



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS
MANILA 1099

CUSTOMS ADMINISTRATIVE ORDER (CAO)

NO. _____

**SUBJECT: OUTSOURCING OF NON-SOVEREIGN CUSTOMS FUNCTIONS TO
PRIVATE ENTITIES**

INTRODUCTION. This Customs Administrative Order (CAO) prescribes the policies and guidelines on Outsourcing of Non-sovereign Customs Functions to Private Entities in the Bureau of Customs, pursuant to Sections 1513, Chapter 2, Title XV of Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act (CMTA).

Section 1. Scope. This CAO shall cover Outsourcing of the Bureau of its Non-sovereign and Ancillary function to a qualified and competent private entity.

Section 2. Objectives.

- 2.1.** To help ensure uniformity and consistency in the application of customs policies, rules and regulations on Outsourcing of Non-sovereign and Ancillary customs functions to private entities.
- 2.2.** To adhere to the principles of transparency, accountability, equity, efficiency and economy in the Outsourcing of Non-sovereign and Ancillary customs function.

Section 3. Definition of Terms. For purposes of this CAO, the following terms are defined accordingly:

- 3.1. Ancillary Function** – shall refer to functions that provide necessary support to the Sovereign functions of the Bureau.
- 3.2. Bureau** – refers to the Bureau of Customs.

- 3.3. Non-Sovereign Function** – refers to those functions of the Bureau not covered in Section 4.1.
- 3.4. Outsourcing-** shall refer to any contractual arrangement between the Bureau and a qualified and competent private entity for the latter to perform designated services on behalf of the Bureau.
- 3.5. Sovereign Functions** – shall refer to purely governmental functions which shall be performed by an accountable officer.

Section 4. General Provisions.

- 4.1** The following are the Bureau’s Sovereign functions¹ which include but are not limited to:
 - 4.1.1.** Examination whether intrusive or non-intrusive, assessment and collection of customs revenues from imported goods and other dues, fees, charges, fines and penalties accruing under this Act;
 - 4.1.2.** Border patrol and control to prevent entry of smuggled goods;
 - 4.1.3.** Prevention and suppression of smuggling and other customs fraud;
 - 4.1.4.** Facilitation and security of international trade and commerce through an informed compliance program;
 - 4.1.5.** Supervision and control over the entrance and clearance of vessels and aircraft engaged in foreign commerce;
 - 4.1.6.** Supervision and control over the handling of foreign mails arriving in the Philippines for the purpose of collecting revenues and preventing the entry of contraband;
 - 4.1.7.** Supervision and control on all import and export cargoes, landed or stored in piers, airports, terminal facilities, including container yards and freight stations for the protection of government revenue and prevention of entry of contraband;
 - 4.1.8.** Exercise of exclusive original jurisdiction over forfeiture cases under this Act; and
 - 4.1.9.** Enforcement of the CMTA and all other laws, rules and regulations related to customs administration.
 - 4.1.10.** Such other Sovereign functions as may be granted by law.

¹ cf. CMTA Law, Title II, Chapter 1, Section 202

Sovereign Functions of the Bureau shall not be outsourced to any private entity.

- 4.2.** Outsourcing of Non-sovereign and Ancillary functions shall cover the following:
 - 4.2.1.** Those which involve disbursement of government funds shall be done in compliance with the provisions of Republic Act 9184 otherwise known as Government Procurement Reform Act.
 - 4.2.2.** Those which do not involve disbursement of government funds shall be done in accordance with guidelines issued by the Commissioner and approved by the Secretary of Finance.
- 4.3.** All proposed Outsourcing of Non-sovereign and Ancillary functions shall be evaluated on its necessity and non-capability of performing such function.
- 4.4.** All recommendations for Outsourcing shall be approved by the Commissioner and Secretary of Finance.

Section 5. Exemptions. The following Outsourcing activities are not covered under this Order:

- 5.1.** Direct financial or material assistance given to the Bureau in accordance with the existing laws, rules and regulations.
- 5.2.** Procurement of Consulting Services covered by R.A. 8182.
- 5.3.** Outsourcing of janitorial, clerical, messengerial, security, utility, maintenance, mobility services.

Section 6. Transitory Provision. All Outsourcing agreements of the Bureau already existing prior to the effectivity of this CAO shall remain valid.

Section 7. Periodic Review. Unless otherwise provided, this CAO shall be reviewed every three (3) years and be amended or revised, if necessary.

Section 8. Repealing Clause. This is the first CAO dealing specifically on Outsourcing of Non-sovereign Customs Functions to Private Entities.

Section 9. Separability Clause. If any part of this CAO is declared unconstitutional or contrary to existing laws, other parts not so declared shall remain in full force or effect.

Section 10. Effectivity. This CAO shall take effect after fifteen (15) days after its publication at the Official Gazette or a newspaper of national circulation.

The Office of National Administrative Register (ONAR) of the UP Law center shall be provided three (3) certified copies of this CAO.

NICANOR E. FAELDON

Commissioner

APPROVED:

CARLOS G. DOMINGUEZ III

Secretary of Finance

Informational Section. As the title denotes this section only provides information and does not give rise to any substantive or formal rights or obligations.

1. History.

- This is the first CAO dealing on Outsourcing of Non-sovereign Customs Functions to Private Entities.
- The collection, recording, storage maintenance, processing, sharing of data and information; and maintenance of data information in the CAO shall be secured and consistent with the principles and policy of Republic Act 10173, also known as the "Data Privacy Act."

2. Webpage, Forms, Handbooks and other References.

- Republic Act No. 10863 "Customs Modernization and Tariff Act"
- www.customs.gov.ph
- Republic Act No. 9184 "Government Procurement Reform Act"