



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform the Congress of our intent to provide funding of up to \$140,000,000 under a Millennium Challenge Compact with the Government of Georgia.

This notification is being sent to the Congress on June 19, 2013.

Obligation of funds may be incurred on or after 15 days from the date of this notification.

An attached summary describes the project and other key elements of the planned Compact. If you or your staff would like to arrange a meeting to discuss the Compact, please contact me or Jim Mazzarella, Managing Director of Congressional Affairs, at (202) 521-3850.

Sincerely,

/s/

Paul Weinberger
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

June 19, 2013

PROGRAM: Eligible Countries

APPROPRIATIONS CATEGORY: Fiscal Year 2012 Program Funds

OBLIGATION AMOUNT: \$140,000,000

Pursuant to section 7015(c) and the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2012 (P.L. 112-74, Division I), the Millennium Challenge Corporation (“MCC”) wishes to notify the Congress of its intent to sign a Millennium Challenge Compact (the “Compact”) with the Government of Georgia, through which MCC will grant up to a total amount of \$140,000,000 to the Government of Georgia under the Millennium Challenge Act of 2003, as amended (the “Act”). To accelerate implementation of the Compact, MCC intends to obligate up to \$3,350,000 (“Compact Implementation Funding”) of the overall grant under section 609(g) of the Act, using fiscal year 2012 funds, when the Compact is signed by the parties. MCC intends to obligate up to \$136,650,000 under section 605 of the Act, using fiscal year 2012 funds, when the Compact enters into force. After the Compact enters into force, Compact Implementation Funding that is not needed to accelerate implementation of the Compact may be deobligated, and up to an equivalent amount of funding may be obligated under section 605 of the Act. Such funding is included in the total amount of MCC funds under the Compact and will not increase the total Compact funding.

Compact funding will support strategic investments in general education, technical and vocational education and training (“TVET”), and higher education that will strengthen the quality of education in Georgia, with an emphasis on science, technology, engineering and math (“STEM”) fields. The Compact is expected to benefit more than 1.6 million Georgians.

SUPPLEMENTAL INFORMATION

MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION, AND THE GOVERNMENT OF GEORGIA

June 19, 2013

The Millennium Challenge Corporation's Board of Directors (the "Board") has approved a five-year, \$140 million compact with the Government of Georgia aimed at reducing poverty through economic growth (the "Compact"). The Compact seeks to address one of Georgia's most binding constraints to economic growth, the quality of human capital, through investments in science and technology education and workforce development. MCC's investments are designed to build on Georgia's previous compact and reforms the Government of Georgia has undertaken in the education sector. All projects have estimated economic rates of return above MCC's hurdle.

I. Background

Georgia's first \$395 million compact, which was completed in April 2011, focused on addressing the basic needs of Georgians through investments in infrastructure (roads, water networks and energy rehabilitation) and rural private enterprise development through a grant program and separate investment fund. As the first compact concluded, Georgia was determined by the Board as eligible for a second compact in January 2011 and then again in December 2011 and December 2012.

Since the 2004 Rose Revolution, Georgia achieved sustained policy progress and economic growth, implementing major reforms that have strengthened public finances, improved the business environment, and enhanced social protection and social services. However, poverty rates remain high, increasing from 22.7 percent to 24.7 percent after the 2008 conflict with Russia. Poverty in Georgia is driven by high unemployment, which can be attributed in part to a mismatch between the demands of the Georgian labor market and the skills possessed by Georgian workers, particularly in sectors that require training in the fields of science, technology, engineering and mathematics. The Compact seeks to address that mismatch by funding investments in the education sector that will help Georgians obtain the education and job skills that subsequently lead to greater employment.

Two key lessons learned from the first compact include: (i) early planning for operations and maintenance ("O&M") and (ii) working with high capacity Georgian government implementing entities where possible. In recognition of the importance of O&M planning, the Government of Georgia committed to funding and carrying out long-term O&M of all Georgian schools, including the schools rehabilitated with Compact funds. The first compact demonstrated the Government of Georgia's high capacity for implementing a sophisticated investment program. The Compact builds on this experience by giving technical responsibility for implementation to domestic institutions responsible for the long-term sustainability of the investments.

II. Program Overview and Budget

Below is a summary describing the components of the Compact. The budget figures below and the expected impacts described in section III are based on due diligence and project appraisal.

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

The Compact comprises three projects in the education sector: 1) Improving General Education Quality, 2) Industry-Led Skills and Workforce Development Project, and 3) STEM Higher Education Project.

Improving General Education Quality Project (\$76.5 million) seeks to improve general education quality in Georgia through infrastructure enhancements to the physical learning environment, training for educators and school managers, and support to education assessments. The project consists of three activities, which were targeted to specifically improve math and science learning, and aim to improve the pipeline of future students pursuing tertiary education and later entering the labor market:

- Improved Learning Environment Infrastructure Activity. This activity would involve the full internal and external rehabilitation of dilapidated school facilities, utility upgrades, and provision of laboratories for approximately 130 existing Georgian public schools. The planned rehabilitations address key elements correlated with improved educational performance including human comfort, indoor air quality and adequate lighting, and will be measured by a rigorous impact evaluation.¹
- Training Educators for Excellence Activity. This activity aims to improve teaching and school management by training approximately 23,400 math, science, information and communications technology, and English teachers in grades 7-12; 2,000 public school principals; and 2,000 school-based professional development coordinators (one per public school). Investments would strengthen the capacity of staff at the Teacher Professional Development Center, the agency under the Ministry of Education and Science responsible for teacher training, to manage effective professional development.
- Education Assessment Support Activity. This activity would support Georgia's participation in five international assessments, the implementation of approximately 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 build on USAID's classroom assessment work in Georgia's primary schools and also seek to create a system of teacher tools for classroom assessment for students and STEM teachers in grades 7-12.

Industry-Led Skills and Workforce Development Project (\$16 million) aims to improve the linkage between market-demanded skills and the supply of Georgians with technical skills relevant to the local

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.

economy. Georgian industry engaged in the design of this project through numerous consultations with the private sector, leading to the following activities:

- Competitive Program Improvement Grants Activity. This activity would 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 for Georgian TVET providers. To build upon the industry engagement already established in the compact development process, this activity would promote investment from Georgian industry partners. Technical assistance would be provided to promote high-quality proposals, build capacity, and ensure compliance with MCC requirements.
- Strengthening Sector Policy and Provider Practice Activity. This activity would provide technical assistance to strengthen sector policy to support industry engagement with the aim of matching private sector demand to labor supply. Existing, internationally accepted 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 (\$30 million) proposes to attract one or more international university partners to support the Government of Georgia’s effort to modernize STEM education by delivering high-quality STEM degree programs that boost productivity and growth, and increase employment opportunities. The project aims to offer high-quality international standard STEM degrees and/or U.S. accreditation of Georgian public university degree programs, something not done before in Georgia. International partner universities would also bring the needed experience to build the capacity of Georgian partners and promote equitable participation for women and minorities in STEM programs. This approach is consistent with the view of public higher education institutions as drivers for education reform in Georgia.

The project also anticipates supporting Georgian public universities in obtaining accreditation from the Accreditation Board of Engineering and Technology (“ABET”) to achieve high-quality STEM education outcomes. ABET is the U.S. association that accredits domestic and international university programs in the disciplines of applied science, computing, engineering, and engineering technology. A compact investment in ABET accreditation at one or more Georgian universities would provide the physical upgrades and technical assistance needed to achieve accreditation.

III. Expected Results, Beneficiaries, and Benefits

MCC and the Government of Georgia collaborated to ensure that investment benefits are extended to a broad spectrum of Georgian economy, with a focus on girls’ engagement in STEM, the inclusion of socially vulnerable populations, and designing to ensure for impact evaluation.

The initial beneficiaries of the Improving General Education Quality Project are estimated to be the 186,400 students (33 percent of all Georgian students) enrolled in Georgian secondary schools (grades 7-12) during the first year of compact implementation. Approximately half of the students are female and a significant proportion of students are from families deemed socially vulnerable. Over a 20-year time horizon, a total of 870,000 students would benefit. Total beneficiaries are estimated at 1.6 million, which includes family members. Combining all three proposed activities, the project-level estimated economic rate of return is 13 percent.

The number of beneficiaries of the Industry-Led Skills and Workforce Development Project over a 20-year time horizon is estimated to be 26,000, who 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. The estimated economic rate of return for the Competitive Program Improvement Grants Activity is 23 percent.

The number of beneficiaries of the STEM Higher Education Project over a 20-year horizon is estimated to be approximately 31,000 and the number of students who would obtain high-quality undergraduate degrees in STEM disciplines is estimated at 8,500 students. An indicative estimated economic rate of return for this project is based on technical and financial proposals received as part of a recent request for proposals process. Assuming an operating cost (average annual tuition) of \$5,500 per student, the project-level estimated economic rate of return is 11 percent.