCC); John Mantini (MCC); Kathy Farley (MCC); Virginia Seitz (MCC); Alicia Mandaville (MCC); Jack Molyneaux (MCC); Meredith Cabelka (MCC); Princess Harris(MCC);and Susie Sullivan (MCC).

1.   Administrative Resolutions. The Board approved the minutes from the June 21, 2012 meeting and the June 21, 2012 Audit Committee meeting.

2.   CEO Update. MCC CEO Daniel Yohannes began his presentation with an update on the El Salvador compact. El Salvador completed its first compact of $460 million with closeout ceremonies scheduled for the first week of October in Washington, D.C. and in El Salvador the second week. Both Mark Green and Alan Patricof will represent MCC at the events in El Salvador.

With regard to Mali, Mr. Yohannes told the Board how proud he was of the team for managing the windup of the compact under very difficult circumstances. The highlights he provided included: the runway was completed, restored to international standards, and is operational; the imcomplete airport terminals roof and sides were sealed; the Alatona project was almost complete providing about 85 percent of the land titles to the farmers with the remaining 15 percent to be provided shortly.

On the sidelines of the United Nations General Assembly, MCC will be hosting three events highlighting MCC's leadership in international development – the first event is on gender equality; the second event will focus on governance and economic growth; and the third event with President Yayi of Benin to get potential American investors in that country. Also, Mr. Yohannes stated he would be attending the Clinton Global Initiative and would be having several bilateral meetings.

3.   Fiscal Year 2013 Selection Criteria & Methodology. The Department of Policy and Evaluation opened the presentation by explaining that this year's Selection Criteria and Methodology Report goes further than ever before on transparency, especially in the context of how second compact decisions are made. MCC began this year's process by asking how accessible MCC's methodology is to outside stakeholders, current country partners, or countries that may be seeking to become eligible for MCC investments. MCC found that policy performance has always been transparent as public data is used for this piece. This year, as part of the White House initiative on open data, the selection policy data will be available through an application programming interface so that application developers and others working on on-line data applications will be able to pull MCC data directly into their applications. This year's report will make its first effort to clarify not just the categories but also to point people to on-line reporting that is available. The description of the indicators in the report mirrors the description of the categories of information that MCC considers when making selection decisions with regard to the first compact implementation. Links have been provided to the country reports that are already publicly available, and as a future step for any country selected for a second compact this year, links will be centralized so all the information can be found in one place. MCC thinks that these efforts are a good step forward to pushing transparency for selection.

4.   Lessons from the First MCC Agricultural Sector Evaluations. This presentation covered MCC's first five completed impact evaluations relating to farmer training activities in Armenia, El Salvador, Ghana, Honduras, and Nicaragua. The evaluations, which represent a small percent of MCC's global portfolio, are rigorous evaluations conducted by outside independent evaluators.

Program logic is the foundation for the understanding of how the projects work and how they are going to be measured. MCC is looking for outcomes like changes in farm incomes and ultimately reductions in poverty that are driven by increases in household income. In each case, MCC is learning a lot, applying lessons learned, and sharing them widely.

Among the lessons learned, the top four are: (i) test traditional approaches; (ii) understand time horizons; (iii) use program logic; and (iv) design impact evaluations better for learning. Building on these lessons MCC needs to: be more selective, focusing on where the learning has the greatest potential; work closely with the sector experts and country partners to find

out what they want to learn; and be ready to shift gears to make smart adjustments to evaluation plans when things go wrong.

The Chair applauded the team's presentation stating that it is important to use the lessons learned from these impact evaluations to help shape the way forward for MCC and to share the information that MCC has obtained more widely. Other members of the Board echoed the Chair's comments.

5. <u>Completion Risks in Compacts Ending During Fiscal Year 2013</u>. MCC is continually monitoring program performance in each of the compacts approaching close-out. Each quarter significant risks are flagged for the Board. A risk management approach is used that looks at the full spectrum of potential issues. In the final year of a compact four factors are especially important to watch: (i) completion – actually getting the work completed by the immovable deadline; (ii) financial issues – completing the work on budget; (iii) quality; and (iv) durable results including sustainable policy reforms. Finally, the fact that a large part of managing compact closure involves external factors outside of MCC's control and when that happens MCC works closely with its partner governments to find appropriate responses.

6. <u>MCC's Experience with Gender Integration</u>. MCC has learned a lot about making a gender policy operational since its inception in 2007. The establishment of guidelines for gender integration in 2011, including milestones and operational procedures for integrating gender analysis in its compacts, put MCC at the forefront of development institutions. The addition of gender in the economy indicator in 2011 signaled to potential partners that legal equality between men and women matters for eligibility in a compact, and along with MCA partners, MCC is committed to learning and improvements supporting the elevation of gender equality as a core development principle.

7. <u>Executive Session</u>. The Board voted to approve the FY13 Selection Criteria and Methodology Report.

The Board meeting was adjourned at 4:22 p.m.

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