



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

QUARTERLY STATUS REPORT



Philippines Compact

AS OF MARCH 2015

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

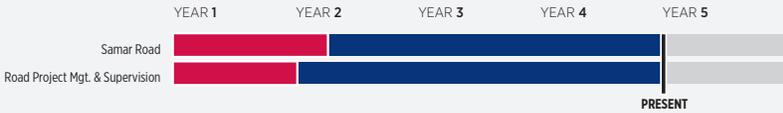
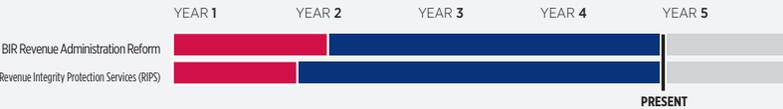
| | |
|--|----------------------|
| Compact Signed | 09-23-2010 |
| Entry Into Force | 05-25-2011 |
| Compact End Date | 05-25-2016 |
| Compact Total | \$433,910,000 |
| Amount Committed | \$368,858,543 |
| Amount Expended | \$227,186,287 |
| Estimated Program Beneficiaries | 125,822,000 |
| Estimated 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 | \$114,374,771 | | | | | \$82,912,988 | | | | | | | | | | | | | | | | | | | | | | | | |
| <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="0"> <tr> <td style="text-align: center;">ESTIMATED BENEFICIARIES</td> <td style="text-align: center;">ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td style="text-align: center;">5,215,000</td> <td style="text-align: center;">\$118,100,000</td> </tr> <tr> <td></td> <td style="text-align: center;">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="0"> <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 style="background-color: #e91e63;"></td> </tr> <tr> <td>Grants for Community Projects</td> <td style="background-color: #e91e63;"></td> <td style="background-color: #0056b3;"></td> <td style="background-color: #0056b3;"></td> <td style="background-color: #0056b3;"></td> <td style="background-color: #0056b3;"></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 | | | | | | |
| | ESTIMATED BENEFICIARIES | ESTIMATED INCREASE IN HOUSEHOLD INCOME | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5,215,000 | \$118,100,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Residents of barangays in municipalities selected for the sub-projects. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capacity Building and Implementing Support | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Grants for Community Projects | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <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>2,002 K-C sub-projects have been completed. These include classrooms, health clinics, water systems and farm-to-market roads. 2,828 barangays in over 160 municipalities and 24 provinces have received training in sub-project management and implementation. The Gender-Incentive Grant has funded 43 sub-projects.</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. As part of this partnership, three (and eventually six) Peace Corps Response Volunteers (PCRVs) are in country to provide monitoring and oversight support of K-C subprojects.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Secondary National Roads Development Project | PROJECT COST \$214,440,000 | TOTAL CONTRACT COMMITMENTS \$206,524,231 | TOTAL PROJECT EXPENDITURES [†] \$105,039,758 | | |
|---|--|--|---|----------------------|---|
| <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="410 554 553 590">ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td data-bbox="228 615 315 642">282,000</td> <td data-bbox="410 615 553 642">\$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. As of the end of March, more than 254 km of improved road are open to vehicle traffic.</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 | | | | |
| <p>Revenue Administration Reform Project</p> <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="410 1335 553 1371">ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td data-bbox="204 1396 337 1423">125,000,000</td> <td data-bbox="410 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>In February, the Bureau of Internal Revenue (BIR) formally launched its 2015 public awareness campaign. This year's campaign, "Angat Pa, Pinas!" ("Soar higher, Philippines!"), calls for greater cooperation among Filipinos to be part of nation-building by paying the correct taxes. The IMF reported significant revenue gains in the BIR's pilot reform projects for VAT audits and arrears management.</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.</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.