

**Administrative Order
No. 31
June 24, 1991**

**SUBJECT: Revised Guidelines for Contract
Reforestation**

Pursuant to Sections 3, 5(c) and 7(c) of Executive Order No. 192 Series of 1987, otherwise known as the "Reorganization Act of the Department of Environment and Natural Resources," and in response to the recommendations of the Master Plan for Forestry Development, the lessons learned in the implementation of the National Forestation Program (NFP), as well as, the high costs of fuel, the guidelines for contract reforestation are hereby revised as follows:

**Article I
Preliminary Provisions**

Section 1. Statement of Policies - The implementation of reforestation under the DENR shall henceforth be governed by the following policies:

- 1.1 Reforestation activities shall be undertaken in close collaboration with the private sector through family, community and corporate contractors. Reforestation shall be implemented by administration only upon prior clearance from the Secretary or his duly-designated representative;
- 1.2 To promote social equity and rural development, contracting with local upland families and organized **bona fide** communities shall be given priority;
- 1.3 Reforestation contracting shall, as a general rule, consist of three (3) sequential phases, namely: a) surveying, mapping and planning; b) comprehensive site development; and c) monitoring and evaluation. Activity - specific contracts for any of the site development activities, such as: seedling production, site preparation, planting/replanting, maintenance and protection, etc., shall no longer be allowed except upon prior clearance from the Secretary or his duly designated representative;
- 1.4 Prior to implementation of any reforestation contract, plantation establishment objectives must be clearly set and defined, whether for: a) production forests; b) limited production forests; or c) protection forests, or a combination thereof, depending on physical and economic considerations. Species diversification shall be encouraged and reforestation by single species (i.e. monoculture) discouraged in areas where the original ecosystem was naturally diverse. This means that in

areas (e.g. Cordilleras) where the original ecosystem was naturally dominated by single species (i.e. pines), monoculture may be allowed;

- 1.5 Intensive site preparation in reforestation projects shall be emphasized consistent with the recommendations of the Master Plan for Forestry Development. Covercrop planting, enrichment planting and intercropping shall likewise be promoted and intensified;
- 1.6 Construction of access roads in contract reforestation projects using heavy mechanized equipment shall be strictly regulated and will only be allowed upon prior determination of a reduced risk of soil erosion and other environmental damage. Plantation roads shall not be allowed, instead, construction of graded trails and footpaths shall be fostered; and
- 1.7 Monitoring and evaluation of reforestation projects through independent groups or entities, such as non-government organizations (NGOs), academic institutions, and registered professional foresters, shall be encouraged to ensure an objective view of their status and progress.

Section 2. Definition of Terms - As used in this Guidelines, the terms enumerated below shall be defined as follows:

- 2.1 **Access Road** - A type of all-weather road linking a reforestation project site to national or provincial highways, used for the transport of personnel, supplies and materials, and constructed in accordance with the standards and specifications established in DENR's Technical Guide on Contract Reforestation;
- 2.2 **Assisted Natural Regeneration (ANR)** - The process of rehabilitating denuded forest lands by taking advantage of trees already growing in the area. This usually involves the following activities: locating and releasing indigenous trees, maintenance, augmentation planting and protection;
- 2.3 **Community Contractor** - Refers to an association, organization, foundation, cooperative, or such other popular groupings or formations, duly-registered with the appropriate government regulatory agency, consisting of 15 or more members who are residing within, or adjacent to, a reforestation project. It may also refer to a barangay consisting of the residents of the community where the reforestation project is located represented by the Barangay Council. A community contractor may enter into contracts for surveying mapping and planning; comprehensive site development of areas involving more than ten (10) hectares but not exceeding 100 hectares; and for monitoring and evaluation of

reforestation projects, depending on its competency or qualifications and as may be authorized by law.

- 2.4 **Comprehensive Site Development** - Plantation establishment activities in reforestation which include, among others, construction of infrastructure; seedling production; site preparation; planting/replanting; maintenance and protection; and silvicultural treatments such as covercrop planting, income-enhancement planting, enrichment planting and intercropping;
- 2.5 **Contract Reforestation** - The implementation of reforestation activities through written agreements with the private sector such as families, communities and corporations and/or with the public sector such as local government units (LGUs) and other government agencies (OGAs). It shall include contracts for surveying, mapping and planning; comprehensive site development; and monitoring and evaluation;
- 2.6 **Corporate Contractor** - Refers to companies organized primarily for profit which may either consist of sole proprietorships, partnerships or corporations duly-registered with the Bureau of Domestic Trade and/or the Securities and Exchange Commission as the case may be. A corporate contractor may enter into contracts for surveying, mapping and planning; comprehensive site development of areas greater than one hundred (100) hectares; and for monitoring and evaluation of reforestation projects, depending on its competency or qualifications and as may be authorized by law;
- 2.7 **Covercrop Planting** - The process of conditioning denuded areas which are highly cogonal, rocky or erodible by planting creeping leguminous perennials such as kudzu, calopogonium, stylosanthes, desmodium, lablab bean, psophocarpus (winged bean), patani, or by planting suitable non-legumes such as morning glory vine, wild sunflower and kikuyu grass, in order to improve soil fertility, organic matter and water holding capacity prior to or concurrent with the planting of trees and other perennials in such areas;
- 2.8 **Enrichment Planting** - The process of interplanting fuelwood, timber and non-timber crops in inadequately-stocked reforestation projects previously implemented by administration for the purpose of increasing wood supply for the people and enhancing the income-generating potential of such projects;
- 2.9 **Family Contractor** - Refers to the spouses and children, if any, including household members related by affinity or consanguinity, living within or near the reforestation project. It shall be represented either by the husband or the wife, or in case of their death or incapacity, by the eldest child who is of legal age, or

in case of the latter's refusal or inability, by any other child or relative who is likewise of legal age duly-designated by the rest of the family members. A family contractor shall be qualified to enter into contracts for comprehensive site development of areas not less than five (5) but not exceeding ten (10) hectares;

- 2.10 **Forest Land Management Agreement (FLMA)** - A contract issued by DENR to duly-organized, **bona fide** residents of the community where the FLMA area is located, among others, granting them the sole and exclusive privilege to develop said area, harvest and utilize its products for 25 years, renewable for another 25 years, with the obligation to pay production share to the government equivalent to the cost invested in reforesting such area, pursuant to DENR Administrative Order No. 71 Series of 1990;
- 2.11 **Graded Trail** - A path constructed along a carefully surveyed alignment on the ground generally wide enough (i.e. not less than 1.5 m) to permit the use of animal drawn-carts, with gradient or slope normally not exceeding 10%;
- 2.12 **Income-Enhancement Planting** - The process of interplanting fuelwood and food crops in areas previously planted with trees and perennials to produce income from these areas while waiting for the trees/perennials to mature;
- 2.13 **Intercropping** - The process of interplanting food crops, such as: camote, bananas, cassava, peanuts, etc., in portions of a reforestation project cultivated as part of site preparation;
- 2.14 **Limited Production Forests** - Areas with slopes greater than 50% developed primarily to supply non-timber products such as bamboo, rattan, anahaw, pandan, medicinals, fruits, gums and resins, spices and other horticultural crops;
- 2.15 **Minimum Survival Rate** - The number of final crop and nurse species or other perennials growing at a reforestation project that is acceptable to DENR upon completion of a comprehensive site development contract, and which is fixed at 80% each for final crop and nurse species per hectare based on the prescribed planting density;
- 2.16 **Monitoring and Evaluation** - Inspection and assessment procedures employed in reforestation projects simultaneous with or upon completion of either the whole or part of the site development activities, for the main purpose of determining their status and progress;

- 2.17 **Plantation Road** - A type of all-weather road constructed within a reforestation project site linking the various plantation sections/blocks, and constructed in accordance with the prescribed standards referred to in Sec. 2.1 hereof;
- 2.18 **Planting Density** - The total number of final crop and nurse trees or other perennials prescribed per hectare for a particular reforestation project following the standards provided for in this Guidelines;
- 2.19 **Production Forests** - Areas with slopes from 0 - 50% developed to supply both timber and non-timber products such as bamboo, rattan, horticultural crops (e.g. fruits/nut trees), mangrove (e.g. bakawan/nipa), gums and resins, spices, or a combination thereof;
- 2.20 **Protection Forests** - Areas regardless of slope which are highly erodible or too rocky for establishment of either production forests or limited production forests, developed for the principal objective of establishing vegetative cover to prevent erosion, conserve water and nurture wildlife;
- 2.21 **Project Development Plan** - A concise write-up that presents in a systematic and organized manner the objectives, detailed activities, planting design/choice of species, schedule of activities, organization and manpower, estimated costs, and such other matters necessary for the full operation and establishment of a reforestation project;
- 2.22 **Reforestation** - The planting of denuded forestlands with trees and other perennials. It shall include all direct and indirect activities necessary to establish forest plantations, such as: identification of sites; surveying, mapping and planning; construction of infrastructure; seedling production; site preparation; planting/replanting; maintenance and protection; covercrop planting; enrichment planting and intercropping; monitoring and evaluation. It may also include watershed rehabilitation, assisted natural regeneration, and other silvicultural activities resulting in the establishment of forest stands;
- 2.23 **Reforestation by Administration** - The implementation of reforestation activities by DENR field offices through the traditional method of directly hiring laborers or workers instead of contracting such activities;
- 2.24 **Sectioning and Blocking** - Sectioning refers to the process of establishing Universal Transverse Mercator (UTM) grid control points on the ground. A section consists of 100 ha with a dimension of 1 km x 1 km which is equivalent to 10 blocks. Blocking is the process of subdividing an area, usually a section,

into blocks consisting of 10 ha each with a dimension of 200 m x 500 m, the short end oriented along the east-west direction while the long end is oriented along the north-south direction;

- 2.25 **Surveying, Mapping and Planning** - Pre-establishment activities in reforestation which include, among others, sectioning and blocking; monumenting and marking of corner posts; perimeter survey; contour mapping/slope classification; preparation of control and operations maps; gathering of benchmark data for planning; and preparation of recommended strategies for site development;
- 2.26 **Universal Transverse Mercator Grid (UTM)** - Refers to the imaginary lines (i.e., latitude and longitude) which subdivide the earth into sections.

Article II Surveying, Mapping and Planning

Section 3. Mode of Implementation - Surveying, mapping and planning shall be undertaken through contract with duly-qualified community or corporate contractors preferably those that are based within or near the reforestation site. However, in cases where the local DENR field offices [e.g. Regional/Provincial/Community Environment and Natural Resources Offices] have the capability to implement these activities, surveying, mapping and planning may be undertaken using in-house manpower and resources. (Contract format for surveying, mapping and planning shall be provided for in the Manual of Operations for Contract Reforestation).

Section 4. Minimum Contract Area - The minimum contract area for surveying, mapping and planning shall consist of 100 hectares. The area shall, as much as possible, be contiguous or closely adjacent to each other in case there are several parcels.

Section 5. Schedule of Contracting - Contracts for surveying, mapping and planning shall be awarded and completed before commencement of plantation establishment activities, subject to the Transitory Provisions (Sec. 63) herein. They shall be awarded preferably eighteen (18) months before the first month of the rainy season during which planting will commence at the project site, but in no case less than six (6) months prior thereto. Contractors shall begin implementation not later than one month from receipt of the notice to proceed.

Sectioning and blocking shall be done, as much as possible, in tandem with perimeter survey and contour mapping. However, in case sectioning and blocking cannot be completed on schedule such that site development would be seriously delayed,

perimeter survey and contour mapping may be undertaken first so as to immediately delineate the various development/slope categories under Sec. 8 hereof.

Section 6. Sectioning and Blocking - Sectioning and blocking shall be carried-out following the procedures prescribed by the DENR Monitoring and Evaluation System for Contract Reforestation. Sections consisting of 100-ha grids with a dimension of 1 km x 1 km shall be established on the ground. Thereafter, blocks consisting of 10 ha each with a dimension of 200 m x 500 m with the short/long ends following east-west/north-south directions, respectively, shall be delineated within the project area.

Section 7. Monumenting/Marking of Corners - Concrete UTM monuments shall be installed on all corners of the grid falling inside the project area and on grid corners outside thereof but within 200 m from its nearest boundary. The UTM monument shall have a dimension of 15 cm x 15 cm x 60 cm with an exposed portion of 6-8 cm. It shall bear the corresponding northing and easting values of the point on the ground represented by a nail at the center of the exposed portion. The northing and easting value shall be in kilometers with the northing value oriented towards the north.

Similarly, wooden posts with a dimension of 5 cm x 5 cm x 150 cm shall be installed at the corners of the 10-ha blocks in such a way that one side faces a block. Marked on that side of the post is the corresponding code for each block. Alternatively, living posts may be installed by planting large stems of species, such as kakawate or dapdap, which take root and grow, and to which marking labels may be attached.

Section 8. Perimeter Survey/Contour Mapping - The boundaries of all contract reforestation projects, whether existing or proposed, shall be clearly delineated and marked on the ground in accordance with standard surveying procedures. The area shall be tied to a known reference point, such as: Bureau of Lands Location Monument (BLLM), Provincial Boundary Monument (PBM), Municipal Boundary Monument, (MBM) Barangay Boundary Monument (BBM), UTM, etc. Whenever possible, the boundaries of reforestation areas shall correspond with the boundaries of sections/blocks. If the area is only part of a block, its boundaries shall consist of large stones, wooden posts, mature bamboo stakes, or any other permanent marker, all of which shall be painted.

Contour mapping of the area shall be conducted. Thereafter, it shall be subdivided into the following slope categories:

- a) Area to be developed as production forests (0 - 15% slope);
- b) Area to be developed as production forests (over 15% - 30% slope);

- c) Area to be developed as production forests (over 30% - 50% slope);
- d) Area to be developed as limited production forests (over 50% slope);
- e) Area to be developed as protection forests (i.e. not suitable for production/limited production forests);
- f) Area for special treatments (e.g. enrichment planting, covercrop planting, mangrove development, etc.); and
- g) Non-plantable areas (e.g. forested portions, streams, roads, buildings, areas with occupants unwilling to participate in the project, etc.).

Section 9. Expected Outputs - Contractors for surveying, mapping and planning shall produce the following outputs:

- 9.1 **Control Map** with a scale of 1:10,000 showing the following features: a) relative location of area; b) contour lines at 20m interval/elevation; c) color-coded breakdown of slope categories, to wit: (i) 0-15%, (ii) over 15% - 30%, (iii) over 30% - 50%, (iv) over 50%; d) table showing the number of hectares under each slope or development category; e) vegetative cover; f) rivers, streams, lakes; g) existing and proposed roads, trails, buildings; h) occupied areas or settlements; i) boundaries of sections/blocks; and j) such other important features as may be found in the area;
- 9.2 **Operations Map** with a scale of 1:2,000 reflecting the following features: a) blocks; b) slope/development categories; c) road/trail alignment proposed by the contractor; d) contour lines at 5 m interval; e) relative location of area; and f) such other important features as may be found in the area; and
- 9.3 **Technical Report and Recommendations** - containing a detailed description of the physical/socio-economic characteristics of the project area, viz.: climate, topography and drainage, soil, vegetative cover/existing land-use, photographs of the site, number and profile of occupants if any, and such other information necessary for development planning. This report shall also include the recommended reforestation strategies for the area, viz.: location of nursery and other facilities, choice of species, planting scheme/design, maintenance and protection techniques, other silvicultural treatments, schedule of activities and cost estimates.

Section 10. Contract Duration - Contracts for surveying, mapping and planning shall, as a general rule, have a duration of three (3) months. This may, however,

be extended upon agreement of DENR and the contractor for such period as may be necessary depending on the size of the contract area, accessibility, and such other factors that would warrant extension.

Article III Comprehensive Site Development

Section 11. Mode of Implementation - Comprehensive site development activities inclusive of construction of infrastructure, seedling production, site preparation, planting/replanting, maintenance and protection, shall likewise be implemented through contracts with family, community and corporate contractors based within, or adjacent to, the project site. Conformably with the policy enunciated herein, no activity - specific contract for site development shall be allowed except upon prior clearance from the Secretary or his duly-designated representative. (Contract format for comprehensive site development shall be provided for in the Manual of Operations for Contract Reforestation).

Section, 12. Preference for Family/Community Contractors - To enforce the policy of giving preference to family/community contractors, at least 60% of the total annual goal for contract reforestation in the Region/PENRO/CENRO shall be reserved to family contractors. The balance of 40% thereof shall be allotted to **bona fide** community and corporate contractors. However, the former shall be given higher preference than the latter in the allocation of area to be contracted.

Section 13. Schedule of Contracting - Contracts for comprehensive site development shall be awarded after completion of surveying, mapping and planning as soon as funds are available. Preferably, the award shall be made not less than eight (8) months before the first month of the rainy season when planting will commence at the project site.

Work shall commence within one month from receipt of the notice to proceed by the contractor. However, if fund releases are delayed and starting within one month from notice to proceed would not be consistent with seasonal schedules, commencement of work may be delayed to conform with the appropriate implementation calendars to be provided for in the Manual of Operations for Contract Reforestation.

Construction of infrastructure, seedling production and site preparation shall be completed not less than one month prior to planting.

Planting shall commence during the month specified in the contract and shall be completed within the next three (3) months thereafter. However, the start of the planting may be advanced or delayed with the rainfall. Ideally, planting should be completed

within three (3) months thereafter. Replanting shall be carried-out during the second year of the contract after planting, and shall be implemented as often as needed to comply with planting density requirements. It must be completed at least three (3) months prior to the onset of the dry season.

Maintenance and protection shall be implemented throughout the duration of the contract. However, establishment of firebreaks consisting of fire resistant trees/plants may be undertaken immediately after site preparation.

Implementation calendars for activities included in comprehensive site development contracts shall be provided for in the Manual of Operations for Contract Reforestation which take into account two possible scenarios that are dependent on the date when funds are released and become available: (a) Notice to Proceed issued from January to February, and (b) Notice to Proceed issued from March to September.

Section 14. Preparation of Project Development Plan - Within 30 days from signing of the contract, the contractor shall prepare a Project Development Plan in close collaboration with DENR technical personnel following the outline provided for in the Manual of Operations for Contract Reforestation. However, in the case of family contractors, the CENRO/PENRO should take the lead in preparing the Plan in close consultation with the contractor. The Plan must be consistent with the regional/provincial reforestation plans. It must take into consideration the prescriptions in this Guidelines as well as in the Technical Guide on Contract Reforestation. The DENR shall furnish the contractor with copies of the outputs of surveying, mapping and planning, i.e. Control Map, Operations Map and Technical Report and Recommendations, for this purpose. Upon completion of the Plan, it shall be submitted to DENR for review and approval.

The DENR office concerned shall review and approve the same within fifteen (15) days from the date of submission. Pending approval of the Plan, the contractor may begin preliminary activities such as seedling production, site preparation and construction of infrastructure.

Section 15. Setting Plantation Objectives - In the preparation of the Project Development Plan, plantation establishment objectives shall be clearly defined for each portion of the reforestation area so that plantations are developed for specific end use(s). In defining objectives, the variables that exist within and between sites shall be fully considered. Generally, slopes from 0 - 50% shall be developed into **production forests** while slopes greater than 50% shall be developed into **limited production forests**. Regardless of slope, however, **protection forests** shall be established on portions of the project site where it is not feasible or advisable to develop production or limited production forests because of high erodibility, rocks and similar constraints. The

minimum area that shall be developed as production forest or limited production forest in a contract reforestation project is ten percent (10%) of the total area covered by the contract.

Section 16. Fuelwood Production - In the development of production forests, planting of fuelwood crops with high calorific value shall be included in response to increased demand for firewood and charcoal due to the high costs of fuel. Fuelwood crops shall be planted as hedgerows following the contour and/or as nurse species in multi-purpose plantations (i.e. those that grow a mixture of timber and non-timber products) through the use of low-cost planting methods such as direct seeding, cuttings and bare-root seedlings. Herbaceous perennials and semi-perennials that produce stalks useful as fuelwood, such as: kadyos (*Cajanus cajan*), *Flamengia congesta*, *Desmodium renzonii* and crotolaria (*Crotolaria spp.*), may be planted as nurse species in lieu of, or in addition to, fast growing trees.

Section 17. Inclusion of Fruit Trees - The planting of fruit trees shall also be encouraged in the development of production forests. However, the area planted to fruit trees shall not exceed 20% of the total project site nor occupy a contiguous area of more than one hectare to ensure that the site is eventually reverted back to conditions approximating its former natural forest state and to provide for future timber supply.

Section 18. Site Preparation - Where the reforestation site contains cogon (*Imperata cylindrica*), talahib (*Saccharum spontaneum*), bagokbok (*Themeda triandria*) and other fire-prone grasses, site preparation shall include cultivation followed by removal and/or exposure of their roots (rhizomes). Cultivation shall be done so as to make the area suitable for direct seeding of nurse trees, the interplanting of food crops, and to give seedlings a better chance to survive. The extent of cultivation shall vary, depending upon the slope and plantation establishment objectives, as follows:

a) **Production Forests**

0 to 15% slopes: complete or strip cultivation of the entire area followed by removal/exposure of roots (rhizomes); spot cultivation at one meter diameter for bamboo and rattan plantations,

over 15% up to 30% slopes: cultivation of 25 planting strips per hectare measuring not less than two meters width along the contour, followed by removal/exposure of roots (rhizomes), leaving more or less two meters of uncultivated areas in-between cultivated strips;

over 30% up to 50% slopes: cultivation of 20 planting strips per hectare measuring not less than two meters width along the contour, followed by

removal/exposure of roots (rhizomes), leaving more or less two meters of uncultivated areas in-between cultivated strips;

b) **Limited Production Forests**

Spot cultivation of not less than 1,600 planting spots per hectare followed by removal/exposure of roots (rhizomes). Cultivated planting spots shall be circular in shape with a diameter of not less than one meter. Spots to be cultivated shall include: (i) planting spots for non-timber products, (ii) planting spots for covercrop, and (iii) spots where pioneer species (trees/bushes) are being nurtured through assisted natural regeneration (ANR).

c) **Protection Forests**

Spot cultivation of not less than 1,600 spots per hectare followed by removal/exposure of roots (rhizomes). Cultivated spots shall be circular in shape with a diameter of not less than one meter. Spots to be cultivated shall include: (i) planting spots for covercrop, and (ii) spots where pioneer species (trees/bushes) are being nurtured through assisted natural regeneration (ANR).

Section 19. Method of Cultivation - As a general rule, cultivation shall be carried-out using animal-powered implements (e.g. plow and harrow) or hand tools such as pick-mattock, asarol, gabion and similar instruments. Plowing with tractors may be allowed where feasible but the costs thereof shall not exceed the costs of cultivation using animal-powered implements or hand tools.

All strip cultivation shall follow the contour. Prior to cultivation, contour lines shall be laid out using an "A" frame or other suitable instrument.

Cultivation shall be done not less than two times at intervals of approximately two (2) months. Preferably, the first cultivation shall take place at the end of the rainy season. The second cultivation shall take place during the dry season to expose roots (rhizomes) to the drying effects of sunshine and wind. Cultivation shall be completed not less than one month prior to planting.

Section 20. Planting Density - The planting density per hectare for the various plantation development categories/objectives, i.e. production forest (timber and non-timber crops), limited production forest, enriched forest and protection forest, is hereto attached as Annex "A". The contractor shall prepare a planting design in consultation with DENR technical personnel following the density requirements indicated therein.

The seeds and other planting materials needed by the contractor, especially for final crop trees, shall, as much as possible, be produced from established seed production areas and/or seed orchards wherever these are available. The RED/PENRO/CENRO are hereby enjoined to assist the contractor in this regard.

Section 21. Minimum Survival Rate - The survival rate in a contract reforestation project that is acceptable to DENR upon turn-over of the project shall be 80% each of the final crop and nurse trees or other perennials based on the prescribed planting density. In addition, for timber species, the minimum acceptable height for surviving seedlings at turn-over shall be one-and-a half (1.5) meters for slow growing species such as narra and three (3) meters for fast growing species such as yemane.

Section 22. Road Construction - Consistent with the policy on road construction under this Guidelines, construction of access roads, but not plantation roads, may be allowed in reforestation projects subject to the favorable result of an environmental impact assessment, and where the project area to be serviced is greater than fifty (50) hectares. However, construction of graded trails and footpaths leading to and/or within plantation areas shall be included in comprehensive site development contracts: **Provided**, That such construction shall be implemented through labor-intensive methods in accordance with the standards prescribed in DENR's Technical Guide on Contract Reforestation.

Section 23. Contract Duration - Contracts for comprehensive site development shall have an average duration of thirty-six (36) months spread out over three (3) to four (4) calendar years. However, the contract may be extended up to a total of sixty (60) months, wholly or in part, to make up for losses caused by drought, typhoon and other natural calamities, or for the purpose of implementing income-enhancement planting pursuant to Sec. 35 and 36 hereof. To be eligible for extension, the contractor must have demonstrated satisfactory performance, with due allowance for slippage due to natural calamities, as of the date of filing the request for extension.

Section. Conversion to FLMA - Upon termination of the comprehensive site development contract, family and community contractors shall be given priority in the issuance of a Forest Land Management Agreement (FLMA) over the project area which will grant sole and exclusive privilege to further develop it, harvest and utilize the products therefrom for 25 years, renewable for another 25 years, on the condition that the minimum survival rate of 80% of the prescribed planting density is attained, subject to the requirements of DENR Administrative Order No. 71 Series of 1990, particularly, the implementation of community-based management in FLMA areas. Corporate contractors shall likewise have preference in the issuance of an FLMA, subject to the provision on equity participation for local residents under said Administrative Order.

Article IV Monitoring and Evaluation

Section 25. Mode of Implementation - Monitoring and evaluation (M & E) of reforestation projects shall be undertaken through contract with accredited non-government organizations (NGO's), pursuant to DENR Memorandum Circular No. 24 Series of 1989. Implementation of M & E by NGO's shall be done primarily to determine the extent to which Comprehensive Site Development contractors have attained the targets specified in their contracts, and to identify implementation problems that need to be addressed. Additionally, the DENR, through its duly-designated representatives, shall conduct inspections and assess performance in response to progress billing submitted by the comprehensive site development contractors. The principal purpose of M & E implementation by DENR will be to determine amounts due and payable to these contractors for services rendered or work accomplished. (Contract format for M & E by NGO's shall be provided for in the Manual of Operations hereof.

Section 26. Schedule of Contracting - Contracts for M & E conducted by NGO's shall be awarded one month after the award of a comprehensive site development contract or at anytime thereafter up to the conclusion of such contract. Work shall commence within one month from receipt of the notice to proceed by the NGO contractor.

Section 27. Monitoring and Evaluation Procedures - Monitoring and evaluation of the various site development activities, such as: construction of infrastructure, seedling production, site preparation, planting/replanting, maintenance and protection, etc., shall be carried-out in accordance with the DENR Monitoring and Evaluation System for Contract Reforestation, DENR MC No. 24 Series of 1989, and the DENR Manual for NGO Monitoring and Evaluation of Contract Reforestation Projects. These procedures employ the use of statistical sampling and inspection charting methods to ascertain the quantity and quality of work accomplishments. Results of monitoring and evaluation shall be used by DENR in deciding on the most appropriate course of action to take in regard to a particular contract pursuant to pertinent rules and regulations.

Section 28. Frequency of Inspection and Assessment - Inspection and assessment of site development activities shall be undertaken pursuant to a Work and Financial Plan prepared by the contractor and approved by DENR. At the minimum, inspection chart mapping (ICM) shall be done once during the first two years and twice during the third year of a comprehensive site development contract prior to disbursement of the final payment due under the contract. Systematic sampling, on the other hand, shall be done at least twice each year during the thirty-six (36)-month period of said contract.

Section 29. Contract Duration - As a general rule, contracts for monitoring and evaluation may be entered into for a duration of twelve (12) months covering one (1) ICM cycle and two (2) systematic sampling cycles. However, monitoring and valuation contracts may also be entered into for thirty-six (36) months or on a per activity basis depending on the capability and/or availability of NGOs in a particular region or province, and the availability of funds.

Article V
Supplemental/Alternative Silvicultural Treatments

Section 30. Covercrop Planting - Contracts may be awarded initially for the purpose of establishing covercrop under any of the following situations:

- 30.1 The planting site is heavily infested with cogon, talahib and other grasses that should be eliminated or substantially reduced before trees are planted;
- 30.2 The planting site is scheduled for development as production forest or limited production forest in the future but soil fertility and organic matter should be increased to improve site conditions in preparation for development;
- 30.3 Previous attempts to reforest the site have failed because of low soil fertility, insufficient organic matter or damage due to grass fires; and
- 30.4 There is an urgent need for quick establishment of a vegetative cover to reduce erosion and increase rainfall infiltration because the site is part of an important watershed .

Covercrop planting contracts shall be awarded for a maximum duration of twenty four (24) months spread over two (2) or three (3) calendar years and managed as comprehensive site development contracts. After the area has been conditioned with covercrops, it shall be planted with trees and other perennials.

Additionally, covercrop planting may be implemented as part of a comprehensive site development contract for establishment of production or limited production forests, pursuant to Sec. 63.1 herein.

Section 31. Covercrop Species/Method of Planting - Covercrop species to be planted shall consist of perennial legumes with the capability to overcome cogon, talahib and similar fire-prone grasses, and/or with non-legumes that have the same capability. As a general rule, a mixture of several covercrop species shall be planted. The mixture shall include fast-growing species (e.g. kudzu - **Pueraria spp.**) that can quickly

overtop cogon, talahib, etc., and slow-growing species that are drought-resistant such as siratro and centrosema. However, any mixture of covercrop species that can help overcome grasses and improve site conditions will be acceptable. The combination may therefore include calopogonium, stylosanthes, desmodium, lablab bean, psophocarpus (winged bean), patani, wild sunflower, morning glory vine, kikuyu grass and other suitable covercrop species.

Covercrops shall be planted in spots that have been thoroughly cultivated as described in Sec. 18(b) (c) hereof. Cultivated planting spots shall have a diameter of at least one meter. There shall be a minimum of 1,600 planting spots per hectare.

Section 32. Intercropping - Intercropping of food crops shall be allowed and encouraged in ongoing comprehensive site development contracts. The contractor may interplant at his/its own cost food crops in all areas cultivated during site preparation, except in spots to be planted with covercrops. Hardy food crop species shall be preferred such as camote, bananas and cassava. The planting of any other food crops suitable for the site and compatible with the trees/perennials therein shall also be allowed.

Section. Procurement of Intercrop Materials - The contractor shall procure the planting materials for intercropping. The RED/PENRO/CENRO, however, are enjoined to assist the contractor in securing seeds and other planting materials by establishing linkages with the Department of Agriculture and other government and private institutions that can supply such materials free of cost.

Section 34. Harvesting of Intercrops - Harvests from intercrops shall belong to the contractor who may sell, use or otherwise dispose of such harvests. No restrictions shall be placed on the harvesting of intercrops: **Provided**, That harvesting is done in a manner that does not damage the trees, bamboos, rattan or other species planted on the site.

Section 35. Income-Enhancement Planting - In projects contracted prior to approval and implementation of this ORDER, the quality of maintenance and protection shall be enhanced by carrying out Income Enhancement Planting (IEP). With particular reference to contracts awarded in 1988, 1989 and 1990, the amounts previously budgeted for Year 2 and Year 3 maintenance and protection under these contracts shall be obligated instead to implement IEP.

Income-enhancement planting shall be implemented through contracts entered into with the reforestation contractor using the format in the Manual of Operations for Contract Reforestation. The funds to be allotted therefor shall not exceed the amount fixed in Annex "B" hereof, and shall be spent solely to support the income-enhancement planting activities as discussed in the succeeding provisions. They shall not, in any way,

be utilized to finance the plantation establishment activities under the main reforestation contract.

Section 36. Technical Specifications for Income- Enhancement Planting - Income-enhancement planting shall be implemented as follows :

- 36.1 Approximately twenty (20) planting strips per hectare with a minimum width of two (2) meters shall be prepared between existing trees/other perennials by removing cogon, talahib and similar fire-prone grass species with hand tools, taking care not to damage the trees/perennials;
- 36.2 The planting strips shall be cultivated to the extent that will make it feasible to plant food crops and fuelwood crops between the trees/perennials using low-cost methods such as direct-seeding; and planting of cuttings, suckers; planting slips and the like;
- 36.3 In sites where preparation/cultivation of strips is not practical, planting spots of not less than one (1) meter diameter may be prepared/cultivated instead, provided the combined area of these planting spots is not less than the area that would otherwise be occupied by strips which is 4,000 square meters (i.e. 20 strips x 100 meters length x 2 meters width) per hectare;
- 36.4 Combinations of strips and planting spots shall also be allowed provided the total area prepared/cultivated is not less than 4,000 square meters per hectare;
- 36.5 The cultivated planting: strips/spots shall be planted with shade-tolerant crops that are compatible with the existing trees/perennials such as gabi, yutia, corot, ginger, siling labuyo and alugbati. Where the existing trees/perennials have been planted at relatively wide spacings, species that serve as nurse crops or temporary covercrops, or that supply fuel wood or food, may be interplanted such as bananas, camote, cassava, pineapple, flamengia, kadyos, kakawate, malunggay, crotolaria, etc.;
- 36.6 The interplanted crops shall be maintained by the contractor to prevent the re-infestation of cultivated strips by cogon, talahib and other fire-prone grass species.

Section 37. Schedule of Contracting - Income-enhancement planting contracts shall be awarded in 1991 and 1992 covering projects implemented under existing reforestation contract. Pursuant to Section 35 herein, the funds formerly envisioned to be obligated for brushing, ring weeding and replanting during Years 2 and 3 of a contract, shall be obligated instead for IEP. Notice to proceed shall be issued not later than two (2)

months prior to the normal planting season at the project site. Thus, in regions/provinces where the normal planting season is June/July, notice to proceed shall be issued not later than the end of May. In regions/provinces where the normal planting season begins in September/October, notice to proceed shall be issued not later than August.

Section 38. Harvesting, Sale and Utilization of Crops from Income-Enhancement Planting - The crops introduced through income-enhancement planting shall be harvested, sold and utilized by the workers who implemented the above-described activities: **Provided**, That upon issuance of an FLMA covering the project, the investment in income-enhancement planting shall be recovered through production-sharing arrangement with the DENR pursuant to DENR Administrative Order No. 71 Series of 1990.

Section 39. Duration of and Limitation on Income- Enhancement Planting Contracts - Income-enhancement planting contracts shall have a maximum duration of twenty-four (24) months spread out over two (2) to three (3) calendar years. These contracts shall only be awarded in areas covered by reforestation contracts awarded prior to approval and implementation of this ORDER wherein the new specifications for site preparation/cultivation set forth herein have not yet been applied.

Section 40. Enrichment Planting - The award of enrichment planting contracts shall be allowed in inadequately-stocked reforestation projects previously implemented by administration subject to the following terms and conditions:

- 40.1 The existing population of trees in the area is below the planting density prescribed in Annex "A" of this Guidelines;
- 40.2 Prior to the award of a contract for enrichment planting, surveying, mapping and planning shall be first undertaken either by contract or administration to determine the extent of planting required;
- 40.3 The planting design shall conform with the plantation establishment objectives under Sec. 15 and the planting density requirements hereof. Nurse trees shall consist of fuelwood crops and other species compatible with trees and other perennials such as bananas, kadyos, etc. Interplanting of food crops concurrent with the interplanting of fuelwood, timber and non-timber crops, shall be allowed and encouraged. The contractor shall procure the planting materials, establish and maintain the food crop plantings on his own at no cost to DENR. Harvests of such food crops shall belong to the contractor;
- 40.4 Contract budgets shall not allocate more than the amount necessary to attain the prescribed planting density requirements per hectare for final crop and nurse trees.

For example, if the required planting density is 400 final crop and 1,200 nurse trees, and the site already contains 200 final crop and 1,000 nurse trees, the budget shall only allocate for the amount needed to plant an additional 200 final crop and 200 nurse trees;

- 40.5 Enrichment planting of timber and non-timber species shall be allowed only in portions of the project site that are suitable for development as production forest and limited production forest. Portions of the project site that will be developed as protection forest shall be enriched by planting covercrop and implementing assisted natural regeneration;
- 40.6 Enrichment planting contracts shall be implemented and administered as comprehensive site development contracts, consistent with the provisions of Article III of this Order;
- 40.7 Enrichment planting contracts shall be prepared using the format for comprehensive site development contracts in the Manual of Operations for Contract Reforestation.

Article VI Reforestation Costs and Budgets

Section 41. General Budgeting Guideline - Budgets for reforestation contracts shall be consistent with plantation establishment objectives. Since most areas within sites vary in slopes and other features, budgets for plantation development shall not necessarily be uniform for the entire site. Higher budgets shall be required for portions of the site to be developed as production forests. By comparison, smaller budgets shall be allocated for portions thereof to be developed as limited production forests and protection forests. Smaller budgets will be adequate for the latter two categories since low-cost treatments such as assisted natural regeneration and covercrop planting are appropriate for such areas.

Section 42. Cost Ceilings for Reforestation - New budget ceilings are hereby established in accordance with the development objectives for each portion of a project site and for ancillary activities included in contracts for surveying/mapping/planning and for monitoring and evaluation. The summary of cost ceilings per type of contract/activity/end-use are presented in Annex "B" which shall henceforth apply unless adjusted pursuant to this Guidelines.

Section 43. Method of Computing Contract Budgets - The cost ceilings established for the various types of contracts and plantation development categories/end-uses shall not be exceeded in the computation of the cost estimates for a

particular project or activity to be contracted. In computing plantation costs, the DENR offices concerned shall first determine the number of hectares for each development category, i.e., production forests (timber, bamboo, rattan, orchards, mangrove), limited production forests, and protection forests (ANR and covercrop/covercrop only), before the budgets for plantation establishment are computed using the cost estimates worksheet to be provided for in the Manual of Operations for Contract Reforestation.

The DENR offices awarding contracts are hereby encouraged to negotiate costs that are lower than the ceilings taking into account prevailing conditions in the locality where the project site is located, without however, sacrificing the quality of plantations to be established.

Section 44. Adjustment of Activity Cost Ceilings - Notwithstanding the cost ceilings set under this Guidelines, the cost estimates for specific activities or types of work may be increased or decreased by 25% of the applicable cost ceiling for such activity/type of work at the option of the contractor during the preparation of the Work and Financial Plan or Project Development Plan as the case may be: **Provided**, That the total budget for the contract or category concerned does not exceed its cost ceiling: **Provided, further**, That the budget prepared by the contractor is approved by the DENR office which awards and administers the contract.

Section 45. Revision of Cost Ceilings - The cost ceilings herein established may be revised by the Secretary as the need arises through a memorandum circular or appropriate issuance taking into account the prevailing costs of labor and materials, and such other factors that would justify cost adjustment. Copy of the cost revision shall be furnished the Commission on Audit for the purpose of determining the reasonableness thereof prior to its adoption or application.

Article VII

Contract Management

Section 46. Mode of Awarding Contracts - Pursuant to DENR Memorandum Circular (MC) No. 11 Series of 1989 (adopted as Commission on Audit Circular No. 89-310), reforestation contracts (i.e. for surveying, mapping and planning; comprehensive site development; monitoring and evaluation) may be awarded either through negotiation or public bidding. For family contractors, comprehensive site development contracts may be awarded through negotiation. For community contractors, contracts for surveying, mapping and planning, comprehensive site development, monitoring and evaluation, may also be awarded through negotiation.

However, for corporate contractors, contracts for surveying, mapping and planning, comprehensive site development, monitoring and evaluation, shall, as a general

rule, be awarded through public bidding as provided for under Sec. 9-A, DENR MC No. 11 Series of 1988 and Sec. 3.5 and 4.2.2 of DENR MC No. 11 Series of 1989. These contracts may be awarded through negotiation with corporate contractors only under any of the applicable cases provided for in Executive Order No. 301, Series of 1987, e.g., failure of bidding for two consecutive times; when the requisition for such services is most advantageous to the government as determined by the Department Head; or when the contractor is an agency of the government. [Sec. 1 (d) (e) (f); of DENR MC No. 11, Series of 1989 and COA No. 89-310].

Section 47. Timing of Award and Implementation of Contracts -

The award and implementation of contracts shall be consistent with the seasonal climatic variables prevailing in the site covered by the contract, and shall also take into account the date of release and availability of funds that may be obligated for implementation.

Thus, for regions/provinces where the recommended planting season is around June/July, implementation shall begin not later than February if the intention is to implement planting within the same year that the contract is awarded. Similarly, for regions/provinces where the recommended planting season is around September/October, implementation shall begin not later than March, if the intention is to implement planting within the same year. In both cases, this will provide approximately six (6) months lead time for seedling production and site preparation prior to planting.

However, if contract award and notice to proceed are delayed due to late release of funds, implementation and payment schedules included in the contract shall specify that planting will commence in the following calendar year and contract implementation shall begin approximately six (6) months ahead of the recommended planting season. For guidance in preparing implementation and payment schedules, DENR offices responsible for awarding contracts shall refer to the implementation calendars provided for in the Manual of Operations for Contract Reforestation.

Section 48. Approval of Contracts - Contracts for surveying, mapping and planning, comprehensive site development, and monitoring and evaluation, shall be considered as reforestation contracts, and shall be approved by the concerned DENR officials (e.g. CENRO/PENRO/RED/etc.) in accordance with the authority to enter into contract delegated unto such officials under Sec. 6.1.1 of DENR MC No. 11 Series of 1989.

However, in the case of the CENRO, his authority to enter into contract is hereby increased to not more than P200,000.00 due to the increase to ten (10) hectares in the maximum area that may be awarded to each family contractor. Thus, the lower limit of the PENRO's authority to enter into contract is likewise increased to more than

P200,000.00. All the other provisions of DENR MC. No. 11 Series of 1989 on delegation of authority shall remain applicable.

Section 49. Performance Bond - Community and corporate contractors shall be required to post performance bond equivalent to 10% of the total contract cost. This bond shall be posted in favor of the DENR issued by the Government Service Insurance System (GSIS) callable on demand in order to guarantee the faithful performance of the contractor. It shall be released to the contractor upon acceptance of the contracted services or project in accordance with DENR MC No. 24 Series of 1990. Family contractors shall continue to be exempted from this requirement.

Section 50. Release of Mobilization Cost - Pursuant to the authority granted by the Office of the President on 10 January 1989 and in May 1989, payment of mobilization cost shall be allowed to family, community and corporate reforestation contractors.

a) **Surveying, Mapping and Planning/Monitoring and Evaluation Contracts**

The contractor, either community (NGO) or corporate, shall be entitled to the payment of mobilization cost which shall not exceed 15% of the total contract cost, to be disbursed in full upon execution of the contract and after posting of a performance bond, pursuant to Sec. 4 a.2 and 4 a.3 of DENR Administrative Order No. 25 Series of 1989. However, in the absence of a performance bond, the mobilization cost (not to exceed 15% of the total contract cost) shall be disbursed in two equal installments. The first installment (approximately 7.5%) shall be disbursed after execution of the performance bond and submission of the Contract and upon submission of a Contract of Undertaking and/or Board Resolution, as the case may be, pursuant to the aforementioned Sections of DAO - 25, s. 1989. The second installment shall be disbursed only when the contractor has completed the work to be funded out of the first installment, pursuant to a Work and Financial Plan approved by the DENR.

b) **Comprehensive Site Development Contracts**

The contractor, either family, community or corporate, shall be entitled to payment of mobilization cost not exceeding 15% of the first year financial requirement of the project. For community and corporate contractors, the mobilization cost shall be disbursed in full upon execution of the contract and after posting of a performance bond pursuant to Sec. 4 a.2 and 4 a.3 of DENR Administrative Order No. 25 Series of 1989. However, in the absence of a performance bond, the mobilization cost (not to exceed 15% of the total contract cost) shall be disbursed in two installments. For family contractors, the first installment shall be equivalent to one-third of the total mobilization cost

(approximately 5% of total contract cost). The balance, equivalent to two-thirds of the total mobilization cost (approximately 10% of the total contract cost) shall be deposited in escrow in a bank nearest to the project site. Withdrawals from this account shall be subject to the written concurrence of the duly-authorized DENR representative pursuant to Sec. 5(a) of DENR Administrative Order No. 14 Series of 1989. For community/corporate contractors who have not posted a performance bond, the mobilization shall be disbursed in two installments, each of which shall be equivalent to one-half of the total mobilization cost (approximately 7.5% of total contract cost). Disbursements shall be contingent on submission of a Contract of Undertaking, Board Resolution or irrevocable letter of credit, as the case may be, pursuant to Sec. 4 a.2 and 4 a.3 of DENR Administrative Order No. 25 Series of 1989.

Section 51. Payment of Billings - Succeeding payments to the contractor shall be made only in response to written progress billings submitted to the DENR office concerned, in accordance with the payment schedule of the contract. Upon receipt of the billing, said DENR office shall, within five (5) working days, inspect the work through its duly-designated representatives. Within three (3) working days after inspection, the DENR inspectors shall submit their Inspection Report. The Report may either recommend for payment of the bill in such amount as may be warranted by actual accomplishments, or for its rejection, as the case may be. Whenever possible, the inspections conducted by NGO monitoring and evaluation contractors shall be scheduled to coincide with inspections by the duly-designated representatives of DENR.

If the recommendation is for payment, the billing shall be immediately processed and the payment remitted to the contractor. If for rejection, the CENRO/PENRO/RED concerned shall notify the contractor within three (3) working days from receipt of the Inspection Report informing the latter of such fact and explaining the reasons therefor. The DENR shall have the right to suspend payments on the contract, or impose such conditions as may be appropriate, if results of inspections by its duly-designated representatives or by NGO's contracted to implement monitoring and evaluation, indicate the accomplishments are below the targets specified in the contract. Suspension, if imposed, shall at last until such time the contractor overcomes any shortfall in performance and complies with the terms and conditions of the contract. Progress billings shall use the format provided for in the Manual of Operations hereof.

Section 52. Retention Fee - To further guarantee accomplishment of the contracted services/project targets, an amount equivalent to 15% of the total contract cost shall be retained by the DENR office concerned. This amount shall be disbursed to the contractor as final payment upon satisfactory completion of the contracted services, conversion to FLMA, or upon turn-over of the project, as the case may be, subject to Sec. 60 (a) hereof.

Section 53. Subcontracting/Assignment - Reforestation contractors are hereby prohibited from subcontracting or assigning, wholly or in part, the services/project contracted under this Guidelines without prior written consent from the Secretary or his duly-designated representative. In the event a subcontracting is authorized, the contractor shall continue to be primarily liable under the contract, and DENR shall not be answerable for any and all claims brought against the subcontractor by its workers, agents, creditors or by third parties. Any subcontracting agreement or assignment entered into in violation of this Section shall be considered null and void. This prohibition, however, does not cover the traditional practice of availing labor services, known as "pakyaw system", widely prevalent in the countrysides, or the payment of services on a piece rate basis pursuant to law.

Section 54. Penalty for Delay - The contractor shall be liable for penalty by way of and as liquidated damages in the amount equivalent to 0.1% of the total contract cost for every day of delay in the full completion of the contracted services or project due to causes other than **force majeure** as defined under Sec. 55 hereof. The total amount of penalty due and owing to the DENR under this Section shall be offset or automatically deducted from the retention fees to be released to the contractor as final payment. Should the retention fees be insufficient to cover the entire amount of the penalty, the balance thereof shall be settled by the contractor out of his/its own funds.

Section 55. Force Majeure - Under this Guidelines, **force majeure** shall refer to those events which could not be foreseen, or which though foreseen, were inevitable so as to make it impossible for the contractor to carry out, in whole or in part, the obligations under the contract. These shall include the following:

- a) Those due to human causes such as wars, armed invasion, revolution, rebellion, insurrection, armed blockades, riots, civil disturbances, strikes and other analogous causes; and
- b) Those due to natural causes such as earthquakes, typhoons, storms, floods, prolonged drought, epidemics, and other similar phenomena.

In case of **force majeure**, the contractor shall notify the DENR office concerned in writing, within seven (7) days after its occurrence, describing the same and its effects upon the performance of the contract. The parties shall, within five (5) days after DENR's receipt of the notice, consult with each other to decide on the most appropriate course of action to take under the circumstances, which may include suspension of work or termination of the contract.

In case of suspension of work, the contract may be extended for a period equivalent to that for which the contractor was prevented from performing the work. In

the event of termination, the contractor, upon receipt of the notice, shall take immediate steps to bring the work to a close in a prompt and orderly manner minimizing expenditures as far as practicable. The DENR shall not be liable to the contractor except for work or services performed prior to the date of termination and for actual costs incurred in connection with the liquidation of work. The contractor shall turn-over to DENR all improvements introduced, data gathered, maps, drawings, and preliminary conclusions reached, as of the date of termination.

The effects of **force majeure** on established plantations shall be treated in accordance with DENR Memorandum Circular No. 11 Series of 1990.

Section 56. Resolution of Disputes - In case of disagreements arising from a contract entered into pursuant to this Guidelines, the contractor shall submit to the immediate DENR office supervising the implementation of such contract a position paper with a brief statement of facts, the issue(s) in dispute, and his/its position thereon. Within fifteen (15) days from receipt of the contractor's position paper, the DENR official concerned (i.e. CENRO/PENRO/RED) shall render his decision in writing furnishing a copy thereof to the contractor. In case the contractor is dissatisfied with the decision, he/it may appeal the same to the Secretary within fifteen (15) days from receipt of a copy thereof.

In case the contractor still feels aggrieved of the Secretary's decision, the dispute may be submitted to arbitration pursuant to Republic Act No. 876, as amended, otherwise known as "The Arbitration Law". An arbitration panel shall be formed composed of three (3) arbitrators, one to be appointed by DENR, another by the contractor, and the third by the arbitrators so appointed who shall serve as chairman. The arbitration panel shall consider and decide the controversy in accordance with the procedures provided for in said Act pertaining, among others, to the conduct of hearings, rendering of award, its confirmation, enforcement and appeal.

Section 57. Termination of Contract - Contracts executed under this Guidelines shall be terminated upon completion of the stipulated services or project in a manner acceptable to DENR. In case of comprehensive site development contracts, the DENR office concerned shall advise the contractor of his/its privilege to apply for and receive a Forest Land Management Agreement (FLMA), pursuant to Department Administrative Order No. 71 Series of 1990, and Section 24 hereof. To facilitate processing of such application for FLMA, the DENR office concerned shall issue an acceptance letter in accordance with the format provided in the Manual of Operations hereif, within five (5) working days from receipt of the contractors formal request for acceptance: **Provided**, that all outstanding obligations of the contractor, if any, with DENR or with private persons/entities, arising from the contract, have been duly settled.

Issuance of an acceptance letter as provided for herein shall also be applicable in the case of surveying, mapping and planning, and monitoring and evaluation contracts.

Contracts may likewise be terminated on any of the grounds warranting cancellation of contract, pursuant to Sec. 59 hereof, after giving the contractor due notice and opportunity to be heard.

Section 58. Contract Supervision - The CENRO/PENRO/RED shall be primarily responsible for ensuring proper and faithful compliance with this Guidelines as well as with all other pertinent rules and regulations for contract reforestation, within their areas of jurisdiction. They shall provide overall direction, management and control of contract reforestation projects in their respective areas. The CENRO/PENRO shall be assisted by Contract Reforestation Supervisor/s (CRS) in each CENRO who shall be mainly responsible for preparing contract documents, providing technical assistance to contractors, processing billings, monitoring the progress of implementation of reforestation contracts, and such other duties as may be necessary for effective contract supervision and management.

To facilitate the conduct of inspection in connection with billings filed by contractors, Inspection Team(s) shall be organized in each CENRO composed of a maximum of three (3) technical personnel to be headed by the CRS or any other forester at the CENRO. Contracts for monitoring and evaluation with accredited NGOs may also be executed for this purpose in accordance with Article IV hereof. The Inspection Teams/NGO shall undertake the inspection and assessment in accordance with the procedures outlined in the DENR Monitoring and Evaluation System for Contract Reforestation.

Article VIII Penal Provisions

Section 59. Grounds for Cancellation of Contract - The approving DENR official under Sec. 6.1.1 of DENR MC No. 11 Series of 1989 shall have the power and authority, after giving the contractor notice and opportunity to be heard, to cancel or rescind contracts entered into pursuant to this Guidelines for any of the following grounds:

- a) Fraud, misrepresentation or omission by the contractor of material facts in obtaining the contract which would otherwise disqualify him/it therefrom;
- b) Failure to start the project on the date specified in the contract without just cause;

- c) Abandonment of the project area, or of the work stipulated in the contract, for a period of at least one month from the date of discovery by DENR of such fact; or
- d) Violation of, or failure to comply with, the terms and conditions of the contract, the pertinent provisions of this Guidelines, and other rules and regulations for contract reforestation, without just cause.

This provision shall not preclude the Secretary from exercising his power and authority to rescind any contract if, based on investigation and findings, any of the above grounds for cancellation exists, and the approving DENR official fails or refuses, without just cause, to abrogate the contract to the prejudice of the Government.

Section 60. Penalties to Erring Contractors - In addition to the cancellation of the contract, the following penalties shall be imposed upon an erring contractor:

- a) Forfeiture of performance bond in favor of DENR including the retention fees;
- b) Suspension/blacklisting of the contractor, its owners, directors/trustees, officers, stockholders/members, from entering into any contract or from participating in any bidding with the DENR. The suspension/blacklisting order to be issued by the Secretary or his duly-designated representative shall remain in force and effect unless lifted;
- c) Permanent disqualification of the contractor, its owners, directors/trustees, officers, and stockholders/members, from entering in any contract or from participating in any bidding with the DENR.

The imposition of any or all of the above penalties shall not preclude DENR from demanding for the return/reimbursement of any payments received under the contract (i.e. mobilization cost) plus damages as may be allowed by law, and/or from the filing of appropriate civil or criminal case against the erring contractor as may be warranted under the law. In the event of cancellation, the DENR shall have the right to award the contracted project or services to any qualified contractor.

Section 61. Grounds for Disciplinary Action Against DENR Employees - The following shall constitute sufficient grounds for the institution of disciplinary action against DENR employees:

- a) Soliciting or receiving money, fee, gift, share, percentage or favor from any project proponent or contractor as a consideration for, or in connection with, the award and implementation of reforestation contracts;

- b) Falsification of inspection reports and any other official document in regard to the monitoring and evaluation of contract reforestation projects;
- c) Neglect of duty, misconduct, inefficiency or incompetence in the performance of official duties in connection therewith;
- d) Directly or indirectly having any financial and material interest in any contract entered into pursuant to this Guidelines;
- e) Violation of, or failure to comply with, the provisions of this Guidelines and the pertinent rules and regulations for contract reforestation without just cause.

This provision shall not preclude the filing of appropriate disciplinary action against DENR employees involved in the contract reforestation program on other grounds as may be warranted under Presidential Decree (PD) No. 807, otherwise known as the "Civil Service Decree of the Philippines" and/or under Republic Act (RA) No. 6713, otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees."

Section 62. Penalties to Erring DENR Employees - Pursuant to Sec. 36(c) of PD No. 807, the disciplining DENR official may, after due notice and hearing, impose the penalty of removal from the service, transfer, demotion in rank, suspension for not more than one year without pay, fine in amount not exceeding six (6) months salary, or reprimand, upon any DENR employee who has committed any of the grounds for disciplinary action enumerated under Sec. 61 above.

Article IX Final Provisions

Section 6. Transitory Provisions - In accomplishing the contracting requirements prescribed in this Guidelines, the following transitory provisions shall be complied with unless otherwise provided elsewhere herein:

- 63.1 In view of the late release of funds, only contracts for surveying, mapping and planning may be entered into for the current fiscal year (1991) by DENR offices concerned involving areas to be developed for 1992. However this shall not

preclude the RED/PENRO/CENRO from executing contracts for comprehensive site development of areas that have already been surveyed and mapped, or in cases where surveying, mapping and planning can be completed within this year, provided substantial compliance with this Guidelines can be ensured. In this connection, and inasmuch as only a very short period is available before the onset of the earliest recommended planting season (i.e. June/July), comprehensive site development contracts executed this year may provide only for the planting of covercrops and nurse trees/plants following the specifications in Sec. 30 and 31 hereof, among others, with the planting of final crop trees scheduled for next year. The planting of covercrop and nurse trees/plants shall be credited as area planted for the DENR office concerned for the purpose of reporting accomplishments.

- 63.2 During the budget programming for the 1992 appropriations, necessary adjustments should be made in the proposed expenditure items of funds allowed for contract reforestation such that adequate funds are programmed under other services (06) for surveying, mapping and planning/monitoring and evaluation contracts, while retaining a sizable amount thereof under land and land improvements outlay (300-31) for comprehensive site development contracts.
- 63.3 Beginning fiscal year 1992, all reforestation contracting must follow the three (3) sequential phases, to wit: a) surveying, mapping and planning; b) comprehensive site development; and c) monitoring and evaluation, provided for under this Guidelines. All REDs/PENROs/CENROs are therefore instructed to identify their respective target areas for contract reforestation for 1992 for purposes of forward planning.

Section 64. Supplementary Rules and Regulations - The Undersecretary for Field Operations, the Regional Executive Directors (REDs), and the Chairman, NFP Steering Committee, as the case may be, are hereby authorized to issue such supplemental or interpretative rules and regulations, as may be necessary, in the form of memorandum circulars, memorandum orders, memoranda, or instructions, to carry-out or effectuate the provisions of this Guidelines, taking into account the peculiarities or unique conditions obtaining in each region, among others. These supplemental rules and regulations must be consistent with this Guidelines and copies thereof shall be furnished the NFP National Program Coordinating Office (NPCO).

Section 65. Repealing Clause - The provisions of the following issuances which are inconsistent with this Guidelines are hereby repealed or modified accordingly:

- a) DENR Administrative Order No. 39 Series of 1988;
- b) DENR Memorandum Circular No. 11 Series of 1988;

- c) DENR Administrative Order No. 14 Series of 1989;
- d) DENR Administrative Order No. 25 Series of 1989;
- e) Memorandum dated 12 July 1989;
- f) DENR Memorandum Circular No. 11 Series of 1989; and
- g) DENR Memorandum Circular No. 04 Series of 1990.

All other administrative orders, memorandum circulars, memorandum orders, memoranda, and issuances whose provisions are inconsistent hereof are likewise deemed repealed or modified accordingly.

Section 66. Separability Clause - In the event any provision of this Guidelines is declared unconstitutional or null and void, the validity of the other provisions shall not be affected by such declaration.

Section 67. Effectivity - This Guidelines shall take effect fifteen (15) days after the completion of its publication in the Official Gazette or in a newspaper of general circulation. The Records Officer of this Department is hereby directed to file three (3) certified copies hereof with the University of the Philippines Law Center pursuant to Sec. 3 (1), chapter 2, Book VII of the Administrative Code of 1987.

VICTOR O. RAMOS
Undersecretary for Field Operations

NOTE: Annexes Omitted