

**DENR Memorandum Circular
No. 2000-22
December 19, 2000**

SUBJECT : Prescribing the Operational and Fund Management Guidelines for the Implementation of Phase IV of the Water Resources Development Project-Watershed Management Improvement Component (WRDP-WMIC)

In order to have orderly effective and efficient implementation of the Phase IV of the Water-Development Project – Watershed Management Improvement ((WRDP-WMIC, referred hereinafter as the Project), the following operational and fund management guidelines are hereby provided, to wit:

**ARTICLE I
Preliminary Provisions**

Sec.1 Implementation Arrangements - The implementation of Phase IV of the WMIC shall be guided by the strategies and approaches formulated under the Phase I of the Project as outlined in the manual entitled “Philippine Strategy for Improved Watershed Resources Management,” Watershed Development and Management Plans formulated under Phase III of the Project, the provisions of PD 705 and other appropriate orders and issuance of the Department. Likewise, implementing offices/units shall be guided by the following:

1.1 Implementation of project activities shall be in accordance with the Work and Financial Plan of the Project.

- 1.2 In carrying out the project area development, the entire project activities may be contracted out through a singular contract (comprehensive site development/CSD-type). If the CSD-type contract is not feasible as determined by the Watershed Area Manager (WAM), a combination of activities or a specific activity only may be contracted out depending upon the practicability of each type and the constraints involved.
- 1.3 Funds for the implementation of site activities shall be, as far as practicable and as determined by the Secretary, downloaded to the concerned PENRO or Regional Office or the Forest Management Bureau. In this regard, obligations and disbursements of funds for the implementation of the project at the site level shall be through the concerned implementing offices.
- 1.4 Cost estimates on the implementation of work activities shall be based on the Watershed Development and Management Plans (Phase III output) and/or pertinent DENR issuance. It may also be based on any relevant Project document concurred in by the funding institution.

Sec. 2 Definition of Terms - As used in this guideline, the terms enumerated below shall mean as follows:

- 2.1 **Access Road** - A type of all weather-road linking a reforestation site to national or provincial or municipal roads used for the transport of personnel, supplies and materials.
- 2.2 **Comprehensive Site Development** - Plantation establishment activities in a reforestation site which include, among others: construction of infrastructure; seedling production; site preparation; planting; replanting; maintenance and protection; and silvicultural treatments such as covercrop planting, income enhancement planting and inter-cropping.

- 2.3 **Community Contractor** – Refers to an association, organization, foundation, cooperative, or such other popular groupings or formations, duly registered with the appropriate government agency, consisting of 15 or more members who are residing within or adjacent to the Project’s watershed sites who entered into a contract with the Project involving any of the activities in the watershed sites appropriate to their capability.
- 2.4 **Covercrop Planting** – The process of conditioning denuded areas which are highly cogonal, rocky or erodible by planting leguminous perennials such as kudzu, calopogonium, stylosanthes, desmodium, lablab bean, psophocarpus (winged bean), patani, or by planting suitable non-legumes such as morning glory vine, wild sunflower and kikuyu grass, in order to improve soil fertility, organic matter and water holding capacity prior to or concurrent with planting of trees and other perennials in such areas.
- 2.5 **Graded Trail** - A path constructed along a carefully surveyed alignment on the ground generally wide enough to permit the use of animal-drawn carts, with gradient or slope normally not exceeding 10%.
- 2.6 **Multiple Use** - It is a harmonized utilization of the numerous beneficial use of the land, soil, water, wildlife, recreation value, grass, and timber of forest lands.
- 2.7 **Production Forests** – Areas with slopes from 0-50% developed to supply both timber and non-timber products such as bamboo, rattan, horticultural crops (e.g. fruit/nut trees, mangrove, gums and resins, spices, or a combination thereof).
- 2.8 **Protection Forests** – Areas regardless of slope which are highly susceptible to erosion or too rocky for establishment of either production forest or limited production forests, developed for the

principal objective of establishing vegetative cover to prevent erosion, conserve water and nurture wildlife.

2.9 Universal Transverse Mercator Grid (UTM) – refers to the imaginary lines (i.e. latitude and longitude) that subdivide the earth into sections.

ARTICLE II

Survey and Delineation of the Project Sites

Sec. 3 Survey and Delineation - The activity includes actual delineation and establishment of the boundaries of the project sites as well as of the forestlands and the different management zones (e.g. reforestation sites, agro-forestry sites, enrichment planting sites, etc.) therein.

3.1 Delineation of Forestland. The delineation and establishment of forestland boundaries within the project sites shall be governed by DAO No. 2000-24 which prescribes the guidelines therefor.

3.2 Delineation of Project Site Boundaries and Management Zones. The actual survey of the project site boundaries and management zones therein shall be preferably contracted out to the stakeholder-community who shall hire technically qualified individuals/firms (e.g. licensed geodetic engineer or forester) to do such survey if they have none in their membership. In case the community/PO is not technically capable of conducting such survey and is not willing to hire qualified persons, the activity shall be contracted out to qualified persons/firms. The winning surveyor-contractor however shall hire laborers from and shall always coordinate with and consult the community and other stakeholders in the conduct of such survey/delineation.

Services of a professional, specifically, forest land use specialist, shall be contracted in each project site to assist in the conduct of delineating management zones. Such management zones to be delineated on the ground are, but not limited to, the following:

3.2.1 Reforestation Site

3.2.2 Agro-forestry Site

3.2.3 Virgin Forest/Protection Forest

3.2.4 Second Growth Forest

3.2.5 Settlement/Built-Up Area

3.2.6 Proposed Dam Site (if any)

3.3 Map and Technical Report Preparation – This activity shall include preparation of control and operations maps and technical report clearly indicating the results of the survey activities. Different management zones shall also be reflected in the map such as zones of the natural forest, reforestation areas, upland farms, settlement/built-up areas and areas unclaimed, if any.

ARTICLE III

Physical Development

Sec. 4 Coverage - Consistent with the participatory approach to watershed management as recommended under Phase I (Strategy for Improved Watershed Resources Management) of WRDP-WMIC, the physical development of the project sites shall be undertaken primarily by the stakeholder-community through appropriate contract(s) with DENR. Physical development shall be based on the approved annual work and financial plan of the project and on the Watershed Management Plan prepared for each site under Phase III of

the Project. The physical development component consists of the following activities:

- 4.1 Reforestation Activity – involves the planting of trees and other perennials in the denuded forestland portions of the project sites.
- 4.2 Enrichment Planting/Assisted Natural Regeneration - involves the planting of trees within inadequately stocked forestlands to improve its stocks.
- 4.3 Agro-forestry Development - involves the management system that combines the production of agricultural crops/fruit-bearing trees and forest trees and/or livestock simultaneously or sequentially on the same unit of land. This activity shall be undertaken by the stakeholder-community, either collectively or individually.
- 4.4 Fireline construction - involves the establishment of a 10-m wide line cleared of any vegetation, debris and other combustible materials along the boundaries of reforestation sites, and old and second growth forests for purposes of protection from forest fires.
- 4.5 Riverbank stabilization - involves planting of trees in strips along banks of rivers to minimize occurrence of erosion and sedimentation.

ARTICLE IV

Support Services

Sec. 5 Nursery Operation - involves all activities in the production of planting stocks preferably to be undertaken by the stakeholder-community through a contract. However, production of planting stocks may be through procurement if and when the situation demands it or does not allow enough time for raising of planting stocks in the Project nursery. The planting stocks to be produced/procured shall include forest trees, fruit-bearing trees and other agricultural crops

suitable to the planting sites. It shall be used in the physical development activities of the project.

Sec. 6 Information, Education and Communication - The activity shall include a comprehensive plan on IEC campaign to enhance community awareness on the importance of the watersheds and the vast benefits that can be derived therefrom, as well as to generate support for the project from the general public. The activities shall include, but not limited to, use of tri-media, installation of billboards, and conduct of assemblies.

Sec. 7 Training - To ensure that the participating organizations and the project staff are equipped with knowledge and appropriate skills necessary for the implementation of the project, the project shall undertake seminars and training for such purpose. The activity shall also include seminars/training on livelihood and enterprise development

Sec. 8 Provision of Appropriate Land Tenure Instruments (LTI) - In consonance with the prescribed watershed management strategies of multiple use and participatory/community-based resource management the following arrangements on land tenure shall be adopted.

8.1 All existing land tenure arrangements (e.g. CBFMA, CSC, CFSA, usufruct) covering portions of the watershed project sites shall be respected.

8.2 Areas not covered by any land tenure instrument but are suitable and being applied for such purpose by legitimate claimants may be awarded through appropriate land tenure instrument in accordance with pertinent rules and regulations and guidelines prescribed therefor.

Sec. 9 Research and Development - the activity shall include the conduct of research studies to improve and approaches in watershed management; generation of database such as but not limited to, installation of telemetry stations; and the development of appropriate technologies for the implementation of the various activities of the project.

Sec. 10 Community Organizing/Strengthening - the activity involves the formation and strengthening of people's organization, cooperative or any other popular groupings. It shall be conducted by project staff with the assistance of a community development cum enterprise development specialist. This also involves the formation of Watershed Management Council to guide the implementation of the project.

Sec. 11 Forest Protection - This involves all activities necessary for the protection of the Project's watershed sites from all forms of destruction (e.g. timber poaching, forest fires, pest and diseases, inappropriate uses, etc.). Such activities may include foot patrol formation of community forest protection teams and fire brigades, establishment of forest products checkpoints, etc.

ARTICLE V

Infrastructure Support

Sec. 12 Infrastructure Support - The Project shall provide the necessary infrastructure facilities in support of its various activities. The said facilities may include establishment of field offices, nursery facilities, structural measures for soil erosion control, look-out towers, graded trails, access road and road rehabilitation. Construction of such facilities shall be as far as possible contracted out to the community. Otherwise it may be contracted out to a competent individual/firm or undertaken by the project itself. In any case, however, the labor for the establishment/installation/construction of such facilities shall be tapped from the stakeholder-communities.

ARTICLE VI

External Linkages

Sec. 13 External Linkages - To ensure sustainability of the project, the various stakeholders to the watershed sites shall be involved in the entire process of project development cycle, that is, from the planning phase to implementation, from monitoring and evaluation to impact assessment. Such participation could be institutionalized through MOA/MOU between and among all stakeholders, or through any other appropriate means. Linkages with other entities (e.g. academic and research institutions, development NGOs) may also be established to generate support and assistance for the project.

ARTICLE VII

Monitoring and Evaluation

Sec. 14 Monitoring and Evaluation -Aside from the regular monitoring and evaluation of project accomplishments to be conducted by the project itself and concerned DENR offices (e.g. CENRO, PENRO, Regional Office, Forest Management Bureau), a ground validation/inspection of accomplishment(s) being billed for payment by a contractor shall be undertaken by the existing Composite Inspection Committee (CIC) based in the DENR field office. The FMB however shall be represented in and head the CIC in case the contract is signed by the Project Director. The report of CIC shall serve as basis of payment (or non-payment) for billed accomplishments.

In case the field office has no existing CIC, they shall create one following the composition of the CIC.

Sec. 15 Mode of Implementation - The validation by CIC shall be done primarily to determine the extent to which a contractor had attained the targets specified in their agreement. This shall form the

basis of determining the amount payable to the contractor. The CIC will conduct inspection and assess performance in response to progress billings submitted by the contractor. The CIC shall use standard procedures adaptable to a given area (e.g. ICM, random sampling, etc.) The CIC shall likewise identify implementation problems and recommend measure(s) to address such problems.

Sec. 16 Frequency of Inspection/Assessment - Inspection and assessment of accomplishment of contractor shall be undertaken upon request and submission of billing by the contractor.

ARTICLE VIII Contract Management

Sec. 17 Mode of Awarding Contracts - Contracts of activities shall be awarded in accordance with applicable rules and regulations, and guidelines. Reforestation or watershed rehabilitation contract may be in the form of a) Family Approach Contract or b) Community Contract, or any other appropriate schemes depending upon the feasibility and practicability of each form as determined by the Watershed Area Manager.

Sec. 18 Performance Bond - In order to guarantee faithful compliance of the project contractor, community or otherwise, with the terms and conditions of the contract, they shall be required to post in favor of DENR a Performance Bond equivalent to 10% of the total contract cost. Said performance bond shall be issued by the Government Service Insurance System (GSIS) or any other legitimate and accredited insurance firm callable on demand. It shall be release to the contractor upon acceptance of the contracted services in accordance with DENR MC No. 24, Series of 1990.

Sec. 19 Payment of Mobilization Cost – Pursuant to the authority granted by the Office of the President on 10 January 1989 and

in May 1989, payment of mobilization cost shall be allowed in community-based reforestation contracts. The contractor community/family shall be entitled to the payment of mobilization cost which shall not exceed fifteen percent (15%) of the total contract cost.

The mobilization cost however shall be deductible from payments for the progress billings of the contractor in a prorated manner.

Sec. 20 Payment of Billings - Succeeding payments to the contractor shall be made only in response to written progress billings submitted to the WAM in accordance with the payment schedule. Upon receipt of the billing, the WAM shall immediately endorse, the same directly to the DENR contract-signatory official who shall dispatch the CIC within 3 days upon receipt of the endorsement from the WAM. The CIC shall, within 3 working days upon instruction by the concerned DENR official (signatory to the contract), inspect the accompaniment(s) being billed for. Within three (3) working days after inspection, the CIC shall submit their inspection report to the WAM who shall in turn endorse the same to the paying authority. The report may either recommend for payment of the bill in such amount as may be warranted by actual accomplishments, or for its rejection, as the case may be.

If payment is recommended, the billing shall be immediately processed and the payment shall be remitted to the contractor. If rejection is recommended by CIC, the concerned DENR official shall notify the contractor within three (3) working days from receipt of the Inspection Report informing the latter of such and the reasons therefor. The same DENR official shall have the right to suspend payment, or impose such conditions as may be appropriate, if the result of inspection by the CIC indicate that accomplishments are below the targets specified. Suspension, if imposed, shall last until such time that the contractor overcomes any shortfall in performance and compliance with the terms and conditions of the contract.

Sec. 21 Minimum Survival Rate - The minimum survival rate in contract reforestation that is acceptable to DENR upon completion and turn-over of the contracted reforestation site shall be 80% each of the final crop and nurse trees (the latter shall be if and when required) or other perennials based on the prescribed planting density.

Sec. 22 Retention Fee - To further guarantee accomplishment of the contracted activities/services, an amount equivalent to 10% of the total contract cost shall be retained by DENR office concerned. This amount shall be disbursed to the contractor as final payment upon satisfactory completion of the contracted services.

Sec. 23 Force Majeure - Under these guidelines, force majeure shall refer to those events which could not be foreseen, or which though foreseen, were inevitable so as to make it impossible for the contractor to carry out, in whole or in part, his/her/their obligations under the contract. These shall include the following:

- a) Those due to human causes as wars, armed invasion, revolution, rebellion, insurrection, armed blockades, riots, civil disturbance, strikes and other analogous causes; and
- b) Those due to natural causes such as earthquakes, typhoons, storms, floods, prolonged drought, epidemics and other similar phenomena.

In case of force majeure, the contractor shall notify the Project in writing within seven (7) days after its occurrence, describing the same and its effects upon the performance. The parties to the contract shall, within five (5) days after receipt of the notice by the Project, consult with each other to decide on the most appropriate course of action to take under the circumstances, which may include suspension of work or termination of the contract.

Considering the foregoing definition, forest fires regardless of cause of origin shall not be considered force majeure, especially since adequate funds for site preparation maintenance and protection (which include fire prevention and control) are provided for in the agreement. Thus, the contractor shall be fully responsible in the replanting of burned areas.

In case of suspension of work, the contract may be extended for a period equivalent to that for which the contractor was prevented from performing the work. In the event of termination, the beneficiaries, upon receipt of the notice, shall take immediate steps to bring the work to a close in a prompt and orderly manner minimizing expenditures as far as practicable. The Project are not liable to the community except for work or services performed prior to the date of termination and for actual costs incurred in connection with the liquidation of work.

Sec. 24 Resolution of Disputes - In case of issues arising from a contract entered into pursuant to these guidelines, the contractor shall submit in writing his/her/their concern(s)/issue(s) to the WAM who shall settle said concern(s)/issue(s) not exceeding fifteen (15) days thereafter. If and when the contractor is not satisfied with the decision rendered by the WAM, he/she/they may elevate their case to the WRDP-WMIC Project Director for resolution.

Issues that are policy in nature but specific to the watershed site shall be resolved by the Watershed Management Council which shall meet immediately to render resolution on such issues. The resolution shall be in writing furnishing the party(ies) concerned a copy thereof.

Sec. 25 Termination and Cancellation of Contracts - Contracts executed under these guidelines shall be terminated upon completion of the stipulated services in a manner acceptable to the project. Contracts may likewise be terminated and cancelled, after evaluation and due process has been observed, on the following grounds:

- 25.1 Fraud, misrepresentation or omission by the contractor of material facts in obtaining the contract which would otherwise disqualify him/her/them therefrom.
- 25.2 Failure to start the contracted services on the date specified in the contract without just cause.
- 25.3 Abandonment of the contracted site, or of the contracted work for a period of at least one month from the date of discovery by DENR of such fact.
- 25.4 Violation of, or failure to comply with, the terms and conditions of the contract, the pertinent provisions of this Guideline, and other rules and regulations, without just cause.

Sec. 26 Contract Supervision - The WAM with the supervision of the CENRO/PENRO shall be responsible for ensuring proper and faithful compliance with the terms and conditions of the contract as well as with all other pertinent rules and regulations. He/she shall provide overall direction, management and control of contracted activities. The WRDP-WMIC field office shall assist in preparing documents, provide technical assistance, process billings, monitor progress of implementation and perform other duties as may be necessary for effective supervision and management.

Sec. 27 Contract Integrity - Department of Environment and Natural Resources (DENR) policies, rules and regulation applicable to WRDP-WMIC shall be in effect at the time of signing of the contract and shall govern the same throughout its duration. New policies, rules and regulations, or provisions thereof, may apply only if they are not prejudicial to the contractor.

ARTICLE IX Penalty Provision

Sec. 28 Liabilities of the Contractor - In case of failure of the contractor to undertake activities stipulated in the contract as determined by the Project after payment has been released, the contractor is liable to return to the government expenditures in cash or render services to the project corresponding to the amount paid without prejudice to filing an appropriate case against him.

ARTICLE Technical Assistance

Sec. 29 Technical Assistance - The DENR through the project shall ensure that the services of the contracted Assisting Professionals (APs) shall be made available to the project stakeholders. Funds for the procurement of the technical assistance shall be sourced from the project fund.

ARTICLE XI Management of Project Funds (Both Loan Proceeds and GOP Counterpart Funds)

Sec. 30 Release of Funds from DBM. All funds to be released to the implementing offices shall be covered by an approved Allotment from the Department of Budget and Management (DBM) for both the Loan Proceeds (LP) and the GOP Counterpart fund.

Sec. 31 Transfer of GOP Counterpart Fund to the Implementing Offices. A comprehensive General Appropriations Release Order (GARO) based on the approved Work and Financial Plan shall be released by DENR to FMB. In turn, FMB shall transfer GOP counterpart funds to the implementing field offices (Regional Office and PENRO) through Letter of Advice of Allotment (LAA) in such amount as allocated under the work and financial plan of the project field office.

Sec. 32 Transfer of LP to the Implementing Offices.

Transfer of funds out of LP to the implementing offices shall likewise be through a comprehensive LAA and shall be based on the approved Work and Financial Plan or approved Budget. Issuance of funding checks shall be upon request of the implementing office and shall not exceed the released comprehensive LAA. Said checks shall be transferred through Bank to Bank transaction. Hence, the implementing offices shall open an account for the loan proceeds transferred from the central office. All eligible expenditures shall be drawn through check issuance.

Sec. 33 Working Fund Management and Replenishment.

Management of the working fund shall be consistent with the DOF/DBM/COA Joint Circular No. 2-94/97. A Dollar Account shall be maintained at the Land Bank of the Philippines to be managed by the Project Management Office (PMO). A peso account shall also be maintained to serve as clearing account. All amounts withdrawn from the working fund dollar account intended to pay local transactions at the PMO and the transfer of funds from the Loan Proceeds to the implementing offices shall be deposited in the peso account. All funding checks to be released to the implementing offices shall be drawn from the peso account.

Sec. 34 The PMO shall, in coordination with the Accounting Unit of FMB, maintain proper control system, oversee and ensure the expeditious liquidation of all advances/releases.

Sec. 35 Disbursement by the implementing offices. The following shall be followed in the disbursement of project funds by the implementing offices:

35.1 Only eligible expenditures as provided in the loan agreement of the project shall be charged to the loan proceeds.

- 35.2 The disbursement voucher (DV) shall be processed in accordance with existing guidelines and procedures, indicating LP and GOP of the transaction if it involves both funding sources.
- 35.3 Only one Request for Obligation of Allotment (ROA) and one obligation number shall be assigned for each transaction.
- 35.4 Disbursement shall be covered by two separate checks: one check chargeable against the NCA directly released by DBM for GOP Counterpart, and another check chargeable against the Loan Proceeds. The hereunder steps shall be followed in disbursement procedure:
- 35.4.1 The concerned project personnel prepares DV; acknowledges funding/charging thru the use of project's stamp; and forwards the same to the authorized signatories and then to the budget section/unit.
- 35.4.2 The Budget Section/Unit prepares and approves the ROA with the segregation and clear identification of GOP and LP fund. The ROA and the DV shall then be forwarded to the accounting unit.
- 35.4.3 The Accounting Unit obligates the claim; enters it in the Journal of Analysis and Obligation (JAO) with the proper percentage sharing of GOP and LP; processes claim and certified the availability of funds; then forwards the same to the cashier.
- 35.4.4 The Cashier prepares the checks, signs and forwards the same to the approving official. Two checks shall be prepared if the transaction involves both funding sources, one is from MDS account for GOP counterpart, and the other is from Working Fund account for LP. In no case

the cashier shall prepare a check without the project's stamp on the voucher.

35.4.5 Cashier releases the check to the payee.

35.4.6 Auditor renders post audit to all transactions.

Sec. 36 Reporting. The following shall be followed in financial reporting:

36.1 All transactions shall be reflected in all the reports required under existing accounting and auditing rules and regulations.

36.2 Only one report of checks issued (RCI) shall be prepared using the form prescribed by the Commission on Audit.

36.3 The Statement of Expenditures (SOE) shall include all transactions eligible for reimbursement by the World Bank.

Sec. 37 Preparation of Statement of Expenditures.

37.1 The form attached hereto as Annex A shall be adopted in the preparation of the SOE.

37.2 The designated project accountant/finance officer prepares/fills up the SOE to be approved by the PENRO/Bureau Director.

37.3 The Project Accountant furnishes the Auditor a copy of the monthly SOE for post audit purposes.

37.4 Under the check column of the form, both checks (respectively charged against GOP and LP funds) issued for a certain transaction shall be indicated.

37.5 SOE shall be classified/sorted in accordance with World Bank categories and allowable expenditures (refer to Annex B – Chart of Account). The percentages of expenses to be financed under the Loan Proceeds are as follows:

Category	Percent of Expenditure To Be Financed by Loan Proceeds
(1) Works	100% of foreign expenditures and 72% of local expenditures
(2) Goods (a) for Part A.2 of the project	100% of foreign expenditures. 100% of local expenditures (ex-factory cost)
(b) for Part A.3 of the project	80% of local expenditures for other items procured locally.
(3) Incremental Cost (a) For Part A.2 of the project	25%
(b) For Part A.3 of the project	25%
(4) Consulting Services (Technical Assistance)	100% of foreign expenditures

ARTICLE XII
Final Provision

Sec. 36 Supplementary Rules and Regulations - The WRDP National Executive Committee is hereby authorized to issue such supplemental or interpretative rules and regulations, as may be necessary taking into account the peculiarities or unique conditions obtaining in the project area.

Sec. 37 Applicability Clause - Unless otherwise explicitly provided under this guideline, all other DENR issuance, rules and regulations, or provisions thereof, that are not inconsistent herewith shall apply.

Sec. 38 Separability Clause - In the event that any provision of this guideline is declared unconstitutional or null and void, the validity of the other provisions shall not be impaired by such declaration.

Sec. 39 Effectivity Clause - These guidelines shall take effect immediately and the Project shall undertake a systematic information/education campaign to ensure that all Project beneficiaries are clearly aware of and can understand the opportunities provided in these guidelines.

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