

47919

CUSTOMS
DOUANES

Se regarder dans le miroir

Le contrôle de l'exécution
du service dans les douanes
camerounaises

Gazing into the mirror

Operational Internal
Control in Cameroon
Customs

Minette Libom Li Likeng, Thomas Cantens, and Samson Bilangna



THE WORLD BANK



“Gazing into the Mirror”

“Gazing into the Mirror”

Operational Internal Control in Cameroon Customs

Minette Libom Li Likeng

Thomas Cantens

Samson Bilangna¹

January 2009

¹ Director General of Cameroon Customs, Technical Advisor to the Director General of Cameroon Customs, and Risk Management Project Manager, respectively.

The SSATP is an international partnership to facilitate policy development and related capacity building in the transport sector in Sub-Saharan Africa.

Sound policies lead to safe, reliable and cost-effective transport, freeing people to lift themselves out of poverty, and helping countries to compete internationally.

The SSATP is a partnership of

- 35 SSA countries
- 8 Regional Economic Communities
- 2 African institutions
UNECA, AU/NEPAD
- 10 active donors
- *EC (main donor), Denmark, France, Ireland, Norway, Sweden, United Kingdom, Islamic Development Bank, African Development Bank and The World Bank (host)*
- Numerous public and private State and regional organizations

The SSATP gratefully acknowledges the financial contribution and support from the European Commission, the Governments of Denmark, France, Ireland, Norway, Sweden, United Kingdom, the Islamic Development Bank, the African Development Bank and The World Bank.

More publications on the SSATP website

www.worldbank.org/afr/ssatp

Cover design: James Quigley

Contents

Foreword vii

Acknowledgements ix

Acronyms and Abbreviations xi

Overview xiii

Introduction 1

Toward the Implementation of Internal Control Based on Objective Information 5

Conceptual Framework of the Reform: The Three Equivalences 5

2006–2007: Installation of ASYCUDA in Douala 8

The Need to Depart from Past Practices 10

2008 — Institutionalization of an Operational Control Policy 11

Description of the Indicators, Production, Importance and Impact 13

Activity Indicators 13

Performance Indicators 15

Control Indicators 21

Risk Indicators 23

Principles for the Production of Indicators 24

Impact 25

The Future of the Reform Process & Conclusions 29

Bibliography 31

Annex : Pricing Policy and contribution of Customs Revenues to the State Budget 32

Foreword

As a key economic player, particularly in terms of State budget execution, Customs administrations finance between 10 and 60 percent of national budgets through the collection of tax revenues, in accordance with the level of economic development of States. These administrations monitor commercial operations, while ensuring the smooth flow of trade. In view of these responsibilities, it is essential that they possess a relevant and modern organizational and operational system tailored to meet the requirements of the new trading environment.

In keeping with this objective of modernizing Customs, the World Customs Organization (WCO) introduced the Columbus program in 2006, which is aimed at building the capacities of Customs administrations using a three-phase process: an assessment, the implementation of an action plan, and monitoring and evaluation, which will enable them to function effectively in the twenty-first century.

The original approach adopted by Cameroon Customs, which benefited from this program, is part of this process and entailed according priority to operational internal control as the keystone of the reform process. The objective of this reform was to strengthen the chain of command by holding each of its links accountable with the assistance of activity, performance, control, and risk indicators, in an effort to increase the visibility of Customs activities, improve understanding of activities on the ground, and provide an effective decision-making tool. Quite often,

diagnostic WCO missions conducted under the Columbus program revealed the underutilization of new technologies already implemented in Customs administrations. This experience with the use of IT capacities is therefore an important initiative and a useful model.

The process is already under way. It is now up to the agents to assimilate the tools in place and incorporate them fully into this new Customs culture.

Reform is not possible without the personal investment of all the leaders, and all the links in the chain with external support, including the private sector. Without political will, modernization of Customs administrations cannot be achieved. We are staking our bets that this positive original example from Cameroon will pave the way and encourage other countries to embark on the path to modernization. This process is not inevitable; change must be envisaged and desired. It is only by working together that anything is possible.



Kunio Mikuriya
Secretary General
World Customs Organization

Acknowledgements

The authors would like to thank Messrs. Jean-François Marteau and Gaël Raballand for the unwavering support they provided in the preparation of this publication, and generally for their intellectual and inspirational support with the reform of Cameroon Customs, as well as the assistance provided by their organization; Mr. Jean-François Arvis for the interest shown and the opportunity to present this document at a World Bank seminar held in Washington in September 2008; and Messrs. Montagnat-Rentier and de Wulf, who reviewed this paper and provided pertinent observations and advice. Any errors or inaccuracies are the sole responsibility of the authors.

Acronyms and Abbreviations

ASYCUDA	Automated Systems for Customs Data
CEMAC	Central African Economic and Monetary Community
GPS	Global Positioning System
PAGODE	<i>Procédures automatisées de gestion des opérations douanières et de commerce extérieur</i> (a semi computerized customs operations management system)
WCO	World Customs Organization

Overview

Cameroon is a model example of a developing country facing the challenges of trade facilitation, in light of its geographic location within Central Africa. Close to 20 percent of its Customs revenues are used to finance the national budget. Cameroon's Customs administration therefore plays a critical role in its economy. This paper presents the modernization process launched in Cameroon Customs in 2006 and, in particular, the original approach adopted—the very early introduction of operational internal control as the keystone of the reform process under way. Beyond the technical measures in and of themselves, the document seeks to show one aspect of Cameroon's reform experience: how technical measures, namely the definition and dissemination of indicators based on a number of principles, have contributed to increased revenues and stronger ethics, an experience that could be replicated in other Sub-Saharan African countries.

Introduction

Cameroon is a member of the Economic and Monetary Community of Central Africa (CEMAC), which includes five other States, namely, the Central African Republic, Chad, Congo, Equatorial Guinea, and Gabon. It is a transit country for Chad and the Central African Republic, two landlocked neighbors. Cameroon is therefore a model example of a developing country facing the challenges of trade facilitation, in light of its geographic location within a regional union.

From an economic standpoint, close to 20 percent of Cameroon's Customs revenues are used to finance the national budget (see Annex). This trend is expected to decline significantly, following the conclusion of partnership agreements between the European Union and the African, Caribbean and Pacific States, and the shift from an export and import duties [*fiscalité de porte*] to a domestic taxation [*fiscalité intérieure*] system. Cameroon Customs, nevertheless, remains a key player in State economic policy and budget execution.

All Customs reforms must achieve a balance between facilitation measures and control and anti-fraud mechanisms. The Customs process at Douala Port is a formality during which non-Customs agencies take advantage of the opportunity to be involved. The impact of Customs on overall clearance times is therefore often limited by these other stakeholders. The introduction of targeted Customs controls also represents

a potential increase in earnings for the operators. These constraints and objectives are common to African Customs administrations.

The originality of Cameroon’s Customs administration lies in the very early introduction of *operational internal control* as the keystone of the reform process under way. Indeed, the mere definition of new Customs procedures cannot constitute the core element of a reform process for one essential reason,² which is common to all directors general of Customs, particularly in Sub-Saharan Africa. A reform program that has been designed and supported politically by a director general cannot produce all the expected positive effects, owing to a lack of will of those in the field and the inability of the director general to sanction this lack of will. Raffinot (2001) likens the Minister of Finance to “a blind beggar with a big stick.” This image portrays a minister who is, in some measure, compelled to negotiate revenue generation with the country’s Customs officers, owing to a lack of precise information on their actual work in the field. The minister’s authority is not being questioned. It is the minister’s power, the legitimate exercise of this authority that is made difficult, especially in a context of corruption. A similar observation can be made with regard to a director general of Customs. Acts of corruption can be perceived as dysfunctions. The fact remains, however, that all reforms face the prospect of failure because they challenge corruption equilibria. Sanctions should, nevertheless, be based on *objective* observations. The reason why strengthening the chain of command, holding each agent accountable on the basis of his or her functions, is

² Moreover, it is not difficult to imagine what Cameroon Customs should be like: trade facilitation, increased revenues, and stronger ethics in Customs are the three references common to all reforms in African Customs administrations. African Customs administrations possess all the knowledge on best practices to be implemented through several sources of information, including the international standards disseminated by expert missions commissioned by the donors, and the work of the World Customs Organization (WCO) in which all African Customs administrations participate.

the crux of the reform initiated in Cameroon Customs. Cameroon's Customs officers promptly coined a phrase to describe this vision, this cultural revolution that is under way: "gazing into the mirror."

To this end, activity, performance, control, and risk indicators provide the director general and operations managers with a clear picture of what is occurring on the ground. The first, most important result is undoubtedly the aforementioned information, which is sent to the inspectors, the director general and her senior staff, and to the agents being monitored, namely the managers in the field. The second key result is the ability to assess the impact of any new technical measure. Monitoring the trend of an indicator helps to measure the impact of any new procedure on clearance times. The indicators are therefore a critical decision-making tool.

The second part of the document focuses on the conceptual framework and the description of its main phases. The third more detailed section presents the tools, performance indicators, and results already achieved. The conclusion outlines the plans for the development of these tools based on lessons drawn from the completed initial phases.

Toward the Implementation of Internal Control Based on Objective Information

Operational internal control is a key component, serving as both an element of modernity and a prerequisite for monitoring the reform process. It is useful to the director general when the aim is not to design the entire reform process, but its various sequences and their coordination and duration.

Since 2006, reform of the Customs administration in Cameroon has undergone two phases: a preparatory phase to configure Cameroon's Customs environment to make it more suitable for operational control, and a more detailed phase that entail institutionalization of this control and its integration into the professional culture of Customs officers.

Conceptual Framework of the Reform: The Three Equivalences

The policy of Cameroon Customs regarding the development of indicators adheres to three major principles, three equivalences that link ethics to Customs procedures.

The *first equivalence* is between anti-corruption and anti-fraud efforts. Fraud almost systematically goes hand in hand with complicity of Customs. Combating fraud is therefore tantamount to combating corruption. Anti-corruption efforts become the primary challenge with respect

to revenues. As shall be seen, these efforts were initiated in 2006 as part of the entire reform process launched with ASYCUDA.³

The *second equivalence* is between transparency and self-regulation. A number of examples have demonstrated that corruption creates inequality among Customs officers. Transparency in the system leads to self-regulatory phenomena. Transparency in the Customs clearance system enables wronged Customs officers to denounce the bad practices of their colleagues, which have a direct effect on their own activities, whether they are legal or not. As corruption results in inequality, these inequalities among Customs officers must be exposed so that they can impose internal sanctions themselves.

The *third equivalence* is between lack of activity in the system and complicity. Consolidated by the first two equivalences that meet the same final objective of increasing State revenues, this equivalence directly concerns the managers. Equipped with information and constrained by revenue generation targets, when they act, they run the risk of being considered complicit in acts of corruption. Managers are therefore strongly urged to adapt their professional culture and to recognize that a significant share of their responsibilities involves leadership of their team rather than participation in Customs clearance activities.

It is the coordination of these three equivalences, between procedures and morality, which lays the foundation for the control system. This approach has three specific features.

The first is that the concept of morality is squarely at the heart of activities. Donors have perhaps transformed “bad practices” into an extremely “amoral” issue, while within the Customs administration in

³ ASYCUDA = Automated SYstem for CUstoms DAta, a computer software program developed by the United Nations Conference for Trade and Development (UNCTAD) and installed in over 80 countries.

question, morality is the fundamental concern of Customs officers. *Because it engenders inequality, corruption has no future* (Cantens, 2007). For instance, it deprives the entire group of resources for dispute-related purposes. These resources are generally allocated, *inter alia*, to a health insurance scheme or used to compensate for shortfalls. Although corruption is a current phenomenon, it does not necessarily enter the picture for Customs officers in the context of their administration practices.

The second specific feature is that this approach highlights *the cost of corruption for the State* more so than the cost borne by economic operators. Indeed, this is not an issue of combating corruption related to payment for services normally provided free of cost. It is one of combating corrupt practices that deprive the Treasury of revenue. Here again, the role of the donor community, which accords priority to “trade facilitation,” a “business environment” that at times works to the detriment of the role of the State apparatus, must be questioned.

The third specific feature is that “corrupt individuals” put up more resistance to *the control system than the Customs clearance system*, which ensures the public service delivery process. Indeed, one previous anti-corruption approach consisted solely of “improving” the Customs clearance system by establishing physical, procedural, or electronic measures to counter “bad practices”. This approach was ultimately pessimistic, positing the hypothesis that stakeholders were *intrinsically* corrupt. Moreover, it could only endlessly complicate the administrative and computerized processes, thus establishing numerous motives for corruption. Under the approach adopted, the Customs clearance system remains relatively open⁴ and this openness holds the various

⁴ Basic computer controls installed in ASYCUDA and linked to its operation remain in place: consistency controls on quantities, weights, document references, and so forth. However, no new controls have been developed by the

stakeholders fully accountable. Bribers and corrupt individuals therefore do not attempt to cheat this system, but instead to circumvent the control system. Its ongoing development is therefore one of the main challenges to modernizing the administration.

2006–2007: Installation of ASYCUDA in Douala

The preparatory phase was launched in 2006 with the installation of ASYCUDA in Douala, which replaced the old PAGODE system. In order to ensure that this new application could provide value added, the installation in Douala was preceded by installation at six pilot sites in the territory. The experience drawn from these pilot sites helped with the planning of the installation in Douala, which was subject to a clearly defined approach requiring the establishment of a special project team.

This phase adhered to the following two principles:

The maximum automation of procedures. It was necessary to automate all procedures to ensure transparency and facilitate a posteriori controls thereof.

The accountability of Customs agents involved in the procedures and agents from professions external to Customs (shipping agents, air carriers, stevedores, authorized Customs agents, Customs clearance warehouse and area operators, express delivery operators, etc.). These stakeholders currently have direct access to the system from their offices, and the Customs services established in site offices are directly connected to the system. It was crucial for various stakeholders and in particular from the private sector, to participate in the system in order to facilitate cross-checks.

administration to make ASYCUDA similar to the old PAGODE information system.

By way of example, some of the measures were as follows:

- Electronic registration of the manifest by the consignee in ASYCUDA, 24 hours before the arrival of the ship;
- Registration of the delivery notes by the stevedores, thereby eliminating the need for Customs officers in the Customs warehouses within the port area;
- Elimination of the release order, and as a result, once the declaration has been validated, the authorized Customs agent makes a payment at the revenue office and then requests in return a delivery note from the stevedore; the agent does not return to the inspector who has validated the Customs declaration in order to obtain a release order;
- Elimination of the need for line managers' stamps on Customs declarations, which was an additional and pointless step.

This installation phase of a new information system has already facilitated the implicit use of a control system.

First, the new procedures include an anti-corruption approach: lack of contact between the Customs officer and the user and goods, the involvement of several stakeholders in the Customs clearance system, and the traceability and transparency of operations. This installation phase then gave rise to several assessment, discussion, and negotiation meetings among Customs officers, and between Customs officers and Customs clearance professionals. During these meetings, project teams were able to gradually dismantle the views justifying "abnormal practices" and propose new approaches (Cantens, 2007). For example, a number of Customs officers insisted on maintaining a presence in the warehouses because of widespread fraud practiced by the operators of the warehouses. When this fraud was assessed and quantified, the advantages of having these Customs officers in their position were addressed in an objective and quantifiable manner, and were deemed to be too few to justify this presence.

This first phase and the attendant technical discussion therefore facilitated a type of “cultural revolution.” The installation of a new tool, ASYCUDA, justified the development of the new procedures, by means of a lengthy discussion phase, and thus an internal reassessment. The key element of this reassessment was objectivity, the production and dissemination of documents analyzing the situations. Indeed, this discussion phase did not draw solely on qualitative opinions, which are always challenged by the most conservative Customs officers, due either to the prevalence of culturally external concepts imposed by the donors (widespread corruption), or other practices that must be curbed (widespread fraud). The difference between widespread fraud and widespread corruption was such that it could not serve as the basis for a joint analysis of the prevailing situation. Taking advantage therefore of this installation, the notion of quantifying the relevance and effectiveness of an administrative process in order to modify it has gained currency among Customs officers through tangible results.

The Need to Depart from Past Practices

This phase lasted close to one year in Douala Port—seven months to install the system and five months to monitor its launch. The period was shortened because of the experience acquired at pilot sites since 2005. Over a six-month period, the project team convened approximately sixty meetings with all Customs and non-Customs stakeholders (Cantens, 2007). This lengthy period was necessary to facilitate gradual ownership of new systems. However, there was need for a departure from past practices to herald the beginning of a new era. The launch of ASYCUDA on January 1, 2007 radically transformed Customs, with a shift from an approach based on the simple use of a tool to an operational internal control system based on this tool.

However, this departure had another significant consequence that was not immediately apparent. The lack of preparation of the maritime professions and Customs clearance professionals, as well as the ill-will

demonstrated at times by “conservative” Customs officers, made this launch highly contentious. The institution’s representatives, namely the minister and the director general, were the targets of vicious, personal attacks in the press and even within the State apparatus itself. Given their direct role, they therefore needed statistical data to give account and make it clear that the system was functioning effectively. They therefore experienced firsthand the need to be informed about the use of the system, as well as Customs revenues, the sole key figure produced to date.

A small team therefore exclusively produced figures for the director general and the minister. These agents responded to their requests on a case-by-case basis. However, at the same time, these requests were registered and thus constituted, to a certain extent, a database of indicators for management.

The use of the control approach therefore became more explicit, as operational services were aware that their practices were being monitored. Public demonstrations were organized for the field agents. In January 2007, the minister chaired a meeting in Douala during which the audit inspectors at Douala Port were made aware of the existence of charts that listed the times and dates of all actions pertaining to any given declaration, including simple consultation. The director general also directly addressed agents who were misusing the system, calling on them to “improve their performance.” In other words, management put pressure on the field agents, requesting that they quickly release declarations and ensure the legitimacy of certain controls, while at the same time advising them of this surveillance, in order to prepare personnel for the imminent sanctions and the new assessment procedures.

2008 — Institutionalization of an Operational Control Policy

In January 2008, ASYCUDA was stabilized and Customs officers had gained a relatively good understanding of the tool. The operational

control project therefore adopted a more institutional configuration, with additional resources.⁵

Specifically, a report compiling 24 indicators on 11 offices is drafted by a team of Customs officers and data processors within five working days following the end of the month. This report is forwarded by electronic mail to the operations managers, who can then disseminate it to their colleagues, identifying certain anomalies. Generally speaking, there appears to be no need to point out these anomalies. They are apparent and especially so to all parties concerned, as the 11 offices are covered in the same report. A confidential summary comprising a few pages and outlining the salient points is sent to the director general only. Each quarter, or even each month, the director general and the operations managers hold a coordination meeting, following dissemination of the report. In the near future, the indicators will also be published by the administration in the *Customs and Business Challenge* magazine.

The key objective is to ensure that the director general and the managers on the ground are in tune with the prevailing situation. Discussions on the administration’s strengths and weaknesses focus not only on qualitative aspects, but also draw on objective data applicable to both sanctions and evaluations of agents. The concept of management control is gradually being incorporated into the Customs system during the regularly convened coordination meetings between the director general and the relevant agencies.

⁵ This work is now integrated into projects supported by the donors, namely, the World Bank and the European Union.

Indicators, Production, Importance and Impact

Cameroon Customs currently has 24 indicators,⁶ which have been collected from 11 offices at the Douala port and airport. These 24 indicators are broken down into four types: activity indicators (four), performance indicators (seven), control indicators (ten), and risk management indicators (three). These indicators are used in multiple areas, including personnel management, inspection of services, and the design of reforms.

In terms of impact, significant revenue gains were achieved in 2008 relative to 2007; this increase, however, is not entirely attributable to increased economic activity.

Activity Indicators

Activity indicators describe the economic situation from the perspective of Customs: the submission of aircraft and ships' manifests, declarations registered in the system and amounts that have been pre-

⁶ Transit operations were deliberately excluded. Since 2007, the World Bank has been assisting Cameroon Customs with reform of this sector, which must be coordinated with the Customs administrations of the neighboring countries. Given that a host of issues was still under consideration, the production of transit indicators was not initially relevant.

validated, the issuance of delivery notes by stevedores, and electronic registration by Customs.

The director general requires an assessment of economic activity for two reasons. Managers may, during meetings, cite a decline in economic activity to substantiate a concomitant decline in revenues. It is therefore important for the director general to be aware of the economic trend, especially with regard to “fragile” offices that rely on the activity of one or two operators, as is the case, for example, at the airport with imports for telecommunications operators.

Conversely, it is important to compare revenue gains to increased port activity in order to make the distinction between the share of the increase associated with improved performance and the share linked solely to variations in economic activity.

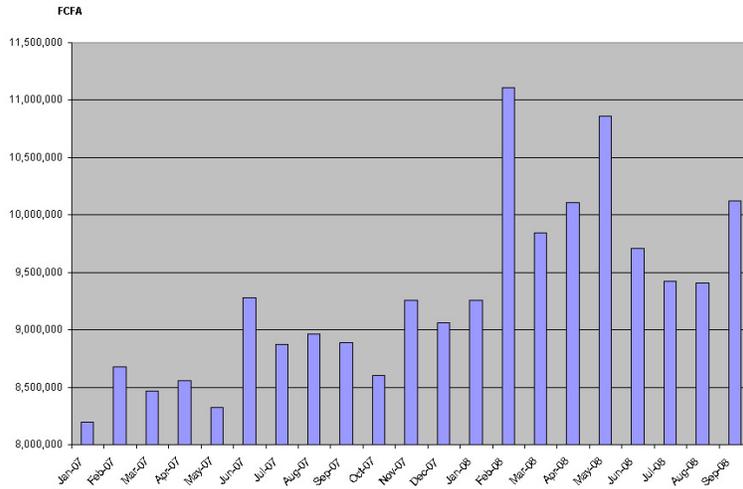
The need to consider the use of operational control once ASYCUDA has been installed is evident: it is precisely because several types of operators (freight forwarders, stevedores, shipping agents) have direct access to ASYCUDA that it is possible to compare the data and reveal either a consistent trend or discrepancies.

For example, the office responsible for clearing containers of directly imported goods registered a 21 percent increase in pre-validated revenue amounts⁷ between the first half of 2007 and the first half of 2008, while the number of declarations grew by only seven percent, and the number of containers accompanied by manifests by 16 percent. It is thus possible to establish that a share of the increased revenues was the

⁷ “Pre-validated” = Pre-validation by Customs is automatically done on the declaration when it is lodged and then registered by the declarant. The term “validation” is reserved solely for validations actually done in the system by the service, that is, after the front-line inspection. Validations may differ from the pre-validations if the Customs inspector who verified the declaration modified the terms of the tax base.

direct result of improved management by the office and was not solely attributable to increased economic activity. This improved management by the office occurred at the same time as the appointment of a new office manager in April 2008 and was taken into account in the pre-validated amounts (cf. Figure 1). There are also, of course, converse cases.

Figure 1. Trend in Pre-Validated Amounts in one Office at the Port



Source: Cameroon Customs

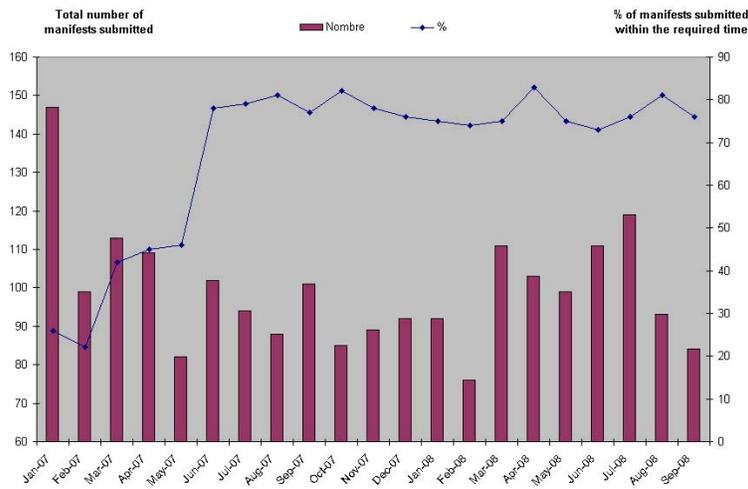
Performance Indicators

The time periods for each stage of the Customs clearance process, whether involving Customs or the private sector, are tracked by seven indicators. Time periods are a major challenge for the private sector, giving rise to numerous conflicts, particularly with regard to interpretation. They are monitored in order to avoid a gradual lengthening: time periods for the validation of a declaration, verification by the scanner, registration, declarations that have not been validated, compliance with

the 24-hour rule for ships’ manifests, payments, as well as for the period between validation by Customs and the issuance of the delivery note.

Certain indicators therefore monitor, in particular, the performance of Customs clearance professions. This is the case with shipping agents. Submission of the manifest 24 hours before the arrival of the ship is an obligation that facilitates targeting of controls on one hand and, with respect to freight forwarders, the conduct of Customs formalities before the arrival of the ship on the other. Goods can thus be cleared once the ship has docked. Figure 2 illustrates the trend of this indicator, which stabilized at 80 percent for manifests submitted within the required time. The remaining 20 percent pertained in most cases to goods from countries neighboring Cameroon.

Figure 2. Trend in Activity and Performance Indicators



Source: Cameroon Customs

The submission of manifests 24 hours before the arrival of the ship was also designed to allow freight forwarders or importers to expedite clearance of goods. These indicators revealed that only a handful of operators are taking advantage of this facility, as most of the Customs clear-

ance formalities (80 to 90 percent) are still being initiated only after the arrival of ships (one to two days after docking).

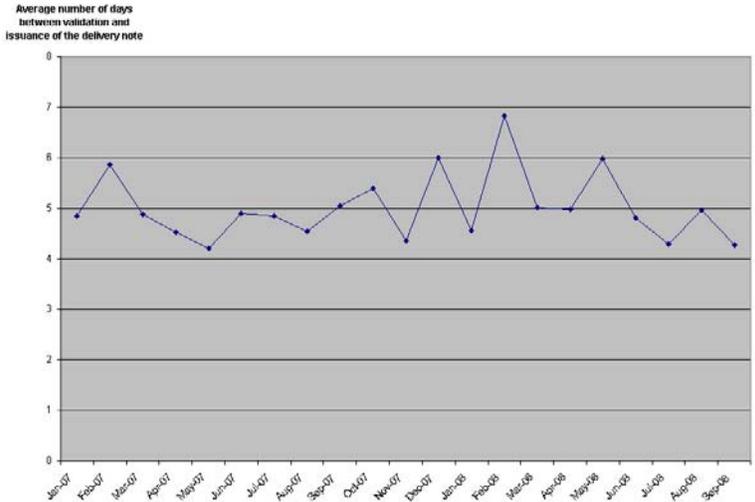
These indicators were used to also demonstrate to our private sector representatives that the major freight forwarders were essentially responsible for the longer processing times in 2007 (+3 days for processing at the port, which includes all Customs and non-Customs formalities). Figure 3 illustrates the average processing time for freight forwarders between validation by Customs and issuance of the delivery note. This delay is strictly attributable to the freight forwarders because, once the declaration has been validated, the declarant does not go back to the Customs inspector. The declarant pays the revenue office, which records this payment,⁸ thereby authorizing the stevedore to issue the delivery note once the declarant has also completed the warehouse formalities. An in-depth review of the notification provided by this indicator revealed that the five largest freight forwarders experienced longer processing times in 2007, increasing from 9 to 10 days to an average of 11 to 13 days. In June 2008, Cameroon Customs held a meeting with the associations for maritime professions and Customs clearance professionals in order to present the results of these indicators and alert them to the lengthening processing times. In this regard, the production of indicators and monitoring of their trends changes the relationship between Customs and the auxiliary Customs services, namely the authorized Customs agents, and builds its capacity to oversee them.

The early submission of manifests has a direct impact on the early completion of Customs formalities. One indicator therefore measures the early submission of declarations, which follows a steady increase that is

⁸ The declarant can pay the revenue office (by check or in cash) or the bank, which, in return, issues a document in which the bank undertakes to pay the duties and taxes to the Treasury. This document is recognized as a payment instrument in ASYCUDA. The declarant then submits it to the revenue office in exchange for a Treasury receipt.

higher than that of the total number of declarations, which increased almost fivefold since the launch of ASYCUDA. In March 2007, 200 declarations were registered before docking of the ship, which increased to 500 in November 2007, and then close to 900 in July 2008.

Figure 3. Trend in Processing Times by Freight Forwarders

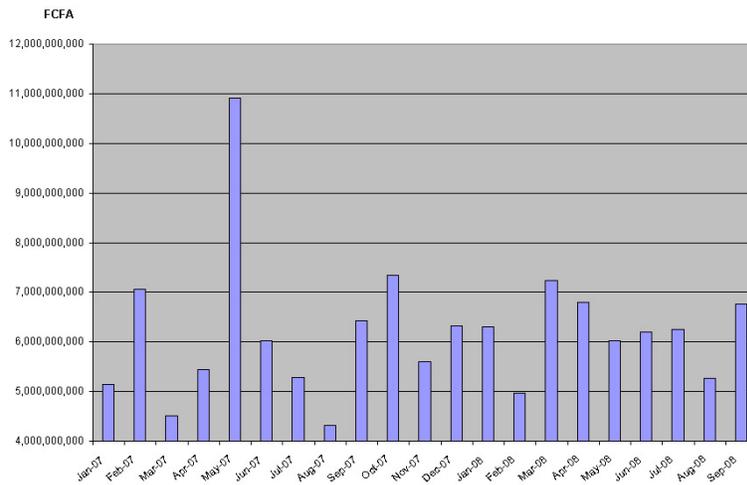


Source: Cameroon Customs

The indicators also measure the impact of improper Customs practices in terms of delayed revenues. Each month, a difference amounting to several billion CFA francs between what is pre-validated by freight forwarders and what is actually paid (cf. Figure 4) is calculated. This is, of course, not only an issue pertaining to delays, as the sums are paid; however, this delay can be problematic for the State’s budget as these delayed revenues account for approximately one week’s worth of revenue. Certain facilitation procedures also have an impact on these differences, because once the goods have been released, freight forwarders at times, despite guarantees, take some time to settle accounts through payment of duties and taxes.

This indicator is important because it provides a qualitative assessment of the work of the Customs officers and the practices of the professionals. Indeed, the director general previously had information only on validated amounts and collected amounts for each month. Validations from previous months and budget allocations are included in the collected amounts. It is important to determine, from the amounts validated each month, the share of the amounts actually paid in order to gauge the extent of gradual assimilation of reforms by services in the field (modification of the release procedure, the payment procedure, etc.).

Figure 4. Trend in the Impact of Processing Times on Late Collections

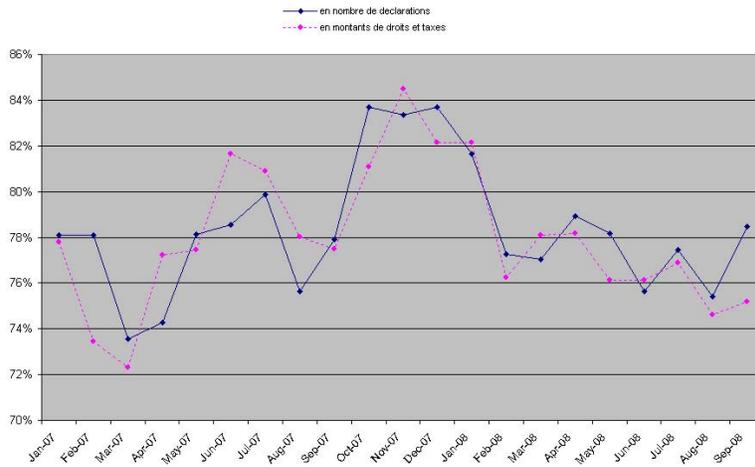


Source: Cameroon Customs

On a positive note, close to 80 percent of the declarations are validated on the day of or the day following their registration (cf. Figure 5). This indicator immediately became a positive one as soon as ASYCUDA was launched. It has nevertheless been conserved in order to measure the possible negative impact of strengthened Customs controls, in an effort to achieve the appropriate balance between facilitation and control.

With the same objective, certain indicators (Figure 6) directly attribute validation delays to the relevant inspectors. Their office managers, as well as the director general, receive monthly updates on the activities of their agents.

Figure 5. Processing Times – Performance of One Office



Source: Cameroon Customs

Control Indicators

Sensitive operations in the system are tracked by ten control indicators, which are designed to alert the service managers to the nature and scope of these operations in their organizations: modifications to manifests, cancelation of declarations, contra-entries, value added of controls by inspector, shortfalls (exemptions), declarations that have not been validated or paid (direct releases), reassignment of declarations among inspectors, and the workload of the inspectors.

Figure 6. Declarations Awaiting Processing, by Office and by Inspector

Office	Inspector	Number of declarations pending	Pending duties and taxes
DOUALA_PORT_I	Ins. A	5	16 117 098
	Ins. B	4	34 262 637
	Ins. C	14	131 608 819
	Ins. D	3	8 668 789
	Ins. E	3	14 297 817
	Ins. F	2	32 062 371
	Ins. G	1	6 212 703
	Ins. H	1	50 000
Total		58	413 840 230
DOUALA_PORT_II	Ins. I	13	259 525 810
	Ins. J	16	44 512 109
	Ins. K	12	19 767 194
Total		59	421 213 848

Source: Cameroon Customs

Certain operations are sensitive as they must remain rare occurrences. This is the case with contra-entries or the cancelation of declarations. Others are sensitive because they may be at the root of an act of corruption. This is the case with reassessments that Customs officers make during controls. A number of the reassessments may be too low.

Figure 7 is an extract from an indicator on the quality of front-line inspections. An identical indicator exists for the inspectors responsible for documentary controls.

Monitoring this indicator helps to define the typologies of practices. Each month, certain inspectors were systematically included in a group that reassessed a large volume of declarations for very low amounts, while others systematically ranked at the top of the list. This indicator is

offset by two others, namely, the inspectors’ workloads (number of declarations) and the reassignment of declarations (who hands over a declaration or is relieved of a declaration by the office manager, which is then reassigned to whom).

The activities of professionals are also monitored. Thus, an indicator on the status of stocks in Customs warehouses and areas revealed that certain warehouses had recorded more goods in ASYCUDA than they could actually store. This indicated, therefore, that goods were being released before completion of the entire Customs clearance process.

Figure 7. List of Front Line Inspectors

FRONT LINE		
INSPECTOR	JULY 2008	
	Number of declarations reassessed	Reassessment amounts
Ins. A	41	63 590 568
Ins. B	8	46 931 281
Ins. C	39	40 717 720
Ins. D	50	35 491 730
Ins. E	6	9 463 659
Ins. H	15	3 994 301
Ins. I	6	3 649 635

Source: Cameroon Customs

Similarly, a statement on the shortfall caused by delays in payment by the freight forwarders was also prepared. Here again, a number of declarants took advantage of the facilities to expedite the release of their

goods but failed to swiftly settle their accounts. These data nevertheless allow the directorate general to send short-term missions to help operational services audit these cases and increase the level of revenue (close to CFAF 2,000,000,000 collected during a two-week mission at end-2008).

Risk Indicators

Lastly, three risk indicators assess the effectiveness of the selectivity and consideration of risk analyses in the field. More indicators are required in order to develop the concept of an authorized operator.

Indicators currently monitor the balance in channel distribution. Although already determined in ASYCUDA for the port, the distribution between the red and yellow channels can vary considerably from one office to the next based on criteria. The maximum overall share for the red channel is 30 percent; it may, however, reach 50 percent for containerized goods.

Reroutings (change in the type of control) of declarations from one channel to another are, in theory, prohibited. Careful monitoring of each office is carried out to ensure that these reroutings are maintained at reasonable levels and allow office managers to provide encouragement in this regard.

Moreover, ASYCUDA data are compared to data provided by the inspection agency to identify cargo that had been slated for scanning but was not scanned. The publication of this indicator helped to alert operations managers to the fact that approximately 30 percent of declarations slated for scanning had bypassed this step. That rate has now fallen to less than 15 percent. At the request of the director general, the project team submits the list of these declarations to the operations managers. Generally speaking, the managers receive all the lists of declarations about which some doubt exists (declarations that have not been

validated, declarations that have not been scanned, and so forth), and thus for which action on their part is expected.

Principles for the Production of Indicators

The separation between those who are responsible for the production and monitoring of indicators and those who are engaged in anti-fraud efforts is the first principle and lesson. The development of indicators entails mobilization of a specific team, which must be necessarily small to maintain a certain level of confidentiality with respect to the development of the indicators.

However, this team could become an important “power center,” with two problems.

- It could become the target of internal criticisms that weaken it; and
- The perennial question “who is inspecting the inspectors?” emerges, given that very few “external” controls of Customs administration are conducted.

Two decisions were therefore made immediately following the establishment of this team:

- The team’s mission is to automate the implementation and dissemination of the indicators, as managers in the field must no longer depend on anyone to gain access to the indicators; and
- The team will not pursue any investigations of Customs following the notifications that it was able to provide using the indicators, in order to avoid any accusations of manipulating the indicators and taking credit for the results thereof.

Impact

These indicators formalize a culture of management of personnel based on their performance. Customs officers are suspended on a regular basis in the system, and mobility of personnel is in part contingent on individual performance. More severe sanctions, such as the dismissal of Customs data processors following incidents of fraudulent contra-entries, were also imposed.

The notifications were the second concrete result. Certain indicators, such as those on the status of warehouses, the number of delivery notes, and exemptions gave rise to systematic investigations conducted by central services. Representatives from Customs clearance services were also informed of the conduct of their members.

The third tangible result briefly developed to illustrate the effectiveness of the indicators in a reform process was the monitoring of the effectiveness of front-line Customs inspection and documentary control. There was a sharp decline in reassessments in 2007, leading to a paradoxical situation: the more declarations were subject to controls, the fewer disputes there were. Disputes accounted for less than 0.5 percent of total revenue, which, in the final analysis, was very low, given the number of inspected declarations. In 2007, reassessments resulted in increased revenues on the order of between CFAF 150 million and CFAF 250 million each month. Since March 2008, these reassessments generated between CFAF 300 million and CFAF 400 million. By focusing more on the monitoring of disputes, and by developing specific indicators, pressure was brought to bear to ensure more productive controls.⁹

⁹ Accrued over the quarter, reassessment amounts doubled between the first and second halves of 2008, jumping from CFAF 568,000,000 to over CFAF 1,000,000,000.

The indicators have the advantage of providing a very precise picture of the effectiveness of Customs control.

First, for example, it was noted that the number of reassessments did not increase, totaling approximately 300 each month. It was, in fact, the reassessment amounts that increased.

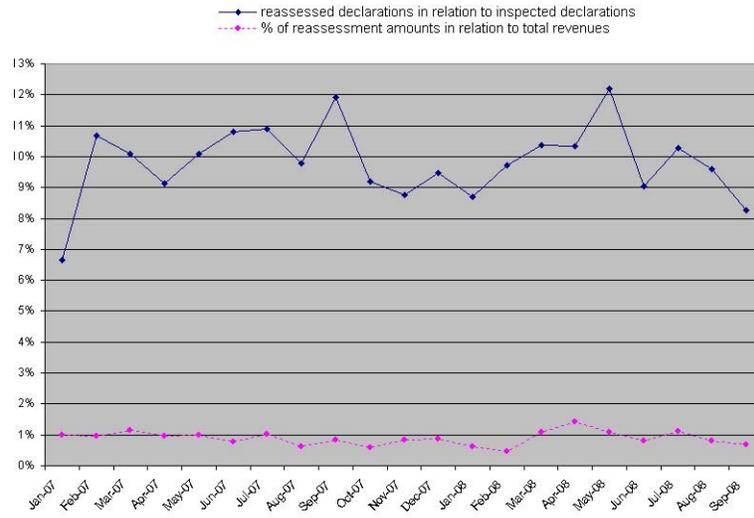
Second, while all offices carried out reassessments, one office in particular accounted for three-quarters of the total. The monthly amount for this office varied between CFAF 100 million and CFAF 200 million up to March 2008. Since the second quarter, this amount has fluctuated between CFAF 200 million and CFAF 300 million.

Third, the organization of anti-fraud efforts must be called into question: are they, as a priority, designed to promote collaboration with the declarants or are they instead repressive? The monthly sum of CFAF 300,000,000 in earnings from Customs control has to be weighed against the CFAF 2,000,000,000 in additional earnings each month, which is linked to the evolving conduct of the declarants who pre-validate their declarations to the tune of an additional CFAF 1,000,000 (cf. Figure 1). Is it possible that the current level of control (the number of controls has remained constant) is a deterrent and influences the behavior of all declarants?

These indicators therefore help to plan the pace of the reform process. Despite pressure exerted on the inspectors to conduct more effective controls, documentary controls are still too few in number, which has a direct negative impact on front-line inspections and on the possibility of introducing a “green channel” without controls.

Indicators, production, importance and impact

Figure 8. Monitoring the Effectiveness of Controls in One Office



Source: Cameroon Customs

The Future of the Reform Process & Conclusions

The development of indicators is an ongoing process that must adapt to organizational changes: new indicators must be developed on a continuous basis in accordance with evolving fraud and corruption techniques.

One of the objectives still to be achieved is the expansion of the indicators to all areas of Customs, and to transit operations, in particular. GPS is being used in the case of one reform now under way. The impact of these new measures will be measured and monitored. At the same time, plans are in place to develop the concept of an authorized operator¹⁰ and enhance the effectiveness of oversight of authorized professions (several freight forwarders have already been regularly suspended on the basis of the indicators).

In 2009, this tool will be made “more professional,” which means that direct access to the indicators will be available via the Intranet, adopting

¹⁰ This concept requires a minimum of three conditions:

- finding the indicators and a dissemination method that will not stir up opposition among those who will not be authorized; this consideration is important for the success of the reform of transit operations where 80 percent of operations are conducted by four operators, while the remaining 20 percent are handled by some one hundred operators;
- managers in the field must be sufficiently versed in the culture of management by indicators for ongoing monitoring of authorized operators;
- the largest operators should meet satisfactory conditions; this, however, is not the case for current indicators on time periods.

a push-type information system, that is, the automatic and regular implementation of certain indicators and the dissemination of the result by electronic mail to operations managers and the director general, and more attractive Internet-type ergonomics to encourage its regular use among operations managers.

The “professionalization” of the tool seeks to promote ownership of this tool by field personnel, in a bid to include it among the daily management tools used by their agencies and change the professional culture in Customs.

The reform experience in Cameroon demonstrates the crucial nature of operational internal control. This function should not be carried out at the end of the reform process for Customs administrations in Sub-Saharan Africa. It does not symbolize the completion of the modernization process just because it was the most recent phase of the modernization process in Western Customs administrations. These tools are a prerequisite for the success of the entire modernization process.

Lastly, it bears noting that reform of African Customs administrations is a battle between the “progressives” and the “conservatives,” and that all external financial and non-financial aid has been considerable. The aim is to introduce irreversible modernization phases on which information must also be provided. Directors general can rely on their colleagues and on the support of political authorities to implement their reforms. However, directors general also depend on the entire society, the outside world, and on donors to curb corrupt practices. Indeed, it is when users view Customs officers as effective that corrupt agents will be stigmatized by users and their colleagues, and sanctions imposed against them are bound to be facilitated and accepted.

Bibliography

Cantens, T. (2007), « La réforme de la douane camerounaise à l'aide d'un logiciel des Nations unies ou l'appropriation d'un outil de finances publiques ». *Afrique Contemporaine*, n°223-224, 3-4, pp. 289-307.

CRAD - Comité de réforme de l'administration des douanes (2004), *Final report*.

Raffinot, M. (2001), « “ Motiver” et “chicoter” : l'économie politique de la pression fiscale en Afrique subsaharienne » in Raffinot, (under the supervision of) M., Roubaud, F. (2001), *Autrepart 20*, pp. 91-106.

Annex : Pricing Policy and contribution of Customs Revenues to the State Budget

Contribution of Customs Revenues to the State Budget

Budget year	2003	2004	2005	2006	2007	2008
Budgetary Projections	1,509,000,000,000	1,617,000,000,000	1,721,000,000,000	1,861,000,000,000	2,255,000,000,000	2,276,000,000,000
Customs Revenues	302,460,900,00	309,148,400,000	346,653,000,000	375,409,800,000	401,262,600,000	
Percentage	20.04	19.12	20.14	20.17	17.79	NA

1 Euro = 655,957 FCFA

Main Customs Duties and Taxes applied in the CEMAC Zone

Type of products	Categories	Customs duties (%)	VAT (potential) (%)	Excise taxes (potential) (%)
Basic commodities	Category I	5	17,50	
Raw materials and capital goods	Category II	10	17,50	
Intermediate and miscellaneous goods	Category III	20	17,50	
Convenience goods	Category IV	30	17,50	25