



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation plans to negotiate a Millennium Challenge Compact with the Government of Georgia.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Georgia, please contact me or Jim Mazarella at (202) 521-3850. This notification is being sent to the Congress on April 9, 2013 and negotiations with Georgia may be started on or after April 24, 2013.

Sincerely,

/s/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosure:

As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

April 9, 2013

Pursuant to section 610(a) of the Millennium Challenge Act of 2003, as amended, this notification is (1) to advise you that the Millennium Challenge Corporation (MCC) intends to start negotiations with the Government of Georgia for a Millennium Challenge Compact and (2) to initiate the 15-day consultation period before the start of negotiations.

Attached please find a summary of the objectives and mechanisms to be used for the negotiation of this Compact.

SUPPLEMENTAL INFORMATION

MCC COMPACT DEVELOPMENT WITH GEORGIA

April 9, 2013

Overview

The proposed compact seeks to assist Georgia in addressing a major constraint to economic growth by supporting strategic investments in general education, technical and vocational education and training (TVET), and higher education that will strengthen the quality of education, with an emphasis on science, technology, engineering, and math (STEM) education, in Georgia.

Background

The first Georgia Compact was completed in April 2011. That \$395 million compact focused on infrastructure (roads, water networks and energy rehabilitation) and rural private enterprise development through a grant program and separate investment fund. Georgia was initially selected by MCC's Board of Directors as eligible for a second compact in January 2011 and then re-selected in December 2011 and December 2012.

In spring 2011, the Government of Georgia (GoG) conducted an analysis of constraints to growth that identified the low quality of human capital as a binding constraint to economic growth in Georgia. Based on this constraints analysis, the GoG submitted concept notes for three possible second compact projects: two rural road projects, which were rejected by MCC, and a higher education investment, which was considered for further development. MCC determined that the GoG's July 2011 proposal for the construction and establishment of a science and technology branch university in Georgia, to be run by a U.S. university, did not meet MCC's investment criteria, and was not a cost-effective investment to address broader deficiencies in the education system and labor market.

MCC encouraged the GoG to develop a revised proposal that addressed MCC's concerns including the number of beneficiaries (in terms of equity and reach of the investment), systemic deficiencies in education, and cost-effectiveness of the proposed investments. The GoG submitted a second proposal to MCC in December 2011, outlining a more integrated, bottom-up approach to improving education quality through strategic investments that aim to better address equity, access and other issues raised by MCC in November 2011 with respect to the first proposal. MCC approved the request to proceed with designing the proposed investments in general education, TVET training and education, and STEM higher education.

The GoG has provided sustained financial and political support throughout compact development. Since being selected as compact eligible in January 2011, the GoG has funded the operations of a core team, which initially led the compact development process on the GoG's behalf. MCA-Georgia was established in 2012. The GoG paid for salaries and management expenses at MCA-Georgia through autumn 2012, after which MCC 609(g) funds have been used to fund MCA-Georgia.

Program Overview and Budget

Below is a summary describing the components of the proposed compact with Georgia. The budget and expected impacts are preliminary based on initial due diligence and project appraisal and are subject to change following compact negotiations.

PROJECT	Total (\$ million)
Improving General Education Quality Project	76.5
Industry-led Skills and Workforce Development Project	16
STEM Higher Education Project	30
Monitoring and Evaluation	3.5
Program Administration	14
TOTAL COMPACT BUDGET	140

Improving General Education Quality Project

Project Rationale and Description

Three key activities were identified for MCC investments in general education quality to improve attendance and learning outcomes by Georgian students: i) school rehabilitation and laboratory upgrades, ii) teacher and principal continuing professional development, and iii) support for classroom, national, and international assessments. These activities have been targeted to specifically improve math and science learning.

The project-level ERR for the Improving General Education Quality Project, combining all three proposed activities, is estimated at 13 percent. The initial beneficiaries of this project would be 186,400 students, a significant proportion of whom are from families deemed “socially vulnerable.” New students entering these schools each year would add to the total number of beneficiaries over a twenty-year project lifetime, totaling approximately 870,000 individuals. Including family members over twenty years, and allowing for intermarriage among school graduates, total beneficiaries are estimated at 1.7 million. All planned investments in general education would aim to improve the pipeline of future students pursuing tertiary education and later entering the labor market.

The proposed Improving General Education Quality Project contains the following three activities:

- **Improved Learning Environment Infrastructure Activity.** This activity would seek to improve the learning environment of Georgian students in grades 1-12 by rehabilitating 130 schools to create a safe and effective physical learning environment for them. Many schools are in severe disrepair, do not have adequate heating or protection from the elements, and do not provide an appropriate learning environment, necessitating investments in school rehabilitation. MCC and the GoG developed a rigorous targeting mechanism for the selection of schools for rehabilitation with compact funding¹, which has also yielded an opportunity for a rigorous impact evaluation of the activity’s outcomes.

¹ Schools were targeted according to their proportion of socially vulnerable students, the overall condition of a school’s infrastructure, school utilization rates, and a school’s number of students.

- **Training Educators for Excellence Activity.** Implementation of the current continuing professional development program for teachers and principals is relatively weak. Building on an existing seven-year professional development strategic framework, this activity would aim to improve teaching and school management by training 24,000 teachers, 2,000 mentor teachers and 2,000 school principals. New training modules for teachers, “mentor teachers” and principals would focus on improving the teaching competencies of STEM teachers in grades 7-12 and the management capacity of school principals. Compact investments would strengthen the capacity of staff at the Teacher Professional Development Center, the agency under the Ministry of Education and Science (MoES) responsible for teacher training, with an aim to improve the staff’s ability to manage effective professional development after the compact.
- **Education Assessment Support Activity.** This activity would support Georgia’s participation in five international assessments, the implementation of six national assessments focused on math and science, and the development of a system of classroom assessment for secondary school math and science teachers. This activity would leverage assessment work undertaken by both the World Bank and USAID. Specifically, MCC’s investments in the area of national assessments would build on World Bank support to the National Assessment and Examination Center, the agency under the MoES responsible for assessments, for building capacity in the areas of teacher and school principal evaluation and improving access to information on the existing teacher policies. Building on USAID’s classroom assessment work in primary schools in Georgia, a system of teacher tools for classroom assessment would also be created for students and STEM teachers in grades 7-12.

Industry-led Skills and Workforce Development Project

Project Rationale and Description

The Industry-led Skills and Workforce Development Project aims to improve the linkage between market-demanded skills and the supply of Georgians with technical skills relevant to the local economy. The activities proposed under this project are designed to i) solicit innovative proposals from TVET providers for the establishment of new or the expansion of existing training programs to meet industry needs; and ii) to strengthen Georgian TVET sector policy and provider practice with respect to industry engagement.

The estimated ERR for the Competitive Program Improvement Grants Activity is 23 percent. The number of beneficiaries, given the critical assumptions made, is estimated to be around 26,000. Beneficiaries would likely be from poorer households, the population that has traditionally taken advantage of technical vocational training. In particular, social and gender integration would be a critical component of technical assistance to training providers to support strategies and approaches for ensuring that women and members of disadvantaged groups are equitably represented in supported programs. This project would be expected to strengthen sector policy, to facilitate the creation of new programs, and to promote the uptake of best practices throughout the sector.

The proposed Industry-led Skills and Workforce Development Project contains the following two activities:

- **Competitive Program Improvement Grants Activity.** The objective of this activity would be to provide an initial investment in programs that develop, test, and disseminate innovative and effective approaches to employment-oriented skills development in Georgia through a competitive grants program. A competitive program awarding grants between \$300,000 and \$3 million would incentivize providers to engage local industry and would provide the necessary funding and technical assistance to overcome financial and capacity barriers to market entry, particularly in the more costly and complex higher level STEM areas.
- **Strengthening Sector Policy and Provider Practice Activity.** MCC funding would provide technical assistance to strengthen sector policy to support industry engagement with the aim of matching private sector demand to labor supply. This sector strengthening is critical to the longer term support of industry engagement as MCC seeks to support the creation of new programs through a competitive grants program. At the provider level, existing good practices in industry engagement such as tracer studies and industry advisory boards would be identified and promoted to foster linkages and responsiveness to labor market needs.

STEM Higher Education Project

Project Rationale and Description

In order to achieve the delivery of high-quality STEM degree programs to boost productivity and growth and increase employment opportunities, this STEM Higher Education Project proposes to attract international university partner(s) to support the GoG's effort to modernize STEM education. The objectives of the project would be to offer high-quality STEM degrees and/or accreditation while building capacity in Georgian public universities. International partner universities would also bring the needed experience to promote equitable participation for women and minorities in STEM programs.

As an alternative to offering international partner degrees to achieve high-quality STEM education outcomes, MCC could support Georgian public universities in obtaining accreditation from the Accreditation Board of Engineering and Technology (ABET.) ABET is the U.S. association that accredits university programs in the disciplines of applied science, computing, engineering, and engineering technology.² For Georgian institutions, obtaining ABET accreditation would require facilities and equipment upgrades, curriculum development, professional development for professors, and institutional support. A compact investment in ABET accreditation at one or more Georgian universities would provide the needed physical upgrades and technical assistance to achieve this accreditation.

An indicative ERR for the higher education project is estimated based on a technical proposal and financial proposal received as part of a recent Request for Proposals process. Assuming an operating cost (average annual tuition) of \$5,500 per student, the indicative ERR is estimated at 10 percent.

² ABET accredits over 3,100 programs at more than 670 colleges and universities in 24 countries.