

Memorandum Circular
No. 98 - 08
June 24, 1998

**SUBJECT : Guidelines on Contracting Inside
Community-Based Forest Management (CBFM) Areas**

Pursuant to Executive Order No. 263 Series of 1995 and DENR Administrative Order No. 96-29 and other pertinent laws, rules and regulations and in order to hasten and systematize contracting inside CBFM areas, the following guidelines are hereby promulgated for the guidance of all concerned:

Section 1. Objectives

The Community-Based Forest Management (CBFM) Program grants to People's Organizations (POs) the privilege to enter into contracts with private and government entities and individuals for the utilization and/or development of portions, or the entire CBFM area to:

- a) facilitate the attainment of the PO's plans to develop and manage forestlands and resources;
- b) enhance their socio-economic conditions; and
- c) encourage investments by the private sector in the CBFM Program.

This contracting privilege is one of the strategies being pursued by the government to empower local communities to sustainably manage and benefit from the forest resources.

Sec. 2 Kinds of Contracting Inside CBFM Areas

There are two major kinds of contracting inside CBFM areas:

2.1 **Service Contract** - This takes the form of extraction of forest resources and associated activities such as road construction, major and minor transport, processing, and marketing of forest products.

2.2 **Development Contract** - This involves the development of portions of CBFM areas into plantations for timber, latex, fruits and other forest products, agroforestry, livestock production, eco-tourism and other developmental activities as contained in the the affirmed Community Management Resources Framework (CRMF) of the POs.

Sec. 3 Who May Be Parties to Contracts Inside CBFM Areas

Parties to contracting inside CBFM areas may be:

3.1 Between the PO and a PO member or group of members, hereinafter referred to as the “PO-designate”; and

3.2 Between the PO or the PO-designate, and a Third Party which may be an individual, a partnership, a corporation, another PO/cooperative, or a government entity.

Sec. 4 Contracting to be Consistent with CRMF and AWP of PO

4.1 Any contract entered into by the PO shall at all times be consistent with the PO’s CBFMA and affirmed CRMF.

4.2 Service contracts involving the extraction of natural forest shall only be good for one year to correspond to, and in conformity with, the PO’s AWP.

4.3 Development contracts shall be for the period agreed upon by the parties but in no case to exceed the term of the CBFMA or its extensions, if any.

Sec. 5 Roles of the DENR and the LGU in Contracting

- 5.1 The PO or the PO-designate and the contractor may enter into such agreements they may deem proper and beneficial to both parties.
- 5.2 The DENR through the CENRO and the Municipal government or their representatives shall assist the PO or PO-designate in the negotiations of all contracts inside the CBFM area, to ensure that:
 - 5.2.1 The rights and interests of the PO are protected;
 - 5.2.2 The contract is in accordance with the CRMF and AWP of the PO; and
 - 5.2.3 The contract does not violate any of the terms and conditions of the CBFMA nor any other forestry laws, rules and regulations.
- 5.3 The PO or PO-designate shall furnish the CENRO and the LGU a copy of any service or development contract entered into by the PO or PO-designate and all other changes in the terms and conditions of the contract.
- 5.4 The CENRO, the LGUs concerned, the PO and other stakeholders as appropriate, shall jointly conduct periodic monitoring of contracts. The concerned CENRO shall furnish copies of the monitoring reports to all concerned parties.

Sec. 6 Effect of CBFMA Suspension or Cancellation

- 6.1 Should the CBFMA be suspended or canceled for reasons attributable to the PO, the DENR and LGU concerned shall jointly act as steward or trustee of the community and shall remain as such until the PO has been cleared or a new PO has been granted the CBFMA.

6.2 Cancellation of the CBFMA for reasons of public interest shall not restrict either the PO or the contractor from normal legal recourse.

Sec. 7 Violation of the Terms and Conditions of the Contract

Violations of the terms and conditions of the contract either by the PO or contractor shall be disposed of in accordance with the terms and conditions agreed upon by the parties to the contract. Where such violations are, however, also violations of forestry laws, rules and other regulations, the violator shall be prosecuted in accordance with law.

Sec. 8 Rights of Developer to Transfer/Sell His/Her Rights.

8.1 The contractor shall have the right to transfer or sell his/her rights and obligations in the contract to any person or entity, subject to prior concurrence of the PO or PO-designate who shall have the right of first refusal. In such case, the transferee shall be considered the new developer.

8.2 The contractor shall notify the DENR through the CENRO, and the LGU any sale or transfer of rights and obligations.

8.3 In the event of such sale or transfer or in case of amendments to the contract, the DENR and the LGU shall perform its functions in accordance with the provisions of Section 5 hereof.

Sec. 9 Resolution of Conflicts

Conflicts between parties to the contract shall be resolved in accordance with the provisions of the contract or in accordance with law.

Sec. 10 Effectivity

This Order shall take effect fifteen (15) days upon publication in a newspaper of general circulation and submission to the UP Law Center.

(Sgd.) VICTOR O. RAMOS
Secretary

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