



MEMORANDUM CIRCULAR

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SUBJECT : INTENSIFIED RURAL DEVELOPMENT THROUGH AGRARIAN REFORM COMMUNITIES (ARCs) CONNECTIVITY

I. BACKGROUND AND RATIONALE

The Department of Agrarian Reform (DAR) embarked on an area-focused strategy, i.e., development of Agrarian Reform Communities (ARCs), to accelerate the attainment of the growth and equity objectives of the Comprehensive Agrarian Reform Program (CARP). The ARC development strategy is a people-centered, concerted, and holistic approach to community development. Optimum use of resources of government agencies, local government units, people's organizations, non-government organizations, and even foreign donor / funding institutions is thus expected to be achieved.

To contribute to the effective implementation of the CARP, Republic Act No. 7905 was approved on February 23, 1995. It called for, among others, the establishment of at least one (1) ARC per legislative district with a predominant agricultural population by CY 2000. It officially defined an ARC as "a barangay or a cluster of barangays primarily composed and managed by agrarian reform beneficiaries (ARBs) who shall be willing to be organized and undertake the integrated development of an area and/or their organizations/cooperatives." In addition, it reiterated the authority of the DAR "to package proposals and receive grants, aid and other forms of financial assistance from any source."

In 1999, through the issuance of DAR Memorandum Circular No. 5, DAR redefined the ARC development framework to make it more responsive to the demands of sustainable rural development. This called for the launching of new ARCs, consolidation or recluster of existing ARCs and expansion of the development interventions to include non-ARC areas or neighboring barangays outside of the ARCs, thus, covering ARBs not located in the existing ARCs. Thus, the ARC development has evolved into an effective mechanism to facilitate convergence of development efforts in specific areas, where a critical mass of agrarian reform beneficiaries are located. The ARCs, serving as loci of development interventions, have become growth points and showcases of development in the countryside.

In April 2003, DAR deemed it necessary to further extend the geographic reach of its ARCs, to cover a greater number of ARBs and other farmers in adjacent barangays/municipalities. Having recognized that the ARCs covered only about 40% of the total lands distributed and about 30% of the total ARBs, DAR issued Memorandum Circular (MC) No. 04, dated 3 April 2003, promoting the development of KALAHI Agrarian Reform Zones (KARZones). Similar to RA 7905, DAR MC 4 called for the

delineation of at least one (1) KARZone per district. These KARZones, each of which should consist of at least 2 ARCs in addition to the non-ARC barangays within the municipality and adjoining municipalities within the District, were to serve as expanded convergence areas, basically to enhance efforts in the development of agribusiness lands.

As of 30 June 2006, there were a total of 1,787 ARCs confirmed (including 72 ARCs in ARMM), covering 1,012,714 ARBs in 7,259 barangays nationwide, and a total of 98 KARZones delineated, of which 48 had been confirmed by the National ARC/Z Task Force. Although the Department's total Official Development Assistance (ODA) portfolio reached P42.6 billion, significantly complementing the limited Agrarian Reform Fund (ARF), only 1,054 ARCs have received assistance under the DAR's foreign-assisted projects (FAPs).

Emerging concerns regarding the KARZone development include unrealistic targets in terms of geographical scope and identified development interventions, resulting in incredibly huge estimated investment requirements. Essentially an expanded ARC strategy, the KARZone development had evolved into a district-wide development strategy, or even a province-wide strategy for provinces with only one district. As such, it was not given the needed attention and support of the foreign donor community as well as the government oversight agencies, which required a legal basis for its adoption.

Considering the above circumstances, and given the urgency to fast-track 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, the DAR deems it imperative to adopt alternative support services delivery schemes that would jumpstart the coverage of a wider ARB reach and thus achieve a more meaningful CARP implementation.

II. FRAMEWORK FOR INTENSIFIED RURAL DEVELOPMENT

A. ARC DEVELOPMENT FRAMEWORK

The DAR shall continue to adopt the ARC Development Framework as its main strategy for Program Beneficiaries Development (PBD). It shall intensify its efforts in the development of ARCs and the expansion of the coverage and benefits of the ARC development to more ARBs and other farmers. This intensification of the ARC development will involve the following strategies:

1. CONTINUED DEVELOPMENT INTERVENTIONS IN THE ARCS

The ARCs shall continue to serve as the growth points in the countryside and remain the foci of support services delivery for Program Beneficiaries Development (PBD). As such, the Department shall identify and develop more ARCs and pursue its target of at least 2,000 ARCs by the end of 2010.

2. LAUNCHING OF SPECIAL ARCS

AR barangays, which do not meet the "must" criteria to be confirmed as ARCs but have a considerable number of ARBs needing assistance and potential for agribusiness development, shall also be identified and launched as Special

ARCs (SARCs) and must be given special attention. For this purpose, separate guidelines for the confirmation of SARCs will be issued.

3. EXPANSION OF ARCS

This expanded integrated area development strategy takes off from the existing ARCs to sustain benefits already being achieved in the ARCs, extend these benefits to a wider scope (in terms of ARBs and area), and thus attain improved economies of scale. This entails the reconfiguration of existing ARCs to include adjoining non-ARC barangays and/or Special ARCs.

In FAPs-covered ARCs, the expansion areas may now be included for assistance under the FAPs being implemented in these original ARCs. Presently, there are already a number of ARCs whose expansion had been approved, resulting in the inclusion of more barangays under FAPs coverage.

B. ARC CONNECTIVITY

To enhance the above area-focused strategies, the DAR is embarking on developing the ARCs as "virtual communities" by enhancing connectivity of ARCs. An alternative to the KARZone development strategy, ARC connectivity through capacity building, information and learning exchange, federation and alliance building, etc. is envisioned to help create a thick web of relations that will facilitate access to input sources, markets, technology, social processes and political institutions. More importantly, 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.

1. CONNECTIVITY THROUGH ARC CLUSTER DEVELOPMENT

Taking off from the existing ARCs where substantial development works were already implemented, the ARC Cluster Development (ARC-CD) Strategy shall be pursued as a mechanism for ARC connectivity. Basically, this is the KARZone approach, modified for more focused and manageable scope for prioritized interventions geared toward accelerated agribusiness planning and development to achieve immediate tangible impact on productivity and income. As in the ARCs, these ARC clusters serve as convergence points for optimum utilization of resources 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.

Basically an intra-provincial approach to development, the ARC-CD is an enhanced ARC development strategy that focuses on cluster(s) of ARCs within the province where there is a critical mass of target beneficiaries, i.e., ARBs and other farmers. The development of the cluster is mainly for

economies of scale, and builds on the strength of the higher level ARCs, which may serve as Integrator, and complementation with other ARCs with strong potential for economic development.

The development of ARC clusters shall be based on the following considerations:

Presence of two or more ARCs

- The ARCs with high ALDA rating will serve as nuclei of development. ARCs covered by existing FAPs will have added advantage as growth centers. The potentials of ARCs with low ALDA level will be promoted to support the main economic activity of the prime ARC(s).
- A common development goal is identified that would serve as basis for determining complementation of the ARCs forming the cluster.

Geographical Advantages/Accessibility Considerations

- Geographical scope is within the expanse of influence of the nuclei ARCs; intra-provincial and inter-district in operation;
- Availability of agricultural land for commercial production purposes, both existing and potential;
- Presence of or accessibility to institutional support systems and financing institutions, support services and facilities such as market, etc.
- Availability of basic utilities, national and provincial roads leading to the major centers in the province or to some extent the region.

Commodity-based Development

- The ARC cluster has the capacity to produce competitively primary and secondary crops in commercial quantity. Presence of non-traditional crops of high commercial value with string market demand is of advantage.
- At least 1 ARC is engaged in semi-processing or demonstrates capacity to undertake processing activities of the crops produced in the cluster.

Governance

- Supportive local government units (LGUs), particularly on the integration of ARC development plans into local (barangay, municipal and provincial) plans
- Line agencies are committed to promote convergence for sustainable rural development.
- Participative, consultative process is practised or encouraged by the local government units in community/area development planning, implementation, monitoring and evaluation.

Socio-cultural 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.

The development of the ARC Clusters may therefore be promoted through the following, but not limited to, these modalities:

Specialized Crop Production Clusters

ARCs may be classified into production clusters, with each cluster specializing in the production of a specific crop, livestock, fruits, fiber or any commodity where such ARC has competitive advantage. This cluster specialization will minimize competition as well as enhance exchange of produce or commodity within the ARCs and ARC clusters. A prime ARC may serve as Integrator.

Most likely development requirements are geared towards continuous upgrading of production technology and establishing tie-ups with marketing arm or directly with the market.

Integrated Production, Post-harvest and Marketing Clusters

Prime ARC has the capacity to be the integrator of the cluster, collecting produce, providing post-harvest facilities and at the same time marketing the produce in the other ARCs in the cluster.

Development requirements are geared towards strengthening the integrated production, post-harvest and marketing linkages and upgrading of the post-harvest techniques, delivery and transportation system and empowerment of the peoples' organizations particularly in developing competitiveness in the market, and matching the needs of the markets and the products of the communities.

Processing of local produce (nucleus/agro-industrial estates)

Existing ARCs, with potentials to undertake pre-processing of the commercially grown crops and semi-processing of crops, host agri-based industries for raw materials from surrounding ARCs, which serve as production clusters.

Development interventions should be more on strengthening the production-processing linkages, the timeliness of harvesting the right volume and quality and continuous upgrading of the processing techniques; building up of the market linkages and entrepreneurial skills.

2. CONNECTIVITY MEANS NO BOUNDARIES

A major innovation under this strategy is its non-limitation in geographical and administrative boundaries. Connectivity may be enhanced not only among ARCs within the municipality/ district or province, but also among ARCs from adjoining districts or even neighboring provinces, if deemed necessary and economically viable. As such, this approach may be adopted in an inter-provincial context, and/or in the traditional context of intra-provincial or intra-subprovincial area development.

3. **CONNECTIVITY MEANS IMPROVED ACCESS**

As connectivity connotes improved physical access to economic services and facilities, major development interventions shall come in the form of rural infrastructure support, i.e., farm-to-market roads, and bridges.

In addition, improved access to other support services shall also be enhanced such as those interventions extended under the ARC development, i.e., social infrastructure and local capacity building and strengthening (SILCAB) and sustainable area-based rural enterprise development (SARED). These include social preparation for the ARBs, promotion of productive sustainable agriculture, covering promotion of appropriate modern agricultural production technologies and effective conservation farming practices, crop/product processing/ development, access to credit and micro-finance facilities, market development assistance, among others.

Moreover, connectivity in terms of improved access to information and knowledge relevant to farm production, productivity, marketing, and others, will be assured for farmer-beneficiaries in the ARCs, SARCs, and ARC clusters. Farmer-beneficiaries shall be updated on information technology (IT) and other relevant knowledge in the Digital World.

Under this strategy, the ARBs and others farmers in the influence areas of these interventions, albeit in non-ARC barangays, shall be included among the beneficiaries of these support components.

4. **CONNECTIVITY MEANS RESOURCE OPTIMIZATION**

Under this strategy, the selection and implementation of interventions under existing foreign-assisted projects and locally-funded projects of the Department will be rationalized. For one, the Department will promote not only the provision of access for ARBs within the FAPs-covered ARCs but also of access to other ARCs/ARC clusters/SARCs. Thus, the use of resources under these projects shall be optimized, and development of these areas for agri-businesses is expected to be accelerated.

5. **CONNECTIVITY ACCELERATES AGRI-BUSINESS DEVELOPMENT IN THE ARCS**

ARC Connectivity targets to accelerate broad-based sustainable rural development through the provision of support to three million ARB-entrepreneurs; and promotion of convergence among the concerned rural development agencies, the LGUs and the private sector in the *development of new agribusiness lands*, making them productive with products transported to the markets efficiently. Focus of development interventions will be for the opening of new lands, and preparing these new lands for agribusiness development.

ARC Connectivity may be based on the following area development considerations:

a. Industry/Crop-oriented

A processing facility shall serve as the center of a processing network for production clusters. A case is an integrated corn production-feedmill-livestock project.

b. Market-oriented

ARCs or ARC clusters, which are accessible and near existing cities or urban areas, may serve as marketing or distribution centers of the produce from the ARC production areas/clusters;

ARCs or ARC clusters may serve as market outlets, with the capacity sufficient to meet/absorb the volume of production from ARCs in the province or municipalities adjacent to the province;

ARCs or ARC clusters which are accessible or exhibit proximity to the major marketing/trading centers from the production areas through a national or provincial road, an existing major port/terminal and/or airport, may serve as marketing/distribution areas.

c. Resource-based

ARCs which have an essential supply of production inputs such as irrigation, major river system/watershed, power plant or major source of seeds/seedlings or feeds for livestock may be tapped by the other ARCs/SARCs/ARC clusters.

ARCs or ARC clusters, where strong, functional tertiary POs or cooperatives are existing, could organize smaller POs and undertake consolidation, bulking, sorting and marketing of products of the cooperatives in the ARCs.

d. Technology-oriented

ARCs, where KALAHI Farmers' Centers (KFCs), E-Agrikultura Centers, Agrarian Information and Marketing Centers (AIM-Cs), and other similar convergence mechanisms are located, would serve as information and technology centers and demonstration areas for new technologies proven to yield better results in production and productivity. Information and assistance related to product and market development, input prices and sources, credit, institutional strengthening, etc. are also provided by these centers.

ARCs or ARC clusters, which demonstrate new capabilities or special technologies, would produce agricultural commodities/ processed products with potential for export and agri-business or large-scale production.

III. SUPPORT IMPLEMENTING MECHANISMS

Resource mobilization efforts shall be accelerated and rationalized in the context of the convergence framework for sustainable rural development. Participation of all stakeholders, i.e., government rural development implementing entities, LGUs, private and business sector partners, foreign and local donors/financing institutions, and even the farmer-beneficiaries themselves, shall be enjoined to ensure consolidation and complementation of initiatives and resources.

The Department's foreign-assisted projects (FAPs) and locally-funded projects will be tapped to the optimum to implement ARC connectivity.

Foreign-Assisted Projects (FAPs)

In addition to the on-going FAPs, there are new FAPs that will provide support to enhance ARC connectivity, to wit:

1. "Tulay ng Pangulo Para sa Magsasaka Sa ARCs" (The President's Bridge Program for the ARCs)

This project 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 double-lane steel bridges in ARCs nationwide. It shall employ the Mabey & Johnson Compact 200 bridge technology. It shall also provide emergency lane bridging for use during natural calamities and catastrophes.

To be financed through a concessional loan from the UK Government's Export Credit Guarantee Department (ECGD), the project shall be implemented until December 2011. 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.

2. Solar Power technology Support Project Phase II (SPOTS 2)

Similar to SPOTS Phase I, this project will be an integrated social and agricultural development support project of the Department. To be funded by the Spanish Government, the Project will contribute significantly to PGMA's 10-Point Agenda, notably the electrification of all villages in the country, access to basic services such as clean water supply, improvements in health and education, and the provision of sustainable livelihood. Under this project, photovoltaic energy systems shall be used as the enabling technology and entry point in the introduction of other components such as agricultural and rural enterprise development and institutional development.

The project, targeted to be completed by December 2007, will provide various solar packages that can supply the power and energy needs for agricultural productivity and agribusiness, community facilities such as health centers, barangay halls, potable water supply systems improvement/development and

school buildings, and household lighting and household-based livelihood activities.

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

This project was formulated in consideration of the development gaps in the ARCs and the thrust to enhance consolidation of these ARCs into agribusiness units/clusters or connectivity among these ARCs, resulting in accelerated economic development in the rural areas.

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.

With this project, the Department shall transform ARCs into building blocks of agricultural and agri-business development through participatory, inter-agency, multi-sectoral and integrated area development approach. Linkages between and among ARCs shall also be promoted to facilitate production, processing/development and marketing of agri-based products.


To be financed under the 27th Yen Loan Package of the Government of Japan (JBIC), this project will be implemented for 6 years (March 2007 – March 2013).


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 to ensure ARC connectivity to all economic support services.

IV. EFFECTIVITY

This Memorandum Circular takes effect immediately. All issuances inconsistent hereto are hereby repealed and/or revoked accordingly.

05 Sept.  2006, Diliman, Quezon City.


NASSER C. PANGANDAMAN
OIC-Secretary

