

DENR ADMINISTRATIVE ORDER  
NO. 14

**SUBJECT: Providing Guidelines for Disbursement of Advance Payments  
Amending Sections of Department Memorandum Circular  
No. 11, Series of 1988.**

**Section 1** – Pursuant to the Memorandum from the Office of the President dated January 10, 1989 appended hereto as Annex “A”, the DENR is authorized to pay advance payment of fifteen (15%) percent for reforestation contracts with families, communities, rural organizations, NGOs and the like”. Guidelines for such payments are provided in the following Sections of this Order.

**Section 2 – Definitions.** For purposes of this Order, the words/terms/phases listed hereunder are added to Section 3 of Memorandum Circular No. 11, Series of 1988 and shall be interpreted and understood to mean as follows:

<i>Word/Term/Phrase</i>	<i>Meaning</i>
a. MC – 11	a. DENR Memorandum Circular No. 11, Series of 1988.
b. Families	b. Any of the following who have been awarded a family approach reforestation contract pursuant to the provisions of MC – 11:  b.1 Married person, widow or widower with dependent children; and  b.2 Unmarried man or woman who is head of the family.
c. Communities	c. Any of the following who have been awarded a Rural community based reforestation contract Organization pursuant to the provisions of MC – 11.  c.1 Duly recognized association or cooperative of project participants, preferably composed of families and individuals residing in the project area;  c.2 Other civic or religious organization, preferably one which is already well established, locally-managed and actively operating within the project area;

- c.3 The appropriate local government unit having jurisdiction in the project area which has preferably, demonstrated substantial appreciation for environmental concerns, curbing illegal logging, reforestation and other related activities.
  - c.4 Tribal communities that are indigenous to and reside within the project area;
  - c.5 A nongovernment organization (NGO), preferably a nonprofit group, which may or may not be duly registered with the Securities and Exchange Commission (SEC), that has secured written authorization from all the proposed participants to represent them as their linkage with the DENR.
- d. NGO's and      d. Non-government organizations whether or the like duly registered with the Securities and Exchange Commission (SEC) or other authorized government agencies, that have been awarded a contract pursuant to the provisions of MC – 11. In the case of non-registered organizations, membership must at least be fifteen (15), with the president and the treasurer named as liable persons.
  - e. Contractor      e. An individual, organization or entity that has been awarded a reforestation contract by the DENR, including but not limited to "families", "communities/rural organization", "NGO's and the like", as defined above.
  - f. Reforestation      f. An agreement between the DENR and a contractor to implement activities included in the DENR National Forestation Program including, but not limited to tree planting and maintenance, agroforestry, soil and water conservation, planning, monitoring, evaluation and support services.
  - g. Mobilization/  
Advance Payment      g. An amount disbursed by DENR to a contractor to provide funding for implementation of a reforestation contract which contractor acknowledges to have received in trust for a specific purpose.
  - h. Letter of  
Undertaking      h. A document signed by the contractor pledging that the activities for which advance payments are released shall be duly accomplished by the contractor, pursuant to the terms, standards and schedules provided in the contract.

**Section 3. – Timing of Mobilization/Advance Payment.** Mobilization/advance payment shall be disbursed after (i) a contract has been signed by the DENR and the contractor, (ii) the contractor has been officially advised to proceed with implementation and (iii) the contractor has submitted a letter of undertaking, surety bond or irrevocable letter of credit as provided in Section 4 of this Order.

**Section 4. – Security/Guaranteed for Mobilization/Advance Payment**

- a) As a prerequisite for the disbursement/release of advance payment, the contractor shall be required to provide the following security/guarantees:
  - a.1 *For Family Approach Contracts:* A letter of undertaking as defined in Section 2, paragraph of this Order.
  - a.2 *For Community-Based Contracts:* If the advance payment is less than FIFTY THOUSAND PESOS (P50,000), and the contractor is a non-registered entity or organization, submission of a letter of undertaking signed by the President and the Treasurer of the entity/organization and a list of the members, who must number at least fifteen (15), certified by the barangay captain. If the advance payment is less than FIFTY THOUSAND PESOS (P50,000) and the contractor is a registered entity/organization, submission of a Board Resolution requesting such advance and identifying the officers of the entity/organization authorized to receive the advance and submission of a letter of undertaking signed by the President and the Treasurer. If the advance is FIFTY THOUSAND PESOS (P50,000) or more, submission of a surety bond in favor of the Department of Environment and Natural Resources (DENR) issued by a bonding company acceptable to the DENR.
  - a.3 *For Corporate Contracts:* If the advance payment is less than Five Hundred Thousand Pesos (P500,000.00), a surety bond in favor of the Department of Environment and Natural Resources (DENR), issued by a bonding company acceptable to the DENR. In case the advance payment is more than P500,000.00 an irrevocable letter of credit, also in favor of the DENR, and issued by a bank acceptable to the DENR, guaranteeing repayment to the DENR of the full amount released as advance payment in the event that the contractor fails to accomplish the activities for which said amount was released, pursuant to the terms, standards and schedules provided in the contract.

**Section 5. – Advance Payments for Family Approach Reforestation Contracts**

- a) Advance payments for family approach reforestation contracts shall be disbursed to the contractor in two (2) installments. The Government shall, upon request of the contractor, make an advance payment to the contractor in an amount equal to fifteen percent (15%) of total contract price, to be released in installments. Five percent (5%) shall be for start-up operations while the balance shall be for succeeding operations as prescribed in the con-

tract. The first five percent (5%) of the contract price shall be released upon signing of the contract, while the remaining 10% shall be deposited in the bank closest to the project site which is acceptable to the DENR. The deposit shall be in the name of the contractor under an escrow account but withdrawals shall require written concurrence by the DENR signatory to the contract or his duly authorized representative. Withdrawals from this account shall only be made upon submission of receipts, vouchers or other evidence attesting that operations have been started and are proceeding on schedule as provided in the contract.

- b) The DENR signatory to a family approach reforestation contract, or his/her duly authorized representative, shall be responsible for certifying whether or not advance payments are in order, and releasing or withholding payments accordingly.
- c) Notwithstanding the provisions of paragraph "a" above, the DENR signatory to the contract may reduce the amount of advance payment to less than fifteen percent (15%) if, in his opinion, a 15% advance is not advisable or necessary.

*Section 6. – Mobilization Advances for Community based and Corporate Contracts*

Mobilization advances for community based and corporate contracts shall not exceed (i) fifteen percent (15%) of the contract price or (ii) the total amount allocated in the budget for procurement of seeds and/or seedlings, purchase of planting pots (e.g., plastic bags), nursery operations, site preparation and infrastructure, whichever of (i) or (ii) is the lesser of the two amounts.

- b) Mobilization advance for community based and corporate contracts shall be disbursed in two releases to be specified by the CENRO/PENRO or RED after completing the security/guarantee requirements set forth in Section 4 of this Order.

*Section 7. – Mobilization Advances for Activity Specific Contracts*

- a) Mobilization advances shall be allowed for activity specific contracts as defined in Section 9–B of DENR Memorandum Circular No. 11, Series of 1988 for implementation of the following activities:
  - a.1 Preparation of development plans including perimeter surveys, delineation of planting blocks, preparation of planting and infrastructure designs, cost estimates and computation of financial rates of return;
  - a.2 Seedling production;
  - a.3 Construction of infrastructure; and
  - a.4 Implementation of monitoring and evaluation.

- b) Mobilization advances for activity-specific contracts shall not exceed fifteen percent (15%) of the total contract budget and shall be disbursed in two releases. The first release shall be equivalent to seven and one half percent (7.5%) of the total budget and shall be disbursed after completing the security guarantee requirements set forth in Section 4 of this Order. The second release for the additional seven and one half percent (7.5%) balance shall be released when the contractor has completed an amount of work equivalent to the value of the first release based on the work plan and budget schedule.

*Section 8. Deduction of Mobilization/Advance Payment from Progress Payments*

- a) The mobilization/advance payment shall be repaid by the contractor by deducting from his periodic progress payments. The amount deducted shall be proportionate to the number of progress payments scheduled during the first year of the contract. For example, if the contract payment schedule provides for ten progress payments in the first year, ten percent (10%) of the mobilization/advance payment shall be deducted from each periodic progress payment. Similarly, if the contract payment schedule provides for only two progress payments in the first year (or fraction of a year as in the case of most activity specific contracts), fifty percent (50%) of the mobilization advance shall be deducted from each progress payment. At his option, the contractor may increase the rate of deductions to accelerate repayment. The contractor shall also be allowed to periodically reduce his standby letter of credit, bond or guarantee instrument proportionate to the amounts repaid, in order to save on bank charges, premiums and related expenses.

FULGENCIO S. FACTORAN, JR.  
Secretary

Recommending Approval:

CIRILO B. SERNA  
Director

Signed on March 9, 1989