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Introduction

1. The second country cooperation framework (CCF) for the Philippines (2002-2004) reflects the dialogue and consultation process that began in January 2000, with the mid-term review meeting on the first CCF, and culminated in the multi-stakeholder Local Programme Appraisal Committee meeting in June 2001. Prior consultations included the presentation of the draft CCF to civil society organizations and donors. Within the Government, extensive programme portfolio discussions through inter-agency committees led by the National Economic and Development Authority preceded the drafting of the CCF. The second CCF fully supports the priorities of the new administration, which came to power in January 2001. It is aligned with the goals, policies and strategies of the revised Medium Term Philippine Development Plan for 2002-2004 (October 2001). Moreover, the CCF fully reflects the new elements and orientation of UNDP corporate priorities and programming modalities, as well as experiences gained in participating in the implementation of the first United Nations Development Assistance Framework (UNDAF), signed in 1998. Furthermore, the three-year duration of the CCF conforms to the decision of all agencies to harmonize programmes in January 2005, through the Common Country Assessment process and formulation of the second UNDAF.

I. Development situation from a sustainable human development perspective

2. After a reduction in the number of people living in poverty from 44 per cent in 1985 to 32 per cent in 1997, the incidence of poverty rose to an estimated 34 per cent in 2000, reflecting in part the impact of the 1997-1998 Asian crisis and the current global slowdown on export growth. The ranks of the unemployed increased from 2.5 million in 1997 to 4 million in 2001. Overseas employment remains a major factor in the dynamics of the economic and social coping strategies of the nation. The present economic slowdown effectively limits the opportunities for the poor (mostly the rural poor in subsistence production) to escape poverty through industrial and service sector employment. Thus, the poor suffer the most during economic downturns because of their reliance on labour as an asset, limited savings and dependence on limited natural resources in a fragile environment. Moreover, without targeted state action, the Government is aware that global markets could reinforce the initial unequal distribution of endowments or even cause economic displacement among households, communities and geographic regions.

3. The Government recognizes that improvements in the quality of life have been achieved, as exhibited by the rise in the Human Development Index from 0.648 in 1975 to 0.744 in 1998. Nonetheless, it is also aware that the pace of human development should be increased, if the Philippines is to reach the targets of the Millennium Development Goals. Inequitable access to basic services still exists. While 72 per cent of the non-poor complete elementary education, among the poor, the ratio is only 43.4 per cent. There seems to be equity in terms of access to public health facilities, but this equity is not reflected in health outcomes. Infant mortality among those at the lowest income level is 48.8 per cent, compared to an infant mortality rate of 20.9 for those with the highest level of income. The Government is fully aware of the potential of HIV/AIDS to compound poverty and impede economic and social development. The success of all current partners in keeping the epidemic "low and slow" needs to be sustained, through enhanced coordination and strengthened partnerships at the community, national, cross-border and regional levels.

4. Currently, the sustained development of the rural economy, where 44 per cent of population live below the poverty line, seems improbable, without greater access to more sustainable technologies, modern agricultural inputs, credit and infrastructure support and the full implementation of agrarian reform. Rapid population growth and migration contribute to the further straining of the capacities of rural areas and urban centres. The urban environment is beset with various environmental problems, in such areas as air and water quality and solid waste generation and disposal. Although local government units may have the mandate to address the problem of waste generation and disposal, they generally do not have the capacity. The poorest and remotest areas of the country lack access to energy, and while some 29 per cent of the energy supply comes from renewable sources, the challenge is to sustain demand and provide access to all.
5. Poverty alleviation and improvements in the quality of life require good governance at all levels. The Government is concerned about the weak link between policy, legislation, planning and budgeting: only 40 per cent of the funding requirement have been provided for the 23 major laws passed since 1991. An evaluation of the effectiveness of different policies and programmes that did receive funding is pending. Corruption robs the poor of public expenditure for priority programmes and projects and erodes confidence in public institutions. There is also a need to strengthen the capacity of local government units to deliver basic social services and stimulate the local economy. Improved revenue generation and better administrative capacity did not accompany the devolution of mandates from national government agencies to local government units, and civil society representation in local development councils has not necessarily led to better participation, let alone better pro-poor policies. There are continuing concerns, therefore, about ensuring the effective participation of all levels of civil society in the decision-making process.

6. Although women play an active part in politics and the economy, in terms of "gender equality", they continue to bear a disproportionate burden of effects of poverty. Women in poverty have inadequate access to productive resources, such as land or credit, and to basic social services, such as education. Moreover, women constitute most of the unpaid workers, usually in the traditional sectors of the economy. The Human Development Report 2001 ranks the Philippines 62 on Gender-related Development Index. The challenge for the Government is how to promote gender equality, by changing existing laws that discriminate against women and by putting in place laws that will offer equal protection of the rights of both men and women. Examples of the type of legislation that needs to be addressed are laws that address violence against women and those that will provide for equal representation in decision-making. The potential contribution of women to peace and development continues to be overlooked.

7. The Government also recognizes the need to renew overall peace efforts if development is to be sustainable. It is pursuing the implementation of the provisions of the 1996 Peace Agreement with the Moro National Liberation Front. It has also resumed peace negotiations with the Moro Islamic Liberation Front, after the renewal of conflict in Mindanao in 2000, which claimed 1,000 lives and affected some 480,000 families, an estimated 129,000 of which fled to evacuation camps. The Government has also reopened discussions with the National Democratic Front and the Communist Party of the Philippines. Renewed attempts are also under way to revitalize the institutions and programmes designed to recognize and support the rights of indigenous peoples.

8. The Government recognizes that the poverty situation is the result of the interaction of short-term macroeconomic performance and long-standing inequalities in the distribution of initial asset endowments, social, cultural, and political barriers and governance and institutional weaknesses. It also recognizes that poverty eradication requires a comprehensive set of social and economic policies and programmes with a social bias, underpinned by good and effective governance and the rule of law. To address these concerns, the Medium Term Philippine Development Plan was revised to become the Government's anti-poverty action plan, focusing on four broad goals in support of poverty eradication: (a) macroeconomic stability with equitable growth, based on free enterprise; (b) agriculture and fisheries modernization with social equity (including the environment); (c) comprehensive human development and protecting the vulnerable (including peace-building); and (d) good governance and the rule of law.

II. Results and lessons of past cooperation

9. The mid-term review (December 1999–January 2000) of the first CCF cited a number of achievements. It concluded that the first CCF had been effective in advocating for sustainable human development and poverty alleviation, evidenced by the inclusion of these concepts in the Medium Term Philippine Development Plan for 2002-2004 and other government and civil society documents. Poverty measures that were adopted under the first CCF are now important tools for planning and design of poverty projects. Advocacy efforts through National Human Development Reports led to the incorporation of the Human Development Index into the national statistics system. All projects under the first CCF were relevant to the development
needs of the country. The mid-term review also found examples of sustainability in a number of UNDP-supported initiatives, particularly in advocacy work and the development of instruments for monitoring poverty (e.g., the Annual Poverty Indicator Survey), and in some technology transfer projects that seem likely to yield sustainable, tangible results, with clear benefits to the poor. The mid-term review concluded that building capacity and confidence for peace and development in post-conflict Mindanao constituted the most substantial example of United Nations agency performance in the Philippines, an area where UNDP plays an important leadership role, widely appreciated by the combatants, the Government and the donor community.

10. The mid-term review recommended that the next CCF should have a tighter focus and a more pronounced result orientation. Better use should be made of planning documents, with better interaction with other development programmes and a stronger analysis of development issues. Integrating crosscutting issues such as gender should be given more attention. Likewise, quality, as measured by the production of tangible outcomes, effectiveness and efficiency and interlinkages between projects and programmes, should not be sacrificed in favour of quantity. Building on the strengths of different partners to achieve more effective results should be one of the priorities of the country office. The mid-term review recommended that the UNDAF working groups be assigned tasks that were of direct relevance to the work of the members, rather than those that simply satisfied the requirements for collaboration. The above-mentioned findings and recommendations were reviewed regularly in the planning and consultations undertaken during the drafting of the second CCF.

III. Objectives, programme areas and expected results

11. The second CCF reflects the agreement of the Government of the Philippines and UNDP on the mid-term review recommendation that poverty alleviation be the core business of UNDP and that governance interventions be the major means of achieving this focus. Similarly, the use of the results-based based management approach reflects the Government/UNDP agreement to use the strategic results framework as the basic format in the formulation of the programmes included under the CCF. Also, the use of the term "programme portfolios" reflects an agreement to use an expanded programme approach in formulating the second CCF. Moreover, through the UNDAF working groups, such as those on governance and poverty, and joint assessments by the United Nations country team, UNDP will ensure that programme portfolios are integrated and consistent with UNDAF goals and objectives.

12. The second CCF focuses on eleven strategic outcomes across four programme portfolios: creating an enabling environment for sustainable human development, empowering the poor, ensuring environmental sustainability and establishing the foundations for peace and development.

A. Creating an enabling environment for sustainable human development

13. In line with the Government's strategy to strengthen good governance and the rule of law, the programme portfolio will work towards:

14. Sound, transparent, responsive, effective and efficient management of economic and financial resources; administration of public personnel; and the enforcement and adjudication of laws. Capacity-building through systematic support for change management in key oversight government agencies involved in auditing, planning, programming and budgeting will be supported, aligned with the overall goals of the Presidential Commission for Effective Governance. Progress will be gauged by the extent to which unethical and corrupt practices in government are reduced, the number of policies and mechanisms formulated, adopted and enforced and the level of satisfaction of consumers and public sector personnel with the reforms. In the attainment of these outcomes, the Department of Budget and Management will be the lead agency for implementing public sector reforms. This will also require effective partnerships with the other key oversight agencies, such as the National Economic and Development Authority, the Department of Finance and the Commission on Audit, and inclusion of civil society in the design and implementation of reforms.
15. Active, organized and responsible civil society and private sector engagement with the Government and the exercising of their citizenship role to promote good governance. Support for this outcome will be in the form of extensive network-building at the national and local levels, for example, through initiatives such as the Government Watch and the Transparency and Accountability Network. Progress will be measured in terms of the number of civil society and private sector groups working in broad partnerships with the Government, and by expanded participation in governance processes. The achievement of the outcome will require close collaboration with different civil society organizations, private sector foundations that exercise corporate social responsibility and local governments.

16. Strengthened capacity of institutions to promote and protect the right to development. Promoting the right to development will require capacity-building activities, model-building and advocacy. Success of the programme portfolio will be measured in terms of expanding awareness of rights-based development among government workers, and the number and quality of rights-based programmes and projects aimed at aiding disadvantaged groups. Support will be provided for research and advocacy efforts aimed at correcting the unequal treatment of men and women before the law, for example, through credit laws. Progress towards achieving the outcome will also be measured in terms of a reduction in the percentage of human rights cases pending in court and the number of national plans, laws, etc., harmonized with international human rights commitments. The achievement of the outcome will require the sustained participation of vulnerable groups and disadvantaged sectors in all activities. Partnerships will be forged with the National Anti-poverty Commission, the National HIV/AIDS Council, the Philippine Commission on Human Rights, the National Commission on Indigenous Peoples, academe and media.

17. Strengthened national capacity, including in civil society and the private sector, to manage globalization consistent with national anti-poverty strategies and poverty reduction goals. On one level, this will require strengthening the Government’s technical capacity to ensure that poverty strategies are fully integrated into the Philippine position in the next round of trade negotiations, necessitating, in turn, a consensus with civil society organizations and the private sector. On another level, support for efforts to minimize the negative impact of globalization will be required, through, for example, rejuvenating the domestic economy and stimulating competition. The national dialogue for the financing for development conference will provide the basic framework for these activities. Progress towards the outcome will be measured in terms of the number and quality of policies implemented that optimize the benefits of globalization and minimize the potential negative effects on the poor (e.g., through social safety nets).

B. Empowerment of the poor

18. The empowerment of the poor programme portfolio supports the Government’s policy to protect vulnerable groups by expanding opportunities, facilitating empowerment and enhancing security. It is also consistent with the government strategy to promote equitable access to productive resources in the area of agrarian reform, support the rights of indigenous peoples and expand access to credit/microfinance. This programme portfolio will work towards three key outcomes:

19. Improved access of the poor to basic services and productive resources and better opportunities for more active and effective participation in policy-making and designing poverty projects. This outcome will be achieved by building capacity in key institutions to design more cost-effective social protection programmes, facilitating access to and secure land tenure for agrarian reform beneficiaries and indigenous peoples and adopting best practices in the rapid expansion of microfinance services. Capacity-building for effective advocacy and participation by entities representing the poor will also be undertaken. Research and advocacy efforts aimed at improving the access of women to social security will also be supported. Specific measures to gauge progress include: expanding access of the poor to basic services, improving access of the poor to productive resources; and expanding the extent and quality of the participation of groups representing the poor in policy-making bodies and in designing poverty programmes and projects.
20. Strengthened capacity of national and local governments in planning, formulating, implementing and monitoring anti-poverty programmes and projects, particularly in meeting the minimum basic needs of poor communities/families. Support for this outcome will take the form of capacity-building for national agencies, including the statistical agencies, and local governments, in the analysing and monitoring poverty, as well as participatory design and implementation of local anti-poverty programmes. It will also include integrating the monitoring of commitments to the Millennium Development Goals into the national statistics system. Success towards this outcome will be assessed by improvements in: the capacity of local government units to assess poverty; the capacity of national government agencies to formulate and monitor poverty programmes and projects; and the capacity of statistical agencies to gather poverty-related statistics and develop poverty indicators.

21. Increased participation of the private sector, especially business and private organizations, in poverty alleviation programmes. This outcome will involve model-building activities to demonstrate that fundamental changes in business practices, rather than just corporate philanthropy, have a greater impact on the bottom line and on poverty reduction. Success in meeting the outcome will be measured by the increase in the number of business and private organizations that have aligned business practices with the need to implement sustainable technologies, expand investment and employment in rural areas and expand the provision of and access to basic services for the poor.

22. Further enhancement of collaboration with National Anti-Poverty Commission, the National Economic Development Authority, the Department of Agrarian Reform, the National Commission on Indigenous Peoples and the National Statistics Office, as well as with local government units and policy-makers, is essential for the achievement of the above-mentioned outcomes. Equally important is the participation of the private sector (e.g., business associations and other private sector organizations), credit/microfinance institutions and the basic services sectors in promoting the advancement of the welfare of the poor.

C. Ensuring environmental sustainability

23. The portfolio for ensuring environmental sustainability will work towards the enhancement of the responsible management of environmental resources and the improvement of the livelihoods and security of the poor. Consistent with the Medium Term Philippine Development Plan for 2002-2004, Agenda 21 and multilateral environmental agreements, UNDP assistance will focus on two main outcomes:

24. Strengthened, rationalized and effectively implemented natural resources policies, frameworks and plans. Interventions at the national level will support the formulation, sequencing and implementation of policy reforms in the following areas: new and renewable energy use, pollution prevention, safer and cleaner production, solid waste management, protected area management, water resource management, ecosystems management and regulatory systems. Support will also be provided for the development of guidelines for the integration of environmental and sustainable development concerns in planning, programming and budgeting at the national and local levels. Research and advocacy efforts to address the unequal treatment of men and women in terms of property rights will also be included. Success will be measured in terms of the percentage of high-priority Department of Environment and Natural Resources legislation and policies and the implementation of the rules and regulations actually formulated, legislated and funded. The National Economic Development Authority, the Department of Environment and Natural Resources, the Department of Energy and the Department of Interior and Local Government will be crucial in achieving this outcome.

25. Streamlined environment and natural resources services and strengthened sustainable development planning and implementation capacity. The capacity of local government units and communities to effectively manage their local ecosystems will be developed and strengthened, to ensure that policies are implemented. The focus will be on the local governments of biodiversity and ecological hot spots. Model-building activities in key urban centres will likewise be pursued, with the goal of replicating these efforts in other urban centres. Progress towards the attainment of the outcome will be measured in terms of the increases in the number and percentage of local stakeholders.
mechanisms to adopt and implement sustainable development principles, and increases in the number of local government units able to deliver environment and natural resources services. Partnerships with the Department of Environment and Natural Resources, the Department of Energy, and the Philippine Council for Sustainable Development will be critical to achieve this outcome.

D. Establishing the foundations for peace and development

26. Consistent with the Government's strategy to pursuing sustained peace and development in Mindanao, the programme portfolio supports the provision of basic services and livelihood opportunities, the implementation of culturally appropriate and inclusive programmes and the implementation of institutional reforms to address political inequity and to build a constituency for peace. UNDP will lead the United Nations system in the implementation of the joint programme for sustainable peace and development in the southern Philippines, budgeted at $25 million over the three years, beginning June 2001. Apart from acting as the administrative agency for the joint programme, the UNDP support will be directed towards the achievement of the following outcomes:

27. Improved capacities of target communities in partnership with their local governments for self-sustaining development and improved access to basic services. Assistance will be provided in the form of capacity-building activities in the targeted peace and development communities. It will include support for expanding the participation of women in the decision-making processes at the community level. Progress will be measured in terms of the number of communities able to identify and meet priority basic needs (of both men and women) on a sustainable basis. Improvements in the capacity of institutions to provide relief assistance to conflict-affected areas will also be examined. Similarly, improvements in access to basic services and in the availability of non-farm employment will be measured. The number and quality of cooperatives capable of providing support to farm production will likewise be considered.

28. Strengthened institutional support mechanisms to promote collaboration and enhance coordination for continuing support to peace and development. The achievement of this outcome requires support for the forging of partnerships among peace and development target communities, local government units and national government agencies. Progress towards the achievement of this outcome will be examined in terms of the increase in the number and quality of strategic partnerships and new institutional mechanisms that support the communities, and improvements in the timeliness and cost-effectiveness of the delivery of basic services. Improvements in the capacity of key institutions and institutional mechanisms of governance to promote sustained peace and development will also be considered.

29. A positive environment of mutual trust and confidence among the peoples and institutions, leading to lasting peace. Support will be provided in the form of advocacy activities to expand the constituency for peace in Mindanao and at the national level. Progress will be assessed by improvements in the number and quality of confidence-building measures implemented, as well as in improvements in the level of confidence among the Mindanao people and the institutions assisting them.

30. In order to achieve the above, partnerships with government line agencies, the National Economic and Development Authority, local governments, representatives of the combatant groups, civil society, donors and the United Nations family will be strengthened further.

E. Gender concerns

31. The Government and UNDP have agreed to mainstream gender and development in all four programme portfolios. Towards this end, UNDP is providing funds for the United Nations Development Fund for Women to build capacity in UNDP and the country team to prepare annual gender assessments, designed to be the basis for dialogue with the Government and other partners, and an input towards ensuring that the programme portfolios focus on key gender and development concerns. Tools for gender mainstreaming will be developed, and social protection for men and women, the role of women in protecting the environment and the participation of women in project activities will form part of the requirements for
project approval. Gender equality measures will be included in reviews and evaluations.

**IV. Management arrangements**

32. Management arrangements for the second CCF reflect the Government/UNDP agreement on the adoption of the programme approach to manage UNDP assistance, strengthen the implementation of national execution and recognize the importance of non-core resources. The second CCF institutionalizes the results orientation adopted by UNDP as a corporate standard, through the strategic results framework.

**A. Programming**

33. The second CCF marks the shift from project-oriented programming to policy-driven interventions within a results-based management framework. Under the second CCF, an Executive Committee, consisting of National Economic and Development Authority and UNDP, will be formed to approve the strategic outcomes and the key outputs contained in each programme portfolio and to monitor and review overall progress. The portfolio approach reflects the variety of interventions required to achieve the outcomes identified for support from UNDP. The annual review, with full stakeholder participation, will validate the overall direction and continued relevance of the CCF interventions. To provide additional insights on how best to respond to the emerging development environment, consultation and assessment with experts and others will be undertaken, as part of the review process.

34. At the programme portfolio level, government-led multisector Portfolio Steering Committees will be formed, to ensure that the UNDP assistance remains focused on strategic outcomes and key outputs. Membership in the Portfolio Steering Committees will be based on an assessment of the partnerships required to achieve expected outcomes and will be subject to an agreement reached by the Executive Committee. At the Programme Steering Committee level, a system of prioritization will be established, to ensure that strategic decisions are made, regarding the provision of resources for priority portfolio initiatives. A modified Sector Efficiency and Effectiveness Review method, part of the Government’s planning and programming process, will be adapted for this purpose. The Programme Steering Committees will allocate resources for projects, and Project Steering Committees will undertake resource allocation within approved projects. While core resources will finance an estimated two thirds of the requirements of the portfolios for the areas of establishing an enabling environment and empowerment of the poor, non-core resources will finance up to 75 per cent of the programme portfolios for the areas of environment and peace and development.

35. National execution remains the preferred execution modality of the Government. United Nations agency execution will be considered, when United Nations agencies have a recognized comparative advantage over entities for national execution. Executing agencies will be identified, evaluated and selected by the Government and UNDP, after the conduct of capacity assessments. Each executing agency will be accountable to their respective Programme Steering Committees for the delivery of key outputs, the conduct of activities and the mobilization of inputs. The second CCF will also be accompanied by an institutional experiment to enhance national execution, through the establishment of a Development Support Services Centre. This initiative is in response to the problems associated with the Government’s low rate of disbursement of development loans, and the proliferation of project management offices because of thinly spread government capacity. UNDP will support the establishment of structures and processes that permit the Government to manage official development assistance more efficiently and effectively, within sector-wide management arrangements, and consistent with the demand for transparency and accountability. In this context, UNDP will provide executing agencies with country office support services, while ensuring that their capacity is enhanced to manage official development assistance more effectively over the medium term.

**B. Monitoring and evaluation**

36. Monitoring and evaluation will be carried out jointly by the Government, UNDP, key stakeholders and other partners. Baselines will be established and progress towards achieving end targets will be regularly monitored. Making full use of the strategic results framework and annual reviews are important
elements of the management of the four programme portfolios, consistent with results-based management.

C. Building strategic partnerships and mobilizing resources

37. Strategic partnerships will reflect the recognition that partnerships must be based on a common understanding of development concerns. The multisectoral membership of the Portfolio Steering Committees will institutionalize strategic partnerships within the portfolio programming process. In the area of peace and development, partnerships are inherent to the success of the peace-building effort and in the institutional arrangements for the management of the joint programme. Interventions will be complemented by other partnerships efforts: policy-oriented partnerships, through the formation of stakeholder alliances; specific agreements with key donors in the country; and joint assessments and various collaborative programming efforts with other United Nations agencies. The current successful Japan/UNDP multilateral/bilateral agreement will continue, and specific understandings will be reached with other major donor partners. In line with the corporate-level agreement between the Asian Development Bank and UNDP, a country-level agreement with the Asian Development Bank country office will likewise be reached, to enhance collaboration. Consistent with the strengthening of the Common Country Assessment and UNDAF processes, joint assessments with the United Nations country team will be explored, starting with the support for policy and programme development project with the United Nations Development Fund for Women for the assessment of gender concerns.

38. The second CCF also recognizes the emerging reality that non-core resources from special funds, government cost-sharing and bilateral donors will comprise a greater proportion of UNDP assistance, particularly in the environment and peace and development portfolios. While core resources are projected to amount to close to $5.5 million, a total of $28 million is expected to come from government cost-sharing, sustainable development funds and third-party cost-sharing. Already, $8 million have been raised from Australia, New Zealand and Spain for the area of peace and development. Resources from the Global Environment Facility are projected to reach at least $12.3 million during the CCF period. Core funds will be used in two ways: as seed-money for the production of strategic results, thereby attracting investments by other donors; and as the main funding source for policy interventions, particularly in the programme portfolios for establishing an enabling environment and empowerment of the poor.
Annex


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<td>(In thousands of United States dollars)</td>
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<td>0 to 66.7 per cent of TRAC 1.1.1</td>
<td>This range of percentage is presented for initial purpose only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentage will also be subject to availability of resources.</td>
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Subtotal 5 470*                 

UNDP other resources            

| Government cost-sharing       | 300         |                                                                                                                                         |
| Sustainable development funds | 12 300      | GEF                                                                                                                                 |
| Third-party cost-sharing      | 28 000      |                                                                                                                                         |
| Funds, trust funds and other  | -           |                                                                                                                                         |

Subtotal 40 600                 

Grand total 46 070*             

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignments from the core.