



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

MEMORANDUM CIRCULAR

No. 06

Series of 2006

**SUBJECT: REVISED IMPLEMENTING POLICIES AND GUIDELINES ON THE
"ARB AGRIBUSINESS ENTREPRENEURSHIP DEVELOPMENT
PROGRAM (AREDP)"**

WHEREAS, the ARB Agribusiness Entrepreneurship Development Program (AREDP) was conceived in support of President Gloria Macapagal-Arroyo's 10-point Agenda focusing on poverty alleviation, employment generation, food security, global competition, and hastening of peace and reconciliation;

WHEREAS, the Program will push forward the distribution of CARPable lands in line with the objective of the 2004-2010 Medium Term Philippine Development Plan (MTPDP) of transforming farm lands into agribusiness lands;

WHEREAS, the AREDP intends to take advantage of the emerging domestic and international markets for non-traditional products and the corresponding ample supply of raw materials which can be sourced from production areas where most of the ARBs are located;

WHEREAS, Memorandum Circular No. 05 s. 2005 was issued in pursuit of the objectives of the Program;

WHEREAS, the DAR-AREDP, Civil Society Organizations (CSOs), Philippine Fruit and Vegetable Industries Incorporated (PFVII), non-government organizations (NGOs), and other stakeholders of the Program during the Strategic Planning Workshop came into an agreement to come out with more specific policies and guidelines regarding the implementation of the Program;

NOW THEREFORE, in view of the foregoing, Memorandum Circular No. 05 s. 2005 is hereby modified to read as follows:

I. DEFINITION OF TERMS

As used in this Memorandum Circular, the following terms are defined:

1. **ARB Agribusiness Entrepreneurship Development Program (AREDP)** refers to the Program of the DAR primarily involved in the establishment of sustainable value-adding agri-based enterprises in the countryside.

2. **Agrarian Reform Farmers** shall refer to farmers who benefited from the implementation of the Comprehensive Agrarian Reform Program (CARP) and are the primary beneficiaries of the AREDP
3. **Agrarian Reform Community (ARC)** refers to the barangay or cluster of contiguous barangay where there is a critical mass of farmer or farm workers awaiting full implementation of CARP
4. **Civil Society Organization (CSO)** refers to any private sector association or organization engaged in ARRD. This can be small or large, formally registered or informal, representing the interests of specific groups or the public at large
5. **Department of Agrarian Reform (DAR)** refers to the executing, government agency of the AREDP and shall oversee the overall implementation of the Program
6. **Community Driven Development (COD)** refers to farmers organizing so that they can meaningfully participate in the program and provide continuity to development process through participatory local governance.
7. **Philippine Fruit and Vegetable Industries Incorporated (PFVII)** – refers to the corporate arm of DAR and the marketing and business arm of the AREDP
8. **Memorandum of Agreement (MOA)** refers to a document written between parties to cooperatively work together on an agreed upon project or meet an agreed upon objective. The purpose of a MOA is to have a written understanding of the agreement between parties. The MOA can also be a legal document that is binding and hold the parties responsible to their commitment or just a partnership agreement.
9. **Non-Government Organization (NGO)** refers to a category of CSO that is nonprofit, non-governmental, and serves public interest as well as possibly the interests of specific groups. The term is usually applied to CSOs that are formally registered
10. **Peoples Organization (PO)** refers to a membership organization that is usually small and acts on a local level, primarily ARB-dominated
11. **Value-Adding** refers to achieving increased market value thru processing
12. **Value-Adding agri-based Enterprise** refers to any income generating activity from the processing of agricultural products
13. **Program Management Office (PMO)** refers to the management unit of the AREDP in the national, regional, provincial and municipal level

14. **Globally Competitive** refers not only to the product competitiveness in the global market but also to the competencies of the farmer beneficiaries in producing globally competitive products
15. **Coconut Industry Investment Fund (CIIF) Oil Mills Group** refers to the biggest and the most integrated conglomerate in the Philippine coconut industry.
16. **Joint Venture Agreement (JVA)** refers to a form of partnership that is put together for a limited purpose.

II. PREFATORY STATEMENT

The development of the Agrarian Reform Farmers (ARFs) into Agribusiness Entrepreneurs and the transformation of the Agrarian Reform Zones into agribusiness farmlands are a strategic approach to the significant improvement on the socio-economic well-being of the rural populace. The approach would ensure that value-adding in the supply-value-chain in the agri-based enterprises is achieved and would drastically increase incomes of ARFs and develop their entrepreneurial skills. Further, existing DAR interventions on the provision of support services, agrarian justice delivery, and land tenure improvement would receive innovative changes and a quantum leap in the lives of the farmers and the agrarian reform's economic landscape. This will only take place with the adoption of a strategic, yet dynamic, farmer-centered and market-oriented program herein dubbed as the "ARB Agribusiness Entrepreneurship Development Program" (AREDP).

The AREDP would significantly contribute to the achievement of the 10-Point Agenda of PGMA and the MTPDP. The program is supported by a Presidential Instruction contained in a Memorandum of the Cabinet Cluster "C" on Agribusiness Development dated September 9, 2005 and October 22, 2005, creating such "Agribusiness Cluster", which is spearheaded by DENR with DAR, DA, PCA, CIIF Oil Mills, Incorporated and LBP as members and directing the cluster to pursue a program in the development of two million (2,000,000) hectares of agribusiness lands but that should be focused on coconut areas insofar as the allocation of CIIF fund is concerned.

Other commodities however, such as sugar, rice, corn, fruits, vegetables and livestock and poultry are components of the AREDP.

The local and international markets have been considered particularly for coco-based by-products which found huge market in China and other countries.

III. THE PROGRAM

The AREDP primarily involves the establishment of sustainable value-adding agri-based enterprises in the countryside. It likewise involves the development and expansion of both local and foreign markets for high quality, processed agricultural products.

Program interventions will be directed towards maximizing the use of resource base for agricultural development, diversification of rural income, and strengthening the capacity of small farmers in both production and processing. It therefore necessitates a commodity- focused approach and the economy of scale. The AREDP is both "farmer-centered and market-oriented".

The agrarian reform farmers (ARFs) and the various sectors within the agrarian reform communities (ARCs) and AR zones are the primary and secondary clienteles respectively of the Program which Vision and Mission Statements reflect the dreams of all major stakeholders, thus:

A. Vision

"Agrarian reform beneficiaries transformed into unified, viable, sustainable, independent and globally – competitive agri-business entrepreneurs living dignified lives."

B. Mission

- Be the leading provider of innovative and sustainable packages of interventions that will enhance and facilitate the transformation of ARBs into viable and competitive ARB entrepreneurs.
- Provide an environment that would sustain the holistic development of employees.
- Maximize absorptive capacity towards ensuring high impact development efforts.
- Institutionalize active relations with, between and among program partners.

C. Goals

- Improved and dignified living conditions for farmers/ARBs through:
 - Eradication of poverty
 - Generation of jobs
 - Increase in agricultural productivity & farm income
 - Promotion of human development as measured by the 3 Ks (Kabuhayan, Karunungan & Kalusugan), and
 - Enhancement of citizens' participation in governance
- Viable and sustainable ARB organizations thru adoption of Community-Driven Development (CDD) approach
- Creation of sustainable agri-based enterprises

D. Objectives

- Invest in farm enterprises owned and managed by ARBs;
- Generate agri-based livelihood for the ARBs living in the ARCs/project modules and sustain their economic development;
- Increase productivity, income and production capacities of ARBs' enterprises and raise the product quality standards;
- Improve the capability of the AR Sector's contribution to the country's annual GVA/GDP; and
- Improve LAD-LHO implementation by 90% in AREDP priority areas in collaboration with DAR field offices by 2010.

IV. STAKEHOLDERS' ROLES AND RESPONSIBILITIES

A. Department of Agrarian Reform (DAR)

DAR shall serve as the executing agency of the AREDP. It shall oversee the overall implementation of the Program and shall report the accomplishments of the AREDP to the President of the Philippines on a regular basis.

B. AREDP National Program Management Office

The ARB Agribusiness Entrepreneurship Development Program National Program Management Office (AREDP NPMO) shall be the lead implementing unit and shall have the full supervision and control over all aspects of program operations. It shall be headed by a National Program Director who shall report directly to the Undersecretary for Support Services.

The AREDP NPMO shall likewise

1. Be in charge of project development and approval

All project proposals shall be forwarded to the AREDP NPMO for evaluation and approval. All of the proposals will be reviewed and evaluated based on the project's feasibility, (technical, market, supply, organizational) financial, and economic viability.

The program will provide in-house or contracted assistance in determining the feasibility and viability of all project proposals to be implemented by proponents in various locations.

Prior to the development of the proposed projects, a regional and provincial consultation shall be conducted to leverage program expectations, stakeholder responsibilities, and obligations in the implementation and operation of the projects.

2. Be in charge of enterprise development

The NPMO shall assist the farmers in marketing their products, for them to obtain better prices through consolidation of supply and marketing arrangements with institutional buyers.

Appropriate investment recoupment rate shall be devised depending on the projected income or cashflow of the enterprises. Likewise, appropriate equity participation scheme will be implemented so that farmers can gradually build up their equity in the enterprise through time.

3. Extend technical assistance to stakeholders

The ARED National Program Management will be responsible for the proper acquisition and disposition of the machineries and equipment necessary for the undertakings of the Program. The production modules (enterprises) will be provided with the necessary machineries and equipment. Fees will be paid by these enterprises to cover the utilization, repairs and maintenance of the machineries and equipments.

A Memorandum of Agreement (MOA) shall be entered into by the DAR and the PFVII to carry out machine/equipment and logistical support arrangements

The NPMO will also provide technical assistance to participating farmers to improve their productivity through networking and coordination with appropriate entities.

4. Be in charge of CSO-SICAD Coordination

The NPMO shall closely work and coordinate with CSO-SICAD partners to ensure that intensive social preparation activities are conducted for the success and sustainability of the project.

5. Be in charge of Monitoring and Evaluation

Before project implementation, a baseline survey will be conducted to assess the socio-economic status of target project beneficiaries. Impact evaluation (after 5 years) will be done to determine whether real long-term benefits have accrued to project beneficiaries as a result of implementing the project. In addition, regular monitoring during project implementation will be done to ensure that the project objectives are attained.

6. Encourage Joint Venture Agreements (JVAs) with existing or new investors and farmers.

The NPMO shall work to encourage the private sector to engage in joint ventures with the program to hasten and expand

program implementation through partnership in enterprise development and operation.

B.1. DAR Regional and Provincial Offices

As a part of the mainstreaming process to the DAR's organizational and functional structure, a counterpart Program Management Offices (PMOs) shall be created at the DAR regional and provincial offices. The AREDP's operations shall be mainstreamed at the Regional Support Services Division and Provincial BDCD offices in addition to their current functions. Qualified DAR personnel shall be assigned or detailed to these PMOs. The main functions of these offices shall be on coordination with stakeholders and key players of the Program and functional supervision and monitoring of the whole Program in the regional and provincial levels. In addition, the PMOs shall assist in site identification and selection, liaison with LGUs and concerned government agencies.

B. 2. The National Program Director (NPD)

The National Program Director shall coordinate with the Regional Directors and the PAROs in connection with the Program implementation and shall have functional authority over these PMOs at the regional, provincial and municipal levels respectively.

C. DAR – Civil Society Organization (CSO) Committee

In order to encourage and strengthen stakeholder participation in the Program, a Committee composed of the DAR Undersecretaries for Finance, Management and Administration, Support Services Office, Field Operations Office, the National Program Director of the AREDP, representatives from the PFVII and CSO partners shall be established. Said Committee shall be the policy-making body of the Program and it shall be responsible in recommending policies and general guidelines affecting Program implementation.

Specifically, the Committee shall:

1. Promote and strengthen the participation of stakeholders such as peoples organizations (POs), non-government organizations (NGOs) and local government units (LGUs) in the Program;
2. Undertake consultations and meetings focused on the four components of the ARED projects in the provinces identified as pilot expansion areas;
3. Set up the participatory monitoring and evaluation system of the project;

4. Recommend to the Secretary policy options, program initiatives and specific projects that may be undertaken on the Committee's appreciation of ground level realities.

The Committee may draw its operational budget from available funds of the department. It shall be headed by the Undersecretary, Support Services Office as Committee Chair.

D. Philippine Fruit and Vegetable Industries Incorporated (PFVII)

1. PFVII shall be responsible in the management of AREDP funds;
2. It shall be in-charge of implementing specific projects (AREDP enterprises), subject to approval by the AREDP National Program Director;
3. It shall provide the necessary technical support to the AREDP enterprises;
4. It shall establish a centralized marketing system and shall have a Marketing Division which shall handle the marketing of all products produced by the AREDP enterprises;
5. It shall likewise install a centralized product information system and set up an electronic marketing network accessible to the supply, processing, and demand centers of the program;
6. It shall enter into a Memorandum of Agreement with cooperatives or NGOs and Marketing Institutions involved in the AREDP for the continued supply of value-adding products for marketing; and
7. All undertakings of the PFVII pertaining to the projects of the AREDP must be closely coordinated with the latter.

E. Civil Society Organizations

1. CSOs shall, in coordination with and subject to the approval of the National Program Director, be in charge in the design of social preparation activities and community organizing for community development (CO-CD). Track record shall however be a major factor in the choice of NGO partner;
2. They will likewise be in charge in the capability building of ARBs and cooperatives in their current areas of operations; and
3. CSOs shall enter into a MOA with the AREDP to carry out the above-stated provisions.

F. Cooperatives, ARBs

1. ARBs and ARB Cooperatives working with the AREDP shall be in charge in the production of value-adding products.
2. It shall establish the production site and will be primarily responsible in the warehousing of the produce.
3. It shall likewise ensure the quality and quantity of the produce as per market specifications.

V. PROGRAM STRATEGIES

The Program will apply innovative and systems-oriented strategies and approaches towards transforming small farmers into agribusiness entrepreneurs. The following are the highlights of the AREDP strategies and approaches:

1. Create, Operate, Train, Recoup and Divest Scheme

Disbursement Scheme for CARP funds

CARP funds to be invested in the implementation of the ARB Agribusiness Entrepreneurship Development Program (AREDP) are intended to finance the establishment of physical and social infrastructure in support of the agri-based enterprises in the ARCs/ARZones. This is the counterpart fund of DAR.

This will cover the: (1) social preparation/community organizing for community development activities that are focused on enterprise and entrepreneurship development; (2) construction/rehabilitation of farm-to-market roads and other necessary infrastructures; (3) the administrative costs in the procurement and installation of machineries, equipment and relevant facilities for the processing centers to be established; (4) the operational funds (MOOE) for the National Program Management Office, the Regional, Provincial and Municipal Offices; and (5) the training program for the staff and the farmers.

Disbursement Scheme for ODA Funds and Other Sources With Recoupment

The "Loan Component" of projects to be funded under this fund will be the subject of the recoupment scheme. Since this portion is a soft loan from the donors, it has to be repaid. Implementation concept and processes will however be the subject of specific guidelines for a particular fund source.

Divestment Scheme

During the initial year of implementation, priority will be given to enterprises with existing facilities. Before the actual enterprise operation, beneficiaries will be socially prepared (e.g. values formation). For those who will directly participate in the business operation, further technical training will be provided. Once operational, equity build-up for beneficiaries in line with the Program will be provided with the built-in divestment schemes. When the beneficiaries have already acquired the capability to operate the enterprise, the program shall gradually divest its share in the enterprise in favor of the beneficiaries until the latter have full ownership of the enterprise.

2. Self-Savings Mobilization for Capital and Values Formation

Self-savings is intended to imbue beneficiaries with a sense of attachment to the enterprise so that they may realize that through savings, they could be part owners of the enterprise. Accumulated savings will be the source of equity of the beneficiaries, the proportion of which depends on the amount of business delivered by each beneficiary to the enterprise. This is known as the "supply patronage refund." Other savings mobilization approaches shall be applied with the ARBs engaging in a "piso – piso" daily savings out of their family expenses.

3. Intervention Focused on High Impact Activity in the Value Chain

Farmers have long been mere suppliers of raw products, which is the main reason for their low share in the final commodity value. The Program's approach is to involve farmers in the forward linkages of the agribusiness system i.e. the processing and marketing subsystems. This is the best way for which farmers could obtain added value to their products, in addition to gains from employment, and over-all contribution to the economy.

4. Sustainable Technology-Based Development of Projects

Aside from the consideration of market potentials, the Program seeks to develop projects where technology and availability of technical experts will not pose problems. Preference will be accorded to local innovative technologies that are also environment-friendly.

5. Economies of Scale through Operational Consolidation within Strategic Production Grid

Inherent to the Program are enterprise models formulated incorporating economies of scale and operational efficiency. These will be established in the identified sites within the production grids.

6. Product and Market Development and Diversification

Program Management will have sustained links with local and global markets, in line with the changing market needs and demands. Enterprise operations shall also consider the nature and volume of products in accordance with the changing trends of market demands.

7. Joint Venture and Partnership with the Private Sector and Financing Institutions

The target number of enterprises may be substantially increased if there will be positive responses from the private sector who are willing to engage in joint ventures. Financing institutions may likewise hasten and expand program implementation through partnership in enterprise development and operation. This would be the main strategy in mobilizing financial investments in the enterprises.

8. Systems Approach for Global Competition and Program Intervention

Enterprise sustainability, viability and competitiveness will highly depend on the availability of resources and services. Hence, the Program provides linkages with all sectors which can provide the needed resources and services. The systems approach to enterprise development will ensure local and global competitiveness of enterprises under the Program. An exit mechanism for the Program's intervention shall be determined accordingly through the eventual sustainability and competency of each enterprise.

9. Combine the synergies of the DAR-ARED, CSO-NGO and PFVII

Management of resources calls for the active participation of all stakeholders in line with the principle of participative good governance. To ensure the quality, relevance and effectiveness of the Program's policies, there shall be a wide participation throughout the policy body of stakeholders, the DAR-CSO, - from conception to implementation. Participation crucially depends on AREDP's program directive following an inclusive approach when developing and implementing Program policies and activities.

10. Work on the Institutionalization of the Program, more specifically:

- a. Mainstreaming the PFVII;
- b. Mainstreaming locally through PO empowerment and LGU involvement
- c. Mainstreaming with other financial partners (Donors, Banks, Philanthropists, etc)

VI. THE PROGRAM DEVELOPMENT FRAMEWORK

The general development framework which forms part of the program design shows the inter-relationship and linkages of the interventions, approaches, and desired outputs from the program.

The countryside is generally characterized as an impoverished sector of society due to low farmer incomes, insurgency problems, high rate of unemployment and underemployment, inadequate investments and entrepreneurship, and deprivation of land ownership.

To alleviate the plight of the rural populace, the Program will introduce innovative and drastic interventions along the line of value-adding enterprise development, adoption of integrated agribusiness systems, development of local and global market linkages, and professional management system. Priority will be given to areas abundant in agricultural commodities where value-adding activities could be applied, e.g. coconut and palay. The interventions will be complemented by DAR's hastened efforts on land tenure improvement, agrarian justice delivery, and support services delivery under the Comprehensive Agrarian Reform Program.

It is expected that through the program interventions and the efforts of DAR, rural communities will experience sustained agribusiness activities, better incomes, more employment opportunities, improved peace and order condition, and increased land ownership. Through the Program, rural communities may look forward to sustained and established markets for their products, and generally progressive local economies.

VII. PROGRAM DOCUMENT

After consultations with the various stakeholders a Program Document was developed and forms part of this Memorandum Circular.

VIII. EFFECTIVITY AND REPEALING CLAUSE

This Memorandum Circular shall take effect immediately and shall modify or revoke other circulars inconsistent herewith.

25 Oct., 2006. Diliman, Quezon City.


NASSER C. PANGANDAMAN
OIC-Secretary