



Republic of the Philippines  
**DEPARTMENT of AGRARIAN REFORM**  
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Memorandum Circular No. 10  
Series of 1998

**SUBJECT: GUIDELINES ON THE ESTABLISHMENT AND  
OPERATION OF THE ARC NETWORK**

**I. Background and Rationale**

The Department of Agrarian Reform has adopted and institutionalized the strategy of building viable Agrarian Reform Communities (ARCs) to support the national government's thrust of redistributing agricultural landownership and developing the countryside to alleviate rural poverty. The ARCs are envisioned as the convergence of development efforts of all government entities, non-government organizations, business sector and people in these communities. With the enactment of the Agriculture and Fisheries Modernization Law or R.A. 8435, the ARC has been considered as one of the Strategic Agricultural and Fisheries Development Zones (SAFDZs) which will serve as model farms to ensure that agricultural lands are efficiently and sustainably utilized for food and non-food production and agro-industrialization.

Under the ARC Development Approach, the agrarian community undergo a four-stage development process categorized as: a) social awareness building phase; b) organizational formation and development phase; c) programs and project operations phase and d) institutionalization phase. These liberating phases of development stream towards people empowerment where DAR envisions the existence of strong and viable farmers organizations who take the responsibility of marshalling existing resources within their external and internal environment. Through these organizations, the ARC households will be assisted in increasing their productivity and income in order to raise them above the poverty threshold.

As of December 1997, the DAR has launched 912 ARCs covering 797 municipalities and 2,321 barangays. The cumulative accomplishment in land distribution in these ARCs stood at 645,056 (80%) hectares and area placed under leasehold operation is 79,278 hectares. The total farmers benefited are 351,098. About thirty-one percent of these ARBs are members of the 2,169 organizations in the ARCs.



*"Tulong-tulong sa pagsulong"*



*W.S.*

With these farmers benefited and functional organizations existing in various barangays and municipalities, the DAR is tasked to strengthen and consolidate its institutional building efforts in order to promote all forms of farm cooperation and create viable economic structures conducive to greater productivity and higher farm income. Such condition is the essence of the fourth phase of our ARC's development process. The organized farmers in the ARCs and in small-sized owner-cultivated farms are encouraged to build networks and linkages among themselves to ensure the irrevocability of their gains in agrarian development. Hence, the imperative for establishing the ARC Net.

## II. Objectives

The general objective of ARC Net is to further enhance social networks among people's organizations (POs) within and outside ARCs, to ensure economic development through profitable enterprises in cooperation with resource providers and markets, and to strengthen their policy advocacy levers towards government agencies and other decision makers.

Specifically, ARC Net aims . . .

1. To encourage consultation and sharing of experiences and information among POs within and outside ARCs;
2. To support efforts of POs within and outside ARCs working together to secure desirable technology, purchase inputs at a lower price, process farm products to enhance their value added, sell farm products and engage in profitable enterprises;
3. To strengthen the leverage of POs within and outside ARCs to advocate policies to be adopted by government and business leaders favorable to the farmers' sustainable development.



### III. Operational Framework

The development of ARCs is a continuous and complex process of adaption and change. This change is towards a desired state from the current status needing improvement in order to survive in the globally competitive environment where they are situated. The establishment of an institutional arrangement like the ARC Net is geared towards the growth, viability and sustainability of the ARCs. It endeavors to establish and harmonize people's organizations' viable enterprises through complementation, internal and external networking and linkaging with other ARC organizations, government and non-government organizations, business entities, resource agencies, and regulatory bodies within the province.

Just like the development of ARCs, the establishment of ARC Net will require the facilitation of a balanced growth of three development wheels-environment, economic and socio-political. This also entails a holistic approach to bring these development wheels together in an integrated manner. The concerted efforts and synergy of various stakeholders within and outside the ARC is equally important to operationalize the integration process of the ARC network within the province.

#### A. Factors Nurturing the Growth of the ARC Net

The economic environment surrounding business enterprise development in the ARCs has been changing over the last five years. To illustrate the dynamism of these changes, farmers in the ARCs have now the access and control of the most productive resources – the land. The farmers are organized to engage in agriculture and related enterprise operations. The ARCs have been the convergence point of various support services of the government, NGOs, business sector, academe and foreign donors. All these changes were established in the last five years to contribute to the attainment of the goals of national economy for more equitable distribution of opportunities, income and wealth and expanding productivity as the key to raising the quality of life for all, especially the underprivileged farmers.

What are the factors that nurture the integration of the ARCs? To begin with, what are the basic characteristics of ARCs? The ARCs are characterized by numerous socio-political and economic factors, which serve as the foundation of the current growth and integrating trend in the Philippine economies.

The first factor is *diversity*. The ARCs is characterized by varying levels of size (one barangay to clusters of barangays or even municipal-wide),

ethnic groups or cultures, multiplicity of people's organizations and economic development based on the nature of crops (traditional and high value crops) planted, manner of crop cultivation (individual and plantation-based), extent of investment and marketing arrangements and per capita income. It is commonly observed that diversity works against integration. However, if certain conditions are met such as common opportunity window for increasing production and income, diversities among ARCs can complement each other to facilitate provincial integration.

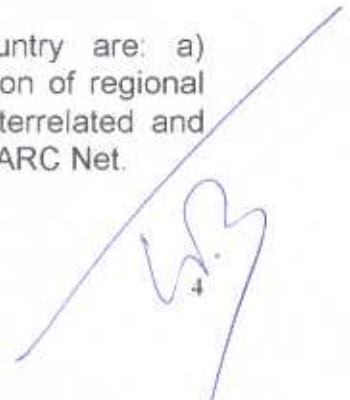
The second factor is *abundance*. The ARCs are not only abundant with natural resources but also with economic resources. Since 1992, the people's organizations have generated an increase in saving ratio; and recent inflow of direct investment from government, NGOs, agri-business companies and foreign donors to the ARCs have created abundance in capital. The most important are the human resources wherein farmers are in control of productive lands. Since the ARCs are in the rural areas, inexpensive labor force to support production processes is available and conducive for agri-industrialization. Most important is the growing consumption demand of the population, which provides scale merit for production and conducive for integration of the ARCs.

The third factor is the *flexibility* of the ARCs. Flexibility can be defined as the ability of the people's organizations in the ARCs to accept and absorb different cultures, products and systems. ARCs are able to adapt easily to new technology and innovations, which will add value to their objectives, which is a vital factor for growth or profit. The ARCs' flexibility is the key to understanding why, in spite of their diversity, ARCs can still establish efforts towards provincial integration.

The fourth factor is the *common needs and aspirations* of the ARC households to improve their quality of life through increased productivity and income.

The four factors – *diversity, abundance, flexibility and common needs and aspirations* are considered the foundations of the integrating forces of the ARCs.

Part of the external changes happening in the country are: a) technological advancement; b) establishment and expansion of regional business enterprises; and c) political shifts which are interrelated and mutually reinforcing and contributing to the nurturing of the ARC Net.

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The technological advancements have created many "linkages" inside and outside the ARCs. These are technological advancement in infrastructures, information and agri-related technologies and researches. This development has brought about capital and market, which are linked with world market and international investments in the country. Because of these technological advancements, the emergence of regional agri-industrialization centers and global business enterprise are also established in different regions where the ARCs are located. The favorable factors of cost, market, government supports and competitors are driving forces which facilitated the growth of regional agri-industrial centers. This condition is conducive for ARC Net establishment.

The recent issuance of Republic Act No. 8435 or Agriculture and Fisheries Modernization Act of 1997 is considered a milestone since agricultural modernization is seen as the remedy to low productivity and poverty in the rural areas, as it involves the "the transformation of farmers and fisherfolks from subsistence to entrepreneurial producers who are sensitive to the workings of the market, rigors of competitors and conscious of the need to maintain ecological balance to sustain production". This act also recognizes that agricultural development programs in the past failed because the country's overall trade and economic policies have created an unfavorable climate for agriculture. Hence, this act focuses on short, medium and long-term reform in the agriculture sector, which reinforce the development of regional agri-industrialization efforts of the government and private sectors.

#### B. Relationship between the Regional Agri-industrialization Centers and ARC Net

As earlier mentioned, the regional agri-industrialization contributes to the integration of the provincial ARCs. This is feasible for various reasons: first, the source of raw materials for production, processing and marketing can be generated from the ARC Net; second, it would be advantageous to respond to economies of scale requirements through ARC Net having wider resource base and economies of network; third, ARCs comprising the ARC Net are primarily from the "periphery" of the province and will be producing commodities for the "center". This in a way can contribute to political stability, which has been neglected in the previous years by the government; fourth, relatively easy to develop, since this is composed of organized ARBs from the ARCs. The arrangements that maybe developed by the ARC Net and the regional agri-industrial centers can

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fairly be flexible; fifth, existence of ARC Net is not a threat to the regional-agri-industrial center since it has the complementary production network goals and objectives; and sixth, both the economic development efforts of the regional agri-industrial center and the ARC Net will help in boosting the national economy of the country.

### C. Factors for Successful ARC Net

If the ARC Net have specific advantages, which complement the regional agri-industrialization centers, then what factors contribute to the success of the ARC Net?

It is essential to begin with factors for complementation. The ARC Net can assist in generating additional capital, technology and market for the ARCs. On the other hand, the ARCs have the land and human resources capable of creating economic resources both for production and consumption.

In order that these complementaries be fully exploited, strong internal linkage is essential. In this sense, geographical proximity is an important factor. If geographical proximity exist due to available transport and physical infrastructure systems then that links the ARCs to each other and the regional agri-industrial centers. If geographical proximity does not exist, the transport and physical infrastructure must be developed to shrink the distance between the ARCs and the center.

Another factor is the political commitment of participating government agencies, NGOs, business sector and academe. In the case of the government, it can provide favorable policies and support to promote internal linkages. Policy harmonization is important in responding to business needs and technological advancement.

ARC Net with limited internal market size require strong linkages to the world market place. What are essential are the marketing channels, which the regional agri-industrial center can provide. The beauty of the ARC Net lies in linking the peripheral ARCs to the center, which are detached from the usual market channels.

The role of the entrepreneurial private sector, which actively responds to the opportunities provided. It can share some values, systems and culture essential for the growth of the ARC Net.



#### D. Development Process of ARC Net

The establishment of ARC Net will entail the internal process of:

1. *environmental analysis*- focuses on the internal situation of the ARCs and the external environment where the ARCs are situated. The result of the ALDA can be a good reference in pinpointing the present state of the ARCs. Other information coming from other stakeholders can be useful in defining the opportunities and constraints of the ARCs. Provincial Development Plans of the local government units, business sector, government units, non-government organizations and people's organizations can serve as reference in assessing the development opportunities and defining the competitive advantage of the ARCs in the province.
2. *vision, mission, goal, objective setting* - with a clear analysis of the strengths and weaknesses, opportunities and constraints affecting to the ARCs in the province, it is important for them to define their vision, mission, goals and objectives (VMGO) as an ARC Net interventionist of the ARCs. This is important in defining the strategic directions of the ARCs where they have a competitive advantage to ensure strategic growth and development. Based on its VMGO and strategy, ARC Net will also be able to define its organizational structure conducive to the operationalization of its strategic plan. The ARC Net can be a servicing body for the different ARCs, a federation of ARC organizations, or a coalition of various ARB organizations in the province.
3. *strategy formulation* - with the set VMGO of the ARC Net and analysis of their internal and external environment, ARC Net has to define its core strategy and accompanying strategies to contribute to the achievement of the desired level of development of the ARCs in the province. Basically, the question that should be answered is how can ARC Net assist in ensuring the entrepreneurial growth and development of the ARCs. Will the ARCs engage in forward and backward integration in relation to major crops they are producing? In what industry will the ARCs have a competitive advantage over other ARCs in other provinces for better productivity and income?
4. *operational plan formulation* - based on the core strategy and accompanying strategies identified, a plan operationalizing the implementation of the strategies

should be developed. The commitment of other stakeholders in the province is necessary to ensure the concerted delivery of support services in the ARCs.

5. strategic plan implementation – in the operational plan the specific targets in terms of quantity, quality, time and costs involved per activity are implemented and monitored.
6. strategic review and planning- a periodic assessment and planning can be done by the ARC Net to determine how far they are reaching their goals and objectives using the strategies they are employing and to validate if the strategies/plans/programs are still workable in the present situation they are in. Based on their gap analysis, corresponding operational plan may be formulated/re-formulated.

#### **IV. Operating Principles and Guidelines**

1. Series of consultation may be conducted for confidence and awareness building among participating ARC-POs. Appropriate provincial organizational structure should be agreed upon based on careful assessment of their internal and external environment and after setting their VMGO. Options such as federation formation, joint venture or coalition building should be consensually decided by the participating ARC-POs.
2. The primary reason for establishing ARC Net should be responsive to the ARCs' organizational and entrepreneurial needs and should be established as a vehicle for their sustainable advancement.
3. Existing integrating structures and mechanisms within the province should be considered to enhance complementation of development players.
4. The ARC Net should be established as an institution where there is formality of rules, permanency of structure and regularity of activities for more sustained ARC growth.
5. The Provincial BDCD shall facilitate the establishment of the ARC Net but the key actors are the PO leaders themselves. The driving force for realizing the establishment of the ARC Net is dependent on the PO leadership and commitment, especially in a) planning and implementing their strategic productivity enhancement program; b) structuring new organizational relationships; and c) defining the basic character of their organization.



## V. Methodology

The establishment and operationalization of ARC Network is envisioned to entail three sequential stages: pre-convention stage; preliminary stage (ARC convention 1) and deepening stage(ARC convention II). See Annex 1.

### A. Preparatory Stage

1. Gap Analysis – The Development Facilitator shall facilitate discussion at the ARC level of development gaps as a result of an analysis of the current situation of each ARC. Data references such as PBD sectoral reports, ALDA reports, ARC profiles (Banig), etc. should be made available to the POs.
2. Consensus building within the ARC – The development facilitator (DF) shall conduct groundwork and meetings with the PO leaders and members to arrive at a consensus on what strategic directions, the ARC will undertake in the light of the development gaps. He/she should discuss the following:
  - The imperative of building strategic alliances with other entities like the business sector, resource and service agencies and other ARCs within the province.
  - The concept, objectives, operational framework and operating principles of ARC Net.
  - The urgency of the network as a strategy for sustaining the gains in the ARC.
3. Identification of the need for building networks and alliances
  - The POs within the ARC should define the need for building networks and alliances with other ARCs and their perspective on how inter-ARC cooperation and complementation will work for their advantage.

### B. ARC Convention I

#### 1. Objective:

The terminal objective of ARC Convention I is to formalize the linkage mechanism among ARCs and to generate support for the ARCs from the GOs, NGOs, business entities, resource agencies, regulatory bodies, academe and other stakeholders in the province..

2. Content Areas:

The ARC convention shall have three major sessions which are the following:

- Session 1 - ARC Vision, Mission and Imperatives
  - Provincial ARC status vis - a - vis desired state
- Session 2 - Workshop on:
  - Achievements and constraints
  - Identification of divergence points for collaboration
- Session 3 - Workshop on :
  - Strategies/Action Agenda Formulation
  - Agreements on tasks for ARC Convention II
  - Organizing the ARC Net at the provincial level

3. Expected Outputs

- Session 1 - ARC Vision, Mission and Imperatives discussed
  - Provincial ARC Status presented
- Session 2 - Achievement and constraints enumerated
  - Divergence points for collaboration listed
- Session 3 - Strategies/Action Agenda Formulated
  - Agreements reached re: tasks of ARC Convention II
  - ARC Net structure formalized

C. ARC Convention II

1. Objective:

The terminal objective is to present the ARC Net's strategic plan to various stake holders and to generate their commitment of support to the plan.

2. Content Areas:

The ARC Convention II shall have four major session which are the following:

- Session 1 - Updates on Agreements during the ARC Convention I
  - Formalization of ARC Net structure and election of Officers.





- Session 2 - Workshop on Deepening of Internal and External Analysis vs. Provincial situation
  - VMGO formulation
- Session 3 - Strategies/Operation plan formulation
- Session 4 - Presentation of Strategic Plan to various Stakeholder
  - Commitment building
  - Agreement

### 3. Expected Outputs:

- Session 1 - Action taken enumerated on agreements during the ARC Convention I
  - ARC Net structure formalized (Basis for organization firmed-up : coop-specific, geographic & project based)
  - Officers elected
- Session 2 - Deepening internal and external analysis made
  - ARC Net VMGO Formulated
- Session 3 - Strategies/Operational Plan formulated
- Session 4 - Strategic Plan presented/critiqued
  - Commitment of support generated
  - Agreements made and documented

### D. Operation and Management Stage

This is the stage where the strategic plan of the ARC Net is implemented, monitored and evaluated.

Periodic strategic review and planning is done to assess accomplishments vis - a - vis VMGO and operational plans made.

The BDCD, being the orchestrator of this intervention shall undertake the following:

1. Facilitate the formation of Ad-Hoc Council of leaders - The ARC Ad-Hoc Council of Leaders shall be composed of representatives from a group of ARCs defined by common interests; i.e., rice producing ARCs or the whole ARCs in the province. The council will initiate, at the provincial level, organizing and mobilization process leading to a more formalized ARC Net

structure. It shall define the terms of reference of their inter-PO transactions. It shall serve as the transition leadership prior to the organization of the formal structure appropriate for the ARC Net in the province.

2. Facilitate in the preparation, conduct and assessment of the first and second ARC Convention.
3. Backstop the conduct of the ARC Net regular assessment and replanning sessions.
4. Link the ARC Net with other provincial bodies that can advance their interests.
5. Strengthen linkages with stakeholders and monitor compliance of their commitments to the ARC Net's strategic plan.
6. Incorporate status of ARC net operationalization and its PIC s in the PBD reports as annex of PO/NGO consultation report.

#### VI. Reporting, Monitoring and Evaluation

The ARC Net consultations should be incorporated in the regular PO/NGO sectoral report, of the province. Likewise, a separate report on the issues requiring central office intervention should be forwarded to the National ARC Task Force, Attention: BARBD. It should specify the issues identified, initial activities done and recommendations for DARCO's action, including the appropriate DARCO units, which should respond to the issue.

The supervision, monitoring and evaluation of this activity shall be lodged to the BDCD of DARPO, the SSD of DARRO and the Office of the Asst. Secretary for Support Services through the Bureau of Agrarian Reform Beneficiaries Development (BARBD) at the DARCO.

#### VII. Effectivity

This Memorandum Circular shall take effect immediately.

Diliman, Quezon City, <sup>JUNE</sup> ~~May~~ 17 1998.

  
ERNESTO D. GARILAO  
Secretary   




# ARC NET INTERVENTION FRAMEWORK

