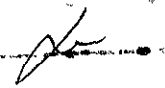


FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

8 15 06

SENATE
P.S. Reso. No. 340

RECEIVED BY: 

Introduced by Senator Lacson

RESOLUTION

DIRECTING THE APPROPRIATE COMMITTEES OF THE SENATE TO INQUIRE, IN AID OF LEGISLATION, THE REPORTED IRREGULARITIES IN THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION'S (QUEDANCOR) MULTI-BILLION SWINE PROGRAM, WITH THE END IN VIEW OF DETERMINING THE STATUS OF THE FUNDS THAT WENT TO THE PROGRAM AND PROVIDING APPROPRIATE REMEDIAL LEGISLATION TO THE CHARTER OF QUEDANCOR

Whereas, the Quedan and Rural Credit Guarantee Corporation was established through Republic Act No. 7393 as amended by Republic Act No. 8435 with the mandate to accelerate the flow of investments in credit resources into the countryside so as to trigger the vigorous growth and development of rural productivity, employment, livelihood and income opportunities;

Whereas, one of the primary functions of the corporation is to establish a credit support mechanism for the benefit of farmers, fisherman, rural workers, cooperatives, retailers, wholesalers and primary processors of agricultural and aquatic commodities;

Whereas, pursuant to said function, Quedancor launched a Swine Program in 2003 to assist farmers who wanted to venture into hog raising. The funds for this project was reported to be in the vicinity of five billion pesos (P5B), which amount was borrowed from the Land Bank of the Philippines (P3B) and Equitable PCI (P2B) with government bonds issued as collateral;

Whereas, on July 5, 2004, President Gloria Macapagal Arroyo thru Executive Order No. 322 transferred Quedancor from the Department of Agriculture to the Office of the President in order to effectively oversee and implement agriculture development activities through an institutionalized and comprehensive financing and guarantee support system for the country's agricultural sector;

Whereas, in the 2005 Annual Report of the Commission on Audit (COA), the Commission made the following significant findings in connection with the said program, to wit:

1. The collection of the QUEDANCORP Swine Program (QSP) outstanding loan balance totaling P755,620,000 as of December 31, 2005 consisting of Due from the Input Suppliers (IS) for stocks pulled-out amounting to P167,341,077 and Due from Borrowers for stocks still with the borrowers amounting to P588,278,923, representing 45% of total loans granted is doubtful;
2. Of the total credits to Receivable-Trade-Quedan Swine Program (QSP) of P728,582,220, ninety one percent (91%) or P663,766,958 is doubtful because it is based on an improper offsetting of accounts;

3. The procurement of input supplies for the QUEDANCOR Swine Program (QSP) which amounted to P1,666,214,621 during the year was not made in accordance with the provisions of Republic Act 9184 otherwise known as the Government Procurement Law and its Implementing Rules and Regulations;
4. The high cost of credit under the QUEDANCOR Swine Program (QSP) is not supportive of the agency mandate and is deemed not beneficial to its intended farmer-beneficiaries;
5. The QUEDANCOR is performing quasi-banking functions without prior authority from the Bangko Sentral ng Pilipinas (BSP), an indispensable requirement of Section 6 of RA 8791 otherwise known as the General Banking Law of 2000

Whereas, in support of said findings, the Commission of Audit stated the following in their report:

- Some borrowers identified during actual confirmation denied having borrowed from QUEDANCOR. It turned out that their signatures were sought by the Team Leader/Input Supplier in exchange for a sum of money ranging from P200 to P300 per signature, to be able to obtain the desired amount of loan;
- Verification of appurtenant documents by our auditors revealed that the Input Suppliers (IS) under the QSP were not selected through competitive public bidding as required under Section 10, Article IV, RA 9184 which states that “all procurement shall be done through competitive bidding, except as provided for in Article XVI of this Act”;
- Management failed to extend equal opportunity to private contracting parties who are eligible and qualified to participate in public bidding. This resulted in a monopoly by a group of Input Suppliers as revealed from their accreditation requirements. A certain Chief Executive Officer (CEO) and Managing Director of the Metro Livestock Inc., is also a member of the Board of Directors of the BIRKS Agri-Livestock Corporation and a partner of the New Gold Agri-Vet Company. His name and that of a director of BIRKS Corporation, also appear as former directors of the Silver Rock Resources Corporation.
- As of December 31, 2005, QUEDANCOR has procured a total of P1,666,214,621 worth of input supplies under the QSP. Of this amount, BIRKS, SRC and Metro Livestock got the biggest share of 35%, 29% and 23% respectively. Including the New Gold Rock, the four Input Suppliers acquired 87.53% or P1,458,449,847 of the total procurements;
- Tabulation from the regional office also showed that procurement was concentrated from the three Input Suppliers in the following regions: Silver Stock in Regions I and III; BIRKS in Regions VI, VII and VIII and Metro Livestock in Regions IV, VI and NCR;
- Records show that the major Input Suppliers have only One Million (P1,000,000) authorized capital stock each and despite their minimal paid up capital they were given huge amounts of purchase orders, to wit:

Input Supplier	Paid-Up Capital	Date of Sec Registration	Total Amount of POs/ Contracts
BIRKS	P62,500	March 27,2003	P583,273,545
Silver Stock	P760,000	July 25, 2003	P480,891,030
Metro Livestock	P62,500	Aug. 19, 2003	P382,835,272
New Gold Rock	P1M	Dec. 12, 2002	P 11,450,000

- No track record was required from the Input Suppliers per QSP accreditation process. Even newly organized suppliers were able to participate in the program. Verification revealed that the QUEDANCOR accredited Input Suppliers were not among those accredited by the Bureau of Animal Industry (BAI) under its Swine Breeder Farm Accreditation Program (SBFAP) created under Administrative Order No. 14 series of 2002, as amended, of the Department of Agriculture, despite the invitation of the then Secretary of Agriculture Arthur C. Yap, in his memorandum dated March 22, 2005 to the President and CEO of QUEDANCOR to involve the DA-SBFAP accredited breeders farms in various loan programs of the QUEDANCOR;
- Although QUEDANCOR was organized as a government financial institution, there is nothing in its charter (RA 7393) that authorizes it to perform quasi-banking functions. The powers and purposes of the Corporation under Section 11 (a) (to establish a credit-support mechanism for the benefit of farmers, fishermen, rural workers, cooperatives, retailers, wholesalers and primary processors of agricultural and aquatic) commodities can be attained and accomplished without necessarily engaging in quasi banking functions.

Whereas, considering the said findings, the COA stated that the recoverability of said outstanding loans is deemed remote and that there is a likelihood that the government will lose from the said program;

Whereas, in its 2006 Report, the COA stated that the corporation's right of claim over its trade receivables under the QSP amounting to P1,291,039,975 net of the accounts confirmed by the farmer-borrowers in the amount of P176,396,591 cannot be properly ascertained and thus the likelihood of credit default is high;

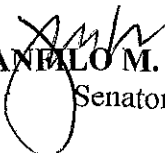
Whereas, like the fertilizer scam, there are allegations that the fund for the Swine program were diverted to the 2004 campaign fund of the administration to ensure the re-election bid of President Gloria Macapagal Arroyo;

Whereas, there seems to be a disturbing and irrational pattern in the issuance by the President of Executive Orders reorganizing a particular agency of the government by transferring it from one Department to another particularly if the said agency is seen as a means where public funds could be diverted to another use to the detriment of the intended beneficiaries in particular and public interest in general;

Whereas, it seems that multi-billion anomalies are becoming the hallmark of this administration to the detriment of our people;

NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved to direct the proper committees of the Senate to investigate, in aid of legislation the reported irregularities in the Swine Program of Quedancor, with the end in view of providing remedial legislations with respect to the charter of Quedancor and the pertinent provisions of Republic Act No. 9184.

Adopted,


PANFILO M. LACSON
 Senator