



REPUBLIC OF THE PHILIPPINES

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Journal

SESSION NO. 50

Wednesday, January 12, 2005

**THIRTEENTH CONGRESS
FIRST REGULAR SESSION**

SESSION NO. 50
Wednesday, January 12, 2005

CALL TO ORDER

At 3:46 p.m., the Senate President, Hon. Franklin M. Drilon, called the session to order.

PRAYER

The Body observed a minute of silent prayer.

ROLL CALL

Upon direction of the Chair, the Secretary of the Senate, Oscar G. Yabes, called the roll, to which the following senators responded:

Angara, E. J.	Lapid, M. L. M.
Arroyo, J. P.	Madrigal, M. A.
Cayetano, C. P. S.	Osmeña III, S. R.
Drilon, F. M.	Pangilinan, F. N.
Ejercito Estrada, J.	Pimentel Jr., A. Q.
Flavier, J. M.	Revilla Jr., R. B.
Gordon, R. J.	Roxas, M.
Lacson, P. M.	

With 15 senators present, the Chair declared the presence of a quorum.

Senators Lim, Magsaysay, Recto and Villar arrived after the roll call.

Senators Biazon, Defensor Santiago, Ejercito Estrada (L) and Enrile were on official mission.

APPROVAL OF THE JOURNAL

Upon motion of Senator Pangilinan, there being no objection, the Body dispensed with the reading of the Journal of Session No. 49 and considered it approved.

REFERENCE OF BUSINESS

The Secretary of the Senate read the following matters and the Chair made the corresponding referrals:

**MESSAGES FROM THE HOUSE
OF REPRESENTATIVES**

Letters from the Secretary General of the House of Representatives, transmitting to the Senate the attached letters both dated 15 December 2004 of the Honorable Speaker Jose de Venecia Jr., addressed to the Honorable Franklin M. Drilon, informing the Senate of the designation of the following House Members as members of the House Panel in the Joint Congressional Oversight Committee on Clean Air Act created pursuant to Chapter 7, Section 53 of R.A. No. 8749:

1. Hon. Gilbert C. Remulla
2. Hon. Cynthia A. Villar
3. Hon. Wilhelmino Sy-Alvarado
4. Hon. Augusto H. Baculio
5. Hon. Harlin Cast. Abayon

and in the Congressional Oversight Committee created pursuant to Section 60 of R.A. No. 9003 (Ecological Solid Waste Management Act):

1. Hon. Nereus O. Acosta Jr.
2. Hon. Michael John Duavit
3. Hon. Oscar L. Gozos
4. Hon. Solomon R. Chungalao
5. Hon. Roger G. Mercado

To the Committee on Rules

RESOLUTIONS

Proposed Senate Resolution No. 151, entitled

RESOLUTION RESPECTFULLY PRO-
POSING TO THE OFFICE OF THE
PRESIDENT TO STAY THE TRANS-
FER OF REGIONAL OFFICES OF
REGION IX FROM ZAMBOANGA
CITY TO PAGADIAN CITY

Introduced by Senator Angara

**To the Committee on Civil Service and
Government Reorganization**

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Proposed Senate Resolution No. 152, entitled

RESOLUTION DIRECTING THE COMMITTEE ON YOUTH, WOMEN AND FAMILY RELATIONS, TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ORGANIZED WIDESPREAD, SYSTEMATIC, SYNDICATED AND TRANSNATIONAL NATURE OF THE PROLIFERATION OF CHILD INTERNET PORNOGRAPHY IN THE PROVINCES OF LA UNION AND PAMPANGA

Introduced by Senator M.A. Madrigal

To the Committee on Youth, Women and Family Relations

Proposed Senate Resolution No. 153, entitled

RESOLUTION DIRECTING THE COMMITTEE ON YOUTH, WOMEN AND FAMILY RELATIONS, COMMITTEE ON PUBLIC INFORMATION AND MASS MEDIA AND COMMITTEE ON LABOR, EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ALLEGED RAMPANT EXPLOITATION OF ARTISTS, PARTICULARLY OF CHILDREN AND WOMEN BY PURPORTEDLY ABUSIVE TALENT MANAGERS AND PRODUCERS IN THE MOVIE AND TELEVISION INDUSTRY

Introduced by Senator M.A. Madrigal

To the Committees on Youth, Women and Family Relations; and Labor, Employment and Human Resources Development

ADDITIONAL REFERENCE OF BUSINESS

RESOLUTION

Proposed Senate Resolution No. 154, entitled

RESOLUTION EXPRESSING THE SENATE OF THE SENATE TO

URGE THE PHILIPPINE GOVERNMENT TO MAKE REPRESENTATION TO THE JAPANESE GOVERNMENT AND APPEAL FOR HUMANITARIAN REASONS FOR THE MAINTENANCE OF THE STATUS QUO WITH RESPECT TO JAPAN'S IMMIGRATION POLICY AFFECTING OUR OVERSEAS PERFORMING ARTISTS AS IT WILL ADVERSELY AFFECT OUR OVERSEAS PERFORMING ARTISTS AND WILL CAUSE THE COUNTRY HUGE LOSSES IN ANNUAL REMITTANCES

Introduced by Senator Villar Jr.

To the Committee on Rules

COAUTHOR

Senator Pangilinan manifested that Senator Gordon is a coauthor of Proposed Senate Resolution No. 151.

**COMMITTEE REPORT NO. 3
ON SENATE BILL NO. 1837
(Continuation)**

Upon motion of Senator Pangilinan, there being no objection, the Body resumed consideration, on Second Reading, of Senate Bill No. 1837 (Committee Report No. 3), entitled

AN ACT EXTENDING THE UTILIZATION PERIOD OF THE AGRICULTURAL COMPETITIVENESS ENHANCEMENT FUND, AMENDING FOR THIS PURPOSE SECTION 8 OF REPUBLIC ACT NO. 8178, ENTITLED "AN ACT REPLACING QUANTITATIVE IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS, EXCEPT RICE, WITH TARIFFS, CREATING THE AGRICULTURAL COMPETITIVENESS FUND" AND FOR OTHER PURPOSES.

SUSPENSION OF SESSION

Upon motion of Senator Pangilinan, the session was suspended.

It was 3:52 p.m.

Handwritten initials and a checkmark.

RESUMPTION OF SESSION

At 3:55 p.m., the session was resumed.

RECONSIDERATION OF THE TERMINATION OF THE PERIOD OF INTERPELLATIONS

Upon motion of Senator Pangilinan, there being no objection, the Body reconsidered the termination of the period of interpellations.

Thereupon, the Chair recognized Senator Magsaysay, Sponsor of the measure, and Senator Lacson for his interpellation.

INTERPELLATION OF SENATOR LACSON

Replying to Senator Lacson's queries, Senator Magsaysay stated that the ACEF law was passed in 1997 to help the agricultural sector to be more competitive in the face of global trade liberalization. The law, he added, was put forward by Senator Angara in order to develop a fund coming from the tariff of products based on minimum access volume (MAV) to support and make competitive some of the threatened and endangered agricultural crops and products like chicken and hog meat. He affirmed that the law was set up by the government as a safety net to protect local farmers and fisherfolk, and make them more competitive in a liberalized environment.

On whether it was not until 2000 that the ACEF law was fully implemented, Senator Magsaysay replied in the affirmative, stating that the law replaced the quantitative restrictions on agricultural products, except rice, with tariff.

Asked why it took four years after the passage of Republic Act No. 8178 in 1996 for the fund to be fully utilized, Senator Magsaysay replied that from 1996 to 1998, no special account was assigned to ACEF and the tariff collections instead went to the National Treasury. He said that Special Fund 183 was created only in 1999 when then Agriculture Secretary Angara and Senate Committee on Agriculture Chairman Serge Osmeña worked for the fund's establishment.

Replying to further query, Senator Magsaysay disclosed that since 1999, P5,110,225,000 has been

placed in Special Fund 183. He noted that from 1996 to 1998, the proceeds from MAV had been placed in the National Treasury and could not be traced.

Noting that then Deputy Commissioner Valera of the Bureau of Customs (BOC) had stated in a committee hearing that the total collection of ACEF was already P5.1 billion as of September 14, 2004, Senator Lacson asked whether there has been no additional collection since said date. He recalled that during the same hearing, it was reported that about P517 million was collected from December 2003 to August 2004 which brought the total collection to P6 billion as of December 2004.

Senator Magsaysay informed the Body that he has not been given an update since September 14, 2004. He conceded that there might be some inefficiencies in the reporting of the flow of funds, upon which the DA depends, from the BOC to the National Treasury and to Special Fund 183.

In reply to a further query, Senator Magsaysay stated that together with the ACEF Executive Council and the Landbank, the DBM manages the funds and it is responsible for the release of funds to the Landbank for projects approved by the ACEF Executive Council. To date, he said that there are 56 approved projects: two from the LGU, 18 from cooperatives, 30 from private corporations and NGOs, three from government corporations, and three from the academe.

Senator Magsaysay informed the Body that the breakdown of the approved projects under committees headed by the respective chairman is as follows:

	Period covered	No. of approved projects	Total Amount
Sen. Osmeña (Chairman) and Sec. Angara	May 200 - Jan 2001	19	P 214,333,000

- ACEF counterpart and the proponent's counterpart - P 209,313,000
- Ratio - 50:50

Sen. Villar
(Chairman) Jan 2001 -
and Oct 2002 12 P 127,156,000
Sec. Montemayor

- Proponent's equity - P180 million
- Ratio - 45:55

Sen. Magsaysay
and March 2003 25 P1,393,747,000
Sec. Lorenzo to present

- Proponent's equity - P397,000,000
- Ratio - 70:30

P 1.73 Billion

- The 1.73 billion was the total amount of ACEF funds released as against an equity of P 725,352,000.

Noting that the ACEF is intended to support small farmers and fisherfolk, Senator Lacson requested a profile of the companies that were given ACEF loans. In reply, Senator Magsaysay provided the following data:

Proponent	No. of Projects
LGUs	2
NGOs	18
Private NGO's	30
GOCCs	3

- Cooperatives are categorized as Small and Medium Enterprise (SME). Capitalization is P15 million and below for small enterprise and P15 million to P60 million for medium enterprise.
- 97% of the borrowers were cooperatives, NGOs and GOCCs, The GOCCs had 3 projects that amounted to P1,042,000,994 which is almost 60% of the amount granted.

Senator Magsaysay revealed that recently, ACEF extended a loan to the Coffee Revitalization Project of the Cavite State University which was supported by then Secretary Cito Lorenzo and Dr. Rupert Sangalang. Further, Senator Magsaysay reported to the Body the ACEF- approved projects, to wit:

Approved Project/ Proponent	ACEF Loan Approved (in Millions)	Proponent Equity (in Millions)	Total Project Cost (in millions)
Cavite			
CAVSU*	P14,986	P18,539	P33,526
Cagayan de Oro			
Integrated Seaweeds Enterprise*	P20,000	P8.8	P28.9

*Project was approved in May 2004 but the money has not been released.

Senator Magsaysay added that for Calabarzon and Region XI, only about P15 million out of the P52 million ACEF- approved loans was released.

Asked how many beneficiaries fall under the micro-scale category of P1.5 million and below, Senator Magsaysay replied that this type of loans is handled by Quedancor. He recalled that at the instance of Secretary Lorenzo, P1 billion was loaned to Quedancor by the ACEF Council which felt that the GFI could handle very well the interests and concerns of micro-farming.

Asked on the business relationship between Quedancor and ACEF, Senator Magsaysay replied that the former addresses concerns of the agricultural sector and, at one time, was under the Department of Agriculture but at present, under the Office of the President. It is an entity, he said, that is involved in the regional and national processing of project applications, parallel to but separate from ACEF. He affirmed that Quedancor is a recipient of an interest-free and collateral-free P1 billion loan from ACEF.

Senator Lacson stated that under Republic Act No. 7393, private investors are allowed a 10% share. Senator Magsaysay remarked that Quedancor is a 100% owned government institution.

Asked if Quedancor is allowed to engage in the lending business, Senator Magsaysay replied in the affirmative.

But Senator Lacson noted that according to the Agricultural Credit Policy Council, the policy-making body on agricultural credit, Quedancor should not be involved in lending. Senator Magsaysay stated that at present, it is involved in micro-lending and it guarantees loans to small enterprises. He explained that the farmers could go to a rural bank, cooperative bank or a commercial bank and borrow without collateral and Quedancor would guarantee the loan. The banks, he said, are more inclined to lend to farmers if there is a guarantee from Quedancor.

Relative thereto, Senator Magsaysay noted that the bulk of Quedancor's activities is micro-lending to farmers that fall in the category of P500,000 and below. He explained that there is a provision in the Quedancor charter that allows it to engage in lending.

Replying to other queries, Senator Magsaysay revealed that like other loans, the ACEF loan granted to Quedancor was interest-free and collateral-free, payable in seven years unless extended, with a two-year grace period.

Asked if the loan has a sovereign guarantee, Senator Magsaysay said that the guarantee is that Quedancor will charge the borrower 2% over and above the interest rates being charged by the private lender or government lender. He said he does not know if the Quedancor has made use of the sovereign guarantee which has to go through the Department of Finance.

Senator Lacson informed the Body that under Section 19 of R.A. No. 7393 (Quedancor charter), "In accordance with pertinent laws, rules and regulations, the Republic of the Philippines shall answer for the payment of guarantee obligations duly incurred by the Corporation," meaning Quedancor. Senator Magsaysay said he would find out if Quedancor is implementing the provision.

Senator Lacson noted that ACEF is lending to Quedancor which, in turn, is relending to small businessmen without any risk because the loans are guaranteed by the government. Senator Magsaysay stated that the collection efficiency of the Quedancor under the administration of Chairman Cito Lorenzo is almost 98% which justifies the P1 billion loan granted to it in 2002.

Asked how much interest is being charged by Quedancor, Senator Magsaysay replied that it is 9.5%.

As to why Quedancor charges interest when it borrows money from ACEF without any interest and collateral, Senator Magsaysay replied that just like any other financial entities, Quedancor has overhead expenses and risks, and has to cover its own borrowings of P4 billion from other sources. He underscored that 9.5% per year, which is less than 1% per month, is very low compared to the 18% to 28% interest rate per year that is being charged by rural banks. He believed that the farmers would rather borrow from Quedancor because of the very responsive approach of the present management.

To Senator Lacson's argument that there is no risk for Quedancor because of the sovereign

guarantee, Senator Magsaysay pointed out the need for Quedancor to make itself sustainable considering the cost of retailing, and the MOOE, Capital Outlay and Personal Services. Therefore, he asserted, Quedancor could apply its 2%-yield net to cover the bulk of bad loans.

On whether the officials and employees of Quedancor can avail of housing and car loans, Senator Magsaysay replied that it is possible they enjoy such benefit. He expressed willingness to furnish Senator Lacson with more information about Quedancor.

On the issue of minimum access volume (MAV), Senator Lacson recalled the Philippines' commitment to the WTO to have a lower tariff on agricultural products that would last until June 2005 and thereafter, there would be zero tariff. Senator Magsaysay replied that not all products are covered by that commitment.

But Senator Lacson noted that products like potatoes, garlic and vegetables are covered, so that after June 2005, there would no longer be a flow of funds into the ACEF from the tariff collected by the Bureau of Customs on said products. Senator Magsaysay agreed.

Senator Lacson asked how the ACEF would sustain its operations if its life-span is extended up to 2015. Senator Magsaysay replied that the Fund would be charging concessionary rates of 2% to 3% per annum. For medium- and long-term developmental agricultural projects, he said that the Committee had precisely accepted the proposal to make the DBP part of the new ACEF Council so that sources other than tariffs could be injected into the Fund. This way, he said, the Fund would be stronger and safer and could extend more support at very low interest rates and possibly, some kind of basic chattel requirement can also be a source of business. He said that the ACEF leadership is exploring the possibility of incorporating in the bill a provision allowing the ACEF to charge interests and require certain basic guarantees like the project or the business itself. Moreover, he said, the bill proposes that instead of putting the collection in the National Treasury as is being done at present, it could be reverted to the Fund so that it can be relented to farmers. Relative thereto, he informed the Body that the payment rate on the ACEF loan is running at 77%. ✱

As to the proposed 15% usage of ACEF funds for research, Senator Lacson asked what kind of research is being contemplated. Senator Magsaysay replied that it would be more of applied research aimed at improving the research and laboratory facilities of state and private colleges and universities chosen as agricultural centers. Relative to venture capital equity, he mentioned that he, Senators Angara, Osmeña and Senate President Drilon were exploring the possibility of lending 70% of the Fund, using 15% for research and development, and putting 15% as the equity part. He believed that ACEF would have a good portfolio to help the farmers and still be a part of the business group. He said that this is similar to the California Public Employees' Retirement System (CalPERS) which is considered one of the biggest fund in the United States with over a hundred billion dollars.

Senator Lacson said that the guidelines for getting grants from the Fund are too tedious and rigid that only those with the wherewithal to hire consultants to prepare feasibility studies and financial statements can avail of it. He asked how the basic purpose of ACEF to grant loans to small farmers and fisherfolk would materialize. Senator Magsaysay replied that he had the same concern more than two years ago, adding that, in fact, it takes more than a year to process applications. He said that the ACEF tried to shorten the procedure by instructing that all applications be processed in the region. He stated that in the quarterly meetings of ACEF, the Executive Committee decides on applications that cannot be decided upon by the regional offices.

Senator Magsaysay acknowledged the help that the Department of Agriculture has been extending

the ACEF through the development of a business plan. At this point, he invited Senator Lacson to attend the ACEF meeting to see the presentation by the DA national technical working group where each member has its own portfolio. He recalled that Fr. Barcelon, the proponent of the carageenan drying and export processing project, waited two years before his loan was approved.

At this juncture, Senator Lacson terminated his interpellation on the condition that he would be allowed to ask clarificatory questions during the period of amendments.

SUSPENSION OF CONSIDERATION OF SENATE BILL NO. 1837

Upon motion of Senator Pangilinan, there being no objection, the Body suspended consideration of the bill.

ADJOURNMENT OF SESSION

Upon motion of Senator Pangilinan, there being no objection, the Chair declared the session adjourned until three o'clock in the afternoon of Monday, January 17, 2005.

It was 4:44 p.m.

I hereby certify to the correctness of the foregoing.

OSCAR G. YABES
Secretary of the Senate

Approved on January 17, 2005