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PROJECT TITLE: Second Agrarian Reform Communities Development Project (ARCDP2)

PROPONENT AGENCY: Department of Agrarian Reform (DAR)

FUNDING SOURCE: The World Bank (IBRD)

## I. STRATEGIC CONTEXT

### A. Main Sector Issues and Government Strategy

The MTPDP for 1999-2004 identified three major thrusts involving agrarian reform in the country's overall poverty alleviation and rural development strategy: (1) expediting redistribution of all remaining public and private lands covered by CARP, (2) intensifying the provision of support services and infrastructure to about 2,000 ARCs, and (3) broadening options for enhancing land access for non-CARP beneficiaries.

The Arroyo Administration has also adopted the strategy of "Food for Every Filipino" as its core principle under the Agricultural and Fisheries Modernization Program. Implementation of this strategy shall be guided by the principles of complementation and collaboration at both national and local levels. Specifically, this involves support for ARBs in convergent areas of Strategic Agriculture and Fisheries Development Zones (SAFDZs) and ARCs as well as facilitating ARB access to formal lending institutions. In view of the success generated by ARCDPI (1996-2002), the continuing demand for support services by ARCS, the thrust of DAR to accelerate development of ARCs and the government's "Food for Every Filipino" strategy, a follow-on project for ARCDP is proposed.

### B. Lessons from the ARCDP1

The proposed project shall heed the lessons from ARCDP1, which include:

- An iterative process that occurs through the project components leads to more self-reliant ARCs.
- The organization of the Barangay Implementing Team (BIT) in the ARCs, which is closely linked to the Barangay Development Council (BDC), provides a channel to identify needs and deliver services on an on-going basis across all components.
- LGU support can come in the form of provision of equity and operational support for infrastructure and adoption of barangay plans that are supported by the project.
- The synergy of components is exemplified in joint venture/market linking activities under the AED component that have been facilitated by infrastructure improvements in the project areas

### C. ARCDP2 Design Parameters

#### 1. General Design Parameters

- a. *Expanded delivery support services to ARCs and ARBs* through greater participation of LGUs, scaling up program beneficiaries development to cover 75% of the CARP's ARC scope, formalized institutional arrangements with "service providers" (NGAs, SUCs, LGUs), and in partnership with NGOs, including trade/business/industry associations
- b. *Improving land tenure security of ARBs.* Communal land titles--mother Certificates of Land Ownership Awards (CLOA) made out in the name of the group comprising the ARBs or in the names of all the beneficiaries as co-owners—specify the boundaries of the distributed land as a whole, but do not indicate which specific portion belongs to a particular beneficiary. This has resulted in a lack of "sense of ownership" and a disincentive among ARBs to invest in the land and enhance its productivity. Moreover, DAR has little funds to regularly conduct individual land subdivisions of mother CLOAs for redistribution to individual ARBs.
- c. *DAR's institutional response to changing roles and demands of AR at the local level.* The changing demands and requirements of DAR's main clientele are creating pressure for DAR to adopt more creative, innovative and new mindsets in performing its mandate, especially at the local level. ARCDP2 should emphasize the retooling of DAR field staff, together with the development of LGU staff.

2. Specific (Sector/Component) Design Parameters
  - a. *Rural infrastructure*
    - Inability of many LGUs, especially low-income municipalities, to sustain O&M of irrigation systems that may have been devolved to them by law puts at risk sustainability of irrigation investments.
    - Based on demand-driven approach, expansion of infrastructure types eligible for funding to barangay health stations and primary school buildings. However, the infrastructure menu should be focused on production-related needs and in enhancing agricultural productivity.
  - b. *Institutional and capability building*
    - Despite competencies developed by POs under ARCDP1, there is a need to enhance the internal development processes of POs, and meet the challenges posed by the strategic roles that these POs have to enable their ARC impact on the overall economic development of their locality.
    - Under ARCDP1, POs had already started accessing services and technical assistance in the implementation of their ARC Plans from various government and private institutions, but these linkages/partnerships have to be institutionalised for their continued support even after project life.
  - c. *Agricultural and enterprise development/rural credit financing*
    - Despite progress under ARCDP1, lack of accessible rural financing remains a serious issue to wider adoption of improved technology and harnessing of market opportunities among farmer-beneficiaries. Access is constrained by complex procedures on accessing credit and credit delivery mechanisms, credit requirements (e.g., collateral and the maturity level of ARC cooperatives), and many cooperatives having past due accounts.
    - ARC cooperatives and other registered groups tend to be the focal point of delivery of most AED services. This has limited the number of ARBs participating in the project. ARCDP2 shall increase the level of participation in the project of a wider number of ARBs and other producer groups in the ARC.

## II. THE SECOND ARC DEVELOPMENT PROJECT (ARCDP2)

### A. Overview

The ARCDP2 shall be a four-year programme (2003-2006), covering about 80 ARCs from 10 provinces. It shall continue the momentum achieved by ARCDP1 in programme beneficiaries development and support services delivery directed at increasing farmers' income and providing further opportunities for sustainable growth and poverty reduction. It shall also promote an expanded role and capacities of local institutions, particularly LGUs, in managing and sustaining local rural development initiatives and programmes.

### B. Project Approach and Design Strategy Framework

1. Comprehensive and area-based planning framework, specifically using the community-generated ARC Comprehensive Development Plan to define the role of the ARC within the municipal and provincial context, and to serve as the basis for access by qualified ARCs to project support services.
2. Demand-driven and community-generated processes and mechanisms
3. Decentralization and LGU-led implementation
4. Sustainability and institutionalisation

### C. Project Objectives and Key Performance Indicators

1. *General Project Objectives*: To significantly raise household incomes and the quality of life of targeted ARBs by improving their productive assets, rural infrastructure, and access to key support services.
2. *Key Project Indicators*. Some of the main project indicators to be monitored are:
  - Increases in real net ARB household income

- Increase in agricultural productivity
- Perceived significant improvement in the ARB quality of life
- Number of ARCs active in local development planning
- Commitment of LGUs to cost-sharing arrangements
- Increases in land utilization
- Improvement in the maturity level of participating POs and enhancement of LGU capacities

#### **D. Site Selection Criteria**

#### **E. Project Components**

##### *1. Community Development and Capacity Building (CDCB)*

This component aims to prepare various local stakeholders behaviourally and technically in all aspects of community development. Its specific objectives are: (a) increase active community participation and self-reliance in ARC planning process and implementation of integrated community-identified priorities; (b) build the capacity of ARC people's organizations, such as the barangay implementing team (BIT), cooperatives, associations, farmers' groups, women's groups, and producers' groups; and (c) strengthen the capacity of DAR and LGUs to support appropriate development activities in the target ARCs.

As in ARCDP1, interventions would be planned and implemented based on the ARC Development Plan. The CDCB component would ensure that there is an integrated and consultative process involving a large portion of the beneficiaries, LGUs, and relevant implementing agencies. The three CDCB subcomponents are:

- *Community participation and planning.* The initial entry of the project into the ARC would be through an enhanced farm systems development (FSD) exercise, as done in ARCDP1. Among the activities are:
  - Get the LGU and partner organizations to support a participatory community planning process. Hold a Barangay Workshop Consultation with LGU and agency officials in attendance shall involve all key stakeholders in identifying community priorities that can be achieved within four years. Prepare a detailed situational analysis of the ARC. Conduct inter-barangay consultations, re-validate priorities within the broader community, and development detailed plans (4-year ARC Development Plan and a 3-year ARC Investment Programme).
  - In ARCDP1, the BIT was primarily involved in the management of local labor hired during the construction of infrastructure subprojects and in the formation of O&M committees. Under ARCDP2, the BIT would be tapped to develop active subcommittees for CDCB, AED, rural infrastructure (RI), land survey (if requested), and other relevant subcommittees.
  - Identify sources of support for key issues identified in the planning process (such as health, education, gender and development, IP-specific issues, logging and other environmental concerns) that cannot be directly addressed by the project. On some of these issues—resettlement, gender and ethnic equity, and environmental protection—more intensive specific support will be provided to ensure that the project is protecting basic human rights and environmental integrity.
- *Capability building.* The individual capability of ARBs and other stakeholders within the community, LGUs and the project can be enhanced by a wide range of skills development programs or activities. In line with the project's long-term objective of increasing the real net income at the household level, the project would undertake a range of activities that build the capacity, knowledge and capability of individual ARBs to achieve individual household development goals and income potential.
- *Organizational development.* Organizational building and strengthening would continue to be an important aspect of ARCDP2. While the BIT will become a stronger focus in ARCDP2, the cooperative(s) would continue to be the lead organization in the ARC. It is envisioned that these cooperatives will be expanding its services and assistance to other peoples' organizations, such as women and youth groups, producer groups, farmers' associations, and even temporary groups formed for specific groups within the ARC. Interventions to be provided under this subcomponent include various skills enhancement/ capability-building activities, with focus on improving the cooperatives' internal resources, operation and management capability for them to be able to expand and extend their services to other clientele in their locality.

2. *Rural Infrastructure Component.* The main objectives of this component are to raise farmers' incomes through increased crop production and improved access to markets and enhanced living conditions. Basically, the original structure menu of ARCDP1 (rural access and communal irrigation development) would be followed, with the inclusion of a few social and community infrastructures (spring development systems, level-1 water systems, rehabilitation/expansion of existing health centers and of existing primary and elementary school buildings (up to 3 classrooms).
3. *Agriculture and Enterprise Development.* The main objectives of this component are: increase agricultural and enterprise productivity in target ARCs, develop viable new and improved market opportunities, and improve access of cooperatives and individual ARB households to institutional credit and micro-finance to support investments in AED activities. AED interventions shall focus on crops, livestock/fisheries, pre- and post-harvest or processing, and non-farm enterprises. Its subcomponents are five, as follows:
  - Enterprise development and management. Following from the comprehensive ARC planning process, the project shall work with existing producers, both individual and cooperative, to provide the identified enterprise development needs (such as direct advice by the project or LGU staff in simple business planning processes, preparation of formal business plans, problems solving on enterprise management issues, and other concerns.
  - Market development and promotion. This aims to raise the awareness of ARBs on market potential and how it can be harnessed. This would be accomplished through a facilitated process that commences in the preparation of the ARC Development Plan, and assisting local producers to identify current market channels and nodes for their production. On site market development support for focus groups (existing farmers' associations, cooperatives, or producers' groups) would be held, supported by the opportunity for group representatives to gain market exposure through facilitated cross visits to market sites and other producer groups, and meetings with buyers at various stages of the market chain. The project will also assist with market matching, joint venture activities, and contract negotiation advice; technical assistance on marketing in specific market segments or niches; and promotion of producers' participation in trade fairs, etc.
  - Technology promotion, transfer and commercialisation. The AED component would increase the information available to the ARCs on the technologies available and would also provide an allowance for a higher number of participants per ARC in training and development activities. The successful "post-farming systems development" training, where farmers are supported in on-farm trials, technology adoption and implementation receives "pump priming," and farmers are actively encouraged to pass on project benefits would be developed and extended. This would increase the level of technology transfer and also adaptation to local conditions. Also to be supported by ARCDP2 will be post-harvest processing, storage and mechanization through linkages with key implementing partners (such as DA).
  - Resource mobilization and investment promotion. In coordination with the CDCB component, the AED component will help ARBs access institutional credit and micro-finance to fund farm and non-farm enterprise activities of POs and individual households through linking with government and private financial institutions and micro-finance institutions. This subcomponent will also ensure that a micro-finance facility would be made available to the project's individual households, particularly non-cooperative members, to be used for financing non-farm enterprises, thus contributing to an increase of beneficiaries' income and diversification of income sources. Other resource mobilization activities would be encouraged through direct market linkages, including investment forums, generation of promotional materials, and training on investment and fund facilitation strategies.
  - Land survey and titling. This would support ARBs who express interest in moving from collective ownership of mother CLOAs to individual ownership, to obtain individual land titles. Upon a decision of all owners of mother CLOAs to split up, an agreement to that effect would be signed by them, and an application submitted to the MARO/PARO for a break up of the mother CLOAs and replacement with individual titles.
4. **Project Management.** The project would be managed using existing institutional arrangements for ARCDP1.

### III. PROJECT ANALYSIS

#### A. Economic Analysis

The economic impact of the project will directly result from project activities, such as improvement of barangay roads, rehabilitation and investment of new irrigation systems, development of multi-purpose buildings, provision of relevant and extension training support, etc. The effect of better access roads and social infrastructure would be to both raise the quality of rural life and improve linkages/reduce costs with local and regional markets, allowing ARCs to move to a subsistence-based economy to semi-commercial or commercial operating basis ... The lower transport costs and shorter travel time, which make marketing easier, together with better access to credit and technical and management support for non-agricultural business investments would also contribute towards income diversification and employment creation. Another major benefit of the project would be the enhancement of devolution of planning, operation and maintenance responsibilities to LGUs and community organizations, both with respect to infrastructure facilities and economic activity...

#### B. Institutional Analysis

#### C. Social Analysis

From the experiences of the ARCDP1, it was noted that other formal and informal groups within the ARCs, notably women's groups, savings groups, and irrigators' associations have continued to take an active role in catalysing community activities on their own. However, these groups were given less priority in terms of support and technical assistance, as interventions were basically focused on farmers' cooperatives. Several PO training activities related to gender sensitivity were conducted. However, focus on gender, IP, and youth in production activities, organizational participation, planning and implementation have yet to be concretised. Under the ARCDP2, the process of formulating the comprehensive ARC development plan and the components of the project have identified specific participatory and gender-focused processes to integrate the interests and participation of these sectors in ARCDP2.

#### D. Participatory Approach

1. *ARC planning process.* In ARCDP1, the FSD approach was used to initially generate community participation in the development of the FSD plans/ARC development plans. The participatory approach is flexible in determining varying needs, and effective in ensuring the sustainability of project investments and benefits, but the process can still be enhanced, and more emphasis given to determining the constraints and potentials of labor, the main asset of the poor..
2. *Consultations or collaboration with NGOs or other civil society organizations.* Collaboration with NGOs and other civil society organizations can be beneficial to the project in terms of cost effectiveness. Many NGOs in the Philippines are qualified to assist in the overall development of the ARC.