

Performance Contracts in Cameroon Customs – Results and Lessons

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Presentation Outline

I- Brief presentation of performance contracts in customs

II- What are the challenges to implement a performance contract?

III- Why was it implemented in Cameroon?

IV – Results

V- Lessons

Quick facts on the performance contracts in Cameroon customs

Started in February 2010 for a period of six months,

Two main bureaus under contract,

20 people under contract (17 frontline officers),

8 indicators per customs officer.

I- Brief presentation of performance contracts in customs

Why is this experiment important? (1/2)

- Performance contracts implemented in numerous administrations in developing countries,
- Performance contracts (collective) in some customs administrations for instance,
- BUT no similar experience in customs, to our knowledge.

Why is this experiment important? (2/2)

- It enables to :
 - **Clarify objectives and tasks of officers,**
 - **Link explicitly tasks of officers with strategic objectives of customs,**
 - **Measure objectively results,**
 - **Instill a system of incentives to recognize the best in an administration.**

Why is it easier in a customs administration?

Relatively easier in a customs administration because:

- The impact of customs work is easily quantifiable (revenues collected, time to clear, fraud revenues),
- Customs are among the first public institutions computerized in a country => objective data to be able to produce.

II- What are the challenges to implement a performance contract?

What is a performance contract?

=> A contract

=> What are the parts in a contract?

- Contracting parties,
- Objectives/aims to reach,
- Performance measures,
- Means given by the head of customs,
- Recognition and sanctions,
- Conditions to revise the contract,
- Signatures.

The most common perverse effects of performance contracts

- **Data manipulation** (« Gaming in Targetworld » (C.Hood)),
- **Distorsion in favor of measurable activities** (Tasks difficult to measure are neglected),
- **Ratchet effect** (agents have targets inferior to their capacities),
- **Threshold effect** (results just above the target)

How to select indicators?

Indicators should take into account several dimensions and include :

- **Results objectives** (impact on economic and social variables),
- **Process modernization objectives** (HR management, IT management, financial management...),
- **Service delivery** (delays decrease, users satisfaction, procedures streamlining).

Challenges to overcome to implement performance contracts (1/4)

Challenge I : Acceptance of the approach by officers

In order to gain acceptance of the approach by officers, the process must involve agents at every step.

Challenges to overcome to implement performance contracts (2/4)

Challenge 2 : Indicators selection

- Importance to select indicators attributable to officers (or need to control with activity trends),
- Importance to set ambitious but realistic targets (because of racthet and threshold effects).

Challenges to overcome to implement performance contracts (3/4)

Challenge 3 : the process requires investment in staff

It is important to create a small unit in charge of organization and monitoring of performance contracts.

Challenges to overcome to implement performance contracts (4/4)

Challenge 4 : Incentives should be mainly non-financial and recognize team work

- Incentives should be mainly non-financial (especially in customs),
- Best officers should be publicly acknowledged (important to embed in HR policy).

III- Why was it implemented in Cameroon?

The World Bank and Cameroon Customs

World Bank has supported customs modernization since 2007, within the framework of a regional trade and transit lending project, with a focus on transit simplification.

Experiment was a second activity in order to have a demonstration effect.

A gradual process in Cameroon

EXPERIMENT IS THE LAST STEP OF
THREE YEARS OF CUSTOMS REFORMS

1. Streamlined procedures with the introduction of ASYCUDA++ (1 year to achieve internal ownership),
2. Introduction of quantitative monitoring of officers/customs agents on a monthly basis (2 years)
3. Experiment to evaluate and sanction/recognize officers.

Leadership

Importance of head of customs to be committed to reforms, interested in objective monitoring of officers

⇒ Importance of pragmatism of the head of customs: ready to take decisions to see quick results

Importance of support from the Minister of Finance.

Capacity

Pool of very capable managers in
Cameroon customs,

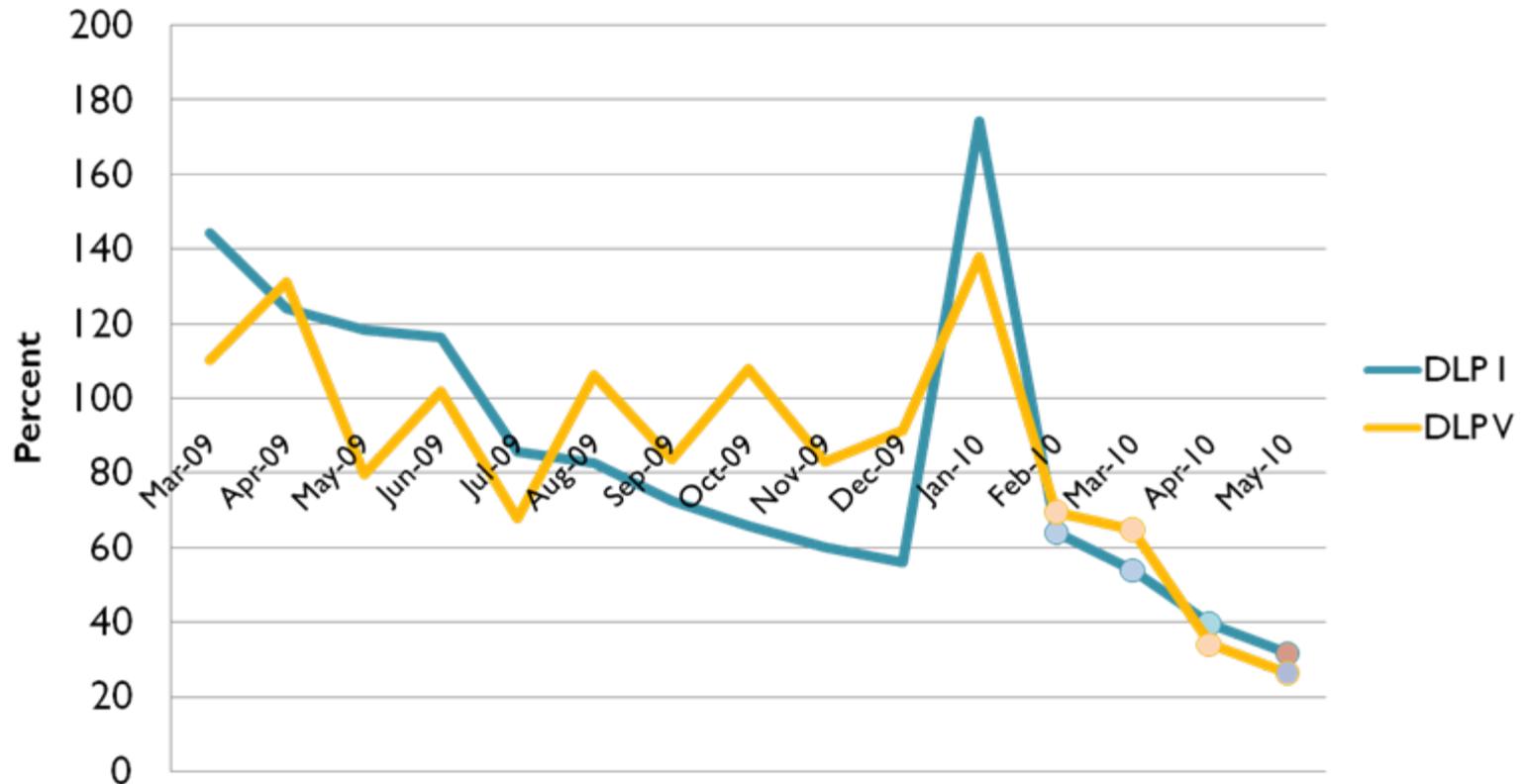
Tradition of the importance of quantitative
targets,

With the period of reforms in the last
years, growing number of officers ready
to change their behaviors.

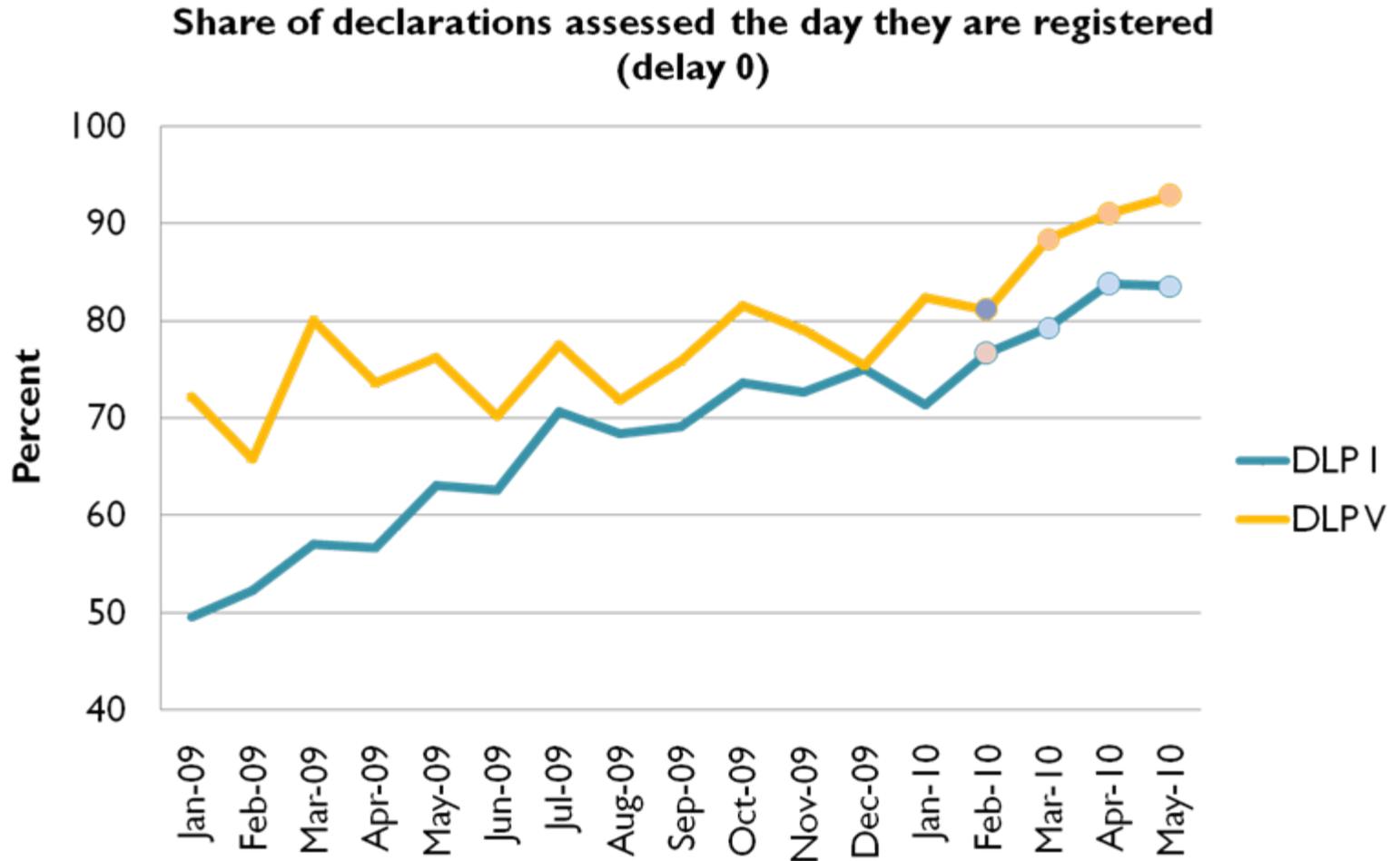
III- Results

Impact on time release (1/2)

**Time release between
registration (broker) and assessment (customs)**
(100% = average time of the 12 months before experiment)

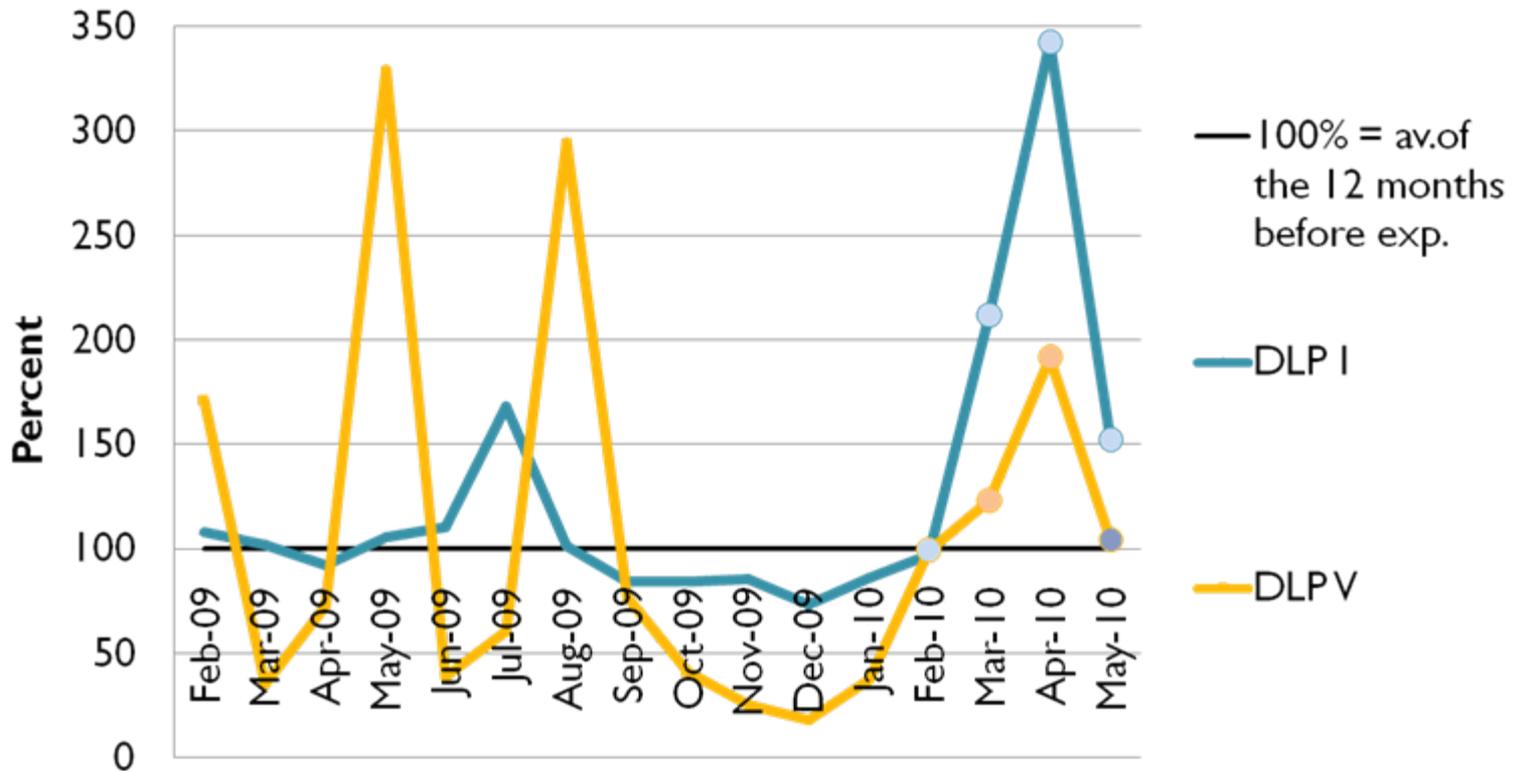


Impact on time release (2/2)



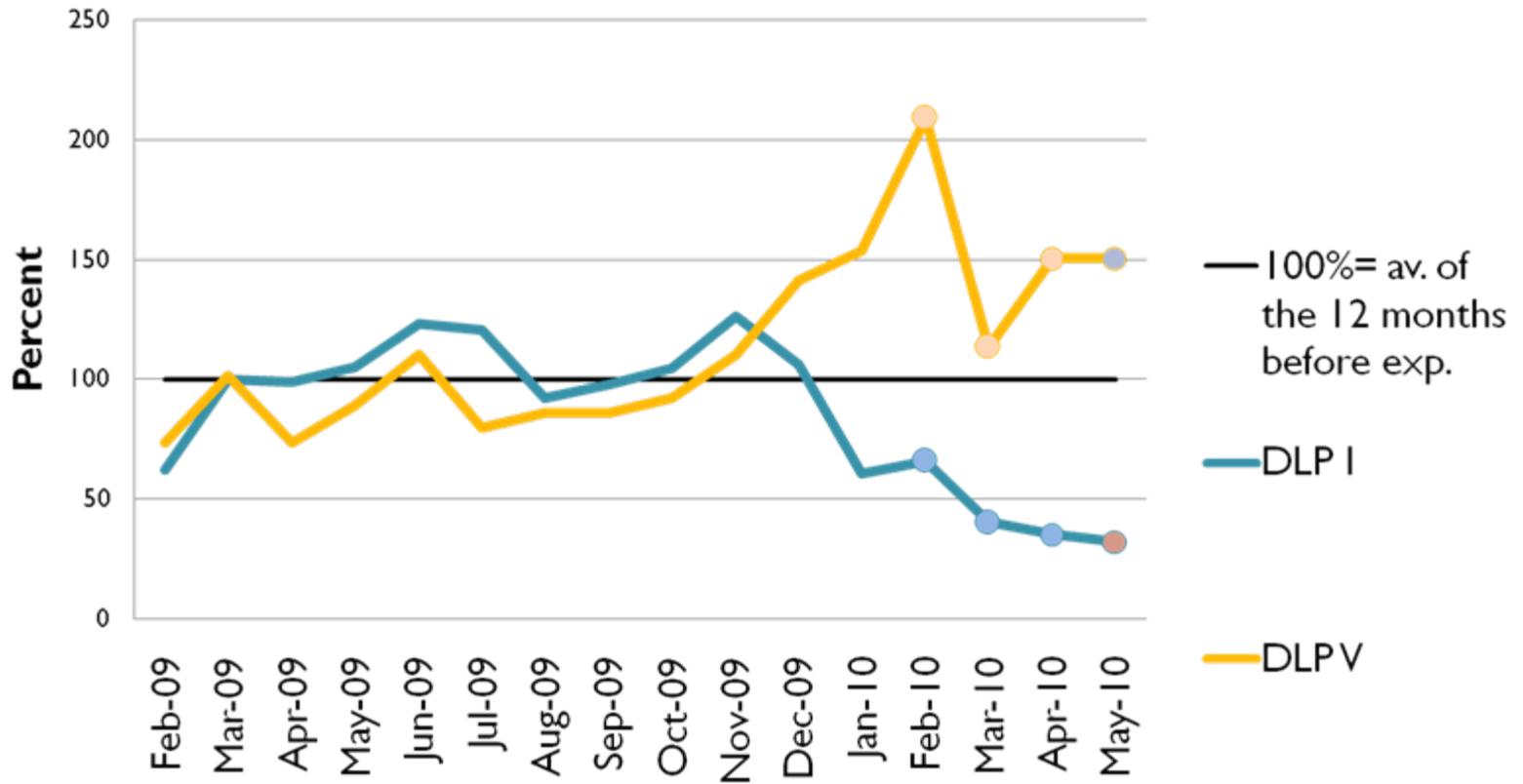
Impact on control (1/2)

Variation of the average recovery of T&D connected to fraud cases per declaration modified



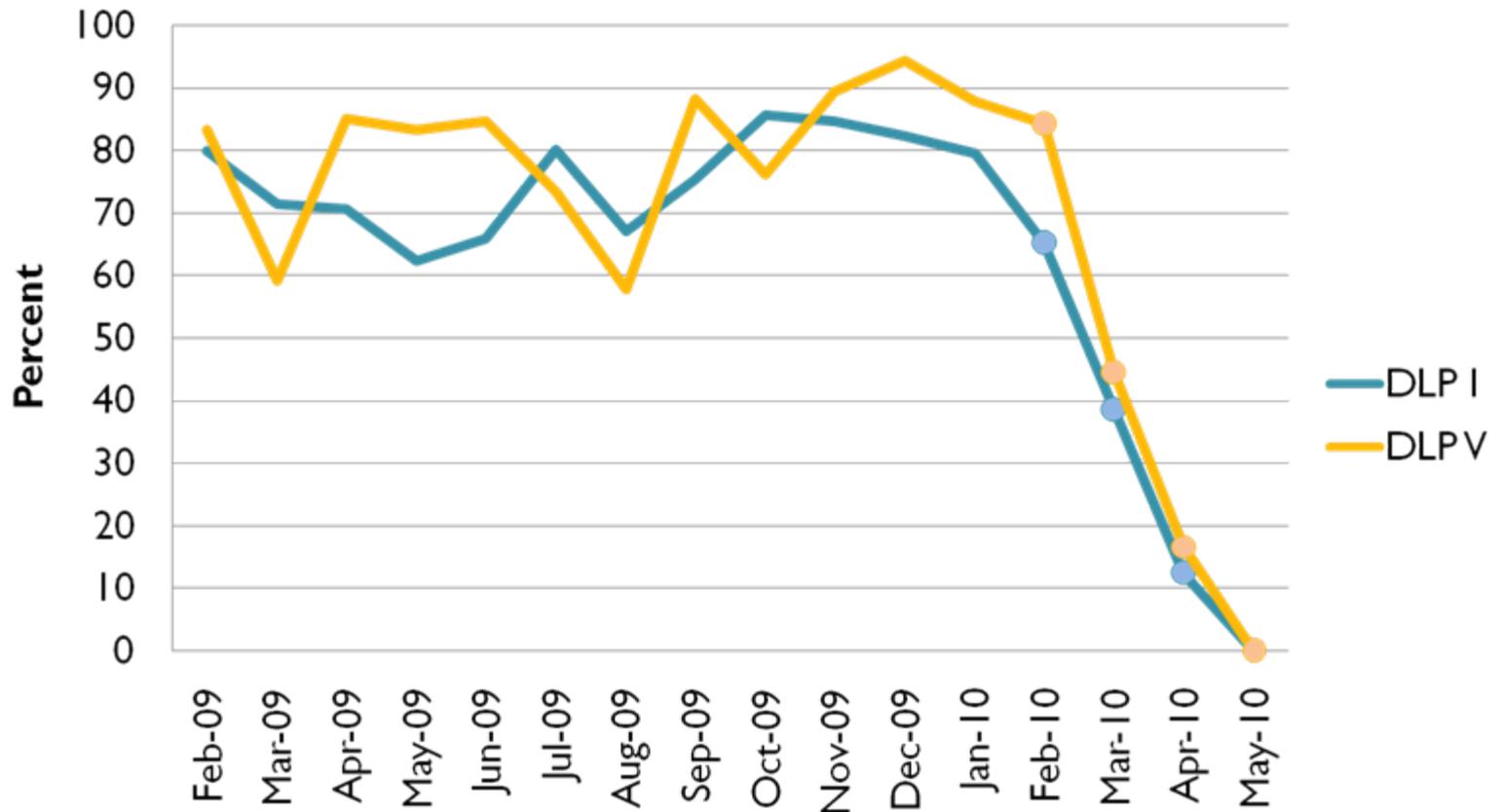
Impact on control (2/2)

Variation of the number of fraud cases



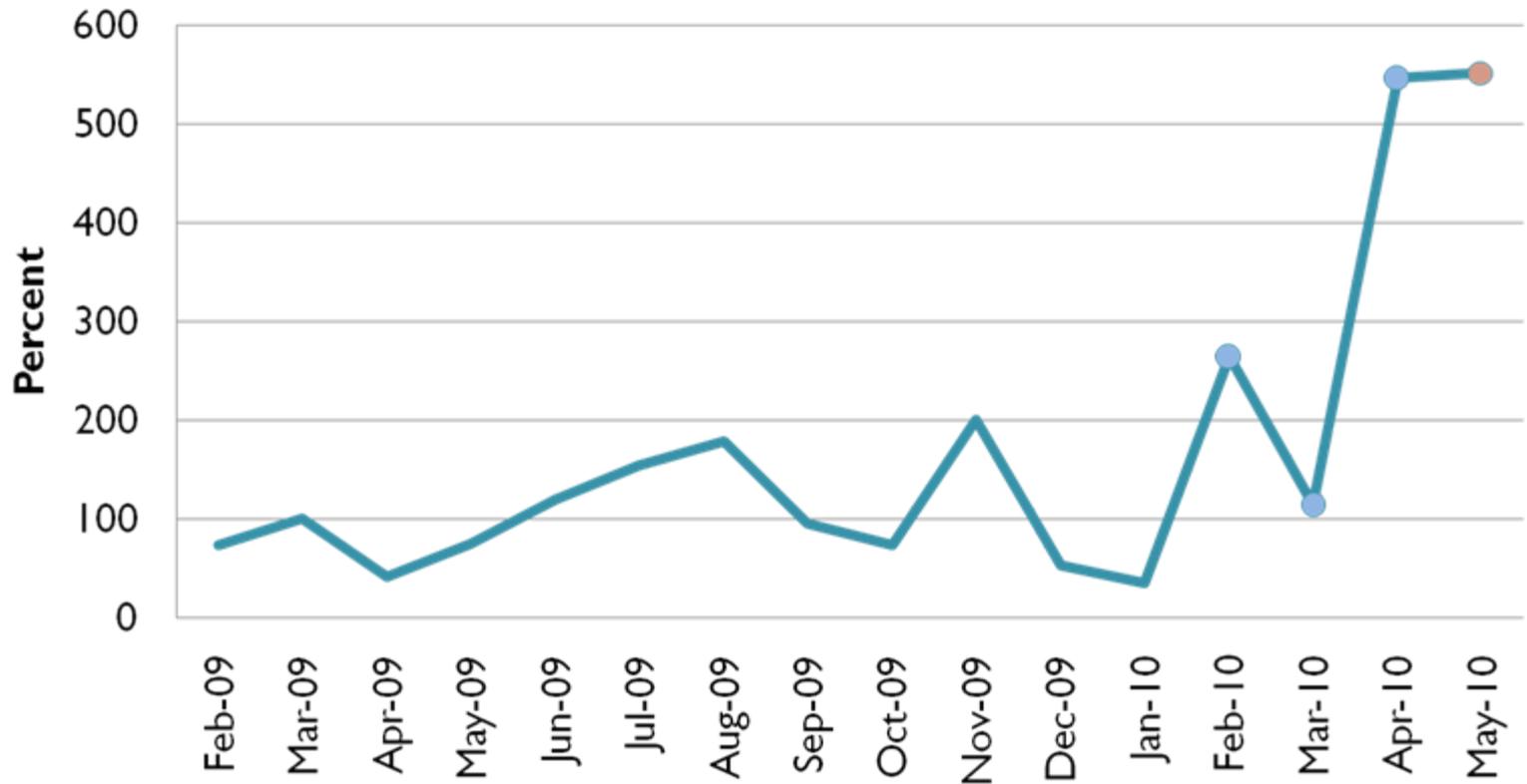
Impact on bad practices (1/2)

Share of the declarations (yellow line) assessed and modified after the assessment by the same frontline officer



Impact on bad practices (2/2)

Efficiency of the channel change (yellow to red line) DLP I :
fraud cases detected among redirected declarations
(100%=average of the 12 months before experimentation)



IV- Lessons

The advantage of an experimental approach

Experiment vs. comprehensive strategic plan ?

Followed approach:

1. *focused* on a short sample of bureaus/civil servants before expansion (or not),
2. *short duration* to generate rapid results,
3. *money is not the answer* (had cost less than 60,000 USD).

What are the preconditions to embark on experiment in customs?

- **trust between « experts » and « local administration »**

=> two-way openness :

- customs administration has to open its doors to encourage « experts »' observation and understanding of the real functioning of the administration,
 - « experts » have to open their mind to keep the focus on observations as a first step before proposing any solution.
- **design and monitor solutions by being open-minded and think out of the box**

What is the analytical framework/knowledge behind such experiment?

- Assumption of information asymmetry between the head of customs and customs on the ground (principal-agent theory),
- How is it possible to test it if the assumption holds?

Need to understand:

how hierarchical link is impacted by corruption and how senior officers deal with it,

how money is redistributed in the organization : for instance the formal and informal incentives scheme, best positions/bureaus in which being appointed is an incentive ? income vs. wages ?

Importance of communication

Communication needs to be thought at the beginning (before starting the experiments) in order to limit nuisance of individuals against such reform.

- *Internal* : several meetings to explain the approach, discuss the indicators, assess preliminary results and possibly revise indicators.
- *External* : need to be transparent on results (good and possibly not so good) and on the reasons of the approach.

Conclusions

- Importance of a gradual process of at least one year,
 - Importance of the leadership,
 - Importance of tailoring it to local conditions
- ⇒ It can not be replicated everywhere
BUT assuming information asymmetry between the head of customs and officers on the ground is important and can bring important results on the ground.