

SEVENTEENTH CONGRESS OF THE ]  
REPUBLIC OF THE PHILIPPINES ]  
Third Regular Session ]

'19 FEB -6 P3:31

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SENATE

P. S. Res. No. 1015

Introduced by SEN. WIN GATCHALIAN

RESOLUTION

**DIRECTING THE APPROPRIATE COMMITTEE TO CONDUCT AN  
INQUIRY, IN AID OF LEGISLATION, ON THE EFFECT TO THE  
PHILIPPINE ECONOMY OF THE UNABATED RAMPANT CORRUPTION IN  
THE BUREAU OF CUSTOMS, AND ITS INADEQUACY TO FULLY  
MAXIMIZE ITS POTENTIAL TO SUPPORT THE GOAL OF THE  
DEPARTMENT OF FINANCE FOR AN EFFECTIVE AND EFFICIENT  
PURSUIT OF REVENUE GENERATION, RESOURCE MOBILIZATION, AND  
TRADE FACILITATION**

**WHEREAS**, a policy study estimates that “up to 40 centavos for every one (1) peso of tax revenue is siphoned by corruption in the Bureau of Customs”<sup>1</sup>. The study further approximates that lost revenues are roughly the equivalent to half of the Department of Education budget, and well twice the budget for the government’s anti-poverty program or 4Ps;

**WHEREAS**, revenue targets which is set by the Department of Finance (DOF), may or may not reflect the true revenue potential of the Bureau of Customs (BOC), hence, even if the 2017 year-end report of the agency posted an all-time high collection of ₱458.183 billion as against the ₱467.896 billion target (attributed to the increased imports of crude and petroleum products),

<sup>1</sup> Recasting the Bureau of Customs as a Developmental Agency *Asian Institute of Management (AIM) Working Paper No. 14-020.*

the volume of imports expanding by 7%, its annual growth rate in revenue collection (crude, petrol, non-oil) being 50.3% from the years 2013-2017 – leakages and corruption persist;

**WHEREAS**, smuggling, other forms of illicit trade and customs fraud is a deeply entrenched practice to evade payment of duties and taxes, to the detriment of the economy of the government which is losing billions in revenue<sup>2</sup>, to wit;

Year	Actual Collections (Billion pesos)	Potential Total Collections (Billion pesos)	Potential Rev. Loss (Billion pesos)
2017	458	694	236
2016	397	638	241
2015	367	586	219
2014	369	538	169
2013	305	494	189
2012	290	485	195
2011	265	432	167
2010	259	397	138
2009	220	293	73
2008	260	348	88
2007	209	259	50
2006	198	241	43
2005	155	196	41
2004	127	169	42
2003	117	162	45
2002	99	127	28
2001	100	145	45
2000	95	151	56

**WHEREAS**, the plague of corruption, leakage, and rent-seeking activities viciously attacks and regresses whatever reforms that are instituted in an advocacy of clean and honest governance, repeating a cycle that has characterized the endemic system of illicit trade in the BOC;

**WHEREAS**, the analysis and data presented by authors Kar and LeBlanc conclusively finds that *“over the past 50 years (1960-2011) the illicit outflows and inflows of money into and out of the Philippines is harmful to the Philippines. Illicit outflows drain money from the domestic Philippine economy. They facilitate income tax and customs duty evasion, and are found to deplete domestic savings. As such, illicit outflows hamper sustainable economic*

<sup>2</sup> [http://customs.gov.ph/wp-content/uploads/2018/09/2017\\_Annual\\_Report.pdf](http://customs.gov.ph/wp-content/uploads/2018/09/2017_Annual_Report.pdf).

*growth, but the crux lies in illicit financial inflows which shows that over the past decade, 25% of the value of all goods imported in the Philippines (i.e., 1 out of every 4 dollars worth of imports) is unreported to customs officials<sup>3</sup>;*

**WHEREAS**, the revenue potential of the BOC could be higher and would largely be able to contribute to the national coffers and finance more meaningful programs of the government, but instead, these money is being siphoned, and as the practice flourishes unabated, it continues to contribute in weakening our institutions and our overall economy;

**WHEREAS**, the BOC has again been embroiled with controversy over the alleged smuggling of ₱11 billion worth of shabu through the Port of Manila in 2018.<sup>4</sup> Apart from the illegal drug shipment, there was also the controversy on illegal release of 105 containers and 23,000 sacks of smuggled rice from Mindanao ports.<sup>5</sup> These circumstances are indicative of the inefficiencies on the BOC's resource allocation, revenue collection and prioritization of reforms.

**WHEREAS**, despite such controversies, preliminary data from BOC's Financial Service showed that the BOC collected ₱585.542 billion in 2018, exceeding its target of ₱584.881 billion by 0.1%<sup>6</sup> for the first time since 2000. DOF also reported that as of December 19, 2018, the BOC seized ₱9.271 billion worth of smuggled goods from various ports with 68 cases filed before the Department of Justice against suspected smugglers.<sup>7</sup>

**WHEREAS**, Section 27 of the 1987 Constitution mandates that *“it shall be the policy of the State to maintain honesty and integrity in the public service, and to this end, it shall take positive and effective measures against graft and*

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<sup>3</sup> Kar, Dev and Brian LeBlanc. 2014. “Illicit financial flows to and from the Philippines” A study in dynamic simulation.” Global Financial Integrity.

<sup>4</sup> <https://newsinfo.inquirer.net/1052795/duterte-its-hard-to-rid-boc-of-graft>.

<sup>5</sup> <https://www.philstar.com/headlines/2018/10/22/1862081/boc-its-worst-under-lapea-whistle-blower>.

<sup>6</sup> <http://customs.gov.ph/boc-hits-2018-target/>.

<sup>7</sup> <https://www.facebook.com/DOFPH/photos/a.1055261004635182/1055261827968433/?type=3&theater>.

*corruption*”, thus, the BOC must not only identify the leakages and source of these corrupt practices, illicit trade and other forms of evasion of duties and taxes - strengthen its intelligence and enforcement capabilities to curb the problem, continuously examine actual trade statistics to help reveal the proper benchmark to measure the success of the BOC collection vis-à-vis revenue target, in order to maximize the full potential of the BOC as a revenue collection agent of the government, but more importantly, the BOC must be able to determine and measure the efficacy of the reforms that are being implemented as every change in the Customs organization entails additional cost to the Government;

**WHEREAS**, economic strategy must promote unremitting efficiency in BOC administration by ensuring transparency in all its transactions, institutionalizing to this extent a review and regular performance audit of its operation and procedural system, coupled with stringent enforcement of laws, rules and regulations to aggressively address corruption and other illicit trade concerns to bring in the ripple effect of an improved revenue collection performance that will contribute to the overall socio-economic development of the country;

**NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, directing the appropriate committee to conduct an inquiry, in aid of legislation, on the effect to the Philippine economy of the unabated rampant corruption in the Bureau of Customs and to determine how the Philippine Government can fully maximize its potential to support the goal of the Department of Finance to have an effective and efficient revenue generation, resource mobilization, and trade facilitation.

*Adopted,*



**WIN GATCHALIAN**