



Republic of the Philippines
DEPARTMENT OF AGRARIAN REFORM

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MEMORANDUM CIRCULAR

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**SUBJECT : OPERATIONAL GUIDELINES FOR THE
DEVELOPMENT OF ARC CLUSTERS**

I. BACKGROUND AND RATIONALE

In September 2006, the Department of Agrarian Reform (DAR), in its effort to intensify rural development in the ARCs and other CARP-covered areas, issued Memorandum Circular No. 03, s.2006, promoting the enhancement of connectivity among the ARCs and other CARP areas.

The DAR recognized the need to further extend the geographic reach of its ARCs, to cover a greater number of agrarian reform beneficiaries (ARBs) and other farmers in adjacent barangays/municipalities. As of 31 December 2008, there are a total of 2,114 ARCs confirmed (including 100 ARCs in ARMM), covering 1,230,014 ARBs in 8,829 barangays nationwide. Although the Department's total Official Development Assistance (ODA) portfolio reached P42.6 billion, significantly complementing the limited Agrarian Reform Fund (ARF), only 1,176 ARCs have received assistance under the DAR's foreign-assisted projects (FAPs). The other ARCs as well as the non-ARC barangays with ARBs not covered by FAPs are being provided with minimum interventions, essentially technical assistance on organizational and capacity building and agri-production and enterprise development, or are still awaiting development assistance under either local or foreign-funded programs and projects.

The results of the Assessment of the Level of Development of ARCs (ALDA) should also be highly considered as these show cases of regression in the levels of development inspite of the magnitude of capital and technical assistance already poured in particularly in some FAPs-ARCs. In view thereof, the Department's thrust remains to be the fast-tracking of the delivery of the needed basic support services not only to the almost a million ARBs in the ARCs, but also to the more than 2 million ARBs in non-ARC barangays,

In addition, the DAR recognized the need to address concerns on the production, productivity and income improvement of these unserved/underserved ARBs and consequently to open opportunities for agribusiness development in these areas.

Considering the above circumstances, the DAR deems it imperative to also adopt support services delivery approaches that would enhance existing area-focused development strategies aimed at achieving the following, and thus, achieve a more meaningful and responsive agrarian reform:

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- jump-start the coverage of a wider ARB reach,
- promote consolidation of lands and development interventions to improve and sustain farm production and productivity and achieve food security,
- tap agribusiness potentials of AR areas through enhanced product specialization, among others.

As early as in 2003, the DAR, through Memorandum Circular No. 4, s.2003, tried to promote the development of KALAHI Agrarian Reform Zones (KARZones), extending the geographic reach of the ARCs aimed at covering the ARBs and other farmers in adjacent barangays and even municipalities. However, due to concerns related to the magnitude and viability of investment requirements and manageability of development initiatives in KARZones, the DAR issued Memorandum Circular No 3, s.2006, intensifying rural development in agrarian reform areas through the enhancement of connectivity among ARCs, mainly through the development of ARC clusters.

Thus, this Operational Guidelines is being issued to ensure that:

- the DARROs/DARPOs identify and delineate ARC clusters based on the 2009 PBD directives;
- the development of ARC Clusters is operationalized within this year, primarily through the implementation of identified programs/projects for the clusters; and
- the field offices have a common and clear understanding of the criteria/considerations for the delineation and development of ARC clusters, and of the content/framework of the ARC Development Plans, which the DARROs/DARPOs should submit to SSO-PDMS for review and evaluation prior to endorsement to the National ARC Task Force (NARCTF) for confirmation/notation of the ARC clusters.

II. ARC CONNECTIVITY and ARC CLUSTER DEVELOPMENT

Enhancing ARC connectivity is in line with the department's thrust to vigorously pursue and contribute to the development goals of the National Government as embodied in the Medium Term Philippine Development Plan (2004-2010) and the President's Ten-Point Agenda, foremost of which is economic growth through the development of about two million hectares of new agribusiness lands, creation of 6 – 10 million jobs, and provision of access of the rural poor through improved transportation network. Thus, connectivity of ARCs is envisioned to help create a thick web of relations that will facilitate access to input sources, production and market information and facilities, markets, technology, social processes and political institutions, and thus accelerate the development of these areas for agri-businesses.

The development of ARC Clusters (ARCCs) shall be pursued as a mechanism for enhancing ARC connectivity through capacity building, information and learning exchange, federation and alliance building, complementation/convergence of development projects/initiatives, and others. This strategy shall take off from the existing ARCs where substantial development works were already implemented, particularly in ARCs with higher level of development, i.e., with ALDA 3 – 5 ratings. It is a modified KARZone approach, with more focus and priority toward accelerated impact on productivity and income.

The ARCs shall perform, on an individual ARC or collective (all ARCs in the cluster) basis, new expanded roles such as: 1) trading or marketing centers; 2) primary /secondary processing centers; 3) service centers for warehousing and repair of agricultural equipment, banking and credit; and 4) research and development and extension and learning centers.

As with the ARCs, these ARC clusters shall serve as convergence points, albeit greater in scope, for optimum utilization of resources, economies of scale and partnerships with other government agencies, the LGUs, the business sector, and the civil society, which includes non-government organizations (NGOs) and peoples' organizations, in the implementation of development interventions.

The clustering will entail the following:

- Expanding the reach of the existing ARCs by linking them physically and economically with the adjoining agrarian reform areas particularly where land distribution is already completed.
- Expanding the institutional network to involve the private sector, academic institutions, local government units, civic and non-government organizations in the implementation of concrete programs geared towards the development of the cluster.
- Spatial integration of ARCs and non-ARC barangays, in terms of industry/crop production, market access, physical linkages (through roads and bridges, transportation and communication), institutional/organization integration (through federation, complementation, networking).

Basically an intra-provincial approach to development, the ARC cluster development builds on the strength of the higher level ARCs, which may serve as Integrator or a Big Brother/Sister to lower level ARCs, and on complementation with other ARCs and non-ARC barangays for an identified common development goal. Thus, there shall be no limitation in geographical and administrative boundaries, i.e., clusters may include not only ARCs and AR areas within the municipality or district, but also among ARCs and AR areas from adjoining municipalities or districts, or even neighboring provinces, if feasible and advantageous for some cases.

Specifically, this is a one-province(or cluster)-one-product strategy which shall be promoted to ultimately achieve the following in the medium and long term: establishment of at least one specialized production/ processing cluster in each province, significant gains in productivity, reduction of rural under/unemployment, improvement in rural per capita incomes, and reduction of poverty incidence among the rural families.

III. OPERATIONALIZATION OF ARC CLUSTER DEVELOPMENT

A. Identification/Delineation of ARC Clusters

In the identification of the clusters and formulation of the development plans for the ARC clusters, the DARROs/DARPOs are advised to take into consideration alignment with initiatives/targets under on-going/new foreign-assisted projects (FAPs) of the DAR and cooperating agencies, the AREDP and the DAR-DA-DENR Convergence Initiatives, among others. The DARPOs may therefore opt to reconfigure earlier identified ARC clusters to adopt FAP-ARCs, AIM-Cs, ARCs

with high ALDA levels, AREDP sites, KALAHI Farmers' Centers (KFCs), or Convergence sites as nuclei for ARC cluster development.

In accordance with the performance indicators under the DAR's Major Final Outputs (MFOs), DAR will establish and develop at least **78 ARC clusters**. As such, each DAR Provincial Office (DARPO) shall identify and develop at least one (1) ARC Cluster for the province.

As provided in the DAR MC 03, s.2006, the delineation and development of ARC clusters shall be based on the following considerations:

- Presence of two or more ARCs, with at least one ARC having a high level of development to serve as nucleus of development
- Geographical Advantages/Accessibility to economic facilities/services
 - Availability of agricultural land for commercial production purposes, both existing and potential
 - Presence or accessibility to institutional support system and financing institutions
 - Availability of basic utilities, national and provincial roads leading to the major centers in the province and/or, to some extent, the region.
- Commodity-based Development for commercial production, semi-processing and/or processing (considering comparative and competitive advantages)
 - Has capacity to produce competitively primary and secondary crops in commercial quantity. Presence of non-traditional crops of high commercial value is of advantage.
 - With at least 1 prime or semi-prime ARC engaged in semi-processing or demonstrate capacity to undertake processing activities of the crops produced widely in the cluster.
 - Absorptive capacity for the target market.
- Good Governance including supportive and committed LGUs, line agencies and participative communities
 - for integration of plans with local plans (barangay, municipal, provincial and regional plans)
 - closer coordination with cooperating line agencies
 - participative consultative process is practised and/or encouraged by the local government units (barangay, municipal, provincial level) from planning, implementation, monitoring and evaluation.
- Preservation of Socio-cultural and Indigenous Aspects
 - Strong preservation of the rural farming communities including the IP communities, coastal and upland communities;
 - Pro-active civil society, POs, Academe, civic and religious groups.

B. Formulation of the ARC Cluster Development Plan (ARCCDP)) (Please refer to attached process flow for the formulation of the ARCCDP.)

1. DARRO/DARPO shall undertake a participatory approach, involving the PGLU, MLGUs, DTI, DA, DOST, and other agencies, and the private sector, towards the formulation of an **area development plan** for the cluster, which shall entail the redelineation of the cluster based on the criteria and other considerations as stated above and under MC 03, s. 2006, and PBD directives as may be issued by the Undersecretary for SSO.

2. DARPOs shall review/update existing plans and projects/programs including the profiles of the ARCs in the cluster and of the non-ARC barangays included in the cluster. They should assess their status and agri-development potentials/competitive advantages such as resource endowments, soil suitability, centrality of location and accessibility to facilities and centers, etc. A synthesis map (Annex A) may be useful for this assessment.
 - Review the local (regional, provincial, municipal) development plans (annual and medium-term) to determine the thrusts and directions of the regional and provincial development..
 - Assess the existing and potential role(s) of the ARCs and other CARP areas in the cluster and provincial as well as regional development.
 - Determine the centrality index/economic function and key industry of each ARC and/or municipality or barangay to facilitate the identification of ARC integrator(s) or nucleus and other major centers. Attached is a suggested format (using the Manual Scalogram Technique) which may be used as a guide for this purpose.
 - ⇒ List the ARCs (and/or municipality and/or barangay, for more specific locations) in descending order of their population
 - ⇒ List the functions/industries/services found in the province (or the potential cluster) in their descending order or ubiquity (frequency of presence)
 - ⇒ Shade or fill with dark color all cells in which a function is found in an ARC. Leave cells blank, or fill with a zero "0" cells for which a function does not appear in an ARC.
 - ⇒ Reorder the rows and columns so as to visually minimize the blank cells appearing in the dark pattern, i.e., reflect a decreasing order of presence of functions/services. (The scalogram is complete when no shifting of an ARC row or function column can reduce the number of blank cells in this pattern.)
 - ⇒ The final order of rows reflects the ranking of ARCs which may be interpreted as an ordinal centrality score.

3. DARPOs assess the development gaps within the cluster, identify/set. targets, identify/formulate development strategies, programs and projects to attain specific development goals and objectives.
 - Determine development goals, specific roles of ARCs and other areas, investment requirements
 - Develop the appropriate functions and interrelationships of the ARCs and other areas in meeting the development goals/objectives
 - Align plan objectives with local as well as major area development programs

ARC cluster development modalities may be through, but not limited to, the following: (also outlined in the DAR MC 03, s.2006)

Specialized Crop Production Areas
Integrated Production, Post-harvest and Marketing Centers
Agro-Industrial Nucleus Estates (Processing of local produce)

Development support may therefore be industry/crop-oriented, market-oriented, resource-based, or technology/information assistance-oriented, or a mixture of these.

4. The ARC Cluster Development Plan should include the implementation strategy, programs/projects and projects/activities, including at least one (1) **agribusiness plan** for an identified priority/most viable crop or industry for the ARC cluster), funding requirements and possible financing sources, and timetable for implementation. The implementation framework, including the financing strategy, shall also be spelled out, considering all possible sources of funds to be able to implement the proposed agribusiness for the cluster. Please refer to Annex B (the suggested outline for the ARCC development plan).

The DARPO/DARMO may conduct an agribusiness planning workshop if deemed necessary. It may request for technical assistance from the SSO-PDMS and/or concerned agencies such as the DTI, DA, TESDA, UP-ISSI, etc. in the formulation of an agribusiness plan.

5. Within a cluster, there may be several potential agribusiness opportunities. These should be prioritized, adopting a set of prioritization criteria, to come up with one or two agribusiness projects to be developed for the cluster. An agribusiness plan is then prepared for the identified crop/commodity/function. It is basically in the form of a pre-feasibility study which contains a market study, technical aspect, financial analysis (including financing strategy), O & M aspects (including assessment of anchor organization, Coop/PO profiles, training needs, etc.), environmental cost and benefit analysis, and others. Major information and document requirements include, but not limited to, the following:

- volume of production (supply)
- size of market (demand)
- location of market(s)
- prices
- post-harvest facilities
- maps (slope, infra, soil suitability, production areas, etc.)

Please refer to Annexes C1 and C2 for the suggested outlines/guides for the agribusiness plan/study.

C. Preparation of Annual Workplans and Budget

The DARPOs are expected to prepare their Annual workplan and budget for the implementation of subprojects/activities towards the development of the ARC clusters and the identified agribusiness. These activities, which should include mobilization of resources for the implementation of the cluster plan and/or the agribusiness plan(s), undertaking of immediately implementable activities, among others, should be incorporated/mainstreamed into their annual performance contracts or work and financial plans under PBD. DARROs should consolidate and integrate the same under the regional PBD Work and Financial Plan (WFP), and include the same under the RDs' Performance Contract (PC).

It should be emphasized that mobilization of resources to finance the development of the ARC clusters and the identified agribusinesses is a shared responsibility

among the various implementers/RD agencies, the concerned LGUs as well as the farmers themselves.

D. Resource Mobilization

Convene investment fora and mobilize local resources to generate contribution/counterpart funds or projects from LGUs, private investors, civic organizations and other possible partners engaged in rural development.

Strategies for resource mobilization include, but not limited to, the following:

- Enhancement of DAR-LGU partnership;
- Promotion private sector participation/investment through BOT, JV, etc.;
- Strengthening of interagency collaboration/ convergence/ harmonization to optimize use of resources;
- Generation of more grant assistance and other ODA sources

E. Implementation of Immediately Implementable Projects

In accordance with the recent GMA directive on the Comprehensive Livelihood and Emergency Employment Program (CLEEP) and Economic Resiliency Plan (ERP), identify projects/activities which may be immediately implemented and contribute to the generation of employment/jobs and livelihood.

1. Implement social preparation, organizational development and training for ARBs within the cluster.
2. Expedite replication and expansion of microfinance support to cover more households within the ARC clusters.
3. Implement high-impact, short-gestating subprojects which will benefit more ARB households such as commodity-based production grids, livelihood, and MSMEs.
4. For those covered by new FAPs, frontload the implementation of physical infrastructure projects, providing jobs for local residents, OSYs, etc.

F. Support Implementing Mechanisms

The Department's foreign-assisted projects (FAPs) and locally-funded projects will be tapped to the optimum to enhance ARC connectivity and implement the ARC cluster development plans. Participation of all stakeholders shall be enjoined to ensure consolidation and complementation of initiatives and resources.

Foreign-Assisted Projects (FAPs)

1. Agrarian Reform Infrastructure Support Project Phase 3 (ARISP – 3)

Specific interventions to promote ARC connectivity include the establishment of provincial Agrarian Information Marketing Centers (AIM-C), rehabilitation of critical access roads, and strengthening of federations of ARB cooperatives. These will be in support to the following major interventions: construction/rehabilitation of communal irrigation systems; construction of post-harvest/processing facilities cum AIM-Cs; construction/ rehabilitation/improvement of farm-to-market roads; construction of bridges, and provision of related structures to open up new lands.

At least 54 AIM-Cs shall be established, of which 26 shall be provided with new/rehabilitated AIM-C structures under the Project. These AIM-Cs may serve as the nuclei of the ARC clusters to be developed in the 54 provinces to be covered by the Project. Through these AIM-Cs, linkages between and among ARCs shall be promoted to facilitate production, processing/development and marketing of agri-based products.

The DARROs and the concerned DARPOs are therefore advised to reconfigure/align their ARC cluster development efforts with the identified AIM-Cs under this Project.

2. Agrarian Reform Communities Project Phase II (ARCP II)

The ARCP II will provide holistic support to CARP by facilitating the access of target communities to essential support services and markets, in about 152 ARCs in 18 provinces in Southern Philippines. It will help facilitate their transformation from subsistence producers toward agribusiness development.

Under this Project, which shall be implemented commencing this first quarter of 2009 to 2014, about eleven (11) ARC clusters shall be established and developed.

3. “Tulay ng Pangulo Para sa Kaunlarang Pang-Agraryo” or The President’s Bridge Program for the ARCs and CARP Areas (TP-KARP)

This project, which employs the French universal bridge (unibridge) technology, is envisaged to link the various ARCs to the economic mainstream and open up development potentials through the construction and installation of pre-fabricated modular steel bridges in about 418 ARCs nationwide.

With the implementation of the bridge projects, it is expected that additional idle lands will be cultivated at a rate ranging from 20 – 30 hectares per year, assuming additional inputs such as irrigation, etc. are provided.

Locally-Funded Projects

In close coordination and collaboration with the LGUs and the CARP Implementing Agencies (IAs), the DAR shall give priority funding assistance in the provision of support infrastructure facilities/systems for the opening of new idle lands to be developed into agribusiness lands, promotion of agribusinesses and rural enterprises, and thus generation of employment opportunities. Focus of assistance shall be these ARC clusters and the priority poor and food-poor provinces.

Convergence Initiative

The Convergence Initiative (CI) is a program strategy adopted by the three rural development agencies – DA, DAR and DENR – to complement, collaborate and coordinate programs and projects as an initiative in maximizing government interventions in the countryside. Under the CI, agribusiness potentials in the priority ARC clusters shall be identified and developed/promoted, focusing on the underutilized and idle lands in the ARCs and ARC clusters. This is in response to

the President's priority agenda of developing 2 million hectares of idle and underutilized lands for agribusiness, and thus of creating 2 million jobs. An initial area of 196,000 hectares of idle and underutilized lands with potentials for agribusiness have been identified in the ARC clusters.

Under the complementation of resources and expertise, the DAR is mainly tasked to assist in social capital formation, the DENR is to focus on environmental stewardship; while the DA is responsible in providing access to improved appropriate farming technologies and ensuring market destinations.

The CI structures and implementation mechanism are institutionalized at the national, regional, provincial and municipal levels, with premium placed on the primacy of the LGUs' role in the development of agribusiness in the rural communities.

AREDP

AREDP interventions in selected ARC clusters will be in the development of commodity-specific high value-adding enterprises, including yellow fruits production (pineapple, banana and mango), coconut-based enterprises, sugarcane production for biofuel, muscovado sugar and regular milled sugar, and grains production and trading. These will be done through various agribusiness venture agreements (AVA) schemes between the ARBs and small farmers and private investors.

The main strategy will be the consolidation of commodity supply from family-sized farms located in identified production grids to create economy of scale and quality standards required by alternative marketing arrangements with institutional buyers. Participating farmers' organizations will be provided with package of complementary services like access to improved technologies and credit for production capital as well as for processing equipment through networking with private sector partners and appropriate government agencies. Support will be provided to the DAR field offices for implementation of social preparation and farmers' organization strengthening activities to ensure the sustainability of the enterprises.

Priority will be given to ARC clusters where the AREDP on-going projects complement the core commodity identified in the cluster development plan. These projects could serve as the nuclei of the development interventions in these areas.

G. Monitoring of ARC Clusters Development

DARPOs are expected to submit regular monthly reports to their DARROs on the development interventions and other activities undertaken in the ARC clusters. The DARROs, in turn, should submit a consolidated monthly report on these to the PDMS, through the SSO Office of the Undersecretary.

The PDMS shall be the responsible SSO unit in the maintenance of databases and monitoring reports on ARC cluster development. It shall closely coordinate with other DAR units involved in ARC cluster development, such as the SSO (BARBD, AREDP), FAPsO, BLD, etc, which are expected to submit regular reports to the

PDMS on updates/status of their respective initiatives/interventions relevant to ARC Cluster Development.

For this purpose, the SSO-PDMS shall issue a separate memorandum/guidelines specifying reporting formats and data requirements for monitoring ARC cluster development.

IV. TARGETS AND PRIORITIES

For 2009, it is expected that at least 78 ARC clusters are identified and their proposed agribusiness projects are confirmed as among the focus of assistance under PBD. Thus, each DARPO should identify at least one (1) cluster for the province. DARPOs are required to submit to the SSO-PDMS the profiles of their identified/redelineated clusters, including the proposed agribusinesses for these clusters.

Initially, 25 ARC clusters shall be selected as priority clusters for immediate assistance. Major considerations in the selection of these priority ARC clusters are:

- level of preparedness for development interventions, i.e., cluster development plans and agribusiness plans have been prepared/completed.
- located in the identified poorest provinces, most especially the top 12 food-poor provinces
- located in the provinces where the DAR Secretary is the lead/focal person, i.e., Region X and ARMM provinces esp the Lanao Provinces
- included in the coverage of the ARISP 3, ARCP 2, and other on-going FAPs, and AREDP, Convergence sites and settlement areas.
- with established centers (KFCs, AIM-Cs, PICAT, etc.) assisted under completed/ongoing FAPs (PATSARRD, ARISP 1&2, BIARSP, SPOTS, MINSSAD, PICAT)
- with other possible loci of development interventions such as E-Agrikultura centers, MICOOP-assisted cooperatives, as well as other relevant institutions/organizations.

The development plans for the priority 25 clusters, as shown in the attached list, are expected to be revalidated/finalized and submitted to SSO-PDMS not later than the end of August 2009, for immediate confirmation of the NARCTF. For the remaining clusters, the plans should be formulated and submitted within the year.

For information and strict compliance.

Issued this 14 day of September 2009, Quezon City.



NASSER C. PANGANDAMAN
Secretary

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Office of the Secretary



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