



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Summary of the March 28, 2016 Board of Directors Meeting

The following individuals were present at the meeting:

Directors and Alternates, Acting as Directors:

- John Kerry, Secretary of State, Chair;
- Gayle Smith, Administrator, U.S. Agency for International Development (USAID);
- Sarah Bloom Raskin (attending for Jacob Lew, Secretary of the Treasury);
- Edward Gresser (attending for Ambassador Michael Froman, United States Trade Representative (USTR));
- Dana Hyde, Chief Executive Officer, MCC, Vice Chair;
- Mark Green, Private Sector Board Member;
- Morton Halperin, Private Sector Board Member;
- Susan McCue, Private Sector Board Member; and
- Michael Johanns, Private Sector Board Member.

Invited Guests:

- Mary Beth Goodman, Special Assistant to the President and Senior Director, National Security Council (NSC); and
- Fouad Saad, Office of Management and Budget.

Other Participants:

1. Lisa Kubiske (State +1)
2. Alexia Latortue (Treasury +1)
3. Melissa Williams (USAID +1)
4. Mary Ryckman (USTR +1)
5. Nancy Lee (MCC +1)
6. Chris Tuttle (Amb. Green +1)
7. Sarah Lucas (Ms. McCue +1)
8. Lori McClurg (Sen. Johanns +1)
9. Paula Tufro (NSC +1)
10. Ambassador Birx (State)
11. Sait Mboob (USAID)
12. Larry Sperling (State)

13. Marybeth Turner (State)
14. Roland DeMarcellus (State)
15. Etienne LeBailly (State)
16. Rachel Fredman (Treasury)
17. Thomas G. Hohenthauer (MCC)
18. Parita Shah (MCC)
19. Alex Russin (MCC)
20. Kamran Khan (MCC)
21. Sam Kwon (MCC)
22. Paul Weinberger (MCC)
23. Thomas Hohenthauer (MCC)
24. Beth Tritter (MCC)
25. Cindy Huang (MCC)
26. Chris Maloney (MCC)
27. Chris Dunn (MCC)
28. Jim Blades (MCC)
29. Jonathan Brooks (MCC)
30. Laura Leussing (MCC)
31. Alice Miller (MCC)
32. N. K. Ranganathan (MCC)
33. Kyeh Kim (MCC)
34. Jason Small (MCC)
35. Jonathan Bloom (MCC)
36. Maite Hostetter (MCC)
37. Shirley Jean (MCC)
38. James Salandro (MCC/NRGCO)
39. Pamela Woodard (MCC)
40. Andria Leo (MCC)

1. Secretary Kerry called the meeting to order at 1:09 p.m. and welcomed Senator Mike Johanns to the Board. He congratulated Mark Green on his service on the Board as a departing member. The Board then approved the minutes from the December 16, 2015 meeting.
2. CEO Update. Ms. Hyde provided updates to the Board on current projects and administration:
 - A. Compact Development: Senegal, Cote d' Ivoire, Kosovo, Sri Lanka, and Togo were selected at December 2015 Board Meeting and MCC is onboarding them. Benin and Niger have had successful presidential elections in the last two weeks. Lesotho was not reselected by the Board, but MCC will monitor future progress.
 - B. Administration: MCC's new strategic plan, NEXT, has been well received by its stakeholders. MCC has formalized a new policy on counter-trafficking in persons. Governance Data Alliance (GDA) has officially launched, providing a wide range of governance data by country.
3. Tanzania.

Ms. Hyde introduced the subject of Tanzania as one of concern, and opened the larger discussion on the current state of democratic rights and compact eligibility status. Secretary Kerry and Ambassador Green emphasized the importance of maintaining stated standards for partner countries regarding democratic values and free and fair elections.

Ms. Smith stated that suspension of compact development in Tanzania should be communicated in the best manner possible. Tanzania has been a key partner in the region and hopefully will be again. Mr. Green emphasized the results of the election could not be overlooked.

The Board then went into executive session, where they voted unanimously to approve the suspension of MCC operations in Tanzania. The Board returned to regular session.

4. The Changing Landscape of Poverty.

Ms. Hyde stated that the staff of MCC have undertaken an extensive review of the current state of poverty and reported their findings to the Board. This review attempted to answer three basic questions: 1) How has poverty shifted? 2) Is MCC's current approach to identifying where poverty is the most appropriate? 3) How does MCC capture poverty and how does it relate to other tools of U.S. foreign assistance?

Mr. Maloney discussed the definitions, methods, and mandates that govern MCC's candidate country pool. Currently, MCC uses the country classifications based on gross national income (GNI) per capita from the World Bank to define its candidate pool. The upper income threshold of what MCC can consider is a GNI of \$4,125. GNI does not always provide a complete picture of poverty for a whole host of reasons. Over the past decade extreme poverty, or those living on roughly \$1.90 a day, is down to less than 900 million people, or from 30 percent to 10 percent of the world's population. Ten years ago MCC had 113 countries in its candidate pool while today it has 81. Africa holds about half of the world's extreme poor. In addition, about 40 percent of the of the world's extreme poor are in vulnerable and fragile states.

Another factor that MCC is considering is the difference of looking at average vs. median income within countries. MCC will be looking at several sets of questions over the next few months: 1) Does GNI per capita appropriately capture where poverty is? 2) How do other measures of poverty compare to one another? 3) How might MCC define its candidate pool in the future?

Mr. Green proposed that MCC look at policy returns in compacts aimed at reducing income disparity in nations that have enough wealth to be considered upper lower income. The Board discussed the possibility of a sliding scale, legislative solutions to the way MCC targets poverty within countries, and the fact that this conversation is also presently occurring in the larger development community. Ms. Hyde said that the scorecard will not change but the way that MCC thinks about poverty may.

Mr. Halperin expressed that if MCC were ever given the authority to engage with Upper Middle-Income Countries, a firm cut-off number still should be required for country eligibility, possibly similar to the manner in which second compacts are currently conducted. Ms. Hyde said that the conversation around looking at other ways of measuring poverty is just beginning and that an official recommendation to Congress is many steps off.

5. Jordan Water Compact Update

Resident country director Alex Russin gave the update. Jordan is very water poor and the compact's goal is to help the country use its water resources more wisely. MCC targeted its \$275 million investment in the Zarqa Governorate. The investment will save water by building 800 kilometers of new water pipes and expanding the As-Samra wastewater treatment plant, which treats 70 percent of the country's wastewater. The plant has been financed through a public-private partnership and has won awards for its financing. MCC is building on an excellent foundation provided by USAID and the Department of the Treasury (through loan guarantees) to carry out its work in Jordan. MCC is also helping with employment, and has employed women plumbers through the project. The Jordanians have saved \$20 million through sound contract management and are planning to add an additional 130 kilometers of wastewater pipes, due to this savings.

6. Other Business

Mr. Hohenthauer asked for the Board's Audit Committee Members to approve the Audit Committee minutes from the December 16, 2015 meeting. The Members approved unanimously.

Mr. Green made closing statements as a departing Board member, expressing gratitude for having served and a positive outlook for MCC's future.

The Board meeting was adjourned at 2:27 p.m.