

**[DENR ADMINISTRATIVE ORDER NO. 2001-01,
January 03, 2001]**

**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 long term.

3.5 Retention Fee - refers to the amount equivalent to fifteen percent (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 ($\frac{1}{2}$) of the fifteen percent (15%) retention fees collected from them in the first year and may be done every year through the succeeding year. The fund may be 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 hectares (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 components' 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