



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

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MEMORANDUM CIRCULAR

No. 05, Series of 1999

**SUBJECT: A SUSTAINABLE RURAL DEVELOPMENT FRAMEWORK FOR
AGRARIAN REFORM COMMUNITIES**

I. BACKGROUND AND RATIONALE

Access to land is essential to ensuring that rural growth will substantially benefit the rural poor, thereby, contributing to the attainment of equity goal as enshrined in the Philippine constitution. Highly inequitable distribution of productive assets, especially land, does not only limits the participation of the poor in production growth but also stifles the potential of the country to achieve long-term growth.

For more than six decades now, land reform has been a constant battle cry in the Philippines. Who control this productive asset and who greatly benefits from it are major concerns confronting the development direction of the country. Considerably, agriculture contributed nearly P485 billion worth of the nation's domestic goods and services in 1997. Three-fifths (49 million) of the population lives in the countryside and nearly half (19 million) of the labor force works in agriculture.

At present, there are more poor people than at any time in Philippine history. There are 6 out of every 10 Filipinos who continue to live below the poverty line due to inequality in income distribution, among others. More than half of the nation's wealth is controlled by the richest 20% while the bottom half of the population gets only one-fifth. In 1997, 44.4% of the rural families are living below the poverty line. Farmers have the highest number of households below the poverty line especially the rice, sugarcane, coconut and corn farmers and farmworkers.

Ten years after the passage of the Comprehensive Agrarian Reform Law, the Department of Agrarian Reform has distributed 2.85 million hectares (66 %) of the target 4.29 million hectares to 2.20 million ARB households and 97 percent of the 1,000 targeted agrarian reform communities (ARCs) have benefited a total of 76 percent of the 500,000 ARB households.



"Tulong-tulong sa pagsulong"



An ARC is composed of clusters of land reformed barangays in a municipality where farmers and farmworkers are awaiting the full implementation of agrarian reform. Nationwide, ARCs covered only 26 percent of the ARBs and only two percent of these ARCs managed to reach the ARC Level of Development Assessment (ALDA) III standards. The scope limitation in the number of ARCs covered is due to state's resources.

With the enactment of Republic Act No.8532 or "An Act Strengthening Further the Comprehensive Agrarian Reform Program", P50 billion was allocated for CARP implementation for the next ten years. The DAR is tasked to undertake the following beneficiaries' empowerment processes:

- a) landownership and control of productive resources through distribution of the remaining 1.6 million hectares of land to another 1.8 million farming families within six years and maintain the efficiency standard for resolution of agrarian cases;
- b) promoting and strengthening the social institutions at the community level and at different level of governance by enhancing the capability of the program partners, intensifying agrarian reform beneficiaries development, consolidating existing ARCs and expanding the rural development interventions in non-ARC areas; and
- c) increasing access to productive resources through working closely with the Department of Agriculture (DA), Department of Environment and Natural Resource (DENR), other line agencies and local government units (LGUs) towards a convergence of services to meet the needs of the ARCs, better management and increase foreign assisted projects, establishment of joint-venture business arrangement between farmers and agribusiness firms, meaningful partnership with autonomous societal actors in land reform and rural development undertakings, and continued "cleaning-up" of DAR bureaucracy.

In the implementation of the above-mentioned tasks, the DAR will be guided by the following strategies:

- a) completion of land distribution;
- b) convergence with DA, DENR, strategic line agencies and LGUs focusing on specific crops, commodities and integrated farming systems;
- c) continuation of the ARC development by expanding to embrace all ARBs, especially those not included in the existing ARCs and convergence zones;

- d) social marketing campaign to win the hearts and minds of the publics that can share or provide expertise, time and resources in implementing the other three C's strategies; and
- e) organizational development of the DAR bureaucracy.

Supportive to R.A.8532 is the agrarian reform agenda of the Estrada administration which is grounded on three equally important principles with respect to the rural sector: economic development, social justice, and political democratization. Consistent with these three distinct but related principles of the Estrada administration and congruent with DAR's vision and mission, the implementation of the ARC Development Program has to be enhanced and expanded to contribute to the achievement of food security, poverty reduction, and countryside development.

II. The Agrarian Reform Community Development Framework

A. Guiding Vision and Philosophy

Poverty in the Philippines is predominantly a rural phenomenon with seventy-two (72%) percent of the poor are dependent on agriculture, fishery, forestry and agriculture-related industries for employment and income. Inequalities in income, assets and opportunities inhibit equitable sharing of the benefits of growth. It is argued that concentration of wealth and resources leads to policies that protect sectarian interests and obstruct growth for the rest of the society. It also fuels social discontent, thereby increasing socio-political instability and reduces investments.

A more egalitarian distribution of lands will reduce poverty and boosts productivity. It is in this context that agrarian reform is seen to contribute in correcting these inequalities. Through agrarian reform, the State intervenes in the economic system to bring about more equitable distribution of productive resources (land, human and infrastructures). Agrarian reform levels the economic playing fields by enhancing the capability of Filipino farmers to become efficient agricultural producers. In so doing, the country benefits from rural labor utilization and higher rural incomes. It facilitates the involvement of the rural poor in the mainstream of the free market economy, and directly encourages the expansion of domestic demand for local services and manufactured goods. In the end, it increases the ability of both agriculture and industry to compete more effectively in the world market.

Within the next ten years, the ARC development program will continue to be implemented by DAR to serve as critical link between agricultural

growth, rural industrialization, and household welfare. It aims to transform the poor into productive citizens capable of making a real contribution to national growth. It revitalizes rural economy and lay the building blocks for global competitiveness. Finally, it can bring justice to the countryside by correcting the historical injustices committed against millions of landless Filipino peasants who have been denied the right to own the land they till. By the year 2004, ARCs will be expanded to cover 1.8 million agrarian reform beneficiaries.

B. ARC Development Approach

The ARC Development Program will be implemented within the context of the *DAR's vision* - "*a nation where there is equitable land ownership with empowered agrarian reform beneficiaries who are effectively managing their economic and social development for a better quality of life*" and

DAR mission of "implementing CARP through the distribution of lands and provision of support services in order to attain social equity and promote sustainable development."

In concretizing this vision, the ARC Development Program entails development of agrarian reform communities with active participation of civil society and critical partnership with the state and market in order to mainstream this area-based initiative. It espouses a development alternative where the balance of economic and political power will be in the hands of the agrarian reform communities. Consequently, it advocates a shift in development paradigm and approach towards a sustainable rural development. The program emphasizes sustainability through:

1. A scale intervention that is primarily area-based, comprising clusters of barangays in a municipality taking into considerations its economic, ecosystem and socio-political bases.
2. A focused approach to marginalized groups in rural communities comprising of small farmers, farmworkers, subsistence fisherfolks, indigenous people and women as the target of the empowerment processes and social capital formation.
3. A gender-sensitive program for community empowerment drawing in under-represented and marginalized population into the mainstream of development processes, most especially the women sector. The program will work towards achieving gender equity in all the stages of community empowerment processes.

4. An integrated area development approach through the establishment of closer linkages between and among communities belonging to the same economic and ecological systems. This approach chronicles the following key result areas: land tenure improvement, social infrastructure building, sustainable area-based rural enterprise development, and basic social services systems development.

The ARC development will be located in both convergence zones and outlying communities. There are three ARC models that will be implemented and documented for replication:

1. The prime agricultural areas, where there should be high technology, high productivity, and integrated agribusiness systems approach.
2. The inaccessible areas will be developed as self-reliant, self-sustaining, smallholder's agropolitan models. These ARCs are with low soil fertility and low production, inadequate facilities, limited access to government services and farmers producing more for subsistence than for commerce.
3. The in-between areas will be developed to provide production support systems to the prime agricultural areas and will serve as mid-processing or market centers for the relatively inaccessible areas.

C. ARC Development Guiding Principles

The ARC Development approach is anchored on the active participation of civil society and principled partnership with the government and business sector. It shall link the ARCs to the changing economy, transforming both civil society and market forces into vehicles for civic entrepreneurship.

1. Key Players' Partnership

The implementation of an area-based and people-centered development initiatives utilizing ARC approach is a formidable task where critical and principled partnership between and among key players: government, business and civil society is imperative. To ensure a sustainable rural development, there must be interplay of market forces, state interventions and civil society participation. The existence and recognition of the three key players point to an equally significant reality: the interrelatedness and interdependence of societal dimensions – economy, polity and culture. These three essential societal dimensions are the realms where key sectors are active and where players derive the substance for working together towards the path of sustainable rural development.

- Government is the key player in the realm of polity where the central concern and process is participatory, democratic governance and policy making to protect the human rights of all citizens including justice and equity. Considering the constraints of state resources, the implementation of ARC development cannot be done solely by the DAR and the CARP implementing agencies.
- Business is the key player in the realm of economy where the primordial concern and process is the mutually beneficial production and distribution of goods and services to meet the physical needs of the people. With the financial crisis affecting the government and the globalization trends, severe pressures from market forces are presently being advocated e.g. liberalization. At present, business sector is actively involved not only in the economic arena but also in social services delivery. Like the government, it is also risky to transfer the responsibility of a people-centered development to the business sector alone because of its limitations and imperfection.
- Civil society is the key player in the realm of culture where the basic concern and process is the development of social capabilities of human beings to advance their knowledge, to achieve clarity and coherence of values and to advocate the public interest. Civil society is broadly defined as "self-organized section of society involving voluntary organizations of popular sector (e.g. non-government organizations, people's organizations, cause-oriented groups, academe, media, church) and private corporate sector". Its major role is to democratize the government and the business sector by engaging in alternative development strategies and models that can be mainstreamed to benefit the whole society. It endeavors to present people-centered agenda that can be adopted in public policy.

2. People Empowerment

The ARC approach will be implemented with the end in mind of achieving people empowerment. Empowerment is broadly defined "as the process of shifting of the balance of economic and political power from the hands of the privileged few to the hands of the poor majority". The process entails acquisition of power and effectively utilizing this power in managing the development of their agrarian reform communities.

In order for the ARCs to manage effectively their own development, they need to have access and control of the vital productive resources such as land, capital, physical infrastructures, human, technology, information and

basic social services. However, the process of acquisition of power would require effective use and control of decision making both from the government and the civil society. On the part of the government, it would need cadres of progressive civil servants who are sensitive and responsive to the needs and aspirations of the ARCs and receptive to alternative development models. On the other hand, civil society should have critical mass of people who have the capability to implement the alternative development model, manage area development, and be actively involved in decision-making and enjoying public support.

3. Focused program beneficiaries

The primary focus of the interventions shall be the marginalized groups comprising of small farmers, farmworkers, agricultural lessees, subsistence fisherfolks, indigenous people and rural women in the ARCs. Specifically, for the farmers group, this will involve small farmers who are Emancipation Patent (EP) or Certificate of Land Ownership Award (CLOA) holders, holders of leasehold contracts and stewardship contracts covered by previous and existing agrarian reform laws; small owner-cultivators, including those who personally cultivate their retained areas; and farmworkers irrespective of whether regular or seasonal.

A special focus shall be given to women groups to mainstream them in the development process hand in hand with their male counterpart. Special women's program that could address their specific needs and interests shall be pursued.

Other members of the ARCs (professionals, small rural entrepreneurs, and youth) will also be mobilized to support the development initiatives of the marginalized groups. Equally important is the active participation of the local government units, non-government organizations, church, media, academe, and business group operating in the locality to provide technical assistance and resources. These support groups will be the secondary target in the ARC development work.

4. Scale Intervention Approach

The scale of implementation is one of the determinants in defining the impact, viability, and sustainability of the ARC approach. The identification and selection of the ARCs shall be based on the following criteria:

- *Ecological consideration – to allow ecological integration and sustainability, an ARC may comprise one ecological zone or cut across at*

least two ecological zones from among the three major types of ecosystem (lowland/agricultural, upland/forest, coastal/marine).

- ♦ Socio-political consideration – the physical and demographic characteristics of barangays comprising a cluster is a critical factor for ensuring that there is a critical mass of people and community resources that can be marshalled for sustained area development. The recognition of the farmer beneficiaries' and rural communities' potentials to take responsibility in using and managing productive lands and other community resources towards securing food security and self-sufficiency in basic needs are major considerations in developing ARCs' productive assets.

The ARC Development Program is "dent oriented." Hence, the target ARCs shall be in the areas where the greatest impact of agrarian reform can be felt. These communities are in barangays where substantial lands have been distributed and large LAD balances exist, where the greatest number of actual and potential farmers are found, and which are planted to crops that display the highest inequality in land ownership.

Territorially, ARCs covering prime agricultural areas shall be comprised of at least five contiguous barangays which are currently or have potential to become key production centers for major crops: rice, corn, coconut, sugar, high value crops, vegetables and fruits. These areas have greater potential to project high impact in terms of increasing productivity and contributing higher incomes for farmers and small producers. Huge tracts of agricultural lands characterize these with high potentials for economic self-sufficiency and there are significant numbers of agrarian reform beneficiaries who stand to benefit from increasing productivity and value-adding integrated agribusiness enterprises.

The outlying communities comprising of in-between ARCs shall be composed of a cluster of more than two barangays serving as production support to prime agricultural ARCs and mid-processing and market-link of the inaccessible ARCs. The inaccessible agropolitan ARCs shall comprise a cluster of two or more barangays depending on the magnitude of ARBs to warrant claim-making for basic social services delivery.

- ♦ Economic consideration – for the ARCs to be a foundation of a modernized small-holders agriculture and diversified rural economy able to compete in the market as well as develop the private sector's strategic interest in area-based rural development, economies of scale is an important consideration. However, in building sustainable, area-based rural enterprises, the transformation process must be guided by sound practices of resource sustainability and the principles of social justice.

For the ARCs to have potential for high impact on smallholders, agriculture, and rural poverty, it must have a mass of big agricultural lands with high production potential, big number of farmers, farmworkers and lessees, and small producers. Equally important economic consideration, the ARCs must have the potential to serve as building blocks for agro-industrial development and possess a conducive terrain for wide private investment. These ARCs may have a combination of high productivity zones for various crops and initial physical infrastructure facilities are in place.

5. Integrated Area Development

The essence of sustainable rural development through the ARC approach is the harmonious integration of a sound and viable economy, responsive government, social cohesion of the communities and ecological integration to ensure that development is a life-enhancing process. It is in this context, that ARC Development combines the strategies of land tenure improvement, social infrastructure and local capacity building, sustainable agriculture, local economy and rural enterprise development, and basic social systems development. Aside from the different area-based planning tools utilized by different stakeholders in the ARCs, the farming system development approach may also be used in the formulation of the ARC Development Plan.

D. Key Components of ARC Development

1. Land Tenure Improvement

Land tenure improvement (LTI) is a basic component in ARC development that spells the difference over other rural development programs. The land acquisition and distribution (LAD) involves the physical transfer of land ownership and control to the farmer-beneficiaries in order to emancipate them from the clutches of the landowners. Modalities in LAD may consist of compulsory acquisition and direct payment scheme to fast track the land transfer process.

LTI is focused on giving direct producers control over the natural resources base and paying attention on second generation problems and concerns. This is a critical step towards gaining control over production process, farmers' own development, and providing them basic security to engage in a globalizing economy. A "tenant free" countryside will also correct distortions in the land market towards attracting needed credit and investments to help fuel national growth.

Activation and strengthening of the Barangay Agrarian Reform Committee (BARC) will be pursued to assist in the process of land acquisition and distribution. Legal assistance and para-legal training programs of farmer leaders will also be done to facilitate mediation and resolution of agrarian cases at the lowest level possible.

2. Social Infrastructure and Local Capability Building

The social infrastructure and local capacity building component is geared towards developing ARCs' social capital and democratization of power. This stems from the recognition of the farmer beneficiaries and rural communities' potentials to manage, direct, and take responsibility for their sustained development

The primary concern of this component is to help marginalized groups to collectively develop their capacity to use and manage productive lands and other community resources towards self-sufficiency on basic needs especially food, and competence in area development management.

Basically, for social capital development and democratization of power to happen, the creation and strengthening of the following social institutions are imperative:

- a) self-sustaining and self-governing farmers' organizations that can effectively rally the support of the state and market and can manage equity enhancement programs. They shall serve as the primary vehicles of people's participation and mobilization of rural poor in pursuit of their aspirations. It can also serve as "school" where members can learn and develop relevant and useful social, economic and political skills to propagate people's own culture.
- b) cooperatives that are capable of managing and sustaining area-based rural enterprises anchored on viable farming systems. They can serve as socio-economic wheels for the achievement of their basic needs and as building blocks for alternative socio-economic systems catering to the needs of the rural communities, agribusiness sector and consumers.
- c) sectoral federations that will lead in the activation and strengthening of the barangay, municipal and provincial agrarian reform councils as consensus-building and advocacy units. They shall serve as apex-expression of self-governance that can work as parallel structures to local government units in formulating, advocating people's agenda and implementing alternative development strategies and models.

The promotion of strong and cohesive social institutions will be focused on doing "solid organizing" rather than on "sweeping organizing". The "solid organizing" strategy will involve a more people-oriented developmental process, where the formulation and installation of the building blocks of organizational management occurs in a calibrated, step-by-step basis, based on both short-term and long-term needs of the members of the organization and larger community. Interwoven in the process is an information and education program for the social institutions based on its uniqueness, core competence requirements, and comparative advantage.

3. Sustainable, area-based rural enterprises development

The sustainable, area-based rural enterprise development component is concerned with agricultural production for food security and basic needs sufficiency in order to increase production and income and improve quality of life of the ARC households. To achieve this goal, it is necessary to provide the agrarian communities access to capital, appropriate technology, information, physical infrastructures and market. Through this effort, agrarian communities can also be linked to the changing economy to be part of the civil society and market as vehicles for civic entrepreneurship.

To dynamize the ARC and pump prime the local economy, the following will be the focus of the interventions:

- a) sustainable agriculture – the ARCs will serve as pilot areas for sustainable agriculture through:
 - promotion of indigenous technologies, organic farming, tree farming around watershed areas, optimal use of land incurring minimal additional costs and appropriate soil management, and other ecologically sound agricultural practices;
 - crop diversification (cash crop and/or permanent crop inter-cropping) with local and international market opportunities;
 - production of raw materials for processing.
- b) Construction and/or rehabilitation of physical infrastructure facilities - farm to market roads, irrigation systems and post harvest facilities which are necessary for stimulating production and marketing of agriculture and agricultural-related produce will be put in place especially in strategic locations.

- c) rural industrialization – as a support to sustainable agriculture, this sub-component will focus on the establishment of upstream and downstream industries for more value addition and employment generation.
- d) investment and marketing assistance – aims to link and match farmers' produce with potential market or buyers in order to break the monopoly control of big traders and middlemen and promote equitable distribution of profits among producers and consumers. This sub-component also encourages agri-business firms to do business in ARCs and provide assistance to enable farmers to adopt a demand-led production system that is linked to the market.
- e) credit assistance – this concerns with provision of adequate and affordable credit for farmers' production inputs, pre-and post harvest facilities and fixed assets. While credit may be accessed from financial institution, this component also promotes internal savings mobilization among cooperating members and establishment of community based credit program that will cater to the other providential needs of the ARC households.
- f) community-based resource management – will concentrate on the establishment of community-based resource projects congruent with sustaining people's livelihood. Accompanying this project are collaboration works with other stakeholders involved in environmental protection and massive dissemination campaign and education program for community awareness.

4. Basic social systems development

Basically, this component will promote the establishment of a community-based social services system like primary health care, potable water supply systems, community recreational activities, disaster management and popular education, among others. This will be operationalized in collaboration with other government agencies, non-government organization and donor agencies.

All the key components of ARC development will be accompanied with data-base building, human resource training of program players, massive information campaign, extensive coordination and collaboration with program partners and ARCs/ARBs' information and education program for awareness building, capacity building and sustainability of the development interventions.

E. ARC Intervention Scheme

The ARC Development will be implemented in ten years operationalized by a three-layered development phases:

- a) organization building and strengthening;
- b) consolidation of ARC organizations and networks of rural based enterprises; and
- c) phasing out.

The scheme involves an iterative process starting with the breaking of institutional inertia that progresses to a concerted action of marginalized groups through various activities: awareness building, organization building, community mobilization and self-management congruent with program directions.

The organizing scheme is envisioned to be spiral cycle moving towards capacity building to manage internally its affairs and externally interface with other stakeholders especially its getting access to services due them from government and other institutions from the barangay up. The strategic focus of the process is building the community organizations' capacity and autonomy. Capacity refers to the degree by which an organization and community effectively mobilizes the internal and external resources needed to carry out collective decisions and plans. Autonomy refers to degree of external interventions in an organization's and community's internal life. Both capacity and autonomy dimensions are crucial in the overall health and sustainability of an organization and the ARC. How strong an organization/ARC is dependent on how autonomous they are in exercising decision making and how much capacity they have in carrying out their decisions.

The process shall proceed from one phase to a higher phase when organizations and the community are able to attain a level of capacity building in organizational management, rural enterprises development and management of community resources consistent to directions they have set forth and scale of sustainability.

Inherent in the organizing scheme are capacity building activities and autonomy enhancing activities involving participatory planning and management processes wherein at various levels of the community, the ARC players shall undertake collective problem solving and strategic planning, household data-base build-up, and shared project management.

The ARC intervention package may vary from one ARC model to another. Specifically, for inaccessible agropolitan ARCs, the minimum package of interventions are: a) ensuring that land are transferred to the ARBs; b) the community is organized to undertake mobilization works and claim making activities within and outside their area to generate the needed basic social services; c) provided with organizational development and management training; d) technology enhancement to reach subsistence level of production; and e) provision of micro credits.

In the prime agricultural and in-between ARCs, the intervention package will comprise the various activities and services along the four key components of ARC development: a) land tenure improvement; b) social infrastructure and local capacity building; c) sustainable area-based rural enterprises; and basic social services systems. The degree of interventions is dependent of the specificity and/or complexity requirements of the ARCs congruent with its short term and long term plan.

III. OPERATIONALIZATION OF THE ARC DEVELOPMENT FRAMEWORK

This ARC development framework systematizes and refines the ARC approach implementation within the context of the DAR medium term development plan (1999-2004). A review of the ARC implementation in each regions and provinces will be done to align it to the present thrust and directions of the Department. This will require human resource development and management strengthening, provision of appropriate financial resources, improvement in policies, systems and procedures, reconfiguration or clustering of some ARCs based on the models presented, and defining strategic interventions and inputs to achieve the output, effect and impact of DAR medium term plan. In this context, this memorandum circular will be used as a guide in implementing the ARC development approach at all levels whether locally or foreign assisted.

VI. EFFECTIVITY

This memorandum circular shall take effect immediately and supersedes all previous issuance inconsistent herewith.

DILIMAN, QUEZON CITY March 23 1999.



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