

**Memorandum Circular
No. 24
December 10, 1990**

**SUBJECT: Reinstatement Requiring Performance
Bonds for Community Reforestation
Contracts and Guidelines on Performance
Bonds for Contract Reforestation Projects**

**I. Reinstatement of Performance Bonds for Community
Reforestation Contracts**

The posting of performance bonds by family and community contractors was waived in 1989 in order to encourage low-income families and small-scale community contractors to participate in the contract reforestation program of the NFP.

In view of the success of the program, and the overwhelming response to DENR's call for participants, the DENR must now enact safeguards against infiltration by parties whose motives are inconsistent with the objectives of the program. Towards this end, it is deemed necessary to re-institute control measures which will weed out the opportunists and retain those prospective contractors who are really committed to assist DENR restore/ rehabilitate our forests.

In order therefore to protect the government's investments in forest plantations and safeguard its interests against defaulting contractors, the DENR is hereby reinstating the requirement of posting performance bonds for all community reforestation contracts. Said performance bond shall be in the form of bonds callable on demand, pursuant to the provisions of the Memorandum dated 10 May 1990 by the undersigned issued to all REDs, PENROs and CENROs.

This Order thus reaffirms that henceforth, both community and corporate contracts shall be awarded subject to the posting of the said performance bonds.

This Order shall not apply to community contracts awarded prior to its date of issue.

II. Further Guidelines of the Posting of Performance Bonds for Contract Reforestation Projects

In order to guarantee faithful performance of the contractor under a reforestation contract, the community or corporate contractor shall post a performance bond equivalent to ten percent (10%) of the contract price. Said performance bond shall be callable on demand, issued by the GSIS or other institutions duly accredited by the Office of the Insurance Commissioner.

This bond should be co-terminus with the final acceptance by DENR of the project.

Subject to the conditions of the contract, the performance bond may be released by the DENR Office concerned after the final acceptance of the project, provided that there are no claims for labor and materials filed against the contractor or surety company.

Should any surety on the performance bond become unacceptable to the DENR, the contractor shall furnish a replacement equal to the amount of the original surety.

III. Other Provisions

These guidelines shall take effect immediately. All previous Orders inconsistent herewith are hereby revoked/repealed.

FULGENCIO S. FACTORAN, JR.
Secretary