



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$2,700,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of Georgia.

The attached notification is being sent to the Congress on May 24, 2012. Obligation of funds may be incurred on or after 15 days from the date of this notification.

In addition, we have attached supplemental information that further describes the planned use of the funds.

Sincerely,

T. Charles Cooper
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

May 24, 2012

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	FY 2012 Program Funds
OBLIGATION AMOUNT:	\$2,700,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 (Pub. L. 112-74, Division I), this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$2,700,000 under section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development and implementation of a Millennium Challenge Compact (“Compact”) with the Government of Georgia.

The funds will finance activities necessary for the development of the Compact and thus help MCC refine the projects that will be included in the Compact. In addition, the funds will support costs associated with initial preparations for Compact implementation. These proposed uses of the funds will help ensure that projects are designed in a comprehensive manner, before Compact signing to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.

SUPPLEMENTAL INFORMATION

MCC 609(g) Activities for Georgia

Georgia was selected by the MCC Board of Directors in January 2011 to develop a compact proposal.

The Government of Georgia (“GoG”) has completed an economic growth constraints analysis, which identified the low quality of human capital as a binding constraint to economic growth in Georgia. This low level of human capital quality begins in the general education system. While enrollment rates at the primary and secondary levels are high, international assessments of student learning highlight very poor education quality outcomes. 2007 Trends in International Mathematics and Science Study (TIMSS) scores point to weak math and science general education. These results were confirmed by Georgia’s Program for International Student Assessment (PISA) 2009+ scores which revealed that two-thirds of Georgian 15-year-old students perform below the baseline proficiency in reading, math, and science. Of cohort countries, Georgia outperformed only Kyrgyzstan. Based on data provided by the GoG, performance deficiencies are most pronounced in general education (grades 1-12) schools in rural regions, particularly in ethnic minority enclaves.

In addition, employer surveys and interviews identify the lack of modern capacity to teach relevant science and technology skills at Georgian universities and technical colleges as an underlying cause for the insufficient and unqualified labor force in the areas of science, technology, engineering, and mathematics (STEM). This is reflected in Georgia’s rank of 120 out of 142 countries on the availability of scientists and engineers.

Recently, the GoG introduced a series of reforms in the education sector, including: restructuring the governance and financing of general education institutions; developing and introducing new curricula; and setting teacher professional standards and initiating a teacher re-certification program. These recent educational policy and institutional reforms provide a supportive environment for investments to improve education quality. The proposed activities are designed to improve the low level of human capital quality through a series of strategic investments in education.

The GoG has demonstrated a high level of commitment to the MCC relationship. It has financed a core team to conduct the constraints analysis, develop concept papers, conduct consultations in Georgia and the United States, and develop the proposed projects, while also conducting several necessary surveys. The GoG will establish and fund the salaries and costs of an accountable entity through autumn 2012.

Based on MCC’s assessment of the concept proposals submitted by the GoG, MCC identified two potential Compact projects:

- **General Education Quality Improvement Project.** The objective of this project is to improve the quality of general education (with a focus on secondary grades 6-12) by

rehabilitating facilities, improving teacher training, school management, and curriculum delivery, and strengthening the use and quality of national testing and assessments.

- **STEM Tertiary Education Project.** The objective of this project is to improve the quality of technical and vocational education and higher education programs, with a focus on STEM. MCC does not intend to fund any 609(g) activities for this project at this time.

In order to assist the GoG to further develop these projects into investments that may justify Compact funding, MCC intends to fund preparatory activities that are expected to include the following:

- **General Education Quality Improvement Project**
Activities to (1) assess proposed schools for rehabilitation; (2) assess the current teacher certification system and design the scope of teacher training; (3) assess the state of school management; and (4) assess current testing and identify means to expand testing.
- **Studies and Data Collection**
A labor market and wage study, specific gender and social analysis, and surveys for preliminary evaluation and design.
- **Administrative and Management Costs**
Early administrative and implementation costs associated with the accountable entity starting in autumn 2012 in advance of compact signing, including salaries for personnel at the accountable entity and fees for an international procurement advisor.
- **Fiscal Agent Services**
Fees for a six-month base period for an external fiscal agent, including mobilization and preparatory work by the fiscal agent to support the implementation of activities to be carried out under the proposed compact. This early engagement of the fiscal agent will facilitate compact implementation by ensuring that the accountable entity develops its organizational policies, procedures, and internal controls. Funding for the fiscal agent during the compact term will be financed using compact funds.