



# Georgia and Millennium Challenge Corporation: Building a Dynamic Partnership for Poverty Reduction through Economic Growth

Millennium Challenge Corporation and the Government of Georgia signed a five-year, \$295.3 million Compact.

In Georgia, 54 percent of the population living outside of the capital city, Tbilisi, lives in poverty. The Georgians identified two barriers to poverty reduction and economic growth in the regions outside of Tbilisi—a lack of reliable infrastructure and the slow development of businesses, particularly agribusiness. To address these impediments, the people of Georgia, through a broad consultative process, developed a program focused on rehabilitating regional infrastructure and enterprise development.

The two projects complement one another by facilitating economic growth. The first enables agricultural and other suppliers to more easily connect with consumers and the second facilitates access to capital for business development. These projects will improve the lives of the Georgian poor by helping them to integrate economically through improved access to jobs and markets, by providing more reliable access to basic services such as heat and electricity, and by providing capital and technical assistance for enterprise development.

## **Regional Infrastructure Rehabilitation**

The Regional Infrastructure Rehabilitation Project of the Compact totals \$211.7 million and includes the following three activities:

- **Samtskhe-Javakheti (S-J) Road Rehabilitation**—The \$102.2 million activity will fund rehabilitation and construction of approximately 245 kilometers of main road traversing the S-J region.
- **Energy Rehabilitation**—The \$49.5 million activity will be used to rehabilitate the North-South Gas Pipeline that fuels electric power generation and provides heat to homes and businesses, and to further develop and implement the Georgian government's energy sector strategy.
- **Regional Infrastructure Development Facility**—The \$60 million activity will fund regional and municipal physical infrastructure for water supply, sanitation, irrigation, municipal gasification, roads and solid waste in regions outside of Tbilisi.

## Enterprise Development

The Enterprise Development Project of the Compact totals \$47.5 million and includes the following two activities:

- Georgia Regional Development Fund—The \$32.5 million activity will fund a professionally- and independently-managed investment fund to provide long-term risk capital and technical assistance to SMEs, primarily in the regions outside of Tbilisi, and will identify legal and policy reforms needed to improve the investment environment.
- Agribusiness Development Assistance—The \$15 million activity will be used for technical assistance and grants to farmers and agribusinesses that supply agricultural products to the domestic market.

## Program Administration

Program Administration and Control will cost \$27.6 million and Monitoring and Evaluation will cost \$8.4 million.

The Millennium Challenge Compact with Georgia is expected to improve the lives of the rural poor in the following ways:

- Reduce the incidence of poverty in the Samtskhe-Javakheti region by 12 percent.
- Benefit approximately a half-million Georgians, and over one-quarter of the population of the country will receive indirect benefits from the program.
- Reduce average travel time from regional areas to Tbilisi —currently 6.5 hours—almost three hours or 43% percent, thereby reducing transportation costs for farmers, for small business owners, and for Georgians needing access to social services.
- Reduce the risk that a major accident will occur due to the gas pipeline's dilapidated condition. The completed rehabilitation of the gas pipeline will provide reliable heat and electricity to over one million Georgians.

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*Millennium Challenge Corporation (MCC), a United States government corporation designed to work with some of the poorest countries in the world, is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people that promote economic growth and elimination of extreme poverty*