



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

QUARTERLY STATUS REPORT



Philippines Compact

AS OF DECEMBER 2014

COMPACT GOAL

The Compact intends to support: (i) reforms and investments to modernize the Bureau of Internal Revenue to increase fiscal space for public investment and to reduce opportunities for corruption in tax administration; (ii) expansion and enhancement of a community-driven development project, Kalahi-CIDSS; and (iii) rehabilitation of a secondary national road connecting the provinces of Samar and Eastern Samar.

COMPACT AT A GLANCE

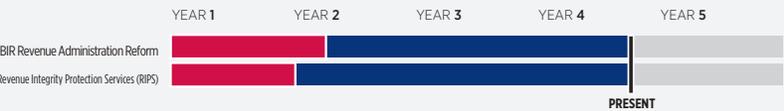
Compact Signed	09-23-2010
Entry Into Force	05-25-2011
Compact End Date	05-25-2016
Compact Total	\$433,910,000
Amount Committed	\$365,145,415
Amount Expended	\$204,618,519
Estimated Program Beneficiaries	125,822,000
Estimated Increase in Household Income	\$649,300,000

	% OF TOTAL COMPACT	BUDGET (USD MILLIONS)
Kalahi-CIDSS Community Development Project	28%	\$120.0
Secondary National Roads Development Project	49%	\$214.4
Revenue Administration Reform Project	13%	\$54.3
Monitoring and Evaluation	2%	\$8.2
Program Administration & Control	9%	\$36.9



■ Project Preparation ■ Project Implementation

Kalahi-CIDSS Community Development Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES*																								
	\$120,000,000	\$113,005,048	\$75,901,515																								
<p>Improve the responsiveness of local governments to enhance economic self-reliance in rural areas by targeting poor communities for small-scale, community-driven development projects. Empower and strengthen capacity of communities by helping them prioritize, design, and implement development projects.</p> <p>Projected Long-Term Results (Up to 20 years)</p> <table border="1"> <tr> <td>ESTIMATED BENEFICIARIES</td> <td>ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td>5,215,000</td> <td>\$118,100,000</td> </tr> <tr> <td colspan="2">Residents of barangays in municipalities selected for the sub-projects.</td> </tr> </table>	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	5,215,000	\$118,100,000	Residents of barangays in municipalities selected for the sub-projects.		<table border="1"> <thead> <tr> <th></th> <th>YEAR 1</th> <th>YEAR 2</th> <th>YEAR 3</th> <th>YEAR 4</th> <th>YEAR 5</th> </tr> </thead> <tbody> <tr> <td>Capacity Building and Implementing Support</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> </tr> <tr> <td>Grants for Community Projects</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> </tr> </tbody> </table> <p style="text-align: right;">PRESENT</p>				YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	Capacity Building and Implementing Support	■	■	■	■	■	Grants for Community Projects	■	■	■	■	■
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	<p>PROJECTED RESULTS BY END OF COMPACT</p> <p>Depending on the priorities identified by each community, results are expected to include savings in transport costs, reduced post-harvest losses, time savings, decreased morbidity from waterborne diseases, and higher education enrollment rates and lower dropout rates.</p>	<p>PROGRESS TO DATE</p> <p>To date, 1,871 K-C sub-projects have been completed. These include classrooms, health clinics, water systems and farm-to-market roads. With an end of Compact target of 2,740 completed sub-projects and a year and half remaining in implementation, K-C is expected to surpass the target, potentially indicating significantly higher benefits without increasing the project budget.</p>	<p>PROJECT ACHIEVEMENTS</p> <p>MCA-Philippines signed an amendment to the Memorandum of Understanding (MOU) with Peace Corps, which extends the partnership until the end of the Compact. The MOU, signed in April 2012, will place a Peace Corps Response Volunteer in K-C subproject sites for six months to assist in documenting the impact of the Compact.</p>																								

Secondary National Roads Development Project	PROJECT COST \$214,440,000	TOTAL CONTRACT COMMITMENTS \$206,326,911	TOTAL PROJECT EXPENDITURES [†] \$95,566,371		
<p>Reduce transportation costs and improve access to markets and social services through the rehabilitation of an existing 222 km road segment on the island of Samar.</p> <hr/> <p>Projected Long-Term Results (Up to 20 years)</p> <table border="0"> <tr> <td data-bbox="191 573 350 590">ESTIMATED BENEFICIARIES</td> <td data-bbox="412 556 553 590">ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td data-bbox="228 615 315 642">282,000</td> <td data-bbox="412 615 553 642">\$205,100,000</td> </tr> </table>	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	282,000	\$205,100,000	 <p>PROJECTED RESULTS BY END OF COMPACT</p> <p>Savings in time and lower vehicle operating costs and road maintenance costs are intended to increase commerce in and between the provinces of Samar and Eastern Samar, and ultimately increase incomes.</p> <p>PROGRESS TO DATE</p> <p>Construction Package 1, a 16.3 km road segment, and one of four civil works packages, has been completed, with enhanced safety features that were incorporated into the design. Work is progressing on the remaining construction packages. Resettlement activities continue and are nearing completion.</p> <p>PROJECT ACHIEVEMENTS</p> <p>Phase 2 of the community outreach campaign on MCA-P's Trafficking in Persons Campaign is underway. The objective is to increase awareness in communities along the road on detecting and preventing trafficking in persons. The campaign will build upon the community outreach and capacity-building activities started in 2013 in 14 municipalities and 1 city that will directly benefit from the project.</p>
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME				
282,000	\$205,100,000				
Revenue Administration Reform Project	PROJECT COST \$54,300,000	TOTAL CONTRACT COMMITMENTS \$24,831,640	TOTAL PROJECT EXPENDITURES [†] \$11,666,358		
<p>Address the need to raise tax revenues and reduce tax evasion and revenue agent-related corruption by increasing the efficiency and sustainability of revenue collection through a redesign and computerization of business processes.</p> <hr/> <p>Projected Long-Term Results (Up to 20 years)</p> <table border="0"> <tr> <td data-bbox="191 1354 350 1371">ESTIMATED BENEFICIARIES</td> <td data-bbox="412 1337 553 1371">ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td data-bbox="204 1396 337 1423">125,000,000</td> <td data-bbox="412 1396 553 1423">\$160,100,000</td> </tr> </table>	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	125,000,000	\$160,100,000	 <p>PROJECTED RESULTS BY END OF COMPACT</p> <p>Filipinos who enjoy an increase in material welfare arising from increased public expenditure or investment due, in turn, to the RARP.</p> <p>PROGRESS TO DATE</p> <p>Preparations are underway for the pilot launch of the Bureau of Internal Revenue's (BIR) electronic tax information system in 2015. Initial modules and improvements on BIR's Information Technology infrastructure are nearing completion. The BIR's tax effectiveness (tax revenues as a percentage of gross domestic product) continues to improve.</p> <p>PROJECT ACHIEVEMENTS</p> <p>Implementation of several key procedural reforms dealing with Value-Added Tax audits and arrears management are underway at the Bureau of Internal Revenue's pilot sites. Initial measurements indicate a substantial increase in revenue collection. A newly designed nationwide public awareness campaign for the 2015 tax season was unveiled in November.</p>
ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME				
125,000,000	\$160,100,000				

[†]Expenditures are the sum of cash outlays and quarterly accruals for work completed but not yet paid or invoiced.