

**DENR Memorandum Circular
No. 2001- 03
January 09, 2001**

SUBJECT: Guidelines Governing the Utilization of Contingency Fund of Subprojects Under the Forestry Sector Project Funded by Japan Bank for International Cooperation.

Pursuant to Executive Order No. 263, entitled "Adopting Community Based-Forest Management as the National Strategy to Ensure the Sustainable Development of the Country's Forestlands Resources and Providing Mechanisms for its Implementation" and DENR Administrative Order No. 96-29, providing for the "Rules and Regulations for the Implementation of EO 263, otherwise known as "Community-Based Forest Management Strategy (CBFMS)," the following guidelines governing the utilization of contingency fund of subprojects under the Forestry Sector Project (FSP) funded by Japan Bank for International Cooperation (JBIC) are hereby adopted:

SECTION 1. BASIC POLICY

It is the policy of the State to ensure sustainable management of forestland and coastal areas by providing technical and financial support to communities. Pursuant to this policy, the DENR shall ensure the efficient allocation and utilization of Forestry Sector Project funds including the contingency fund as provided for in the approved subproject appraisal reports.

SEC. 2 OBJECTIVES

The objectives of this Circular are as follows:

- 2.1 provide an orderly and clear procedure in the utilization of contingency fund of subprojects under FSP; and
- 2.2 ensure efficiency in the use of such fund in improving subproject implementation.

SEC. 3 COVERAGE

A ten percent (10%) contingency cost is provided in FSP Subproject's appraisal report based on the total direct subproject costs. This fund ensures the financial viability and stability of the subproject considering unexpected increases in the cost of materials and occurrence of circumstances considered as *force majeure* or events beyond control of the People's Organization (PO) and the DENR. As such, the following activities are eligible for the use of contingency fund:

- 3.1 production of additional seedlings, planting materials and purchase of other plantation inputs to cover backlogs from planned targets due to increased materials costs;
- 3.2 replanting of areas damaged by El Niño, typhoons, floods, unusual strong waves, insect or pest infestations and other natural phenomena which are beyond PO's and DENR's control; and
- 3.3 repair of existing subproject infrastructures damaged by storms, typhoons or other natural phenomena.

SEC. 4 ELIGIBLE AMOUNT

The total amount to be requested for eligible activities under contingency fund utilization shall not exceed ten percent (10%) of the total direct costs of PO's CSD accomplishments as certified by the Region. The costs of the proposed activities shall not exceed the amount of contingency fund available for request. The PO, with the

assistance of the SUSIMO, shall prioritize activities to obtain optimum benefits from the contingency fund.

SEC. 5 PROCEDURES FOR REQUEST AND USE OF CONTINGENCY FUND

All requests for the use of contingency funds shall follow the following procedures (Figure 1):

5.1 The PO and Subproject Site Management Office (SUSIMO)

- 5.1.1 The PO, with the assistance of SUSIMO, identifies and determines necessary subproject activities eligible for charging to contingency fund;
- 5.1.2 The PO, with the assistance of SUSIMO, develops an implementation plan to this effect with proper justifications and documentations as to why such plan is needed; estimated cost for each activity including the required labor and materials, with corresponding schedules/time tables;
- 5.1.3 The PO and SUSIMO shall also provide engineering design and bill of materials for the repair of damaged infrastructure;
- 5.1.4 PO formulates a resolution to support the request for the use of the contingency fund;
- 5.1.5 PO submits requests with complete documents to SUSIMO;
- 5.1.6 SUSIMO makes a final review of the request and endorses the request and all the supporting documents to the CENRO,

5.2 Office of the CENR Officer

Within three (3) working days upon receipt of the request for the use of the subproject's contingency fund:

5.2.1 CENRO reviews the request together with the plan and the corresponding supporting documents;

5.2.2 CENRO prepares evaluation report and endorsement of the request to the PENRO.

5.3 Office of the PENR Officer

Within three (3) working days upon receipt of the request for the use of the subproject's; contingency fund:

5.3.1 PENRO reviews the request and pertinent documents;

5.3.2 PENRO notifies CENRO if further actions are necessary. Otherwise, he endorses the request to the Region.

5.4 Office of the RED and NFDO

Within ten (10) working days upon receipt of the request for the use of the subproject's contingency fund:

5.4.1 The Region reviews the request and if everything is in order, approves it accordingly;

5.4.2 The Region drafts the supplemental contract covering the approved plan for review and agreement by the RED and the PO;

5.4.3 The Region submits to NFDO the draft contract with the approved plan. Within three (3) working days upon receipt of the documents, NFDO reviews the request and prepares

the documents for fund transfer to the Region through established FSP fund transfer procedures;

5.4.4 RED and PO representative sign the contract;

5.4.5 RED issues notice to proceed;

5.4.6 RED submits a copy of the original CSD contract and the supplemental contract to the NFDO.

SEC. 6 SCHEDULE OF PAYMENTS

Upon signing of the supplemental contract the RED shall issue Notice to Proceed to the PO within five (5) working days to undertake the activities specified in the contract. The RED shall likewise, prepare a check for the first payment equivalent to fifty percent (50%) of the supplemental contract. The second and last payments, consisting of the remaining fifty percent (50%) of the contract cost, shall be given upon satisfactory completion of the activities/tasks specified in the supplemental contract.

SEC. 7 MONITORING AND EVALUATION

The SUSIMO shall be responsible for the monitoring and evaluation (M & E) of activities covered by contingency fund following the M & E system to be adopted for such purpose. The SUSIMO is also required to submit regular status reports of the activities to the RED through channels.

SEC. 8 TRANSITORY PROVISIONS

The provisions of this Circular shall apply to all Subprojects of the Forestry Sector Project funded by the JBIC. The Regions may translate these provisions into specific instructions or orders to be carried out in the field level, provided these are consistent with the

provisions provided herewith. In cases where there are different or vague interpretations of any provision in this Circular, the parties concerned shall seek clarification from the Forest Management Bureau (FMB) for referral to an appropriate legal body for official interpretation.

SEC. 9 REPEALING CLAUSE

All provisions of previous memorandum circulars, memorandum orders, and other regional memoranda inconsistent herewith are hereby repealed, modified or amended accordingly.

SEC. 10 EFFECTIVITY

This Circular shall take effect immediately.

(Sgd.) ANTONIO H. CERILLES
Secretary