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## A Georgian Journey: Newly Paved Road Opens Doors for Rural Business

Last November, Georgia's President Mikheil Saakashvili, First Lady Sandra Roelofs and U.S. Ambassador John Bass took an official test drive of the newly rehabilitated, MCG-financed Samtskhe–Javakheti Road. The \$203 million compact initiative improves a major transport network—220 km—connecting the capital city of Tbilisi to Southern Georgia and to border crossings with Armenia and Turkey.

At the road opening ceremony, President Saakasvhili reflected upon the road's significance for the county, “[back in 2004] the first thing I recalled was that we needed a road that would connect Tbilisi and Akhalkalaki, Tbilisi and Turkey with each other. I think I was not mistaken. It had a big economic importance... this is really a historical day and a historical road. Most of our citizens have never passed to this direction.”

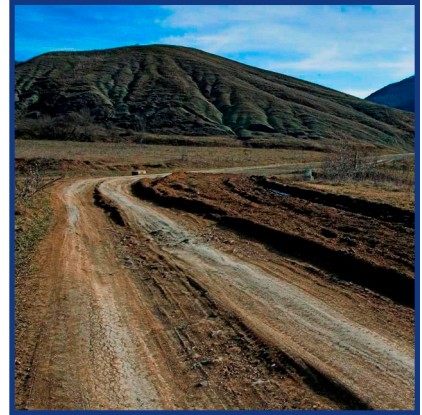
The Samtskhe–Javakheti region is known for its dairy products and famed potatoes from the black soils of the high mountain plateaus. Ethnic Armenians comprise the majority of the population. Though the region is quite close to the capital with a large potential for trading and tourism, travel along the main road was painfully slow.

As part of Georgia's Monitoring and Evaluation plan several outcome indicators were selected to characterize the conditions of the road and to set outcome engineering targets for MCG's construction contractors. Travel time along the project's 220 kilometers was measured at 8 hours and 13 minutes before the rehabilitation works had commenced. Another indicator MCC used to characterize the road's baseline conditions was the International Roughness Index (IRI). To calculate the IRI a laser is mounted on a special vehicle and then driven over the road; the number of times the laser jumps per kilometer driven is an indicator of the road's roughness.



Darejan Kanteladze, a “Santa LLC” local dairy owner who received a grant as part of MCGs Agribusiness Development Activity is also a beneficiary of the newly rehabilitated Samskhe-Javakheti road

New highways may have an IRI of 2-3, maintained unpaved roads could have IRIs between 5 and 10. Before repair works started on the Samkshe Javakheti road, Kochs engineering calculated the Samtskhe–Javakheti IRI at 16.6. Yet numbers do not fully capture the experience of riding this road. “When I accepted an invitation to take up the reins as team leader of the technical and contractual advisors to MCG, to travel the road even in good weather, was a soul-destroying process. In winter the potholes were so deep that water seeped under the driver’s door of our Nissan Patrol” reflected Harry Jones, the team leader of the road’s Project Management Consultants WYG International Ltd.



At Compact completion, the project has met its travel time target of 2 hours and 42 minutes and its IRI target of 2.5.. The Center for Global Development’s October Monitoring Field Report noted, “Many portions of the previous road are still visible, parallel to the new road, and the difference is stark. A muddy path has been transformed to a seven-layer, two-meter-thick road that should last more than 20 years.”



What was once a pot-holed ridden obstacle to travel and trade is now a new transport corridor to tourism and business development. “When I started this business, the poor condition of the road—even having no road in some parts—was a huge problem for us. I am so glad this has been done now. Sometimes I even don’t believe it!” said Darejan Kanteladze, “Santa LLC” local dairy owner. Darejan is not only a beneficiary of the newly rehabilitated Samtskhe–Javakheti road, but also a grantee in MCG’s Agribusiness Development Activity.



The Agribusiness Development component was designed to help jumpstart Georgia’s lagging agricultural sector through leveraged co-financing. After 15 years of sector decline, MCG’s implementing partner for this compact component, CNFA, really had their hands full. “In a healthy agricultural economy, the value of processed food as a share of the total output should be many times greater than that of primary agricultural production. In Georgia, the situation is sharply the opposite, with primary agricultural production valued 7 times greater than processing. On the one hand, this points to serious undercapitalization, technological obsolescence, and distortions in the labor market. On the other hand, these figures illustrate great potential hidden in Georgia’s agriculture sector.” said CNFA Director Patrick Norrell.

Over four and a half years, the Agribusiness Development project has sought opportunities where Georgian entrepreneurs co-finance expansion of their agribusinesses. The program has co-financed 57 value adders and value chain businesses such as dairies, hazelnut processors, and cold storage facilities. With the objective of strengthening all components of the agricultural sector, MCG also co-financed 180 primary producers and 43 businesses projects that provide services to farmers all over Georgia.

In 2008, Santa Dairy applied for a \$125,000 matching grant from MCG to expand the dairy business into Gouda and Georgia's *Sulguni* cheese production. The dairy was situated on the high plateau of Tsalka with the major road barely passable in either direction. Maka Kanteladze who oversees distribution, marketing and general administration issues at the dairy commented on how business operations have changed since MCG's road has neared completion. "Before there was no proper road access to the capital. We had to think of the approximate volume of sales in advance, deliver the goods to the capital and keep them in storage facility—meaning additional costs. With the road repaired—it has all changed. It now takes just 45 minutes of travel instead of 3 to 4 hours to get from Tsalka to Tbilisi. We can deliver goods immediately after the order is placed, eventually increasing our sales and turnover."

At the close of the Agribusiness Development Activity \$15.8 million had been awarded for co-financing Georgian agribusinesses projects in all regions of Georgia. As of December 2010, Millennium Challenge Georgia's monitoring efforts have shown that over 2,800 jobs have been created as a result of these investments, and as more of the program's co-financed agribusiness projects come online and adjust to their new operations, the number of jobs created is expected to grow.

While engineering-based monitoring and evaluation outcome indicators are easily and immediately observable for the road project, the economic indicators of success will take awhile to materialize. It is simply too early to see how Georgia's economy embraces links to a new border crossing with Turkey, access to Samtskhe Javakheti's famed agricultural lands, and a smoother, shorter ride to Georgia's 12th century cave city in Vardizia, but MCG C.E.O George Abdushelishvili is quite confident that the road impact results will not disappoint, "The improvement of lives of common people was the main goal of the road project. Thus, I will not be mistaken if I say that in coming years we'll see new businesses opening in the region, find the region's agricultural products on the shelves of supermarkets in the capital and in other cities, and, most importantly, local and foreign tourists hiking around and enjoying the picturesque views of Samtskhe-Javakheti highlands."

MCC will conduct a long-term impact evaluation that looks at the how the Samtskhe–Javakheti Road Rehabilitation project has fostered economic development and poverty alleviation in Georgia.