

**DENR Administrative Order
No. 2001 – 01
January 03, 2001**

**SUBJECT : Payment of the Retention Fees for
Community Organizing and
Comprehensive Site Development
of Subprojects Under Forestry
Sector Project Funded by the
Japan Bank for International
Cooperation.**

In order to ensure sustainable forest management efforts of the People's Organization (PO) and pump-prime the implementation of livelihood enterprises in all Forestry Sector Project (FSP) subproject sites, the Department hereby issues the following guidelines otherwise known as "Payment of the Retention Fees for Community Organizing (CO) and Comprehensive Site Development (CSD) of FSP Subprojects Funded by the Japan Bank for International Cooperation" for the guidance of all concerned. This is issued in view of the implementation of the new Mangrove Rehabilitation Subprojects and the creation of the Subproject Site Management Unit or SUSIMO pursuant to DAO NO. 2000-65.

SECTION 1. BASIC POLICY

It is the policy of the DENR to ensure full delivery of contracted services under the Forestry Sector Project and to release the retention fees to concerned contractors upon satisfactory compliance of the requirements of the services provided in the CO and CSD contracts.

SEC. 2 OBJECTIVES

The objectives of these guidelines are as follows:

- 2.1 ensure that the goals of the government on forest rehabilitation are properly accomplished in terms of quality and quantity;
- 2.2 provide clear procedures in the payment of retention fees; and
- 2.3 provide incentives to the contractors for satisfactorily completing their contracted services.

SEC. 3 DEFINITION OF TERMS

As used in and for purposes of this Order, the following terms shall mean:

- 3.1 **Community Organizing (CO) Contract** - refers to the contract awarded to the Non-Government Organization (NGO) or Assisting Organization (AO) to strengthen the capabilities of the communities in planning and implementing subproject strategies, monitoring and evaluation, and managing the subproject area.
- 3.2 **Comprehensive Site Development (CSD) Contract** - refers to the contract between the DENR and the PO where the latter agrees to undertake the activities, such as, nursery operations, plantation establishment, maintenance and protection of the subproject area and infrastructure construction.
- 3.3 **Non-Government Organization (NGO) or Assisting Organization (AO)** – refers to a social development group or entity, which has demonstrated the capability and commitment to assist and develop people’s organization in the subproject through community organizing and strengthening.
- 3.4 **People’s Organization (PO)** – refers to a group of people residing within the community who have been organized and strengthened to implement the comprehensive site development of the subproject area and manage the same over the longterm.
- 3.5 **Retention Fee** – refers to the amount equivalent to fifteen per cent (15%) of progress billings retained by the DENR to guarantee satisfactory completion of contracted services.
- 3.6 **Subproject Site Management Office (SUSIMO)** – refers to an office of the DENR that is established within the subproject and under the direct supervision of the CENRO whose main

function and responsibility is to supervise subproject implementation.

3.7 Validation and Billing Unit (VBU) – a unit of the SUSIMO in charge of validating PO's and AO's accomplishments and assists the PO in the preparation of billing requests.

SEC. 4 COVERAGE

These guidelines shall cover all requests for retention fee release of subprojects under funding from JBIC. CO contractors in upland watersheds with duly accomplished CO contracts whose requests for retention fee release has not yet been submitted to the Region for processing upon effectivity of this Order, are also covered.

SEC. 5 PARTIAL PAYMENT OF RETENTION FEE AS INCENTIVE FOR GOOD PERFORMANCE

As incentive for good performance, the CSD and CO contractors may request for the release of fifty percent (50%) of retention fees collected from them after the end of each year of operations, provided, that their performance are satisfactory as validated by the SUSIMO. Thus, beginning the second year of operations, the contractors may request one half (1/2) of the fifteen percent (15%) retention fees collected from them in the first year and may be done every year through the succeeding years. This fund maybe used by the contractors for further improvement of their overall performance. For CSD contractors, such fund may also be used for their capital build-up (CBU) and/or reinvestment in viable enterprises or livelihood projects.

The CENRO shall certify for the satisfactory performance of the contractors to the effect that they are able to accomplish the previous year's targets under the standards set for those accomplishments.

SEC. 6 REQUIREMENTS FOR FINAL PAYMENT OF THE RETENTION FEE

The following requirements must be fully complied with prior to the final payment of the retention fee:

6.1 For CO Contractors

- 6.1.1 For watershed subprojects, all requirements specified in MC 92-20, MC 97-01, and the Memorandum of the Undersecretary for Field Operations dated 6 May 1998 are satisfactorily completed. For mangrove subprojects, the requirements of MC 97-01 and DAO 00-57 are likewise satisfactorily completed; and
- 6.1.2 The CO Phase-out Plan, copy of the CBFMA document, Terminal Report and Summary Report of Process Documentation are submitted and accepted by the Region.

6.2 For CSD Contractors in Watershed Subprojects

- 6.2.1 Approved final subproject area is fully planted and developed;
- 6.2.2 The weighted average survival rate of seedlings planted in the whole subproject should be at least eighty percent (80%). Individual component's computation shall be based on the planting density of each component's target;
- 6.2.3 For the reforestation component, the average height of seedlings shall be at least one (1) meter except for rattan, bamboo and other non-timber components whose quality shall be based on the technical judgment of expert evaluators;
- 6.2.4 All structural improvements specified in the latest approved contract have been completed;
- 6.2.5 At least three (3) billboards by component with at least one hundred hectares (100 has.) aggregate area, two (2) billboards for ten to ninety-nine (10-99 has.) and one (1) billboard for nine hectares (9 has.) or less. Plantation

- monuments, corner posts or live markers must be existing, properly documented and maintained; and
- 6.2.6 Terminal report with updated maps and dated photographs duly certified by the CENRO as recommended by the SUSIMO. The photographs should be composed of close-ups and panoramic views of the subprojects' accomplishments.

6.3 For Upland Watershed Expansion Areas

- 6.3.1 The contracted expansion area is fully planted and developed;
- 6.3.2 The weighted average survival rate of seedlings planted should be at least eighty percent (80%) of the planting density of the component's target;
- 6.3.3 For the reforestation component, the average height of seedlings shall be at least 0.5 m for 1-year old plantations;
- 6.3.4 All structural improvements specified in the approved contract have been completed;
- 6.3.5 At least three (3) billboards by component with at least one hundred hectares (100 has.) aggregate area, two (2) billboards for ten to ninety-nine (10 - 99 has.) and one (1) billboard for nine hectares (9 has.) or less. Plantation monuments, corner posts or live markers must be existing, properly documented and maintained; and
- 6.3.6 Terminal report with updated maps and dated photographs duly certified by the CENRO as recommended by SUSIMO. The photographs should be composed of close-ups and panoramic views of the subprojects' accomplishments.

6.4 For CSD Contractors in Mangrove Subprojects

- 6.4.1 The subproject area targeted for the contract period is fully accomplished;

- 6.4.2 The survival rate of seedlings/propagules planted should be at least eighty percent (80%) of the planting density of the final subproject target;
- 6.4.3 All structural improvements specified in the contract have been completed. If there were revisions, such modifications must have been approved by the DENR; and
- 6.4.4 Submission of the terminal report for CSD contract with maps and photographs duly certified by the CENRO as recommended by SUSIMO. The photographs should be composed of close-ups and panoramic views of the subprojects' accomplishments.

6.5 Independent Monitoring and Evaluation by NGOs

The final payment of the retention fee for CSD contracts shall commence upon the completion of the independent monitoring and evaluation by contracted NGOs.

SEC. 7 PROCEDURES FOR THE FINAL PAYMENT OF RETENTION FEE

The retention fee for comprehensive site development shall be paid upon compliance of the requirements in SECTION 6 of this Order. Contractors shall be paid under the following procedures:

7.1 For CO Contracts:

- 7.1.1 The CO Contractor shall submit a Phase-Out Plan, a copy of the approved and signed CBFMA document, Terminal Report, Summary Report of CO Process Documentation together with a written request for final validation and proof of turnover of required equipment to the PO;
- 7.1.2 Within five (5) working days from receipt of the written request, the CENRO shall facilitate the validation of CO accomplishments through the SUSIMO/VBU. The Region and the PENRO shall send a representative from

their respective offices to join the validation team. Upon evaluation of the report, the recommendation for payment shall be endorsed to the Regional Office through channels; and

- 7.1.3 The Regional Office, upon receipt of the billing, shall facilitate the processing of payment following the procedures provided in MC 97-03, including the issuance of the Certificate of Acceptance.

7.2 For CSD Contractors

- 7.2.1 The SUSIMO, with representatives from the PENRO and the REGION, shall conduct final validation of all developed areas or components accomplished within latest approved CSD Contract. It shall conduct a ten percent (10%) sampling of all developed areas for the survival rate and average height determination;
- 7.2.2 Upon submission of the final validation report by the SUSIMO through channels, the Region shall evaluate the documents and recommend payment or further courses of action to take;
- 7.2.3 The Region shall formally inform the POs of the validation results within one (1) week after the completion and submission of the validation report; and
- 7.2.4 The Region shall issue a Certificate of Acceptance and shall facilitate the release of the retention fee in accordance with the procedures in MC 2000-18.

SEC. 8 SUPPLEMENTAL PROVISIONS

In order to facilitate the implementation of these guidelines, the RED may promulgate supplemental rules and regulations or issue additional instructions, which shall apply to peculiar conditions prevailing in, and appropriate for his/her region, provided, these are consistent and pursuant to this order. In cases where there are different or vague interpretations of any provisions in this Administrative Order, the party concerned shall seek

clarification from the Forest Management Bureau (FMB) for referral to an appropriate legal body for official interpretation.

SEC. 9 REPEALING AND AMENDING CLAUSE

All administrative orders, memorandum circulars, memorandum orders and other pertinent guidelines whose provisions are inconsistent herewith are hereby repealed, modified or amended accordingly.

SEC. 10 EFFECTIVITY

This Order shall take effect fifteen (15) days upon publication in at least one (1) daily newspaper of national circulation and upon acknowledgement of receipt of three (3) copies by the UP Law Center.

(Sgd.) ANTONIO H. CERILLES
Secretary

Publication:

Malaya – January 20, 2001