

AID-FOR-TRADE: CASE STORY

WORLD CUSTOMS ORGANIZATION (WCO)

Cameroon Customs reform: “gazing into the mirror”. From performance measurement to change on the ground.

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Case Story

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From performance measurement to change on the ground.

Executive Summary

- (1) In February 2010 Cameroon Customs launched a system of performance contracts signed between the Director General and a number of front-line services in the port of Douala. This experiment continued a reform initiated in 2007, the history of which demonstrates how important it is to involve the directors general and the finance minister. For almost two years now, headquarter services and grassroots officials share a same reality thanks to figures, "performance indicators", in order to facilitate evaluation of how the reforms initiated by the former are applied by the latter. While this initial method of quantification bore fruit, its impact gradually declined, necessitating some adjustments.
- (2) Since 2010 quantification has therefore become prescriptive: objectives have been set for the Customs offices. After one year of implementation, initial results are encouraging in that they point to the birth of a new professional culture which should cement good practices.

1. Issues Addressed

- (3) Many Customs administrations in Africa are important revenue collection agencies and not necessarily willing to implement trade facilitation measures since they are not able to evaluate their impact and face the risk of decreasing customs revenues which represent between 25% and 60% of total budget revenues.
- (4) Moreover, corruption and bad practices induce a strong asymmetry of information between the head of the administration and their grassroots officials who are, on the field, in charge of applying the new procedures during a reform process. Consequently, even if political will exists, it may be very difficult to implement new facilitation procedures because modern and facilitated customs procedures are supposed to reduce the potential contact between officials and users.
- (5) In 2007, Cameroon customs launched a new IT customs system and modernized its procedures. In order to address the former issues, based on this IT system, they progressively introduced processes of quantification of their action and set up a performance policy, supported by external experts.

2. Objectives Pursued

- (6) The broad objective of the Cameroon project was to improve governance through performance measurement.
- (7) Performance measurement means that Cameroon Customs and all stakeholders (shipping agents, brokers, importers and exporters) share the same objective reality thanks to figures extracted automatically from the IT Customs system.
- (8) Performances are measured in terms of trade facilitation as well as customs controls' efficiency. In order to fight against corruption and bad practices, both elements should be addressed simultaneously: to accelerate the customs processes and to detect smuggled or under-valued goods which have a negative impact on free and fair competition among traders.

3. Design and Implementation

- (9) The project is supported by World Bank, French Customs and World Customs Organization.
- (10) The first steps were taken in January 2008 with the implementation of 30 monthly indicators monitoring 11 offices in Douala (95% of Customs revenues).
- (11) These indicators are automated queries executed on the IT Customs system. Cameroon customs produces a monthly report which is discussed with the management of customs offices.
- (12) Four kinds of indicators are implemented:
 - a) to monitor the economic trends related to imports (in order to compare the variations of revenue collection and variations of trade)
 - b) to measure the performance of customs officers and customs-related professionals (mostly in terms of delays)
 - c) to monitor officers' activities at risk and bad practices (some practices are fully part of the legal Customs authority but may be diverted by corrupt officials and importers)
 - d) to monitor enforcement (corruption and fraud are closely connected so that any increase in anti-fraud efficiency is related to corruption decreasing).
- (13) Transparency caused self-regulation in bad practices and increasing efficiency in terms of facilitation but after 18 months, stagnation raised a question: after having described the reality, how to change it?
- (14) The second step of the project was the launching of performance contracts in 2010. The main goal is to change frontline inspectors' professional practices: to urge them on to clear declarations faster, detect more fraud and give up bad practices.
- (15) After a four months consultation round between experts, management and staff, individual contracts were signed between the DG and officers/managers. They materialized a commitment between both parties: objectives, means given by the DG, recognition and sanctions, conditions to revise the contract, and signatures. There is no financial incentive scheme in the contracts.
- (16) Contracts specify a balance between trade facilitation and fight against fraud/revenue collection with a small number of 8 reliable objectives. All objectives are clearly shared among officers.
- (17) All objectives are quantified; there is no qualitative objective.
- (18) Targets are based on medians of the past three years (several thousands of observations).
- (19) For each inspector and each objective: a monthly measurement and classification in low/fair/good/very good categories (distance to the median). A monthly global level of achievement of the contract is assessed for each inspector.
- (20) Minimum/maximum ceilings on each objective are set in order to avoid that good results on one objective balance very bad ones in another.
- (21) Information about contracts' achievement is delivered to the inspectors every 10 days and at the end of each month.

(22) Every three months (twice during experiment), non-financial incentives publicly recognize positive and negative performances.

4. Problems Encountered

(23) Many usual problems encountered in customs reforms have been avoided. Measuring performance based on objective data thanks to datamining enabled Cameroon Customs to avoid usual problems: there was no suspicion among the staff.

(24) The local project team in charge of performance policy was under staff's pressure: providing explanations when results were misunderstood, accepting some modifications in the objectives in order to take into account specificities which had not been raised during the consultation round.

5. Factors for Success/Failure

(25) A strong commitment of the Cameroon customs DG made the performance policy successful as well as personal commitments of some senior staff.

(26) External experts from WCO and WB have spent time to understand the real functioning of the administration before providing any recommendation.

(27) A trust relationship must be set up between external experts and local staff in order to adapt locally and progressively the implementation of modern tools based on performance measurement.

6. Results Achieved

(28) Time period between broker's registration and officer's assessment has been divided by 4.4 in one office and 3.5 in the other (and 1.6 in a counterfactual bureau which is not under contract). There was no such evolution since the new IT system's launch in 2007.

(29) The share of declarations assessed the day they are registered has been multiplied by 1.3 in one bureau and 1.2 in the other. 87% to 93% of the declarations are assessed the day they are registered.

(30) Some bad practices have been banned (readjustments after having assessed the declaration – this practice was connected to a high risk of harassment).

(31) Estimated gain in terms of time is 10 to 14 hours. Moreover, variance of time period for customs assessment has decreased since April 2010, which induces more predictability) for traders.

(32) Revenue collection has increased more rapidly than containers flows. In the bureau in charge of containers' imports, the revenue collected increased during the experiment compared to 2009 by 11.7%; meanwhile imported containers for home consumption increased by 6.1%.

(33) In both bureaus, the average taxes and duties per declaration has increased: + 3.5% and + 21.6%. The estimated revenue added by the project during 2010 is 4% of the annual Customs revenue targets.

(34) In terms of fight against fraud, inspectors are more focused on significant cases of fraud, which means less less harassment on documents control. The average adjusted taxes per fraud case has been multiplied by 1.5.

(35) Frontline inspectors are much more cautious when deciding to increase the level of

control from documents control to physical/scanner controls. This means less harassment on legal traders and more control on fraudsters. In one bureau, in 2009, 10% of the rerouted declarations were fraud cases, in 2010 there are 38%. In another bureau the rate has increased from 0.7% to 49%.

(36) In January 2011, frontline inspectors who were performing well have been promoted; meanwhile bad performers have been transferred.

7. Lessons learned

(37) There is no trade-off between trade facilitation and revenue collection under the condition of specific anti-corruption monitoring.

(38) It is important to “start from the end”: performance policy must not be considered as the ultimate step of modernization but as one condition of effective modernization.

(39) In order to tackle corruption and bad practices which negatively impact reliable traders, the “historical” focus on trade facilitation should be counterbalanced with an equal focus on State’s interests (revenue – control) and the private sector’s interests (trade facilitation). Tax is socially and politically significant so that the way of collecting it is never neutral.

(40) Customs is a profit-oriented institution which naturally extracts and handles money. Corruption cannot be tackled in a simple way neither can it be compared with corruption in non-profit administrations.

(41) Performance policy should be grounded on the existent, reinforce the values of a socially structured organization: autonomy, practical norms and professional distinction. There is a need for an important qualitative, empirical analysis to produce an acceptable and efficient quantification scheme/tool and be able to understand what has changed;

8. Conclusion (applicability to other programmes)

(42) The fact that this has been, at the first stage, an experiment and not a vast, structured program has two advantages. First, Cameroon Customs have controlled the risk that a major conceptual reform might pose to collection of revenue. There was no question that the contracts compromise the level of revenue collected. On the other hand, the contractual dimension demonstrates to all agents that the hierarchy really is committed to granting more flexibility.

(43) In 2011, in Cameroon, performance measurement policy has been extended to 2 new bureaus. In the same time, different performance contracts have been signed between Customs DG and selected importers: more facilitation is given to the ones who are more compliant.

(44) A similar project is being launched in another West African country.
