

**ECONOMIC ASSISTANCE**

**Millennium Challenge Compact**

**Between the**

**UNITED STATES OF AMERICA**

**and GEORGIA**

Signed at Tbilisi July 26, 2013

*with*

Annexes



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966  
(80 Stat. 271; 1 U.S.C. 113)—

“ . . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

## **GEORGIA**

### **Economic Assistance**

*Millennium Challenge Compact  
signed at Tbilisi July 26, 2013;  
Entered into force July 1, 2014.  
With annexes.*

**MILLENNIUM CHALLENGE COMPACT**

**BETWEEN**

**THE UNITED STATES OF AMERICA**

**ACTING THROUGH**

**THE MILLENNIUM CHALLENGE CORPORATION**

**AND**

**GEORGIA**

**MILLENNIUM CHALLENGE COMPACT**  
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## MILLENNIUM CHALLENGE COMPACT

### PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this "*Compact*") is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation ("*MCC*"), and Georgia ("*Georgia*"), acting through its government (the "*Government*") (individually a "*Party*" and collectively, the "*Parties*"). Capitalized terms used in this Compact will have the meanings provided in Annex V.

Recalling that the Parties successfully concluded an initial Millennium Challenge Compact that advanced the progress of Georgia in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with MCC's core policies and standards;

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Georgia and that MCC assistance under this Compact supports Georgia's demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that the Government consulted with the private sector and civil society of Georgia to determine the priorities for the use of MCC assistance and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Georgia implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the "*Program*");

The Parties hereby agree as follows:

### ARTICLE 1.

#### GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Georgia (the "*Compact Goal*"). MCC's assistance will be provided in a manner that strengthens good governance, economic freedom, and investments in the people of Georgia.

Section 1.2 Program Objective. The objective of the Program (the "*Program Objective*") is to support strategic investments in general education, technical and vocational education and training and higher education that will strengthen the quality of education in Georgia, with an emphasis on science, technology, engineering, and math ("*STEM*") education. The Program consists of the projects described in Annex I (each a "*Project*" and collectively, the "*Projects*").

Section 1.3 Project Objectives. The objective of each of the Projects (each a "*Project Objective*" and collectively, the "*Project Objectives*") is to:

- (a) improve general education quality in Georgia through: infrastructure enhancements to the physical learning environment in schools, training for educators and school managers, and support to classroom, national and international education assessments;
- (b) strengthen the linkage between market-demanded skills and the supply of Georgians with technical skills relevant to the local economy; and
- (c) support delivery of high-quality STEM degree programs in Georgia.

**ARTICLE 2.**  
**FUNDING AND RESOURCES**

Section 2.1 Program Funding. Upon entry into force of this Compact in accordance with Section 7.3, MCC will grant to the Government, under the terms of this Compact, an amount not to exceed One Hundred Thirty Six Million Six Hundred Fifty Thousand United States Dollars (US\$136,650,000) ("**Program Funding**") for use by the Government to implement the Program. The allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Implementation Funding.

(a) Upon signature of this Compact, MCC will grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Three Million Three Hundred Fifty Thousand United States Dollars (US\$3,350,000) ("**Compact Implementation Funding**") under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the "**MCA Act**"), for use by the Government to facilitate implementation of the Compact, including for the following purposes:

(i) financial management and procurement activities (including costs related to agents procured by MCC to provide standby fiscal and procurement agent services, if required);

(ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, office equipment, computers and other information technology or capital equipment;

(iii) monitoring and evaluation activities;

(iv) feasibility, design and other project preparatory studies; and

(v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact Implementation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact Implementation Funding will be effective, for purposes of

Compact Implementation Funding only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of Compact Implementation Funding is subject to satisfaction of the conditions precedent to such disbursement as set forth in Annex IV.

(d) If, after the first anniversary of this Compact entering into force, MCC determines that the full amount of Compact Implementation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact Implementation Funding available under Section 2.2(a) (such excess, the "***Excess CIF Amount***"). In such event, the amount of Compact Implementation Funding granted to the Government under Section 2.2(a) will be reduced by the Excess CIF Amount, and MCC will have no further obligations with respect to such Excess CIF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CIF Amount as an increase in the Program Funding, and such additional Program Funding will be subject to the terms and conditions of this Compact applicable to Program Funding.

Section 2.3 MCC Funding. Program Funding and Compact Implementation Funding are collectively referred to in this Compact as "***MCC Funding***," and includes any refunds or reimbursements of Program Funding or Compact Implementation Funding paid by the Government in accordance with this Compact.

Section 2.4 Disbursement. In accordance with this Compact and the Program Implementation Agreement, MCC will disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a "***Disbursement***"). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements will be made available to the Government, at MCC's sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a "***Permitted Account***") or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government will pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) In accordance with MCC's *Guidelines for Country Contributions*, the Government will make a contribution towards meeting the Program Objective and Project Objectives of this Compact. Annex II describes such contribution in more detail. In addition, the Government will take all actions that are necessary to carry out the Government's responsibilities under this Compact.

(b) The Government will use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for in its annual budget for the duration of the Program.

(c) The Government will not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding will be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government will ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing or by posting from time to time on the MCC website at [www.mcc.gov](http://www.mcc.gov) (the "*MCC Website*"), including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's *Environmental Guidelines* and any guidance documents issued in connection with the guidelines posted from time to time on the MCC Website or otherwise made available to the Government (collectively, the "*MCC Environmental Guidelines*"); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government will ensure that all MCC Funding and GRDF Funding are free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Georgia, reasonable in amount and imposed on a non-discriminatory basis) ("*Taxes*") of or in Georgia (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Georgia). Specifically, and without limiting the generality of the foregoing, MCC Funding and GRDF Funding will be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Georgia in

connection with the Program or the activities of GRDF; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program or the activities of GRDF; (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program or the activities of GRDF; and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program or the activities of GRDF and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program or the activities of GRDF, except (x) natural persons who are residents of Georgia for taxation purposes (excluding non-Georgian citizens) and (y) legal persons formed under the laws of Georgia or any subsidiaries or branches thereof (but excluding MCA-Georgia and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The mechanisms that the Government will use to implement the tax exemption required by Section 2.8(a) are set forth in Annex VI. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Georgia or to the taxpayer, or payment by the Government to MCA-Georgia or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a). To the extent that there are Taxes not addressed in Annex VI, whether currently in force or established in the future, that MCC determines, in its sole discretion, are not being exempted by the Government in accordance with this Section 2.8(b), the Government hereby agrees that it will implement appropriate procedures (approved in writing by MCC) to ensure that such additional Taxes are exempted in accordance with this Section 2.8. For the avoidance of doubt, the identification (or lack of identification) of Taxes in Annex VI, or the description (or lack of description) of procedures to implement the required exemption from such Taxes in Annex VI, will in no way limit the scope of the tax exemption required by Section 2.8.

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex VI, the Government will refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Georgia within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Georgia) that such Tax has been paid.

(d) No MCC Funding or GRDF Funding, proceeds thereof or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.8(c).

(e) MCA-Georgia will withhold all applicable Taxes on behalf of the staff of MCA-Georgia (excluding non-Georgian citizens).

### ARTICLE 3.

#### IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties will enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement and use of MCC Funding, among other matters (the "**Program Implementation**

*Agreement*” or “*PIA*”); and the Government will implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) The Government hereby designates Millennium Challenge Account Georgia, a legal entity of public law under Georgian law, as the accountable entity to implement the Program and to exercise and perform the Government’s right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and their Activities, allocating resources and managing procurements. Such entity will be referred to herein as “*MCA-Georgia*,” and has the authority to bind the Government with regard to all Program activities. The Government hereby also designates MCA-Georgia to exercise and perform the Government’s rights and responsibilities to oversee, manage and implement the activities defined in the Grant and Implementation Agreement, dated as of July 13, 2012. The designation by this Section 3.2(b) will not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government will ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding or GRDF Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government will take all necessary or appropriate steps to achieve the Program Objective and the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government will ensure that the Program is implemented and that the Government carries out its obligations hereunder with due care, efficiency and diligence in conformity with sound technical, financial, and management practices, and in conformity with this Compact, the Program Implementation Agreement, each other Supplemental Agreement and the Program Guidelines.

(f) The Government grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal and regulatory reform commitments identified in Annex I (if any), the Government will seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding or implementation of the Program (each, an "*Implementation Letter*"). The Government will use such guidance in implementing the Program. The Parties may also issue jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements.

Section 3.6 Procurement and Grants.

(a) The Government will ensure that the procurement of all goods, works and services by the Government or any Provider to implement the Program will be in accordance with the MCC Program Procurement Guidelines posted from time to time on the MCC Website (the "*MCC Program Procurement Guidelines*"). The MCC Program Procurement Guidelines include the following requirements, among others:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award and administer contracts and to procure goods, works and services;

(ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works and services to be acquired;

(iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, will be paid to procure goods, works and services.

(b) Unless MCC otherwise consents in writing, the Government will ensure that any grant issued in furtherance of the Program (each, a "*Grant*") is awarded, implemented and managed pursuant to open, fair and competitive procedures administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC will agree upon written procedures to govern the identification of potential Grant recipients, including, without limitation, appropriate eligibility and selection criteria and award procedures. Such agreed procedures will be posted on the MCA-Georgia website.

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government will maintain, and will use its best efforts to ensure that all Covered Providers maintain accounting books, records, documents and other evidence relating to the Program adequate to show, to MCC's satisfaction, the use of

all MCC Funding and the implementation and results of the Program ("**Compact Records**"). In addition, the Government will furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government will maintain and will use its best efforts to ensure that all Covered Providers maintain Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government's option and with MCC's prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Georgia. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any applicable legal requirements.

(c) Providers and Covered Providers. Unless the Parties agree otherwise in writing, a "**Provider**" is (i) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term. A "**Covered Provider**" is (i) a non-United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US\$300,000 or more of MCC Funding in any Government fiscal year or any other non-United States person or entity that receives, directly or indirectly, US\$300,000 or more of MCC Funding from any Provider in such fiscal year, or (ii) any United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US\$500,000 or more of MCC Funding in any Government fiscal year or any other United States person or entity that receives, directly or indirectly, US\$500,000 or more of MCC Funding from any Provider in such fiscal year.

(d) Access. Upon MCC's request, the Government, at all reasonable times, will permit, or cause to be permitted, authorized representatives of MCC, an authorized Inspector General of MCC ("**Inspector General**"), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets and activities funded in whole or in part by MCC Funding.

### Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government will, on an annual basis (or on a more frequent basis if requested by MCC in writing), conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding covering the period from signing of this Compact until the following December 31 and covering each twelve-month period thereafter ending December 31, through the end of the Compact Term. In addition, upon MCC's request, the Government will ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General or a United States-based certified public accounting firm selected in accordance with the *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities* (the "**Audit Guidelines**") issued and

revised from time to time by the Inspector General, which are posted on the MCC Website. Audits will be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit must be completed and the audit report delivered to MCC no later than 90 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing.

(b) Audits of Other Entities. The Government will ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider, on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government will use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate and timely corrective actions in response to audits; (ii) considers whether the results of the Covered Provider's audit necessitates adjustment of the Government's records; and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC will have the right to arrange for audits of the Government's use of MCC Funding.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

#### ARTICLE 4. COMMUNICATIONS

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact will be in writing and, except as otherwise agreed with MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation  
Attention: Vice President, Compact Operations  
(with a copy to the Vice President and General Counsel)  
875 Fifteenth Street NW  
Washington, DC 20005  
United States of America  
Telephone:(202) 521-3600

Facsimile: (202) 521-3700

Email: VPOperations@mcc.gov (Vice President, Compact Operations)  
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of Finance  
Attention: Minister of Finance  
(with a copy to the Department of Public Debt and External Financing)  
16, Vakhtang Gorgasali Street  
Tbilisi 0114  
Georgia  
Telephone: +995 32 2261 444; +995 32 2261 461  
Facsimile: +995 32 2261 088; +995 32 2261 461

To MCA-Georgia:

MCA-Georgia  
Attention: Chief Executive Officer  
(with a copy to the General Counsel)  
4, Sanapiro Street  
Tbilisi 0105  
Georgia  
Telephone: +995 32 2281 185; +995 32 2281 174

Section 4.2 Representatives. For all purposes of this Compact, the Government will be represented by the individual holding the position of, or acting as, Minister of Finance of Georgia, and MCC will be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a "**Principal Representative**"). Each Party, by written notice to the other Party, may designate one or more additional representatives (each, an "**Additional Representative**") for all purposes of this Compact except as specified in Section 6.2. The Government hereby designates the Chief Executive Officer of MCA-Georgia as an Additional Representative. MCC hereby designates the Deputy Vice President, Department of Compact Operations, EAPLA, as an Additional Representative. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact will be original signatures appearing on the same page or in an exchange of letters or diplomatic notes. With respect to all documents arising out of this Compact (other than the Program Implementation Agreement and any other legally binding international agreement) and amendments thereto, signatures may be delivered by facsimile or electronic mail and in counterparts and will be binding on the Party delivering such signature to the same extent as an original signature would be.

**ARTICLE 5.**  
**TERMINATION; SUSPENSION; EXPIRATION**

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days' prior written notice. MCC may also terminate this Compact or MCC Funding without cause in part by giving the Government thirty (30) days' prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC, as a basis for suspension or termination (as notified in writing to the Government) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) an event or series of events has occurred that makes it probable that the Program Objective or any of the Project Objectives will not be achieved during the Compact Term or that the Government will not be able to perform its obligations under this Compact;

(iii) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(iv) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(v) an act has been committed or an omission or an event has occurred that would render Georgia ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Georgia for assistance under the MCA Act; and

(vii) the Government or another person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of Section 4.2 of the Program Implementation Agreement will govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated will remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest within thirty (30) days after the Government's receipt of MCC's request for repayment. Interest will accrue from the date of the violation and will be calculated at the 10-year U.S. Treasury Note rate prevailing as of the close of business in Washington, DC as of the date of MCC's request for payment. The Government will not use MCC Funding, proceeds thereof or Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund will continue during the Compact Term and for a period of (i) five (5) years thereafter, or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Survival. The Government's responsibilities under this Section and Sections 2.7, 3.2(f), 3.7, 3.8, 5.2, 5.3, and 6.4 will survive the expiration, suspension or termination of this Compact.

## ARTICLE 6.

### COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1. Annexes. Each annex to this Compact constitutes an integral part hereof, and references to "Annex" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2. Amendments.

(a) The Parties may amend this Compact by written agreement. Such agreement will specify how it enters into force. The Additional Representatives will not represent the Parties for such purposes.

(b) Notwithstanding Section 6.2(a), the Parties may modify Annexes I-V, by written agreement signed by the Parties which will enter into force upon signature, to (i) suspend,

terminate or modify any Project or Activity, or to create a new project; (ii) change the allocations of funds as set forth in Annex II as of the date hereof (including to allocate funds to a new project); (iii) modify the implementation framework described in Annex I; or (iv) add, delete or waive any condition precedent described in Annex IV; *provided that*, in each case, any such modification (1) is consistent in all material respects with the Program Objective and Project Objectives; (2) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)); (3) does not cause the amount of Compact Implementation Funding to exceed the aggregate amount specified in Section 2.2(a); (4) does not reduce the Government's responsibilities or contribution of resources required under Section 2.6; and (5) does not extend the Compact Term.

Section 6.3. Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 7, such Articles 1 through 7, as applicable, will prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact will prevail.

Section 6.4. Governing Law. This Compact is an international agreement and as such will be governed by the principles of international law.

Section 6.5. Additional Instruments. Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language will include activities, obligations and rights undertaken by, or existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6. References to MCC Website. Any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website will be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7. References to Laws, Regulations, Policies and Guidelines. Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document will be construed as a reference to such law, regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended and will include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

Section 6.8. MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it will not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The

Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government will be immune from the jurisdiction of all courts of Georgia for any claim or loss arising out of activities or omissions under this Compact.

## ARTICLE 7. ENTRY INTO FORCE

Section 7.1 Domestic Requirements. Before this Compact enters into force, the Government will proceed in a timely manner to complete any domestic procedures necessary for entry into force of this Agreement.

Section 7.2 Conditions Precedent to Entry into Force. Before this Compact enters into force:

- (a) the Program Implementation Agreement must have been signed by the parties thereto;
- (b) The Government must have delivered to MCC:
  - (i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;
  - (ii) a signed legal opinion from the Ministry of Justice of Georgia (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC; and
  - (iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to the Government's domestic requirements necessary for this Compact to enter into force and the satisfaction of Section 7.1, which MCC may post on its website or otherwise make publicly available.
- (c) The Government must have developed an implementation plan to build capacity in Georgian public universities to offer international standard STEM degrees and/or Accreditation Board for Engineering and Technology ("**ABET**") accreditation for the STEM Higher Education Project in form and substance acceptable to MCC; and
- (d) MCC shall not have determined that after signature of this Compact, the Government has engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding.

Section 7.3 Date of Entry into Force. This Compact will enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC has

completed its domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met.

Section 7.4 Compact Term. This Compact will remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "*Compact Term*").

Section 7.5 Provisional Application. Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties will provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact Implementation Funding, will be made available or disbursed before this Compact enters into force.

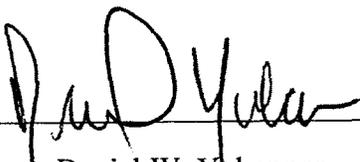
**SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE**

IN WITNESS WHEREOF, the undersigned, having been duly authorized, have signed this Compact.

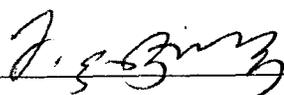
Done at Tbilisi, Georgia, this 26th day of July, 2013, in the English language only.

FOR THE UNITED STATES OF AMERICA,  
ACTING THROUGH THE MILLENNIUM  
CHALLENGE CORPORATION

FOR GEORGIA, ACTING THROUGH ITS  
GOVERNMENT



Name: Daniel W. Yohannes  
Title: Chief Executive Officer



Name: Maia Panjikidze  
Title: Minister of Foreign Affairs

## ANNEX I

### PROGRAM DESCRIPTION

This Annex I describes the Program that MCC Funding will support in Georgia during the Compact Term.

#### A. PROGRAM OVERVIEW

##### 1. Background and Consultative Process.

###### (a) Background.

This is the second MCC compact with Georgia, following a US\$395 million compact, which entered into force in April 2006 and was completed in April 2011, and focused on certain infrastructure improvements (roads, water networks and energy rehabilitation) and rural private enterprise development through a grant program and an investment fund (the "*First Compact*").

The First Compact supplemented efforts by the Government to promote stability, good government and private enterprise development in the years following the 2004 Rose Revolution. The infrastructure development goals of the First Compact remain key facets of a broader Georgian strategy to reduce poverty in the country. Likewise, many of the investments made by the investment fund, the Georgia Regional Development Fund, survive and thereby continue to provide critical capital to small and medium enterprises. Among the lessons learned from the First Compact were the effectiveness of MCA-Georgia as an MCA Entity and a model for core operations such as procurement, finance, and government and public relations that offers significant advantages in terms of transparency and independence. The productive nature of MCC's partnership with the Government during the First Compact set the stage for the development of the second Compact. Georgia was selected eligible for this second Compact in December 2012 after an iterative three-year process, throughout which MCC encouraged the Government to continue working to refine its proposals.

Despite the advances achieved by the First Compact, the Government conducted an analysis of constraints to economic growth in spring 2011 and identified the low quality of human capital as a significant constraint to economic growth. The lack of human capital is particularly acute in the STEM fields. The Compact aims to reduce this human capital constraint to economic growth.

###### (b) Consultative Process.

Throughout the development of the second Compact, the Government engaged in an inclusive consultative process, conducting consultations across Georgia and in the United States. Together with MCC in the course of compact development, the Government has utilized several formal mechanisms to solicit direct input to inform project selection and design from relevant stakeholders at different steps in the process.

The Government's analysis of constraints to economic growth was published in spring 2011 in draft form and open for public comment. At that stage formal consultations were held with non-

governmental organizations and think tanks to solicit feedback. The Economic Policy Research Center, a Georgia-based non-governmental organization, provided written comments that helped shaped the project selection process, leading to further investigation and exploration of projects across the education sector that could address the binding constraint of human capital. Other key consultations that took place during the early stages of compact development include three sets of consultative meetings with over 50 different international higher education institutions in Georgia and the U.S. to help define the STEM Higher Education Project.

The Georgian private sector was also consulted extensively, with Government and/or MCC officials meeting with more than 70 private sector representatives throughout compact development, primarily to discuss the areas where gaps in the supply of qualified potential employees/Georgian university graduates and the demands of the labor market were perceived. Private sector demand for skilled, educated technicians was gauged more formally through a wage survey of Georgian AmCham members conducted by a Georgia-based research institution, which contributed directly to the economic analysis.

Public consultations have and are expected to continue well into the design and implementation phase. As part of the Industry-led Skills and Workforce Development Project, an open invitation to interested parties in several Georgian cities resulted in several outreach sessions in December 2012, that were widely attended by a diverse group of private industry representatives, non-governmental organizations, and education institutions. Following a "Call for Ideas," the Government received over 130 proposals for outlining priorities and proposed investments to improve professional training. These have been assessed by a panel to further define the MCC investment proposal.

## **2. Description of Program and Beneficiaries.**

### **(a) Description.**

The Program consists of three Projects: (i) the Improving General Education Quality Project; (ii) the Industry-led Skills and Workforce Development Project; and (iii) the STEM Higher Education Project. These projects respond to constraints to economic growth by aiming to improve the poor quality of human capital in Georgia.

Each Project is generally described in Part B of this Annex I. Part B also identifies one or more of the Activities that will be undertaken in furtherance of each Project as well as the various sub-activities within each Activity.

### **(b) Beneficiaries.**

Each Project of the Compact is intended to further poverty reduction through economic growth. Specific beneficiaries are identified in greater detail in the Project descriptions in Part B of this Annex I. A brief summary of the beneficiaries of each Project is as follows:

(i) The beneficiaries of the Improving General Education Quality Project in the first year of implementation are estimated to be approximately 186,400 students. Students entering these schools each year will add to the total number of beneficiaries with approximately 870,000 student beneficiaries projected over a 20 year project lifetime. Including family

members over twenty years and adjusting for possible double counting, total beneficiaries are estimated at 1.6 million.

(ii) The number of beneficiaries of the Industry-led Skills and Workforce Development Project is estimated to be 26,000. Beneficiaries will likely be from poorer households, the population that has traditionally taken advantage of technical vocational training. This Project is also expected to strengthen sector policy, to facilitate the creation of new programs, and to promote the uptake of best practice throughout the sector.

(iii) The number of student beneficiaries from the STEM Higher Education Project over twenty years is estimated at 8,500. Including family members, total beneficiaries are estimated at 31,000.

### 3. Environmental and Social Safeguards.

All of the Projects will be implemented in compliance with the MCC Environmental Guidelines, the International Finance Corporation Performance Standards on Environmental and Social Sustainability, and the MCC Gender Policy, and in a manner acceptable to MCC. The Government also will ensure that the Projects comply with all national environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with this Compact. Specifically, the Government will: (a) develop, adopt, and implement an Environment and Social Management System for MCA-Georgia and other Government agencies, as necessary, for all Compact activities, which will be in form and substance satisfactory to MCC; (b) cooperate with or complete, as the case may be, any ongoing environmental and social impact assessments, or if necessary undertake and complete any additional environmental and social assessments, environmental and social management plans, environmental and social audits, resettlement policy frameworks, and resettlement action plans, each in form and substance satisfactory to MCC; (c) ensure that Project-specific environmental and social management plans are developed and all relevant measures contained in such plans are integrated into project design, and the applicable procurement documents and associated finalized contracts, in each case, in form and substance satisfactory to MCC; and (d) implement to MCC's satisfaction appropriate environmental and social mitigation measures identified in such assessments or plans or developed to address environmental and social issues identified during compact implementation. Unless MCC agrees otherwise in writing, the Government will fund all necessary costs of environmental and social mitigation measures (including, without limitation, costs of resettlement) not specifically provided for, or that exceed the MCC Funding specifically allocated for such costs in, the Detailed Financial Plan for any Project.

To maximize the positive social impacts of the Projects, address cross-cutting social and gender issues such as human trafficking, child and forced labor, and HIV/AIDS, and ensure compliance with the MCC Gender Policy the Government will: (x) develop a comprehensive social and gender integration plan which, at a minimum, incorporates the findings of a comprehensive social and gender analysis, identifies approaches for regular, meaningful and inclusive consultations with women and other vulnerable/underrepresented groups, consolidates the findings and recommendations of Project-specific social and gender analyses and sets forth strategies for incorporating findings of the social and gender analyses into final Project designs as appropriate ("*Social and Gender Integration Plan*"); and (y) ensure, through monitoring and

coordination during implementation, that final Activity designs, construction tender documents, other bidding documents and implementation plans are consistent with and incorporate the outcomes of the social and gender analyses and Social and Gender Integration Plan.

## **B. DESCRIPTION OF PROJECTS**

Set forth below is a description of each of the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objective. In addition, specific activities that will be undertaken within each Project (each, an “*Activity*”), including sub-activities, are also described.

### **1. Improving General Education Quality Project.**

#### **(a) Summary of Project and Activities.**

The Improving General Education Quality Project consists of three Activities that target areas where the Georgian education sector needs the most support: physical environment, secondary school teacher subject knowledge and pedagogical skills, school management capacity, and education assessments.

To increase the impact and sustainability of the Improving General Education Quality Project, MCA-Georgia will work to develop partnerships with the private sector to promote private investment in and around the Project. Areas for partnership include but are not limited to teacher and school leader professional development, curriculum and learning platforms, and other innovations in STEM, ICT, and English-language education.

#### **(i) Improved Learning Environment Infrastructure Activity.**

The Improved Learning Environment Infrastructure Activity will rehabilitate approximately 130 existing Georgian public school facilities. Many Georgian public schools were built in the Soviet era and have been largely neglected due to the absence of any significant maintenance program. This has resulted in the school facilities being in a very poor physical condition including internal utilities such as heating, electrical, water supply and sanitation systems. The Government formed the Educational and Scientific Infrastructure Development Agency (“*ESIDA*”) within the Ministry of Education and Science of Georgia (“*MoES*”) to address issues related to school maintenance, rehabilitation and building of new school facilities.

The Improved Learning Environment Infrastructure Activity will involve the full internal and external rehabilitation of selected school facilities, utility upgrades, and provision of laboratories. Such an approach addresses the key elements correlating with improved educational performance, including human comfort, indoor air quality, and adequate lighting.

Using a transparent school selection process, the Government and MCC identified well-utilized schools in poor physical condition that served a high share of Socially Vulnerable students; these schools will be targeted for rehabilitation under this Activity over the course of the Compact Term. This selection of schools was based on a formula that prioritizes schools according to their physical condition (dilapidated physical infrastructure), social vulnerability (higher proportion of Socially Vulnerable students), number of students enrolled and utilization rate.

MCA-Georgia and ESIDA will develop and enter into an Implementing Entity Agreement (in form and substance satisfactory to MCC) that will establish the duties and obligations associated with implementation. For the first phase of work, MCA-Georgia will manage the financial resources for this Activity.

The establishment of an Operations and Maintenance (“*O&M*”) program in the Georgian school system is critical for ensuring the sustainability of MCC’s investment and more broadly to the viability of Georgian schools. The Government has committed to developing and funding a strategy to address school O&M and a plan for its implementation (collectively, a “*School O&M Plan*”) with MCC support. Key elements of this School O&M Plan include hiring permanent dedicated and technically qualified staff to develop and implement the School O&M Plan.

Establishing an MCC incentive fund. MCC will support this effort via an incentive fund of up to US\$2,500,000 (Two Million, Five Hundred Thousand United States Dollars) to support school O&M activities. This funding will be contingent upon Government implementation of the School O&M Plan in a manner satisfactory to MCC. On an annual basis, MCC will evaluate ESIDA’s performance against the School O&M Plan and will build on satisfactory performance by contributing MCC funding to O&M activities in the following year.

(ii) Training Educators for Excellence Activity.

The objectives of the Training Educators for Excellence Activity are to: (1) improve math, science, information and communication technology (“*ICT*”), and English teaching and learning in Grades 7-12; and (2) improve school management. This Activity will achieve the first objective by training approximately 23,400 math, science, ICT, and English teachers and improving upon the existing system of continuous professional development. To improve school-based professional development, the Activity will train up to one school-based professional development coordinator per public school, or approximately 2,000 such coordinators. Training these coordinators will provide new teacher orientation and continued school-based professional development to support the adoption of new knowledge and good teaching practices. To meet the second objective, this Activity will support the development of a continuous professional development framework for school principals and will provide training for up to 2,000 public school principals in Georgia.

The Implementing Entity for the Training Educators for Excellence Activity will be the Teacher Professional Development Center (“*TPDC*”), the MoES entity currently responsible for managing teacher professional development. Compact funding will support capacity building for TPDC, the development and provision of training materials and equipment, and the implementation of training courses. This Activity will also support the provision of appropriate teaching/learning technology and equipment for both schools and TPDC.

(iii) Education Assessment Support Activity.

A rigorous testing and assessment system is needed to track student progress as well as to hold teachers, administrators, and national authorities accountable to Georgian stakeholders for achieving outcomes. National testing systems will be supplemented by participating in international benchmarking assessments such as the OECD’s “Program for International Student

Assessment” and Institute of Education Science’s “Trends in International Math and Science Study” not only to verify national results but also to track the country’s performance relative to the international community. Furthermore, international assessments can help Georgia monitor system-level achievement trends in a global context over time and to further improve teaching and learning through research and analysis of assessment data.

The National Assessment and Examination Center (“NAEC”) will be the Implementing Entity and a direct beneficiary of this Activity. This investment will support NAEC to carry out (1) national; (2) international; and (3) classroom assessments of student learning, with a focus on using the results for improving the quality of general education. The investment will support the effective implementation of approximately six national assessments, including secondary school mathematics and selected sciences. This Activity will fund preparation for and participation in five international assessments aimed at measuring student and teacher performance in secondary school math, science, and ICT. Finally, NAEC will create a classroom assessment system for secondary school math and science teachers that will enable those teachers to assess their students’ learning and use the results to improve teaching and learning in their classrooms. This system will build upon current USAID work in classroom assessment tools for primary school teachers described in paragraph (f) below.

The Government will submit for MCC review and approval a plan to address the recurrent, operational costs associated with MCC investments in the Training Educators for Excellence Activity and the Education Assessment Support.

(b) Beneficiaries.

In general, beneficiaries of the Improving General Education Quality Project will be Georgian public school students in grades 7-12, who will benefit from both student assessments and teacher professional development. A smaller subset of students in grades 1-12 will also benefit from improvements to the physical infrastructure of their schools. Estimates for the number of beneficiaries will be established in more depth after detailed design. Identification of beneficiaries for each Activity is set forth below.

(i) Improved Learning Environment Infrastructure Activity.

Assuming that approximately 130 schools are rehabilitated, with an average enrollment of 350 students per school, the initial beneficiaries of this Activity will be approximately 45,500 students. New students entering these schools each year will add to the total number of beneficiaries over a twenty year project lifetime. Most rehabilitated schools will have twelve grades; hence the average intake of new students each year is approximately 29 students per school, and will be approximately 3,800 students across 130 schools. Over a twenty year project lifetime this will add approximately 72,000 additional students for a total of 117,500 student beneficiaries. The Improved Learning Environment Infrastructure Activity has targeted poverty-reducing outcomes by balancing questions of economic efficiency, social equity, and stakeholder engagement. Half the beneficiaries will be girls and over 25 percent will be students from Socially Vulnerable families, and ethnic minorities.

(ii) Training Educators for Excellence Activity.

The beneficiaries of this Activity will be students whose teachers take part in professional development. It is envisioned that public secondary school math, science, ICT and English teachers will receive training, benefitting students in grades 7-12 over the twenty-year expected lifetime of the Activity. In 2012, total enrollment in grades 7-9 was 134,900 and in grades 10-12, 113,600 students. Assuming an implementation success rate of 75 percent, 101,200 lower-secondary and 85,200 upper-secondary students (a total of 186,400 secondary students) will initially benefit from this program. With an annual intake into secondary grade 7 of approximately 48,000 students, and a 75 percent implementation rate, roughly 36,000 new student beneficiaries will enter secondary school each year. Over a twenty-year project lifetime, this will add an additional 684,000 student beneficiaries, for a total of 870,400 student beneficiaries. Including family members and adjusting for possible double counting, total beneficiaries are estimated at 1.6 million individuals over twenty years.

(iii) Education Assessment Support Activity.

Beneficiaries will be the NAEC staff receiving capacity building and training. All teachers and students in Georgia may benefit from improved classroom assessments and improved policy due to the systemic feedback generated from national and international assessments. Key stakeholders within the Government will benefit from having information that allows them to make better-informed policy decisions.

(c) Environmental and Social Mitigation Measures.

According to MCC Environmental Guidelines, the Improving General Education Quality Project is considered a "Category B" project. An Environmental and Social Assessment will be undertaken and an Environmental and Social Management Framework developed to address: the overall environmental and social issues associated with the school rehabilitation program; identify, screen and assess key risks; and propose appropriate measures to manage such risks and impacts. A Hazardous Waste Management Plan and an Occupational Health and Safety Plan will be required as part of the MCC-funded consultancy for feasibility and design. Effective measures for improving efficiency in the consumption of energy, water, and other resources and material inputs will be identified and incorporated into the design for rehabilitation.

No resettlement is anticipated in this Project since there is no requirement for new land or building additions at the existing schools.

(d) Corporate Social Responsibility.

MCA-Georgia will develop a corporate, community, and social responsibility program that enables schools, community organizations and businesses to form partnerships to create enhanced environments for learning. This program will operate on principles of volunteerism, sponsorship and mentorship with the goal of increased support for education and improved classroom and school environments within the partner schools and the communities where they are located.

(e) Donor Coordination.

The World Bank, USAID, German Society for International Cooperation (“GIZ”), United Nations Development Programme, and the European Union have recently funded activities including school construction and supporting the Government in refining general education financing. MCC and Government consultations with other donors involved in the education sector are expected to continue through the Compact term, ensuring that investments in the sector continue to be strategic and focused on the ultimate goal of increasing future incomes for Georgians. Beyond general coordination, the Education Assessment Support Activity is expected to build on the World Bank’s national assessment support to the NAEC as well as the USAID primary school classroom assessment project.

(f) USAID.

USAID recently performed a school rehabilitation project in Georgia and has provided valuable data and lessons learned from this work. In addition, USAID’s Georgia Primary Education Project (“G-PriEd”) is supporting a variety of activities in the education sector including classroom diagnostic assessments in grades 1-6. G-PriEd provided a tool for Georgian teachers to assess students’ knowledge and skills in critical competency areas of reading and mathematics. It will be used by teachers in the classroom to ensure that children are on track to meet standards. While the Georgian national standards in reading and mathematics include a framework for formative assessment, there is no systematic assessment approach for diagnosing students’ performance in core reading and math competencies. G-PriEd’s diagnostic assessment approach will be used to target skills in critical competency areas of reading and mathematics in the Georgian national curriculum and thus have a direct relation with curricula and instruction in Georgian schools. Teachers will be trained to carry out classroom diagnostics and will be able to use the tool for feedback to adjust ongoing teaching and learning in order to improve students’ achievement of intended instructional outcomes. MCC plans to incorporate this approach and the lessons learned as part of its support for classroom assessments in grades 7-12. Building on USAID’s work described above, MCC will strengthen NAEC to design and facilitate effective strategies for classroom-based assessments and develop materials, including sample tasks and tests that can be used by teachers to improve their own assessment practices.

(g) Sustainability.

Use of the Implementing Entities (ESIDA, TPDC, and NAEC), an approach replicating that employed with success in the First Compact, will help to develop long-term organizational capacity in Georgia. Building organic capabilities is an important objective in order to increase the probability of the Project’s sustainability.

The School O&M Plan to be developed by ESIDA will promote long-term maintenance for rehabilitated schools in order to maximize the useful life of investments.

(i) Improved Learning Environment Infrastructure Activity.

The development and implementation of a comprehensive School O&M Plan, maintenance standards, institutional arrangement and budgetary process is a critical element of this Activity. The proposed School O&M Plan will be performed in close coordination with ESIDA to ensure

human resources, program activities, implementation mechanisms and budgetary processes are well integrated and sustainable. ESIDA will hire sufficient technical staff dedicated to the Compact activities as well as provide the necessary office facilities to conduct the design activities.

(ii) Training Educators for Excellence Activity.

This Activity will improve TPDC's capacity to engage in a broad range of teacher and principal continuing professional development. In the future, TPDC will be able to use experience gained during the Compact term to expand this model to all teachers. Increased Government funding dedicated to professional development will promote the long-term sustainability of professional development.

(iii) Education Assessment Support Activity.

Over the course of the Compact, the staff of the NAEC will have executed a number of national and international assessments, gaining experience in planning and implementing ongoing assessments. This will help ensure that national and international assessments contribute to continued improvement of the general education system, particularly in support of ongoing curriculum revision and reform. A system for classroom assessments will have been created and NAEC will have built initial experience in running this system. Increased Government funding dedicated to assessments will promote the long-term sustainability of NAEC activities.

(h) Policy, Legal and Regulatory Reforms.

MCC and the Government have focused on two areas in planning for policy reform relevant to the Compact: operations and maintenance of infrastructure investments and international assessments.

(i) Improved Learning Environment Infrastructure Activity.

With respect to future operations and maintenance of school infrastructure rehabilitated under this Project, the Government (specifically, ESIDA, and the Georgian Ministry of Finance) has agreed to develop and fund the School O&M Plan for the entire public school system, during and after the Compact term. This funding will be complemented by Compact-funded technical assistance to create and implement for the School O&M Plan and a matching O&M incentive fund through the Compact term. MCC and the Government will work together to transform O&M management practices to increase the sustainability of infrastructure investments.

(ii) Education Assessment Support Activity.

High quality national and international assessments provide valuable information for monitoring learning achievement, such as the gaps between boys and girls or between urban and rural students. Support to NAEC will enable it to analyze educational outcomes, including gender and social differences in achievement, and to provide the MoES useful information for policymaking.

## 2. Industry-led Skills and Workforce Development Project.

### (a) Summary of Project and Activities.

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. Investments to support Technical Vocational Education and Training (“*TVET*”) are necessary to address industry demand for skilled technicians and to reach potential beneficiaries who may not have the opportunity to obtain further education and training. The two activities proposed under this Project are therefore designed to (1) solicit innovative proposals from Georgian TVET providers for the establishment of new or the expansion of existing training programs to meet industry needs; and (2) to strengthen the Georgian TVET sector’s national policy and provider practice with respect to industry engagement.

#### (i) Competitive Program Improvement Grants Activity.

The objective of this Activity will be to provide an initial investment in programs that develop and expand innovative and effective approaches to employment-oriented skills development in Georgia through a competitive grants program. Given the complexities and dynamics of the Georgian labor market, a competitive grants program aims to incentivize TVET providers to engage local industry and will provide the necessary funding and technical assistance to overcome financial and capacity barriers to market entry, particularly in the more costly and complex STEM fields and agriculture.

The Competitive Program Improvement Grants Activity will award grants to develop new or expand existing TVET programs. This may include support to the following types of activities: curriculum development, new program piloting, instructor training, internship and job placement programs, teaching and learning materials, equipment modernization, and limited facilities rehabilitation. In addition to this development capital, technical assistance will be provided to promote quality proposals, build capacity, and ensure compliance with MCC policies. To receive grants, TVET providers and their industry partners will be required to show commitment through cash or in-kind contributions. MCA-Georgia will work to ensure industry engagement through outreach and support for linking industry and providers.

#### (ii) Strengthening Sector Policy and Provider Practice Activity.

In addition to direct support to TVET programs, there is a need to strengthen sector policy and provider practice with respect to industry engagement. At the national level, this Activity will provide technical assistance to the Government to strengthen sector policy to support industry engagement. At the provider level, existing good practices in industry engagement such as tracer studies and industry advisory boards will be identified and promoted across the sector to foster linkages and responsiveness to labor market needs.

**Sector Strengthening:** Building on the Government’s recent reforms, a number of areas have been identified at the sector policy level where specific technical assistance to improve industry engagement and education quality may provide substantial systemic returns. The Government will ensure that targeted sector interventions build on past and on-going technical assistance provided by other donors.

Provider Practice: The Strengthening Sector Policy and Provider Practice Activity will identify and promote existing but isolated internationally accepted good practice within the sector. This will be achieved by supporting industry recognition awards, and strengthening, documenting, and disseminating these practices to other providers. Conferences in Georgia will be hosted to showcase and promote good practice. Technical assistance will be offered to providers interested in adopting good practice at their institutions.

Practices supported by the Strengthening Sector Policy and Provider Practice Activity will be linked to sector strengthening technical assistance. These linkages will provide a local context for industry engagement and local examples of how to enhance engagement in the Georgian TVET sector. Thus, national technical assistance will not be provided in isolation but together with developing provider practice.

(b) Beneficiaries.

Estimates for the number of beneficiaries will be established in more depth after detailed design, though currently the number is approximately 26,000. Generally, beneficiaries will likely be from economically disadvantaged households, because that is the population that has traditionally taken advantage of technical vocational training.

Both TVET program improvements and wider usage of TVET best practice will benefit staff, teachers, and students of supported programs. The most direct impact will be to students who are able to obtain well-paid employment following their training. Industry will benefit from having a supply of trained labor to meet market demand. The target beneficiaries for the sector strengthening technical assistance will be the staff of the national policy entities and indirectly all provider staff, teachers, and students involved in the sector.

(c) Environmental and Social Mitigation Measures.

According to MCC Environmental Guidelines, the Industry-led Skills and Workforce Development Project is considered a "Category D" project. MCA-Georgia and the grants manager will be required to develop and implement the Competitive Program Improvement Grants Activity in accordance with operational procedures that address environmental and social performance issues, including the screening and assessment of key environmental and social impacts, the development of appropriate mitigation measures for proposed investments, the monitoring of the adequacy of implementation of mitigation measures, and periodic reporting of environmental and social performance to MCA-Georgia. While the Project does not anticipate major TVET infrastructure rehabilitation, proposed investments will be assessed in broad terms to ensure that technical and environmental supporting infrastructure, such as sufficient structural capacity and adequate electrical, gas, water supply and sanitation facilities, is in place for the investments. Resettlement is not anticipated as part of this Project.

Given the importance of increasing employment in high demand technical areas, integration of gender and social equity objectives in technical and vocational education is a critical part of ensuring successful overall project outcomes. Substantial gender differences in STEM program participation, and in employment and remuneration, also point to the importance of TVET career counseling. Gender and social issues will be addressed through technical assistance and

resources for implementing (i) national policies, and (ii) high priority TVET qualification providing programs. Social and gender integration will be a critical component of grant evaluation and of technical assistance to grant recipients. Guidelines for the competitive grants program will require that proposed program providers specify their strategies and approaches for ensuring that women and members of disadvantaged groups are equitably represented in these priority programs, drawing from the results of an MCC study on barriers to participation for women and vulnerable groups.

(d) Donor Coordination.

There are a number of local and international donors active in the TVET sector. In the planning processes for this Compact MCC and MCA-Georgia have met regularly with donors, including UNDP, the World Bank, GIZ, the European Union, and other donors to ensure coordination of planning and leverage of existing donor activity in the design of activities. One example is the proposal for work in the Strengthening Sector Policy and Provider Practice Activity to build an industry engagement component to enhance the TVET strategy document completed by another donor. Engagement with other donors will be on-going.

(e) Sustainability.

By creating stronger linkages between labor supply and demand at the national and provider-levels, investing in a knowledge system to identify and promote best practice, and rewarding industry-led program design, the Industry-led Skills and Workforce Development Project will promote sustainability of the programs financed through the Compact, as well as future programs in Georgia. Additionally, programs receiving grants must have a sustainability plan to ensure that Compact investments will result in programs that continue beyond the period of grant financing.

**3. STEM Higher Education Project.**

(a) Summary of Project.

Georgia has industrial, infrastructure, information technology, and transport related economic growth that requires well-educated graduates from STEM degree programs. While access to higher education is widespread, institutions in Georgia with STEM programs are not historically well-equipped to provide the skilled graduates needed by industry. In particular, there are two factors impeding the establishment of quality STEM programs in Georgia: (1) outdated knowledge and approach of faculty educated largely under the Soviet system; and (2) the substantial cost in facilities and equipment necessary to establish a modern STEM program.

In order to achieve the delivery of high-quality STEM degree programs to boost productivity and growth and increase employment opportunities, the STEM Higher Education Project plans to attract international university partner(s) to support the Government's effort to modernize STEM education. The objectives of this Project will be to build capacity in Georgian public universities and to offer international standard STEM degrees and/or Accreditation Board for Engineering and Technology ("**ABET**") accreditation. International university partner(s) will also bring the needed experience to promote equitable participation for women and minorities in STEM programs.

(i) International Partner Selection.

MCA-Georgia launched an open and competitive RFP to identify international universities interested in partnering with Georgian universities to offer STEM degrees. The RFP solicited proposals from international universities, alone or in consortia, that could offer international university STEM bachelor degree(s) in partnership with Georgian public universities. A technical evaluation panel selected three proposals from U.S. universities that will undertake detailed program development analyses and tasks that will be completed using Compact Implementation Funding, including development of a full technical implementation plan.

(ii) ABET Accreditation.

MCC may also support STEM programs at Georgian public universities in obtaining accreditation from ABET in conjunction with or as an alternative to international university STEM bachelor degree(s) to achieve quality STEM education outcomes. ABET is the U.S. association that accredits university programs in applied science, computing, engineering, and engineering technology. ABET accreditation for Georgian institutions may require facility and equipment upgrades, curriculum development, professional development for professors, and institutional support.

(iii) Georgia Regional Development Fund.

The Georgia Regional Development Fund is an independently managed investment fund created under the First Compact to provide capital to Georgian small and medium enterprises in the agribusiness and tourism sectors. Concurrently with the First Compact's expiration, GRDF began a five year wind-down period that will conclude on April 7, 2016, and as part of the conclusion of the First Compact the ownership interest in GRDF was transferred to the Service Agency of the Ministry of Finance of Georgia. Prior to its complete wind-down, GRDF may make distributions to the holder of the ownership interest, and at the conclusion of the wind-down will liquidate all of its assets and make a final distribution of the liquidation proceeds to the holder of the ownership interest. The Parties have agreed that proceeds from GRDF will be used to support the activities of the STEM Higher Education Project.

To facilitate GRDF's support of the STEM Higher Education Project, the Parties anticipate that its ownership interest will be transferred to MCA-Georgia and that MCA-Georgia will assume responsibility for managing the proceeds of GRDF distributions, provided that the Service Agency of the Ministry of Finance will remain responsible for any liabilities associated with the ownership interest that arose prior to the date of transfer. The management of GRDF is responsible for collection of proceeds. The ownership interest transfer, along with modifications to existing GRDF operational documents will be made pursuant to one or more agreements that must be in form and substance satisfactory to the Parties. In addition, MCC and the Government must agree to the specific uses of the GRDF proceeds in the Project before any expenditure of such proceeds. The Parties anticipate signing a Supplemental Agreement that will specify the terms of MCC and the Government's agreement on the use of GRDF proceeds, and that MCA-Georgia will develop operational guidelines for its management of the funds (including requirements for internal controls, auditing and reporting), all of which must be satisfactory in form and substance to MCC (collectively, the "*New GRDF Operational Documents*"). In the

event that MCA-Georgia receives a distribution from GRDF before the New GRDF Operational Documents have been finalized, MCA-Georgia will hold such proceeds in a segregated bank account at a financial institution acceptable to MCC. If any of the GRDF proceeds remain at the end of the Compact Term, they will be allocated to such uses as MCC and the Government may agree as part of the compact closure process.

(b) Beneficiaries.

Beneficiaries are the students who will obtain a high-quality undergraduate degree in STEM disciplines. This will provide them with improved employment opportunities, higher salaries, and improved long-term prospects for professional growth in a STEM sector. The Project will focus on recruiting women as well as Socially Vulnerable students. Taking the average cohort size provided by the three selected respondents, an estimated 8,500 students would pass through the higher education program over twenty years. Including family members of the students, total beneficiaries are estimated at approximately 31,000 individuals. Estimates for the number of beneficiaries will be established in more depth after the program design phase.

(c) Environmental and Social Mitigation Measures.

(i) Environmental and Social Performance.

According to MCC Environmental Guidelines, this Activity is considered to be a "Category B" project, as minor environmental impacts may occur. Appropriate environmental and social assessment and mitigation measures and proper due diligence will be implemented in accordance with MCC Environmental Guidelines in order to ensure that these programs are well designed and will not result in adverse environmental health and safety impacts. Proposed investments should be assessed in broad terms to ensure that technical and environmental supporting infrastructure is in place for the investments, such as sufficient structural capacity and adequate electrical, gas, water supply and sanitation facilities. Based on the assessments, participating universities and Government agencies, as necessary, will develop and implement an environmental and social operations manual to ensure use of best practices regarding waste management, emergency preparedness, and occupational health and safety.

(ii) Access.

A major challenge in higher education is women's self-selection into non-STEM concentrations (e.g., women were 27 percent of enrollees in engineering in 2009) and the low share of language minority and Socially Vulnerable students pursuing higher education. Disadvantaged students, who often cannot afford higher education and/or lack the level of general education needed to access it, may not benefit from this Project. This risk will be partially mitigated through the proposed Improving General Education Quality Project, designed to enable access to higher education for traditionally disadvantaged students.

MCA-Georgia also will help the international university partner to develop private sector support for scholarships and endowments to help disadvantaged students. The Government has also expressed a commitment to providing scholarships to students. One criterion for selecting the three qualified international universities was their demonstrated experience in recruiting and retaining female and Socially Vulnerable students into STEM programs. In addition, the Project

will address gender and social imbalances in supported STEM programs by (1) implementing activities based on the findings and recommendations of studies that identify barriers to female and Socially Vulnerable students' participation in STEM programs; (2) ensuring that higher education programs supported by the Compact include specific activities for outreach, mentoring, and career counseling programs directed toward women, minorities, and disadvantaged student populations; and (3) needs-based scholarships. Ethnic minority students accepted into the program will have a year to study Georgian before starting classes, in line with the current Government policy.

(d) Sustainability.

The universities and their Georgian partners will be required to present clear and feasible business plans for how the programs will be maintained after the Compact funding period. Program proposals must demonstrate the long-term viability of programs at sustainable operating cost levels. The capacity building of Georgian public universities will improve their ability to provide high-quality STEM education in the future or to achieve and maintain ABET accreditation. To promote sustainability, the Government has committed to provide funding for universities over twenty years, tied to student enrollment, in line with Government policy. Moreover, as noted above, the Government has agreed that proceeds from GRDF will be allocated to support the long term sustainability of the STEM Higher Education Project.

To further increase the impact and sustainability of the STEM Higher Education Project, MCA-Georgia will work to develop private sector engagement and partnerships between the selected consortium and businesses. Examples of these partnerships may include arrangements in which companies advise the university partner on needed professional skills, contribute equipment and knowledge that the university needs to develop these skills, sponsor students and faculty with scholarships and endowments, and hire interns and graduating students.

Additionally, university partners have a strong interest in training professionals and helping them find jobs. The universities may carry out tracer studies to better understand job uptake and adjust programs accordingly. MCA-Georgia will also help university partner(s) to develop ties with businesses to assess market demand and place students in jobs.

(e) Policy, Legal and Regulatory Reforms.

(i) University Accreditation Policy.

Tertiary institutions obtain authorization and accreditation to deliver programs of study and issue diplomas and certificates recognized by Government and industry. Authorization decisions are made by the National Centre for Education Quality Enhancement (“NCEQE”) Council on Authorization of Education Institutions. Accreditation is an external evaluation process conducted by the NCEQE Educational Program Accreditation Council, which determines the compliance of an educational program with established standards. Only accredited programs are eligible to receive Government funding. MCC will work with NCEQE to strengthen capacity to carry out authorization and accreditation of higher education institutions.

## C. IMPLEMENTATION FRAMEWORK

### 1. Accountable Entity

#### (a) Structure and Establishment.

The Government established an accountable entity, MCA-Georgia, as a legal entity of public law under the laws of Georgia. MCA-Georgia will act as the Government's permitted designee under the Compact. MCA-Georgia is not under the control of any state controlling body and it will have operational and legal independence, including, *inter alia*, the ability to (i) enter into contracts in its own name; (ii) sue and be sued; (iii) establish a bank account in its own name; (iv) expend MCC Funding; and (v) engage contractors, consultants and/or grantees, including, without limitation, a procurement and fiscal agent.

MCA-Georgia's internal operations are governed by a charter, which was required as part of the governmental decree establishing MCA-Georgia and by bylaws, which provide further detail on the internal operations of MCA-Georgia.

MCA-Georgia is administered, managed, and supported by the following bodies: (x) a supervisory board (the "**Supervisory Board**"); (y) a management team (the "**Management Team**"); and (z) one or more Stakeholders Committees (as defined below).

#### (b) Supervisory Board.

The Supervisory Board will have ultimate responsibility for the oversight, direction, and decisions of MCA-Georgia, as well as the overall implementation of the Compact. It is comprised of seven voting members, plus two non-voting members. The Supervisory Board includes the following representatives / offices:

- (i) Prime Minister (Chairman of the Supervisory Board);
- (ii) Minister of Finance of Georgia;
- (iii) Minister of Education and Science of Georgia;
- (iv) Minister of Justice of Georgia;
- (v) Minister of Foreign Affairs of Georgia;
- (vi) Private sector representative; and
- (vii) Civil (non-government) society representative.

In addition, an MCC representative and MCA-Georgia's Chief Executive Officer (CEO) serve as non-voting members of the Supervisory Board. The private sector and civil society representatives will be chosen by a transparent selection process approved by MCC.

(c) Management Team.

The Management Team reports to the Supervisory Board and has principal responsibility for the day-to-day operations management of the Compact, including contracting, program management, financial management, reporting, and monitoring and evaluation. The Management Team is led by a CEO and as of the date of Compact signature is composed of the following directors and officers:

- (i) Chief Executive Officer;
- (ii) Chief Financial Officer;
- (iii) Improving General Education Quality Project Director;
- (iv) Tertiary Education Project Director;
- (v) Chief Infrastructure Engineer;
- (vi) Procurement Director;
- (vii) Environmental and Social Performance Director;
- (viii) General Counsel;
- (ix) Monitoring and Evaluation Director;
- (x) Gender and Social Assessment Director; and
- (xi) Business, Government and Public Relations Director.

(d) Stakeholders' Committee(s).

MCA-Georgia will be assisted by one or more stakeholders' committees, the composition of which is currently under discussion with the Government (the "*Stakeholders' Committee*"). The Stakeholders' Committee(s) will be responsible for continuing the consultative process throughout implementation of the Compact. While the Stakeholders' Committee(s) will not have any decision-making authority, the Stakeholders' Committee(s) will be responsible for reviewing, at the request of the Board or the management unit, certain reports, agreements, and documents related to the implementation of the Compact in order to provide advice and input to MCA-Georgia regarding the implementation of the Program. The Stakeholders' Committee(s) may be composed of, *inter alia*, program beneficiaries, regional and local government representatives, entities with an interest or involvement in the implementation of the Compact, key NGOs, and any applicable civil society and private sector representatives.

**2. Implementing Entities.**

Subject to the terms and conditions of this Compact, the Program Implementation Agreement and any other related agreement entered into in connection with this Compact, as noted above the Government intends to engage several entities of the Government to implement and carry out

specified Activities (or a component thereof) under this Compact (each, an "**Implementing Entity**"). The appointment of any Implementing Entity will be subject to review and approval by MCC. The Government will ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an "**Implementing Entity Agreement**").

**3. Fiscal Agent.**

Unless MCC agrees otherwise in writing, the Government will engage a fiscal agent (a "**Fiscal Agent**") which will be responsible for assisting the Government with its fiscal management and assuring appropriate fiscal accountability of MCC Funding, and whose duties will include those set forth in the Program Implementation Agreement and such agreement as the Government enters into with the Fiscal Agent, which agreement will be in form and substance satisfactory to MCC.

**4. Procurement Agent.**

Based upon an assessment of local capacity and previous experience from the First Compact, an internal MCA-Georgia procurement unit will manage Compact procurements. A procurement director who has the requisite skills and experience to manage the procurement processes planned for this Compact (the "**Procurement Director**") has been hired by MCA-Georgia. In addition, a budget for procurement support consulting services is included for the first two years of the Compact to assist with the greater workload during this period. The Procurement Director will assure that MCA-Georgia adheres to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan adopted by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing. MCC may require that the Government engage an independent Procurement Agent during the Compact Term.

**ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

This Annex II summarizes the Multi-Year Financial Plan for the Program.

**1. General.**

A multi-year financial plan summary ("*Multi-Year Financial Plan Summary*") is attached hereto as Exhibit A to this Annex II. By such time as specified in the Program Implementation Agreement, the Government will adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Government's contribution of funds and resources, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project, projected both on a commitment and cash requirement basis.

**2. Government Contribution.**

During the Compact Term, the Government will make contributions, relative to its national budget and taking into account prevailing economic conditions, as are necessary to carry out the Government's responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions (including obligations of Georgia on any debt incurred toward meeting these contribution obligations). To meet this obligation the Government has developed a budget over the Compact Term to allocate resources to each of the Projects including financial support for (a) implementing entity costs related to the management of the School O&M Plan; (b) the development of higher education STEM degrees; (c) capital equipment for MCC rehabilitated schools; (d) teacher training and assessments; (e) rehabilitation of public TVET facilities; (f) computers for educator professional development, as well as in-kind contributions of real property to be used for Program purposes; and (g) forgone taxes related to GRDF proceeds. The Government anticipates making contributions of approximately US\$21,000,000 (or 15 percent of the amount of MCC Funding provided under this Compact) over the Compact Term. Such contribution will be in addition to the Government's spending allocated toward such activities in its budget for the year immediately preceding the establishment of this Compact. The Government's contribution will be subject to any legal requirements in Georgia for the budgeting and appropriation of such contribution, including approval of the Government's annual budget by its legislature. The Parties may set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding. During implementation of the Program, the Government's contributions may be changed or new contributions added with MCC approval; *provided that*, the modified or new contributions continue to advance the Project Objectives.

**EXHIBIT A**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

(US\$)							
Component	CIF	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>1. Improving General Education Quality Project</b>							
(A) Improved Learning Environment Infrastructure Activity	-	5,400,000	16,200,000	16,200,000	16,200,000	-	54,000,000
(i) Operations and Maintenance Sub-activity	-	-	-	500,000	1,000,000	1,000,000	2,500,000
(B) Training Educators for Excellence Activity	-	1,100,000	3,150,000	4,250,000	4,250,000	1,250,000	14,000,000
(C) Education Assessment Support Activity	350,000	750,000	1,000,000	1,450,000	1,950,000	500,000	6,000,000
<b>Subtotal</b>	<b>350,000</b>	<b>7,250,000</b>	<b>20,350,000</b>	<b>22,400,000</b>	<b>23,400,000</b>	<b>2,750,000</b>	<b>76,500,000</b>
<b>2. STEM Higher Education Project</b>							
	1,000,000	4,000,000	7,500,000	9,000,000	6,000,000	2,500,000	30,000,000
<b>Subtotal</b>	<b>1,000,000</b>	<b>4,000,000</b>	<b>7,500,000</b>	<b>9,000,000</b>	<b>6,000,000</b>	<b>2,500,000</b>	<b>30,000,000</b>
<b>3. Industry-led Skills and Workforce Development Project</b>							
(A) Competitive Program Improvement Grants Activity	200,000	1,000,000	1,750,000	3,800,000	3,600,000	1,650,000	12,000,000
(B) Strengthening Sector Policy and Provider Practice Activity	-	500,000	900,000	1,200,000	900,000	500,000	4,000,000
<b>Subtotal</b>	<b>200,000</b>	<b>1,500,000</b>	<b>2,650,000</b>	<b>5,000,000</b>	<b>4,500,000</b>	<b>2,150,000</b>	<b>16,000,000</b>
<b>4. Monitoring and Evaluation</b>							
Monitoring and Evaluation Activity	350,000	370,000	985,000	385,000	685,000	725,000	3,500,000
<b>Subtotal</b>	<b>350,000</b>	<b>370,000</b>	<b>985,000</b>	<b>385,000</b>	<b>685,000</b>	<b>725,000</b>	<b>3,500,000</b>
<b>5. Program Management and Oversight</b>							
(A) MCA-Georgia	680,000	1,520,571	1,520,571	1,520,571	1,520,571	2,107,716	8,870,000
(B) Fiscal Agent	650,000	669,500	689,585	710,273	731,581	629,061	4,080,000
(C) Procurement Oversight	120,000	225,000	105,000	35,000	35,000	30,000	550,000
(D) Audit	-	100,000	100,000	100,000	100,000	100,000	500,000
<b>Subtotal</b>	<b>1,450,000</b>	<b>2,515,071</b>	<b>2,415,156</b>	<b>2,365,844</b>	<b>2,387,152</b>	<b>2,866,777</b>	<b>14,000,000</b>
<b>TOTAL COMPACT BUDGET</b>	<b>3,350,000</b>	<b>15,635,071</b>	<b>33,900,156</b>	<b>39,150,844</b>	<b>36,972,152</b>	<b>10,991,777</b>	<b>140,000,000</b>

## ANNEX III

### DESCRIPTION OF MONITORING AND EVALUATION PLAN

This Annex III generally describes the components of the Compact monitoring and evaluation plan (“*M&E Plan*”). The actual structure and content of the M&E Plan will be agreed to by MCC and the Government in accordance with MCC’s Policy for Monitoring and Evaluation of Compacts and Threshold Programs (the “*MCC M&E Policy*”) and may be modified as described in the MCC M&E Policy with MCC approval without requiring an amendment to this Annex III. The M&E Plan will be posted publicly on the MCC website and updated as necessary.

#### 1. Overview.

MCC and the Government will formulate and agree to, and the Government will implement or cause to be implemented, an M&E Plan that specifies: (a) how progress toward the Compact Goal and Project Objectives will be monitored (“*Monitoring Component*”); (b) a process and timeline for the monitoring of planned, ongoing, or completed Activities to determine their efficiency and effectiveness; and (c) a methodology for assessment and rigorous evaluation of the outcomes and impact of the Program (“*Evaluation Component*”). The Monitoring Component and Evaluation Component are complementary activities that together provide a comprehensive plan for tracking progress and impacts. Information regarding the Program’s performance, including the M&E Plan, and any amendments or modifications thereto, as well as progress and other reports, will be made publicly available on the website of MCC, MCA-Georgia and elsewhere.

#### 2. Program Logic.

The M&E Plan will be built on a logic model that illustrates how the Projects and Activities contribute to the Compact Goal and the Project Objectives. A description of the logic underlying the proposed Compact Projects is included below, and a visualization of the logic model is included in Figure III.1 and III.2. This logic model is subject to change and will be updated and revised in the M&E Plan.

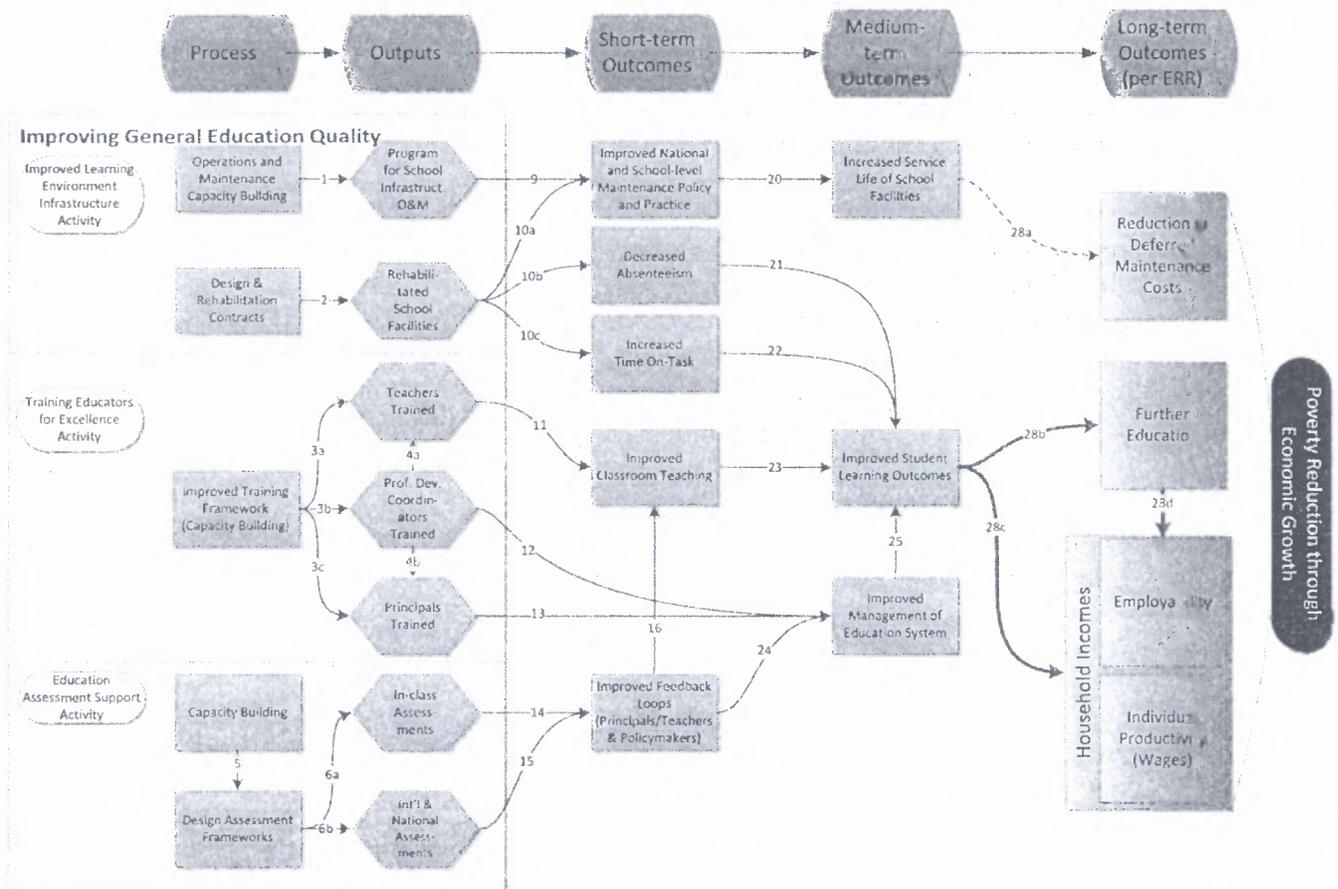
(a) The objective of the Improving General Education Quality Project is to improve student learning outcomes, which is expected to lead to further education, higher employability higher productivity, and higher earnings for project beneficiaries. The Improved Learning Environment Infrastructure Activity is expected to produce improved student learning outcomes through learning environments that facilitate increased time on task and increased attendance. The Training Educators for Excellence Activity is expected to yield improved classroom teaching and better management of the educational system through the support of teachers’ and principals’ continued professional development. The Education Assessment Support Activity is expected to yield improved classroom teaching and better management of the educational system through better supply of classroom, national, and international assessment information.

(b) The objective of the Industry-led Skills and Workforce Development Project is to increase the availability of STEM technicians to meet industry demand, which is expected to lead to higher productivity, employability and earnings for project beneficiaries. The

Strengthening Sector Policy and Provider Practice Activity is expected to identify existing good practice through industry recognition awards, and strengthen, document, and disseminate these practices to other providers. In addition, this Activity is expected to identify and implement target policy reforms in the sector which promote a TVET sector with improved industry engagement. The Competitive Program Improvement Grants Activity is expected to increase the provision of high-quality TVET programming, especially in higher levels of TVET qualifications.

(c) The objective of the STEM Higher Education Project is to increase the availability of quality engineers and professionals from other STEM disciplines in the Georgian labor market, which is expected to increase the productivity, employability and earnings of project beneficiaries. In addition, the project expects to reduce the number of Georgian students studying abroad (i.e. by the proportion of project beneficiaries who would have otherwise pursued a degree abroad) and to reduce the number of foreign workers hired by Georgian firms (i.e. the number of STEM jobs which are filled locally, but would have otherwise required the procurement of a foreign specialist). In order to achieve the above objectives, the STEM Higher Education Project expects to create improved incentives and support structures for world-class researchers/professors, which will be achieved either through support for ABET accreditation, providing degrees from U.S. institutions within Georgia, or a combination thereof.

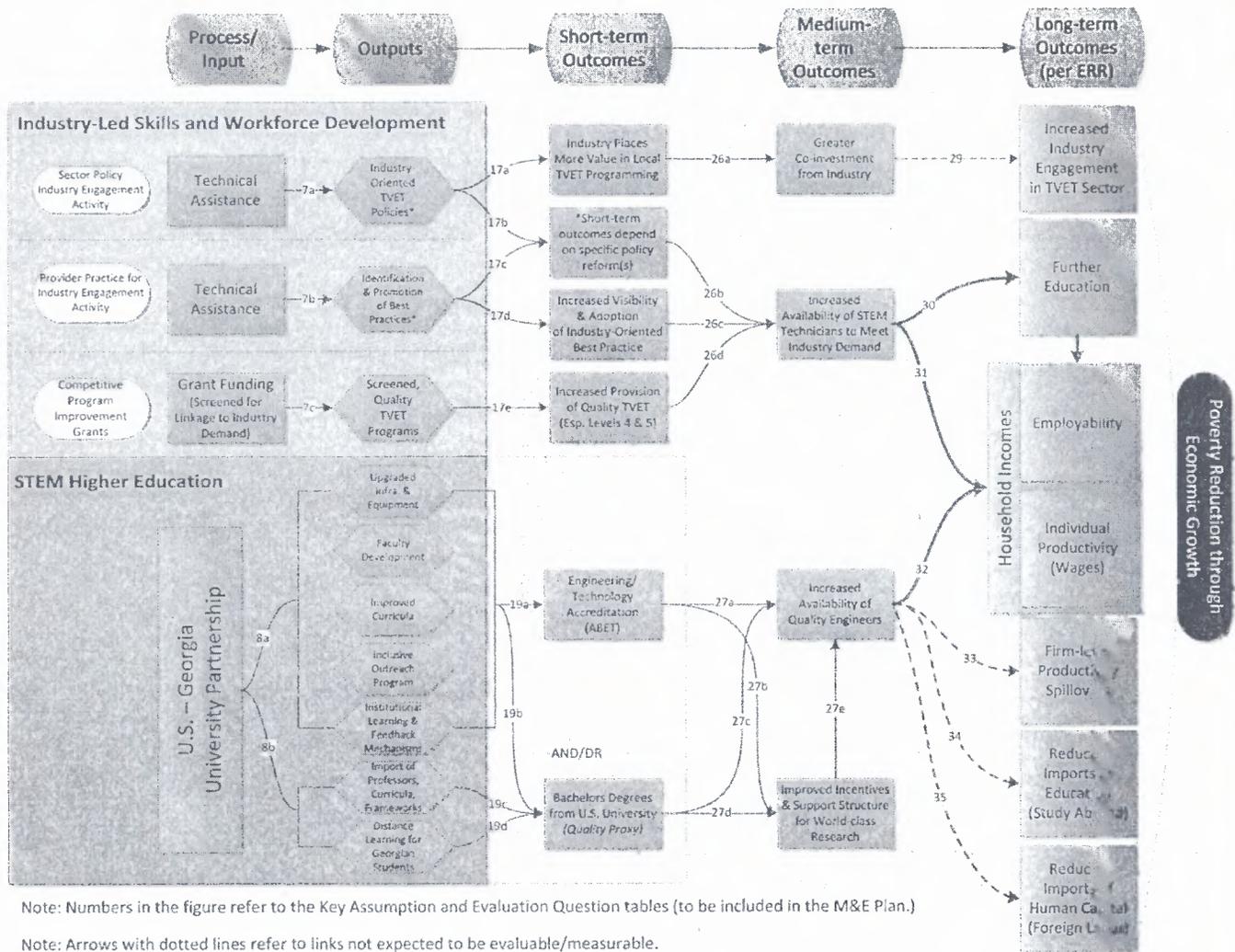
Figure III.1 – Compact-wide Program Logic (1 of 2)



Note: Numbers in the figure refer to the Key Assumption and Evaluation Question tables (to be included in the M&E Plan.)

Note: Arrows with dotted lines refer to links not expected to be evaluable/measurable.

Figure III.2 – Compact-wide Program Logic (2 of 2)



### 3. Monitoring Component.

To monitor progress toward the achievement of the objectives of the Compact, the Monitoring Component of the M&E Plan will identify: (i) the Indicators (as defined below); (ii) the definitions of the Indicators; (iii) the sources and methods for data collection; (iv) the frequency for data collection; (v) the party or parties responsible for collecting and analyzing relevant data; and (vi) the timeline for reporting on each Indicator to MCC.

Further, the Monitoring Component will track changes in the selected Indicators for measuring progress towards the achievement of the Project Objectives during the Compact Term. MCC and the Government intend to continue monitoring and evaluating the long-term impacts of the Compact after Compact expiration. The M&E Plan will establish baselines which measure the situation prior to a development intervention, against which progress can be assessed or comparisons made (each, a *“Baseline”*). The Government will collect Baselines on the selected Indicators or verify already collected Baselines where applicable and as set forth in the M&E Plan.

(a) Indicators.

The M&E Plan will measure the results of the Program using quantifiable, objective and reliable data ("**Indicators**"). Each indicator will have benchmarks that specify the expected value and the expected time by which that result will be achieved ("**Target**"). The M&E Plan will be based on a logical framework approach that classifies indicators as goal, outcome, output, and process. The Compact Goal indicators ("**Goal Indicators**") will indirectly measure the economic growth and poverty reduction goal for each Project. Second, Outcome Indicators ("**Outcome Indicators**") will measure the intermediate results of the Project Activities. Output Indicators ("**Output Indicators**") will directly measure Project Activities, and finally Process Indicators ("**Process Indicators**") will measure progress toward the completion of Project Activities. For Outcome Indicators and Goal Indicators, the M&E Plan will define a strategy for obtaining and verifying the value of the baselines values, as necessary. All indicators will be disaggregated by gender, ethnic group and other beneficiary types to the extent practical. Subject to prior written approval from MCC, MCA-Georgia may add indicators or refine the definitions, baselines and Targets of existing indicators.

(i) Compact Indicators.

(1) Goal. The Program will contribute to economic growth and poverty reduction nationwide, but the results are attributable to many factors in the economy. The M&E Plan will contain the following Indicators related to the Compact Goal:

- (A) Higher (lifetime) earnings for Project beneficiaries;
- (B) Improved employability of Project beneficiaries; and
- (C) Increased household investments in education (i.e. increases in years of education attained).

(2) Outcome, Output, and Process Indicators. The M&E Plan will contain the Indicators listed in the following tables. Indicators that can be reported on at least an annual basis will be included in quarterly monitoring indicator reports, while indicators that require survey data or a longer time period to track will be tracked for evaluation purposes. Goal and Outcome Indicators will be used for evaluation purposes, whether during or after the Compact period, but will not be tracked for regular monitoring efforts. The M&E Plan will reflect revisions to indicators in Annex III as well as additional indicators identified as useful for project monitoring. MCC's Common Indicators for Education will also be included in the M&E Plan, as relevant.

## Improving General Education Project: Improved Learning Environment Infrastructure Activity

Result	Indicator	Definition	Unit	Baseline	Compact Target
<b>Goal Indicators</b>					
Further Education	Transition rate from 9th to 10th grade	The number of students who enter 10th grade divided by number of students who completed 9th grade	Percentage	TBD	TBD
	Percentage of 10th grade entrants who graduate from 12th grade	The number of 12th grade students who take and pass the 11th-12th grade exit examinations in math and science, divided by the number of 10th grade entrants in same cohort	Percentage	TBD	TBD
	Percent of high school graduates who enter university studies	The number of 12th grade students who take the university entrance examination and are placed in a university program, divided by the number of 12th grade students who take the 12th grade exit exam	Percentage	TBD	TBD
<b>Outcome Indicators</b>					
Decreased Absenteeism	Student attendance rates	To be defined in collaboration with standard measurement practices in Georgia (e.g. average percentage of enrolled students marked as present during one-month period of analysis)	Percentage	TBD	TBD (increase over baseline)
	Teacher attendance rates	To be defined in collaboration with standard measurement practices in Georgia (e.g. average percentage of teachers marked as present during one-month period of analysis)	Percentage	TBD	TBD (increase over baseline)
Improved Student Learning Outcomes	Average Standardized Test Scores	Specific evaluation strategies will be employed to track improvements in TIMSS (Trends in Mathematics and Science Study), PISA (Programme for International Student Assessment), ICILS (International Computer and Information Literacy Study), TALIS (Teaching and Learning International Survey), Classroom Assessments, and National Assessments	Number	TBD	TBD
Increased Time On-Task	Time study of students' daily time allocation	Measurement of changes in proportion of time spent on various education-enhancing activities as well as overall amount of time spent at school	Percentage	TBD	TBD
Rehabilitated School Facilities	Average classroom temperature differential in winter	Average temperature of completed classrooms during a one-month sample of observations with respect to comparison classroom	Degrees Celsius	TBD	TBD (increase over baseline)
<b>Output Indicators</b>					
Rehabilitated School Facilities	# of schools fully rehabilitated	The number of educational facilities constructed or rehabilitated according to standards stipulated in MCA contracts signed with implementers.	Number	0	130

### Improving General Education Project: Improved Learning Environment Infrastructure Activity

Result	Indicator	Definition	Unit	Baseline	Compact Target
	# of science labs installed and equipped	The total number of science labs installed through MCC-funded school rehabilitations. Science lab must be operational in order to be counted	Number	0	130
<b>Process Indicators</b>					
Rehabilitated School Facilities	Signing of Phase 1 Construction Contracts	Quarter in which Phase 1 construction contracts are signed	Date	n/a	Q2
	Installation of Phase 1 Science Labs	Quarter in which all Phase 1 schools' science laboratories are installed	Date	n/a	Q4

### Improving General Education Project: Training Educators for Excellence Activity

Result	Indicator	Definition	Unit	Baseline	Compact Target
<b>Outcome Indicators</b>					
Improved Classroom Teaching	Teacher improvement of content knowledge over baseline score	Pre-test, post-test comparison of trained teachers' knowledge in training-relevant content areas	Number	TBD	TBD (increase over baseline)
Improved Student Learning Outcomes	Improved internal efficiency measures (repetition rates, internal transition rates, etc.)	As possible, evaluation strategy will attempt to measure changes in schools' internal efficiency which are attributable to compact training activity	Number	TBD	TBD (increase over baseline)
Improved Student Learning Outcomes	Students' standardized test scores	As possible, evaluation strategy will attempt to measure attributable changes in average student score on test instrument related to areas relevant to teacher training	Number	TBD	0.18 SD increase over baseline
<b>Output Indicators</b>					
School-based Professional Development Coordinators Trained	# school-based professional development coordinators trained	The number of school-based professional development coordinators who complete MCC-supported training focused on supporting principals and teachers in implementing new techniques	Number	0	2,000
Principals Trained	# school principals trained	The number of school principals who complete MCC-supported training focused on supporting teachers in implementing new techniques	Number	0	2,000
Teachers Trained	# science, math, English, and ICT instructors trained	The number of science, math, English, and ICT instructors who complete MCC-supported training focused on instructional quality as defined by the compact training activity	Number	0	23,400

### Improving General Education Project: Training Educators for Excellence Activity

Result	Indicator	Definition	Unit	Baseline	Compact Target
	% of teachers enrolled in training who complete training course	Calculated as the number of teachers completing compact's designed training course divided by total number of training enrollees	Percentage	0	74%
<b>Process Indicators</b>					
Teachers Trained	Completion of first cohort of teacher training	Defined as the Quarter in which first cohort of at least 100 teachers completes training activity	Date	n/a	Q6
Improved Training Framework (Capacity Building)	Completion of teacher training design framework	Defined as the Quarter in which design consultant's final activity design deliverable is formally approved by MCA	Date	n/a	Q4

### Improving General Education Project: Education Assessment Activity

Result	Indicator	Definition	Unit	Baseline	Compact Target
<b>Outcome Indicators</b>					
Improved Classroom Teaching	% of secondary teachers implementing in-class assessment tools	# of secondary teachers implementing in-class assessments divided by total number of secondary teachers	Percentage	0	50%
<b>Output Indicators</b>					
Capacity Building	# of Ministry officials trained (including at sub-Ministry agencies, e.g. NCEQE)	Number of staff trained by MCC-funded, assessment-relevant activities at Ministry and sub-Ministry entities	Number	0	TBD
Design Assessment Frameworks	# of national assessment/testing frameworks	# of national assessments/testing frameworks developed and implemented with MCC funding	Number	0	TBD
Int'l & National Assessments	# of international assessments	# of international assessments implemented with MCC funding. Indicator will be counted upon completion of full reporting cycle specific to each international assessment (TIMSS, TIMSS Adv., PISA, ICILS and TALIS)	Number	0	5
In-class Assessments	# of secondary teachers implementing in-class assessments	# of secondary classrooms documented by regional ministerial staff as having implemented MCC-funded in-class assessments	Number	0	TBD
<b>Process Indicators</b>					
Int'l & National Assessments	Completion of pilot testing of national assessment	Quarter in which MCC-funded national assessment instruments are implemented in pilot form for feedback and further	Date	n/a	Q8

### Improving General Education Project: Education Assessment Activity

Result	Indicator	Definition	Unit	Baseline	Compact Target
	instruments	development			
	Full-scale implementation of national assessment instrument	Quarter in which MCC-funded national assessment instruments are implemented at full scale, as determined in the compact assessment activity	Date	n/a	Q12

### Industry-led Skills and Workforce Development Project

Result	Indicator	Definition	Unit	Baseline	Compact Target
<b>Goal Indicators</b>					
Employability	Employment rate differential of graduates of MCC-supported grantee programs	Average post-graduation employment rate of graduates of MCC-supported grantee programs with respect to students graduating from non-priority areas (one year after graduation)	Percentage	n/a	9% increase over comparison group
Individual Wages	Wage differential of graduates of MCC-supported grantee programs	Average wage differential of graduates of MCC-supported grantee programs with respect to students graduating from non-priority areas (one year after graduation)	Number	n/a	23% increase over comparison group
<b>Outcome Indicators</b>					
Increased Provision of Quality TVET (Esp. Qualifications-granting Levels)	Enrollment in qualifications-granting programs (as a % of total TVET enrollment)	Nationwide enrollment in qualifications-granting TVET programs, especially level IV and V coursework	Percentage	TBD	TBD
Increased Industry Co-investment in TVET	Industry co-investment in TVET provision	Industry co-investment in supported programs, including both cash and in kind support	US Dollars	0	30% of grant outlays

### Industry-led Skills and Workforce Development Project

Result	Indicator	Definition	Unit	Baseline	Compact Target
<b>Output Indicators</b>					
Increased Provision of Quality TVET (Esp. Qualifications-granting Levels)	Number of TVET grants fully disbursed	Number of competitive grants whose full amount is disbursed before the compact end date	Number	0	TBD
Screened, Quality TVET Programs	# of graduates per year	Number of students graduating in one year from all program recipients of Program development grant funding	Number	0	420
<b>Process Indicators</b>					
Grant Funding (Screened for Linkage to Industry Demand)	Date first grant agreement is signed	Quarter in which first grant agreement is signed with the winner of competitively-selected TVET provider	Date	n/a	Q5
	Date final grant agreement is signed	Quarter in which final grant agreement is signed with the winner of competitively-selected TVET provider	Date	n/a	Q16
	Total grant outlays	Total disbursement of grant funding under compact's competitive grant facility	US Dollars	0	TBD

### STEM Higher Education Project

Result	Indicator	Definition	Unit	Baseline	Compact Target
<b>Goal Indicators</b>					
Individual Wages	Wage differential of the graduates of MCC-supported Bachelor's program	Average wage differential of graduates of MCC-supported Bachelor's program with respect to average wage of comparable graduates (one year after graduation)	Number	TBD	TBD (44% increase over top Georgian degree)
<b>Outcome Indicators</b>					
Engineering/ Technology Accreditation (ABET)	Formal ABET accreditation for Georgian degree program	This indicator assumes that the option of ABET accreditation is pursued. This indicator is not relevant if this option is not pursued with Compact funds.	Date	n/a	TBD

### STEM Higher Education Project

Result	Indicator	Definition	Unit	Baseline	Compact Target
Reduced Imports of Human Capital (Foreign Labor)	Proportion of imported workers in relevant fields	Evaluation of the number of foreign workers hired in relevant fields. "Relevant fields" will be the specific fields in which the University Partnership will be granting Bachelor's degree	Percentage	TBD	TBD
Reduced Imports of Education (Study Abroad)	Proportion of Bachelor's-level students who study abroad in relevant fields	Evaluation of the number of Georgian students studying abroad in relevant fields. "Relevant fields" will be the specific fields in which the University Partnership will be granting Bachelor's degree	Percentage	TBD	TBD
<b>Output Indicators</b>					
Bachelor's Degrees from U.S. University (Quality Proxy)	Number of enrolled degree candidates	The total number of students enrolled in MCC degree program in during the quarter data is reported	Number	0	1018
<b>Process Indicators</b>					
U.S. – Georgia University Partnership	Signing of partnership agreement	The quarter in which a formal partnership agreement is signed between U.S. institution(s) and Georgian institution(s)	Date	n/a	EIF
Increased Availability of Quality Engineers	First cohort of students enters MCC-funded Bachelor's program	The quarter in which a cohort of incoming students begins study in an MCC-funded Bachelor's program.	Date	n/a	Q7

(b) Data Collection and Reporting. The M&E Plan will establish guidelines for data collection and reporting, and identify the responsible parties. Compliance with data collection and reporting timelines will be conditions for Disbursements for the relevant Activities as set forth in the Program Implementation Agreement. The M&E Plan will specify the data collection methodologies, procedures, and analysis required for reporting on results at all levels. The M&E Plan will describe any interim MCC approvals for data collection, analysis, and reporting plans.

(c) Data Quality Reviews. As determined in the M&E Plan or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan will be reviewed to ensure that data reported are as valid, reliable, and timely as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data across different implementation units and reporting institutions. Such data quality reviews also will

serve to identify where those levels of quality are not possible, given the realities of data collection.

(d) Management Information System. The M&E Plan will describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is at all times accessible and useful to those who wish to use it. The system development will take into consideration the requirements and data needs of the components of the Program and will be aligned with existing MCC systems, other service providers, and ministries.

(e) Role of MCA-Georgia. The monitoring and evaluation of this Compact spans three discrete Projects and will involve a variety of governmental, nongovernmental, and private sector institutions. In accordance with the designation contemplated by Section 3.2(b) of this Compact, MCA-Georgia is responsible for implementation of the M&E Plan. MCA-Georgia will oversee all Compact-related monitoring and evaluation activities conducted for each of the Projects, ensuring that data from all implementing entities is consistent, accurately reported and aggregated into regular Compact performance reports as described in the M&E Plan.

(f) Role of other Implementing Partners. During the finalization of the M&E Plan prior to the entry into force of the Compact, the potential monitoring and evaluation role of other agencies and Implementing Entities, including but not limited to GeoStat, EMIS, ESIDA, TPDC, and NAEC will be assessed. The Government and MCC will make every effort to leverage agency missions, expertise, and data-collection services to support the Compact. This may result in specific responsibilities being assumed by one or more of these agencies, as appropriate.

#### **4. Evaluation Component.**

The Evaluation Component of the M&E Plan will contain three types of evaluations: (i) impact evaluations; (ii) performance evaluations; and (iii) special studies. The Evaluation Component of the M&E Plan will describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. The results of all evaluations will be made publicly available in accordance with MCC's Policy for Monitoring and Evaluation of Compacts and Threshold Programs.

(a) Independent Evaluations. The M&E Plan will include a description of the methods to be used for impact evaluations and plans for integrating the evaluation method into Project design. Based on in-country consultation with stakeholders, the strategies outlined below were jointly determined as having the strongest potential for rigorous impact evaluation. The M&E Plan will further outline in detail these methodologies. Comprehensive impact evaluation strategies are to be included in the M&E Plan. The following is a summary of the potential impact evaluation methodologies:

(i) Improving General Education Quality Project.

(1) Improved Learning Environment Infrastructure Activity. This Activity is expected to receive independent impact evaluation in which outcomes of this Activity will be rigorously assessed and attributed to MCC investments in school rehabilitation. MCC and

MCA-Georgia have developed plans to employ a Regression Discontinuity Design (“*RDD*”) evaluation to assess the impact of this Activity. This RDD design utilizes a scoring system to rank the program’s target population by priority for rehabilitation and through which a cutoff may be determined. The schools scoring above this cutoff will be selected as the treatment group for this Activity. The concept driving the RDD method is that those schools near the cutoff, whether above (treatment) or below (control) will be statistically comparable, allowing for an estimation of program impact.

In order to ensure the validity of the Activity’s evaluation methodology, the Government will ensure that:

- (A) no school facility designated as “Comparison/Control” within the impact evaluation framework will receive Government- or donor-funded rehabilitation beyond those expenditures necessary for continuing operations, insomuch as donor-funded rehabilitations are within the control of the Government;
- (B) schools selected as beneficiaries of MCC rehabilitation will neither be systematically targeted nor systematically precluded from other Government activities, funding, or support; and
- (C) schools designated as “Comparison/Control” will neither be systematically targeted nor systematically precluded from other Government activities, funding, or support.

(2) Training Educators for Excellence Activity. The component of this Activity which focuses on the implementation of teacher training is amenable to impact evaluation, yet further development of the implementation structure and timelines will be necessary in order to determine the specific methodology. MoES and TPDC will collaborate with MCC and MCA-Georgia to determine the ideal design of this activity which enables the rigorous evaluation of the projected outcomes, namely, improved teacher knowledge and improved student learning outcomes.

(3) Education Assessment Support Activity. As this Activity will be focused on improving the information basis for policy decisions, rigorous evaluation will not be viable for this Activity. Nevertheless, the outputs of this Activity (i.e. the various results of assessment tools) will be a key input into the evaluations of the two preceding evaluations, and the interaction between this Activity and the M&E Plan’s evaluation framework will be key to the successful evaluation of the Improving General Education Quality Project as a whole.

(ii) Industry-Led Skills and Workforce Development Project.

(1) Plans are being developed to designate evaluation resources for grant proposals which develop a rigorous plan for the evaluation of the grant recipients’ beneficiaries. In addition, all grant proposals will be required to include an evaluation plan, whether for rigorous impact evaluation or not (i.e. performance evaluation).

(ii) STEM Higher Education Project.

(1) As the recreation of counterfactual scenarios would be difficult, rigorous impact evaluation is not expected to be feasible for this Project as a whole. Plans are being developed for tracer studies to detect impacts on beneficiaries (tertiary graduates) in comparison to non-beneficiaries with similar characteristics. Furthermore, any potential scholarship-granting component may yield the opportunity to rigorously compare the outcomes between beneficiaries and non-beneficiaries. Finally, plans are in place for an evaluation which focuses on the processes through which the Project was able to produce anticipated outputs.

(b) Final Evaluation. The M&E Plan will make provision for final Project level evaluations (“*Final Evaluations*”). With the prior written approval of MCC, the Government will engage independent evaluators to conduct the Final Evaluations at or near the end of each Project. The Final Evaluations will review progress during Compact implementation and provide a qualitative context for interpreting monitoring data and evaluation findings. They must at a minimum (i) evaluate the efficiency and effectiveness of the Activities; (ii) determine if and analyze the reasons why the Compact Goal and Project Objective(s), outcome(s) and output(s) were or were not achieved; (iii) identify positive and negative unintended results of the Program; (iv) provide lessons learned that may be applied to similar projects; and (v) assess the likelihood that results will be sustained over time.

(c) Special Studies. The M&E Plan will include a description of the methods to be used for special studies, as necessary, funded through this Compact or by MCC. Plans for conducting the special studies will be determined jointly between the Government and MCC before the approval of the M&E Plan. The M&E Plan will identify and make provision for any other special studies, *ad hoc* evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Examples of potential special studies are further studies of absenteeism in Georgia, the demand for and utilization of science labs, and/or further analysis of the constraints to industry engagement in TVET. As necessary, MCC or the Government may request special studies or *ad hoc* evaluations of Projects, Activities, or the Program as a whole prior to the expiration of the Compact Term. When MCA-Georgia engages an evaluator, the engagement will be subject to the prior written approval of MCC. For all evaluations of Compact Projects, whether commissioned by MCC, MCA-Georgia or the Government, contract terms shall ensure non-biased results and the publication of results.

(d) Request for Ad Hoc Evaluation or Special Study. If the Government requires an *ad hoc* independent evaluation or special study at the request of the Government for any reason, including for the purpose of contesting an MCC determination with respect to a Project or Activity or to seek funding from other donors, no MCC Funding resources may be applied to such evaluation or special study without MCC’s prior written approval.

**5. Other Components of the M&E Plan.**

In addition to the monitoring and evaluation components, the M&E Plan will include the following components for the Program, Projects and Activities, including, where appropriate, roles and responsibilities of the relevant parties and providers:

(a) Costs. A detailed cost estimate for all components of the M&E Plan; and

(b) Assumptions and Risks. Any assumption or risk external to the Program that underlies the accomplishment of the Project Objectives and Activity outcomes and outputs. However, such assumptions and risks will not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party.

**6. Approval and Implementation of the M&E Plan.**

The approval and implementation of the M&E Plan, as amended from time to time, will be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs.

**7. Post-Compact M&E Plan.**

In conjunction with the Program Closure Plan, MCC and MCA will develop a Post-Compact M&E Plan designed to observe the persistence of benefits created under the Compact. This plan should describe future monitoring and evaluation activities, identify the individuals and organizations that would undertake these activities, and provide a budget framework for future monitoring and evaluation which would draw upon both MCC and country resources, as agreed by each party. The Post-Compact M&E Plan should build directly off the Compact M&E Plan.

**ANNEX IV**  
**CONDITIONS PRECEDENT**  
**TO DISBURSEMENT OF COMPACT IMPLEMENTATION FUNDING**

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Implementation Funding (each a "**CIF Disbursement**"). Capitalized terms used in this Annex IV and not defined in this Compact will have the respective meanings assigned thereto in the Program Implementation Agreement. Upon execution of the Program Implementation Agreement, each CIF Disbursement will be subject to the terms of the Program Implementation Agreement.

**1. Conditions Precedent to Initial CIF Disbursement.**

Each of the following must have occurred or been satisfied prior to the initial CIF Disbursement. The Government (or MCA-Georgia) has delivered to MCC:

- (a) an interim fiscal accountability plan acceptable to MCC; and
- (b) a CIF procurement plan acceptable to MCC.

**2. Conditions Precedent to all CIF Disbursements (Including Initial CIF Disbursement).**

Each of the following must have occurred or been satisfied prior to each CIF Disbursement:

(a) The Government (or MCA-Georgia) has delivered to MCC the following documents, in form and substance satisfactory to MCC:

- (i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;
- (ii) a certificate of the Government (or MCA-Georgia), dated as of the date of the CIF Disbursement Request, in such form as provided by MCC;
- (iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and
- (iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.

(b) If any proceeds of the CIF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established;

(c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized;

(d) Appointment of an Procurement Director of MCA-Georgia, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Procurement Operations Manual, duly executed and in full force and effect;

(e) MCC is satisfied, in its sole discretion, that (i) the activities being funded with such CIF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of the Compact and will not violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Georgia or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested will not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement;

(f) For any CIF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that (i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Georgia) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such CIF Disbursement; (iii) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan for the Program or relevant Project or Activity and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require); (v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Georgia have been removed or resigned and the position remains vacant, MCA-Georgia is actively engaged in recruiting a replacement; and

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, the Compact or MCC Funding in accordance with Section 5.1 of this Compact.

## ANNEX V DEFINITIONS

*ABET has the meaning provided in Section 7.2(c) and paragraph 3(a) of Part B of Annex I.*

*Activity has the meaning provided in Part B of Annex I.*

*Additional Representative has the meaning provided in Section 4.2.*

*Audit Guidelines has the meaning provided in Section 3.8(a).*

*Baseline has the meaning provided in paragraph 3 of Annex III.*

*CIF Disbursement has the meaning provided in Annex IV.*

*Compact has the meaning provided in the Preamble.*

*Compact Goal has the meaning provided in Section 1.1.*

*Compact Implementation Funding has the meaning provided in Section 2.2(a).*

*Compact Records has the meaning provided in Section 3.7(a).*

*Compact Term has the meaning provided in Section 7.4.*

*Covered Provider has the meaning provided in Section 3.7(c).*

*Disbursement has the meaning provided in Section 2.4.*

*ESIDA has the meaning provided in paragraph 1(a) of Part B of Annex I.*

*Evaluation Component has the meaning provided in paragraph 1 of Annex III.*

*Excess CIF Amount has the meaning provided in Section 2.2(d).*

*Final Evaluations has the meaning provided in paragraph 4(b) of Annex III.*

*Fiscal Agent has the meaning provided in paragraph 3 of Part C of Annex I.*

*First Compact has the meaning provided in paragraph 1(a) of Part A of Annex I.*

*Georgia has the meaning provided in the Preamble.*

*GIZ has the meaning provided in paragraph 1(e) of Part B of Annex I.*

*Goal Indicators has the meaning provided in paragraph 3(a) of Annex III.*

*Governance Guidelines means MCC's Guidelines for Accountable Entities and Implementation Structures, as such may be posted on MCC's Website from time to time.*

**Government** has the meaning provided in the Preamble.

**G-PriEd** has the meaning provided in paragraph 1(f) of Part B of Annex I.

**Grant** has the meaning provided in Section 3.6(b).

**GRDF** means Georgia Regional Development Fund, LLC, a limited liability company organized under the laws of the State of Delaware.

**GRDF Funding** means any assets, interest, dividends, sale proceeds or any other income or property received and owned by GRDF and/or obtained or derived from GRDF by MCA-Georgia, the Service Agency of the Ministry of Finance of Georgia, or any other Government agency, person or entity, whether directly or indirectly.

**ICT** has the meaning provided in paragraph 1(a)(ii) of Part B of Annex I.

**Implementation Letter** has the meaning provided in Section 3.5.

**Implementing Entity** has the meaning provided in paragraph 2 of Part C of Annex I.

**Implementing Entity Agreement** has the meaning provided in paragraph 2 of Part C of Annex I.

**Improving General Education Quality Project** means the Project described in paragraph 1 of Part B of Annex I and whose Project Objectives are outlined in Section 1.3(a).

**Indicators** has the meaning provided in paragraph 3(a) of Annex III.

**Industry-led Skills and Workforce Development Project** means the Project described in paragraph 2 of Part B of Annex I and whose Project Objectives are outlined in Section 1.3(b).

**Inspector General** has the meaning provided in Section 3.7(d).

**Intellectual Property** means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.

**M&E Plan** has the meaning provided in Annex III.

**Management Team** has the meaning provided in paragraph 1(a) of Part C of Annex I.

**MCA Act** has the meaning provided in Section 2.2(a).

**MCA-Georgia** has the meaning provided in Section 3.2(b).

**MCC** has the meaning provided in the Preamble.

**MCC Environmental Guidelines** has the meaning provided in Section 2.7(c).

**MCC Funding** has the meaning provided in Section 2.3.

*MCC Gender Policy means the MCC Gender Policy (including any guidance documents issued in connection with the guidelines) posted from time to time on the MCC Website or otherwise made available to the Government.*

*MCC M&E Policy has the meaning provided in Annex III.*

*MCC Program Procurement Guidelines has the meaning provided in Section 3.6(a).*

*MCC Website has the meaning provided in Section 2.7.*

*Ministry has the meaning provided in Schedule A of Annex VI.*

*MoES has the meaning provided in paragraph 1(a)(i) of Part B of Annex I.*

*Monitoring Component has the meaning provided in paragraph 1 of Annex III.*

*Multi-Year Financial Plan Summary has the meaning provided in paragraph 1 of Annex II.*

*NAEC has the meaning provided in paragraph 1(a)(iii) of Part B of Annex I.*

*NCEQE has the meaning provided in paragraph 3(e)(i) of Part B of Annex I.*

*New GRDF Operational Documents has the meaning provided in paragraph 3(a)(iii) of Part B of Annex I.*

*O&M has the meaning provided in paragraph 1(a)(i) of Part B of Annex I.*

*Outcome Indicators has the meaning provided in paragraph 4(a) of Annex III.*

*Output Indicators has the meaning provided in paragraph 4(a) of Annex III.*

*Party and Parties have the meaning provided in the Preamble.*

*Permitted Account has the meaning provided in Section 2.4.*

*Principal Representative has the meaning provided in Section 4.2.*

*Process Indicators has the meaning provided in paragraph 3(a) of Annex III.*

*Procurement Director has the meaning provided in paragraph 4 of Part C of Annex I.*

*Program has the meaning provided in the Recitals.*

*Program Assets means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.*

*Program Funding has the meaning provided in Section 2.1.*

*Program Guidelines means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Gender Policy, the Governance Guidelines, Guidelines for Country Contributions, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation, the MCC Program Closure Guidelines (including any successor to any of the foregoing) and any other guidelines, policies or*

guidance papers relating to the administration of MCC-funded compact programs and as from time to time published on the MCC Website.

**Program Implementation Agreement and PIA** have the meaning provided in Section 3.1.

**Program Objective** has the meaning provided in Section 1.2.

**Project(s)** has the meaning provided in Section 1.2.

**Project Objective(s)** has the meaning provided in Section 1.3.

**Provider** has the meaning provided in Section 3.7(c).

**RDD** has the meaning provided in paragraph 4(a)(i)(1) of Annex III.

**Reimbursable VAT and Excise Tax Expense** has the meaning provided in Schedule A of Annex VI.

**Reporting Guidelines** means the "MCC Guidance on Quarterly MCA Disbursement Request and Reporting Package" posted by MCC on the MCC Website or otherwise publicly made available.

**School O&M Plan** has the meaning provided in paragraph 1(a)(i) of Part B of Annex I.

**Social and Gender Integration Plan** has the meaning provided in paragraph 3 of Part A of Annex I.

**Socially Vulnerable** means students (i) from high mountainous regions, (ii) from the occupied territories, (iii) from Azeri/Armenian language schools, (iv) whose parent died in battles for the territorial integrity of Georgia, (v) whose ancestors (being citizens of Samtskhe-Javakheti) were deported from Georgia during the Soviet period, (vi) who are orphans, (vii) from families that have 4 or more children, (viii) with acute physical disabilities, (ix) whose families are registered in unified data base for socially vulnerable individuals with a reintegration score below a certain threshold, (x) from villages bordering occupied territories, and (xi) under State custody.

**Stakeholders' Committee** has the meaning provided in paragraph 1(d) of Part C of Annex I.

**STEM** has the meaning provided in Section 1.2.

**STEM Higher Education Project** means the Project described in paragraph 3 of Part B of Annex I and whose Project Objectives are outlined in Section 1.3(c).

**Supervisory Board** has the meaning provided in paragraph 1(a) of Part C of Annex I.

**Supplemental Agreement** means any agreement between (i) the Government (or any Government affiliate, including MCA-Georgia) and MCC (including, but not limited to, the PIA), or (ii) MCC and/or the Government (or any Government affiliate, including MCA-Georgia), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

**Target** has the meaning provided in paragraph 3(a) of Annex III.

**Taxes** has the meaning provided in Section 2.8(a).

**TPDC** has the meaning provided in paragraph 1(a)(ii) of Part B of Annex I.

*TVET has the meaning provided in paragraph 2(a) of Part B of Annex I.*

*United States Dollars or US\$ means the lawful currency of the United States of America.*

*USAID means the United States Agency for International Development.*

*VAT and Excise Tax Account has the meaning provided in Schedule A of Annex VI.*

**ANNEX VI**  
**TAX PROVISIONS**  
**SCHEDULE A**

**CO-FINANCING OF VALUE ADDED TAX (VAT) AND EXCISE TAXES**

**Legal Basis for Co-Financing.**

1. The Compact
2. The Tax Code of Georgia

**Beneficiaries of Co-Financing.**

1. MCA-Georgia
2. Implementing Entities, Providers, and contractors under the Compact

**Procedures.**

The Ministry of Finance (the "*Ministry*") will establish a separate account (the "*VAT and Excise Tax Account*") at the State Treasury and provide MCA-Georgia or its designated agent regular withdrawal access to the account. MCA-Georgia will identify its authorized representatives or agents to the Ministry in writing.

No later than August 15 of each calendar year, MCA-Georgia will provide the Ministry with an estimate of the amount of Reimbursable VAT and Excise Tax Expenses (defined below) for the next calendar year. The Ministry will ensure that provisions for such expenses are made in the State budget. Transactions valued at less than US\$500 will not be subject to co-financing or reimbursement of VAT or excise taxes.

The Ministry will deposit the total amount of the forecasted annual Reimbursable VAT and Excise Tax Expenses in the VAT and Excise Tax Account within seven calendar days of Parliamentary approval of the State budget. The state-budgeted expenses notwithstanding, the Ministry will deposit further funds in the VAT and Excise Tax Account (if necessary) from time to time to ensure that funds are at all times available to make the payments required below.

MCA-Georgia or its designated representative will withdraw sums out of the VAT and Excise Tax Account as needed to pay Reimbursable VAT and Excise Tax Expenses. Payments will be made through the State Treasury. MCA-Georgia will present the State Treasury a tax order authenticated with valid signatures of two permitted signatories and the MCA-Georgia seal for each withdrawal, as provided in the regulations on non-cash settlements approved by National Bank order N220 of September 2, 1999. The Ministry will ensure that funds in the amount of the Reimbursable VAT and Excise Tax Expenses are transferred from the State Treasury to MCA-Georgia or as directed by MCA-Georgia. MCA-Georgia or its designated representative will be entitled to receive from the State Treasury complete activity reports regarding the VAT and

Excise Tax Account on a monthly basis or at such other periodic basis as the MCA-Georgia and the Ministry may agree.

At least fifteen (15) calendar days prior to the commencement of each calendar quarter, MCA-Georgia or its designated agent will submit to the Ministry a copy of the quarterly Financial Plan which will forecast for the following calendar quarter and identify, in Georgia Lari, any VAT or excise taxes imposed on goods, labor and services procured by MCA-Georgia, Implementing Entities, Providers, and contractors under the Compact ("*Reimbursable VAT and Excise Tax Expense*"). No later than fifteen (15) calendar days after the end of each calendar quarter, MCA-Georgia or its designated representative will submit a report to the Ministry accounting for all payments out of the VAT and Excise Tax Account during the preceding quarter.

Each of the Ministry, MCA-Georgia, and MCC may audit the VAT and Excise Tax Account from time to time. The Parties will cooperate in any such audit.

In accordance with Section 2.8 of the Compact, the Government will reimburse Taxes paid in each case in which there are insufficient funds for the payment of VAT or excise tax for any reason, including in the event that the actual amount of the Reimbursable VAT and Excise Tax Expense exceeds the amount estimated by MCA-Georgia and budgeted for in the state budget. The Government hereby acknowledges that it will ensure that each Government affiliate and each other governmental body makes a good faith effort to implement and recognize the exemptions from Taxes contemplated under Section 2.8 of the Compact. Following the entry into force of the Compact, the Government will reimburse all Reimbursable VAT and Excise Tax Expenses that relate to Compact Implementation Funding disbursed prior to the entry into force of the Compact.

**SCHEDULE B**  
**TAX EXEMPTION**

**Legal Basis for Co-Financing.**

1. The Compact
2. The Tax Code of Georgia

**Beneficiaries of Co-Financing.**

1. MCA-Georgia
2. Implementing Entities, Providers, and contractors under the Compact

**Exempt Taxes.**

1. Corporate Income Tax
2. Personal Income Tax
3. Profit Tax
4. Property Tax
5. Withholding Tax
6. Other Taxes

**Procedures.**

In accordance with Section 2.8 of the Compact the Ministry will ensure that all MCC Funding and GRDF Funding are exempt from any Taxes during the Compact Term. Such exemption applies to any use of MCC Funding or GRDF Funding, and for the avoidance of doubt, to any activities and work performed, and supplies used or purchased, in the implementation of the Compact, by any person or organization (including contractors and grantees) funded by MCC Funding and GRDF Funding as set forth in accordance with Section 2.8 of the Compact.

MCA-Georgia will be free from any Taxes as set forth in Section 2.8 of the Compact. The Ministry will issue a tax exemption letter to MCA-Georgia evidencing such exemption from Taxes (other than VAT and excise tax), as promptly as possible and in no event later than thirty (30) days following the ratification of the Compact.

In order to implement this tax exemption the Ministry will from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments or documents, and to take or cause to be taken such other action, as may be necessary or appropriate.

From time to time MCA-Georgia will provide to the Ministry a list of Implementing Entities, Providers, and contractors, receiving MCC Funding or GRDF Funding with which MCA-Georgia is doing business or with which it is planning to do business. The list will state, for each Implementing Entity, Provider, or contractor, the length of time of the engagement of such Implementing Entity, Provider, or contractor. The Ministry will be responsible for publishing the list on a public website and updating the list from time to time.

In accordance with Section 2.8 of the Compact, the Government will reimburse Taxes paid attributable to work performed in connection with the Program or the activities of GRDF in each case in which an entity named on the list published by the Ministry does not receive the benefit of the tax exemption by the tax and customs authorities. The Government hereby acknowledges that it will ensure that each Government affiliate and each other governmental body makes a good faith effort to implement and recognize the exemptions from Taxes contemplated under Section 2.8 of the Compact. Following the entry into force of the Compact, the Government will reimburse all Taxes that relate to Compact Implementation Funding disbursed prior to the entry into force of the Compact.

**SCHEDULE C  
IMPORT TAXES**

**Legal Basis for Co-Financing.**

1. The Compact
2. The Tax Code of Georgia

**Beneficiaries of Co-Financing.**

1. MCA-Georgia
2. Implementing Entities, Providers, and contractors under the Compact

**Exempt Taxes.**

1. Import Taxes

**Procedures.**

When applicable, MCA-Georgia shall issue a letter to Implementing Entities, Providers, and contractors receiving MCC Funding or GRDF Funding with which MCA-Georgia is doing business or with which it is planning to do business, stating that specific goods are imported or shall be imported by the named entity in connection with the works performed in the framework of the Program or the activities of GRDF.

In accordance with Section 2.8 of the Compact, the Government will reimburse import taxes paid attributable to work performed in connection with the Program or the activities of GRDF in each case in which the letter described above is not accepted or recognized by the tax and customs authorities. Following the entry into force of the Compact, the Government will reimburse all import taxes that relate to Compact Implementation Funding disbursed prior to the entry into force of the Compact.