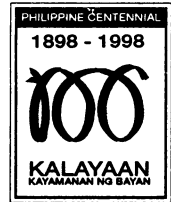




Republic of the Philippines  
DEPARTMENT OF  
ENVIRONMENT AND  
NATURAL RESOURCES



JUL 21 2003

SPECIAL ORDER  
NO. 203-52  
Series of 2003

**SUBJECT:                    Creation of Project Executive Committee for the  
Implementation of the Timber and Timber Products Trade  
Flow Study in the Philippines.**

In the interest of the service and in line with the DENR's thrust to support the revitalization of the wood-based industry in the Philippines, an Executive Committee is hereby created to oversee the implementation of the Timber and Timber Products Trade Flow Study in the Philippines.

The Executive Committee shall have the following functions:


1. Oversees and coordinates the over-all implementation of the project;
2. Provides guidelines, work directions, policies and administrative procedures for the management and operationalization of the project;
3. Creates and supervises study team in accordance with the ITTO approved project document; and
4. Monitors the work progress of the project vis-à-vis its planned activities as provided for in the ITTO approved project document;

The Executive Committee shall be composed of the following:

Chairman:                    The Director, Forest Management Bureau  
Vice-Chairman:            The Director, Planning and Policy Office, DENR  
Members:

1. The Assistant Director, Forest Management Bureau
2. Steve Johnson, International Tropical Timber Organization
3. The Chief, Forest Economics Division, Forest Management Bureau
4. Representative from Wood Producers' Group
5. Representative from Wood Users' Group

This order shall take effect immediately.

  
ELISEA G. GOZUN  
Secretary

**INTERNATIONAL TROPICAL TIMBER ORGANIZATION**

**PROJECT AGREEMENT**

**PD 133/02 Rev. 3 (M)**

**TIMBER AND TIMBER PRODUCTS TRADE FLOW STUDY IN THE  
PHILIPPINES**

**between**

**THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)**

**and**

**THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES  
OF THE GOVERNMENT OF THE PHILIPPINES**

**PROJECT AGREEMENT**

**between**

**THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION (ITTO)**

**and**

**THE GOVERNMENT OF THE PHILIPPINES**

**and**

**THE FOREST MANAGEMENT BUREAU,  
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

**ON THE IMPLEMENTATION OF PROJECT PD 133/02 Rev.3 (M)**

**“TIMBER AND TIMBER PRODUCTS TRADE FLOW STUDY IN THE PHILIPPINES”**

**WHEREAS:**

- A. the International Tropical Timber Council (hereafter referred to as “ITTC”) has approved the Project PD 133/02 Rev.3 (M) - “Timber and Timber Products Trade Flow Study in the Philippines”, (hereinafter referred to as “the Project”), and the International Tropical Timber Organization (hereinafter referred to as “ITTO”) wishes to make available to the Forest Management Bureau (FMB), Department of Environment and natural Resources (DENR), Philippines funds not exceeding a total of US\$126,937.00 (United States dollars one hundred and twenty six thousand, nine hundred and thirty seven only), for the purpose of implementing the afore-mentioned Project as provided for in this Agreement;
- B. the Government of the Philippines (hereinafter referred to as “the Government”) has indicated its willingness to facilitate the implementation of the Project within its territory;
- C. it has been agreed that the Government shall be responsible for the implementation of the Project through the Forest Management Bureau (FMB), Department of the Environment and Natural Resources (DENR), Philippines (hereinafter referred to as the “Executing Agency”);
- D. it has been agreed that the Government shall contribute to the Project a total of US\$69,790.00 (United States dollars sixty-nine thousand seven hundred ninety only)
- E. **NOW THEREFORE** the parties hereby agree as follows:

**ARTICLE I**

**Definition of the Project**

**Section 1.01:** The Project Document PD 133/02 Rev.3 (M), (hereinafter referred to as “the Project Document”) attached hereto as Appendix 1, shall be read as part of this Agreement, and shall govern the scope and details of the Project, subject to any subsequent clarifications and supplementary arrangements which may be agreed between the Parties.

## ARTICLE II

### Execution of the Project

Section 2.01: The Executing Agency shall be responsible for implementing the Project in accordance with the Project Document, a detailed work plan approved by ITTO and with any supplementary arrangements which may be agreed between the Parties.

Section 2.02: The Executing Agency shall implement the Project in a manner consistent with the ITTO "Rules and Procedures Applying to ITTO Projects" (1999), the "Manual for Project Monitoring, Review and Evaluation" (Second Edition, May 1999), the "ITTO Financial Rules and Rules Relating to Projects" (1997) and the "ITTO Guidelines on the Selection and Employment of Consultants and the Guidelines for the Procurement and Payment of Goods and Services Financed from the Special Account" (1993).

Section 2.03: The Executing Agency may, in accordance with the Project Document, the "ITTO Guidelines on the Selection and Employment of Consultants and the Guidelines for the Procurement and Payment of Goods and Services Financed from the Special Account" (1993), and with the prior approval of ITTO, delegate or sub-contract specific tasks and functions in connection with the Project to any other consultants, legal entities or institutions which are not under its daily supervision and control. However, such delegation or sub-contracting shall not free the Executing Agency from its responsibility and obligation for the Project as defined by the Project Document and this Agreement.

Section 2.04: ITTO shall not be liable for any claims arising as a result of implementation of the Project or due to the use of any Project equipment.

Section 2.05: The Executing Agency shall do its utmost to ensure that the Project is implemented on schedule, within the agreed budget, and in such a way as to achieve its objectives.

## ARTICLE III

### Finance

Section 3.01: The respective contributions of ITTO and the Government of Philippines in cash or in kind to the Project shall be as set out in the budget and operating expenses sections in the Project Document.

Section 3.02: ITTO undertakes, as provided for in this Agreement, to contribute an amount not exceeding US\$126,937 (United States dollars one hundred and twenty six thousand, nine hundred and thirty seven only) for the purpose of implementing the Project.

Section 3.03: ITTO will make payments in United States dollars related to its contribution to a separate US dollar bank account to be opened for the Project, with a bank of commonly high reputation, to be determined by the Executing Agency, as follows:

- (a) ITTO will cause the first payment of US\$30,000.00 (United States dollars thirty thousand only) to be deposited, upon signature of this Agreement, and after the Executing Agency provides the Executive Director of ITTO with a detailed workplan for the implementation of the Project and a notification that implementation of the Project is about to commence;

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- (b) The second installment of US\$30,000.00 (United States dollars thirty thousand only) after receipt by ITTO of the first bi-annual Project progress report from the Executing Agency in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated cost foreseen in the work-plan, in light of implementation thus far, for the period to which funds will relate;
- (c) The third installment of US\$30,000.00 (United States dollars thirty thousand only) after receipt by ITTO of the second bi-annual Project progress report from the Executing Agency in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated cost foreseen in the work-plan, in light of implementation thus far, for the period to which funds will relate; and
- (d) The fourth and final installment of US\$19,752.00 (United States dollars nineteen thousand seven hundred and fifty two only) after receipt by ITTO of the third bi-annual Project progress report from the Executing Agency made in accordance with the procedures of ITTO, and a justified request for the payment in terms of the timing, amount and estimated cost foreseen in the work-plan, in light of implementation thus far, in order to successfully complete the Project.

Section 3.04: The total amount of US\$17,185.00 (United States seventeen thousand one hundred and eighty five only) will be retained by ITTO from the total ITTO contribution to meet ITTO and other costs as follows:

- (a) an amount of US\$10,000.00 (United States dollars ten thousand only) to meet ITTO's monitoring, review and evaluation costs; and
- (b) an amount of US\$7,185.00 (United States dollars seven thousand one hundred and eighty five only) to meet ITTO's program support costs.

Section 3.05: The Government shall provide its contribution of US\$69,790.00 (United States dollars sixty-nine thousand seven hundred ninety only), to the Project promptly in accordance with the budget contained in the Project Document and any agreed amendments thereto. The Executing Agency shall report immediately to ITTO any circumstances that threaten significantly its ability to make its contributions in full or on time.

Section 3.06: The contribution of the Executing Agency shall include the provision of office facilities and appropriate office accommodation for all Project activities including any monitoring, review and evaluation meetings at no cost to the ITTO contribution to the Project budget.

Section 3.07: Notwithstanding any provision of any Section in this Article, the ITTO shall not be liable to disburse any funds to the Executing Agency which exceed the sum credited to its Special Account and/or the Bali Partnership Fund as contributions earmarked for this Project.

## ARTICLE IV

### Use of Funds

Section 4.01: The funds provided by ITTO under this Agreement shall be used solely to meet those direct Project costs assigned to ITTO which are itemized in the agreed budget of the Project Document. Funds allocated to one budget heading or subheading item shall not be transferred to another without the express prior approval of ITTO. All materials, equipment, supplies and services purchased or rented using ITTO resources shall be used exclusively for the implementation of the Project.

Section 4.02: Funds which have not yet been made available by ITTO to the Executing Agency shall not be committed by the latter, without specific previous authorization from ITTO.

Section 4.03: All goods and services for which funds are provided by ITTO shall be procured in accordance with the "ITTO Guidelines on the Selection and Employment of Consultants and the Guidelines for the Procurement and Payment of Goods and Services Financed from the Special Account". The Executing Agency shall consult ITTO in advance on the selection and appointment of any sub-contractors or individual consultants used for any aspect of work associated with the implementation of the Project, as well as the appointment of professional Project staff and selection of participants in Project activities such as seminars and workshops.

Section 4.04: ITTO shall recover from the Executing Agency any amounts spent from funds provided by ITTO for purposes, items or activities, or in ways, not authorized under this Agreement. Such amounts may be deducted from any installment not already released to the Executing Agency under Section 3.03 of this Agreement.

## ARTICLE V

### Accounts, Records and Reports

Section 5.01: The Executing Agency shall keep strict budgetary control over the funds allocated to it by the ITTO for the purpose of implementing the Project, and shall keep such funds, until the time of their actual disbursement, in a separate bank account with a bank of commonly recognized high reputation.

Section 5.02: The Executing Agency shall take every precaution against any unauthorized use of the funds provided to it by ITTO, and shall at all times keep up-to-date and full accounts of the expenditures incurred by the Project. ITTO may at any time request a financial statement from the Executing Agency, accompanied by certified balances of the Project's bank accounts, and such a request shall be promptly complied with.

Section 5.03: The Executing Agency shall submit to ITTO in the Project progress reports and at the conclusion of the Project, and as otherwise requested by ITTO in accordance with Section 5.02 above, statements of account and use of the funds of the Project under the headings listed in the budget in the Project Document. The Project accounts shall be audited by duly recognized independent auditors appointed by the Executing Agency in consultation with ITTO. Unless provided for in the ITTO part of the Project budget, ITTO funds shall not be used to pay for auditing work. The final audit statement shall be submitted within four months of the completion of the Project.

Section 5.04: If the actual costs of the Project which are to be borne by ITTO are less than is provided for in the Project budget under this Agreement, the balance remaining unspent on completion of the Project, including bank interest earned, shall be returned to the ITTO.

Section 5.05: The Executing Agency shall establish and maintain records and procedures adequate to record and monitor the physical, technical and financial progress of the Project, including its costs, interests on capital and other benefits, and to identify the goods and services financed by ITTO.

Section 5.06: Representatives of ITTO shall be entitled to visit any facilities and sites included in the Project and to examine the accounts and records, and the goods and services provided under the Project.

Section 5.07: The Executing Agency shall, upon request, make available to ITTO any information relevant to the implementation, financing or follow-up of the Project. The Executing Agency shall provide Project progress and technical reports, as well as a completion report in the form, detail and time-frame required by ITTO, for the monitoring, review and evaluation of the Project. The Executing Agency shall promptly provide ITTO with information on any delay, event or obstacle that might significantly endanger the success of the Project.

Section 5.08: The Executing Agency shall submit to ITTO on an annual basis a workplan and bi-annual progress reports not later than 28 February and 31 August in each year during the implementation of the Project. The Executing Agency shall submit to ITTO a completion report not later than three months after Project completion. The progress and technical reports, as well as the workplan shall be prepared following the model reports established in the "ITTO Manual for Project Monitoring, Review and Evaluation".

Section 5.09: Monitoring and review meetings will be convened at the request of ITTO with the participation of representatives of the Executing Agency, ITTO and the Government. ITTO shall bear the costs of its participation; and other representatives shall bear their own costs. Representatives of donors providing funds to the Project may also attend the monitoring and review meetings at their own expense.

## ARTICLE VI

### Publications and Technical Reports

Section 6.01: All publications and technical reports resulting from work financed by the Project shall give appropriate recognition to ITTO's role and carry statements disclosing that they are part of the documentation produced in an ITTO approved Project. Unless otherwise agreed by ITTO, cover pages of any of these publications shall bear the names of the Parties and display their logos.

Section 6.02: The Executing Agency will provide ITTO with a minimum of 100 copies of each publication from the Project free of charge, unless otherwise agreed.

Section 6.03: The Executing Agency shall prepare, in liaison with the ITTO Secretariat, an article for possible inclusion in the ITTO Tropical Forest Update, reporting on the Project progress and outcome, the Project publications and lessons learned.

## ARTICLE VII

### Disposal of Capital Goods

Section 7.01: Prior to completion of the Project, the Executing Agency shall propose, and the ITTO will decide, what arrangements are to be made for the continued use or disposal of any equipment or other supplies purchased with ITTO Project funds. Written notice to accept the arrangements, modify them or implement alternative arrangements will be given by ITTO to the Executing Agency.





## ARTICLE VIII

### Responsibilities of the Government

Section 8.01: The Government shall ensure that the Executing Agency's ability to carry out its obligations under this Agreement, especially those prescribed by Articles II, III, IV and V, is not adversely compromised.

Section 8.02: The Government shall take all necessary action in order to ensure:

- (a) prompt clearance of experts and other persons performing services financed by ITTO under the Project; and
- (b) prompt release from customs of any imported equipment, or other kinds of supplies required by the Project with import duties and associated fees applicable to such material either waived or entered in the Project accounts as part of the Government's contribution to the Project.

Section 8.03: The Government agrees that ITTO shall not be responsible for any customs charges and taxes that may be imposed for the import of equipment, materials and supplies for the Project. Project funds shall not be authorized for payment of such charges and taxes.

## ARTICLE IX

### Suspension

Section 9.01: Notwithstanding the provisions of Section 3.03 of this Agreement, where any violations of this Agreement becomes apparent, or where it appears that the conditions surrounding the Project have changed to such an extent that, in the opinion of the Executive Director, the successful completion of the Project is unlikely, ITTO may by written notice, suspend all further disbursements of funds pending a review.

Section 9.02: If ITTO funding of the Project is suspended the Executing Agency shall not incur any further expenditures on activities, goods or services financed by such funds unless and until such funding is resumed, except with the previous written approval of ITTO. The Executing Agency shall keep all assets and values previously funded by ITTO for the Project in safe custody, and shall give notice immediately to any sub-contractor whose services are being paid for from ITTO's funds to suspend its activities as soon as possible, so as to minimize the cost to the Project.

## ARTICLE X

### Termination

Section 10.01: In accordance with Rule 31 of the "ITTO Financial Rules and Rules Relating to Projects", the International Tropical Timber Council (ITTC) may, by written notice to the Government of the Philippines, terminate its approval and funding of the Project, in particular in cases where it is satisfied that:

- (a) the financial resources provided for the Project are being misapplied to an extent which compromises the fulfillment of the objectives of the Project; or

- (b) the technical means and/or personnel being used for the implementation of the Project are being misapplied to an extent which compromises the fulfillment of the objectives of the Project; or
- (c) its continued approval and funding no longer serve the objectives of the Project.

Section 10.02: In case of a decision to terminate ITTC approval and funding, the provisions of Section 9.01 above shall be applied; and the unused part of the resources contributed by ITTO to the Project shall be returned to the ITTO together with a final audited statement within three months after the date of termination.

## ARTICLE XI

### Settlement of Disputes

Section 11.01: Any dispute arising out of the interpretation or implementation of this Agreement or any breach thereof shall be settled amicably by consultation or negotiation between the Government and ITTO within the framework of UNCITRAL (United Nations Commission for International Trade Law) arbitration rules.

## ARTICLE XII

### Modification of the Agreement

Section 12.01: This Agreement may be modified by written mutual consent between the Parties, each of which shall give full and sympathetic consideration to any proposal for its amendment.

ARTICLE XIII

Entry into Force

Section 13.01: **IN WITNESS WHEREOF** the undersigned, duly appointed representatives of the International Tropical Timber Organization, the Government of the Philippines and the Forest Management Bureau have signed on behalf of the respective Parties this Project Agreement in three originals on the dates indicated below. This Agreement shall enter into force upon signature by all the contracting Parties.

Signature: *Elisea G. Gozun*  
Print Name: ELISEA G. GOZUN  
Print Title: Secretary, DENR

\_\_\_\_\_  
Manoel Sobral Filho  
Executive Director

On behalf of the Government of the Philippines

On behalf of the International Tropical Timber Organization (ITTO)

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Place: \_\_\_\_\_

Place: \_\_\_\_\_

**WITNESS:**

Signature: *Romeo T. Acosta*  
**ROMEO T. ACOSTA**

Print Name: Director, FMB

Print Title: \_\_\_\_\_

On behalf of the Forest Management Bureau

Date: 08 July 2003

Place: Quezon City, Philippines