POLICY RESEARCH WORKING PAPER 6788

Customs, Brokers, and Informal Sectors

A Cameroon Case Study

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Abstract

Based on extensive interviews with informal importers and brokers in Cameroon, this paper explains why customs reform aimed at reducing fraud and corruption may be difficult to achieve. Informal traders and brokers (without licenses) follow various business models and practices, which are product-specific. Overall, what matters first are customs brokers' practices. Information asymmetries mark transactions between brokers and importers and are accompanied by misperceptions of the costs and risks of informal brokers working among informal importers. In a low-governance environment with widespread informal practices, blanket policies should be avoided in order to discourage activities of unprofessional and systematic bribe-taker brokers. It is also essential that customs officials disrupt information asymmetries and better disseminate information to informal importers on customs processes and official costs. Finally, customs should more strongly sanction some informal brokers in order to reduce collusion with some customs officers.

Customs, Brokers, and Informal Sectors: A Cameroon Case Study

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Keywords: informal, customs, Cameroon, imports, brokers, information asymmetry.

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Background

Based on extensive interviews with informal importers and brokers in Cameroon, this paper explains why customs reform aiming at reducing fraud and corruption may be difficult to achieve. Qualitative information was collected from importers, retailers, brokers, and middlemen in the five sectors in which informal trade prevails in Cameroon: furniture, secondhand clothing, secondhand cars, computer hardware, and electronic and household appliances. As far as possible, the qualitative information in this study is supported by quantitative data provided by the Cameroon Customs information technology (IT) system.

In recent years, Cameroon has undertaken major customs reform in three steps:[2]

- The first step (2008) was implementation of a new automated system, ASYCUDA that allows data crosschecking in order to reduce the scope of corruption.
- The second step, undertaken in parallel with the first step, introduced a policy of performance measurement based on a series of quantitative indicators (economic activity, processing times, effectiveness of control and sensitive procedures, and customs channels compliance). The policy was then implemented in 11 customs offices in Douala (Libom, Cantens, and Bilangna 2009). It resulted in a systematic performance assessment of the clearance operations of customs.
- The third step involved establishing performance contracts for customs agents in 2010 and for some importers in 2011 in order to provide non-financial incentives for improving compliance and practices; lower risks from a customs standpoint; and lighter controls and fewer visits for importers.

The impacts of the reforms were noteworthy for most quantitative indicators (Cantens et al. 2012). There was a significant reduction in the number of bad practices reported by inspectors and brokers, increases in the amount of duties and taxes per declaration, and better transactional and operational performance for importers (e.g., reductions in transactional delays).

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[2] For more detailed information, see Cantens et al. (2012).

However, most of these positive impacts have not applied to importers and brokers classified by customs as high-risk, especially those labeled "informal" by customs agents because of the practice of using other registered company names to declare imports at customs. Informal importers often operate on a small-scale basis.

Customs administrations in developing countries face a common dilemma: they must facilitate trade and yet they need to fight fraud and smuggling to increase tax and public revenues. One of the problems facing them is the increased risk of fraud and smuggling (both of which affect the terms of taxation and some administrative procedures) when too much pressure is placed on importers (a classic moral hazard problem).

Consequently, customs administrations have developed institutionalized bargaining procedures with the would-be smugglers in order to shift them to the "legal track." Among these procedures are sector-level agreements on the minimum values declared for various goods. Negotiations on the acceptable minimum taxation level are common and seem to some extent efficient given the actual means and capacities of the customs administration. Contracts with well-identified importers were also inspired by a culture of negotiation that is not common in African countries. For example, exchanging promises of compliance by importers with promises of facilitation by customs is common to all customs administrations. An example is the Authorized Economic Operator (AEO) agreements in developed countries.

However, devising contracts and new rules of the game with "informal" importers is difficult because of information asymmetries for which little knowledge is available on practices and constraints. Moreover, identification in the customs IT system is difficult because of bulking (consolidation of loads in containers), the lack of formal registration, and the tendency to work with informal brokers.

For analytical purposes, the definition of *informality* requires clarification. It is a controversial subject because of the variety of existing, and sometimes contradictory, definitions. Here *informality* refers to any trading activity associated with importers' business practices (no bank account or no formal accounting) using the customs approach, which is in line with the definition of *informal sector* by the National Institute of Statistics in Cameroon (even though they may be registered and pay *some* taxes) .

In the import sector, the case of brokers is quite straightforward. Officially, a "licensed customs agent" must process all import-export operations. Importers are not allowed to declare their goods to customs as individuals (except for personal cars).

All customs agents obtain their licenses through an administrative procedure, but they are subject to providing customs with a financial guarantee. Informal brokers have no license and no identification (ID) login to access the IT customs system, which is mandatory for lodging a declaration. They thus "hire" an ID from a licensed broker and lodge declarations through the broker's login (with a payment to the broker). According to our fieldwork, more than 200 informal brokers may be operating in and around the port of Douala (versus 220 official brokers, including official representatives of embassies). Informal brokers are not identified in the customs IT system.

As for importers, the picture is even more complicated. Some individuals who are informal importers borrow the identities of registered firms or individuals in order to manage their operations. Customs does indeed allow individuals (not only firms) to import large quantities of goods and handle a significant number of operations. Other importers have informal business models: firms are registered and organized as corporate bodies, known by the customs administration, but they do not have computer-based systems and transit services, and their bank account information does not capture the bulk of their activities, which tend to favor tontines, rotating savings and credit associations (ROSCAs). More generally, customs agents classify some operators as "informal" when these operators do not apply simple internal administrative and management rules, allowing and facilitating the ex post customs control (after the exit of goods through crosschecks between accounting documents, invoices, and so forth—that is, once goods have left the customs area). As a result, importers and customs brokers can both be considered "informal."

Based on our interviews with informal importers, wholesalers, and retailers trading in the specific goods, we learned that (1) the informal sector is extremely heterogeneous (among brokers and importers); and (2) the informal sector comprises businesses ranging from highly professional brokers (but who lack the financial resources to obtain a license) to risk-taking brokers and importers who try from time to time to evade taxes in order to increase profit. This heterogeneity is reflected in the port dwell times for cargo, which range from 2 to 14 days. The

increased time is likely due to some brokers taking on additional risks in the clearance process, resulting in a longer clearance time.

By contrast, short dwell times may reflect the significant network of personal contacts at work, developed by informal brokers among the low-level staff of private and public agencies. Such staff members regulate the port exit and can delay or accelerate procedures. For example, staff members may deliver the receipts or documents required for the successive steps of the clearance process.

Several factors seem to play a part in identifying professional informal importers and brokers: the number of containers; the quantities of products imported; sourcing, transit, and marketing strategies; and the customer base. Moreover, based on interviews, recent customs reform seems to have had an interesting result: despite relatively persistent corruption and fraud, it has become more difficult for informal brokers to find corruptible customs agents willing to allow informal brokers to elude increased declaration values (however, the remaining informal brokers are the least risk-averse).

The rest of this paper delves further into the determinants and descriptions of such business models and clearance practices. The section that follows presents a literature review, followed by sections devoted to the data collection methodology, some quantitative information on informal practices for car imports and garments, a demonstration of how crucial brokering practices are in understanding informal importers' practices, the heterogeneity of importers' sourcing strategies and clearance strategies, and the relationships between informal importers and brokers. The final section presents our conclusions and provides lessons for customs reform in a low-governance environment.

1. Literature Review

The performance and practices of informal traders in international trade has not been studied extensively. Despite a lack of material, Akinboade and Kinfack (2012) have demonstrated that tax burdens discourage informal firms from registering their small and medium enterprises (SMEs) in Cameroon, especially in the area of customs regulations. Using a data set of detailed

information on firms that have moved from formal to informal status in four African countries (Côte d'Ivoire, Kenya, Nigeria, and Senegal), Gajigo and Hallward-Driemeier (2012) find that productivity and corruption (informal payments by firms to public officials) significantly lead to firms returning to the informal sector. Moreover, they return to the informal sector even after initially registering as a start-up.

Relatively limited research and literature are available on tontines ((ROSCAs)[3] and how this system allows for the financing of SMEs and informal firms. According to Rozas and Gauthier (2012), ROSCA participation in Cameroon has had substantial positive effects on entrepreneurial performance. ROSCAs facilitate surmounting financial constraints, restricted access to credit and credit market failures, and selling firms. They are primarily dedicated to financing working capital over investment. Kemayou et al. (2011) explain how ROSCAs make financing easily available for small business formation. These authors also describe the Cameroon savings culture of mobilizing small groups of 10 or more people who share strong social ties. These ties can be based on kin, regional connections, professions (e.g., brokers and small importers), neighborhoods, and friendships. Tontines allow members to obtain loans at the same interest rate as the savings rate thanks to mutuality and membership rules. Loans are readily available with far fewer constraints and are better enforced because of the trust-based nature and functioning of personal relationships.

Few papers are as significant to the study of informal traders and brokers as the work of Bilangna and Pagou (2013). They have extensively studied customs and trader relationships using data on fraud cases. Their findings are similar to those derived from our interviews:

- Individuals and firms show similar propensities toward fraud.
- Negative perceptions of informal trading also shape the perceptions of customs agents, which has led to blanket policies from the Cameroon customs system.

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[3] A tontine encourages members to save on a regular basis (weekly or monthly), and the accumulated sum is made available as loans to members of from 1 to 100 million CFAF (Communauté Financière Africaine francs) biweekly or monthly.

- Improving customs skills and capacities would generate better results and tax revenues than increasing tax rates alone.

2. Data Collection and Methodology

Little is known about informal sector practices for several goods traded at Douala, the main entry point in Cameroon and the Central African Economic and Monetary Community (CEMAC). Clothing, textiles, tires, spare parts, and appliances are sold in retail markets and by specific resellers who are small importers with suppliers in Europe, China, or Dubai. They can also be tied to local importers. Therefore, it was very important to generate data and obtain information on importers' business practices and models, constraints, and overall clearance practices.

The choice of goods to be studied was dictated by three main criteria:

- All goods should be informally traded and widely consumed, and customs agents should consider their market dominated by "informal traders."
- Goods should account for a large share of total revenues.
- The global value chain for the selected goods can be empirically explored in the field, and retailers would be accessible to interviewers.

The fieldwork consisted of semi-structured interviews with informal importers, wholesalers, and retailers trading in the following goods: electronic and household appliances, furniture, secondhand clothing, and secondhand cars.

After petroleum products (HS 2701), personal cars (HS 8703) and secondhand clothing (HS 46309) are the two main revenue sources in Douala.[4] Of the total revenues collected, petroleum products account for 10 percent, personal cars for 7.8 percent, and secondhand clothing for 4 percent. Furniture and electronic and household appliances have lower shares, even if calculation is difficult because of product variety.

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[4] HS refers to the Harmonized System code.

Information was collected on importer and customer relationships by interviewing importers. Interviews were conducted with retailers in markets and stores. Detailed illustrations and examples are provided in the appendix. Table 1 summarizes the number and composition of the pool of interviewees.[5]

Table 1. Breakdown of Interviews with Brokers, Importers, and Retailers, Port of Douala, Cameroon

Category	Number of interviews	Comments
Brokers	12 (5 informal and 7 formal–CAD)	Formal and informal brokers were interviewed equally. Most informal brokers adhered to professional practices and had knowledge of activity. It was difficult to locate occasional *bala-bala* brokers.[a]
Importers	Total: 21 SH clothing, 4 SH cars, 7 Furniture and appliances, 7 Computer hardware, 3	The smallest-scale importers were more difficult to identify (those who do more bulking and occasional imports); there was an equal proportion of formal to informal. Most interviews were scheduled in advance.
Retailers	Total: 7 SH clothing, 3 SH cars, 1 Furniture and appliances, 1 Computer hardware, 2	Some interviews were scheduled in advance; others were spontaneous visits in marketplaces and shops.

Source: World Bank

Note: All interviews were carried out in Douala. CAD = commissionnaires agréés en douane (certified customs brokers); SH = secondhand.

a. A *bala-bala* is a nonprofessional broker.

The questionnaire for brokers was designed to capture broker typology in terms of clearance practices and the selection of and matching with customers, public administration relations (particularly customs), and types of service and contractual arrangements with importers. A final

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[5] Interviewees were selected through human networks. Because it was relatively difficult to find individuals willing to talk openly about their business, interviewees were recommended by neighbors, relatives, or business relations.

section was added to record the salient issues and inefficiencies experienced by the profession and related sector.

The questionnaire for importers was divided into three parts: (1) the personal histories and characteristics of individuals and firms; (2) import and sourcing strategies, as well as clearance practices and relationships with brokers; and (3) marketing strategies with customers, day-to-day management issues, and relationships with public administrative agencies.

The questionnaire for retailers and small vendors focused on their relationships with importers, their market and business relationships and practices, and the downstream marketing aspects of their activities, including administrative and regulatory issues.

The sections that follow summarize and analyze the data and information collected during the interviews. We specifically demonstrate the importance of broker practices in clearance processes, the heterogeneity of importers' and brokers' business models, and the implications of importers' and brokers' relationships with customs officials.

4. Quantitative Assessment of Informal Trade for Secondhand Cars and Clothing

In terms of methodology, informality raises an important issue. All import operations, whether from the perspective of an importer or broker, are collected in the IT system, but differentiating them from formal operations is more challenging. The IT customs database houses all information on informal traders, especially in Cameroon where a tax identification number is required for an import operation and a formal broker must intermediate to officially authorize imports for trade.

The following sections describe the structure of importers' and brokers' markets related to personal cars and secondhand clothing. Both goods are among the main revenue sources of Douala port (and therefore the entire country) and are imported by both formal and informal traders.

Car Imports

Because trade classification does not distinguish between new and secondhand cars, our study focused on informal traders and secondhand cars. The analysis then proceeded in several differentiation phases to assess the importance of informal trade.

During the first phase, we excluded buses from tariff line 8703 because interviewees rejected the hypothesis that buses were being imported by informal traders.

During the second phase, we attempted to identify cars sold on the informal market. In 2012 approximately 32,000 vehicles were imported into Douala port for consumption[6] purposes. The breakdown of car imports by value appears in table 2.

Table 2. Breakdown of Imported Cars by Value, Douala port, Cameroon

Category of vehicles by declared value	Percentage of total number of secondhand vehicles
≤1 million CFAF (€1,500)	49.0
>1 million and ≤2 million CFAF (€3,000)	28.0
>2 million and ≤3 million CFAF (€4,500)	10.0
>3 million and ≤4 million CFAF (€6,000)	4.0
>4 million and ≤5 million CFAF (€7,500)	2.0
>5 million and ≤10 million CFAF (€3,000)	3.0
>10 million and ≤15 million CFAF (€3,000)	0.8
>15 million and ≤20 million CFAF (€3,000)	1.6
>20 million CFAF	1.6

Source: ASYCUDA system.

What can be observed? The market is clearly segmented for cars under €4,500 (87 percent), which are presumed to be secondhand cars. Because all cars are imported from Europe and car taxation is approximately 53 percent, new car values should not be under €4,500. This gray area of values between 4,500 and €7,500 is the range at which cars are most likely to be secondhand, but not necessarily bought by informal traders. These cars could also be European imports for personal use by individuals who are not resellers.

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[6] The cars were identified in ASYCUDA as "supplementary units."

In the third phase and continuing in the same class, we tried to separate individuals who import their own cars from the resellers. We assume that, in view of the average personal income, an individual would not import more than one car a year for his or her own use. Thus importing more than one secondhand car per year should be deemed a traded activity.

Therefore, we assessed the share of importers for each category of car and the share of importers who had more than one operation a year for each category. This approach offers the lowest ceiling for evaluating the share of informal traders in view of the fact that some informal traders may use numerous tax identification numbers at the same time (the importers classified as "importers for personal use" can be also traders). The aim is to evaluate the secondhand car informal trade in a rank order (see table 3).

Table 3. Main Characteristics of Importers and Imports by Car Value, Douala port, Cameroon

Category of (declared) value	Percentage of imported cars of total number of cars	Percentage of importers processing more than one operation (as share of all categories)	Percentage of importers processing more than one operation (as share of own value category)
≤1 million CFAF (€1,500)	48.0	15.00	30
>1 million and ≤2 million CFAF (€3,000)	29.0	8.00	28
>2 million and ≤3 million CFAF (€4,500)	12.0	2.00	17
>3 million and ≤4 million CFAF (€6,000)	4.0	0.80	22
>4 million and ≤5 million CFAF (€7,500)	2.0	0.30	14
>5 million and ≤10 million CFAF (€15,000)	3.0	0.40	
>10 million and ≤15 million CFAF (€22,500)	0.8	0.10	
>15 million and ≤20 million CFAF (€30,000)	0.4	0.08	
>20 million CFAF	0.5	0.10	

Source: ASYCUDA system.

The figures in table 3 reveal that the share of traders who may also be resellers is non-negligible when the value of the car is less than €7,500. One assumption is that some informal trade may

exist for cars valued at between €4,500 and €7,500, but it is marginal compared with cars valued at under €4,500.

Finally, the lowest informal trade estimate can be summarized as follows: 4,531 "importers" have imported cars at least twice a year, and the value of each car is less than or equal to 3 million CFAF (€4,500). Among these 4,531 importers, only 148 are identified as firms; the others are identified as individuals. The total amount of taxes and duties paid by these importers is approximately 12 billion CFAF, which is equivalent to that for the sixth most frequently traded product in Douala port, demonstrating that this kind of trade is already non-negligible.

We also observed informal traders and their practices. If it is not possible to rely on identification numbers to "identify" traders, then observing the brokers' market can provide supplementary information. These 4,351 importers work with 109 of the 220 total customs agents operating in Douala port. However, car imports are mainly carried out by individuals (or informal brokers) through the special customs unit for individuals in which the declaration is lodged by the customs official. One plausible assumption is that most importers-resellers declare on their own initiative or make use of "informal brokers," who represent them.

Such operations are quite concentrated because two agents declared more than 500 cars and 10 agents more than 100 cars, whereas half the customs agents in this unit lodged less than 10 operations in 2012.

Secondhand Clothing
The first step in analyzing the secondhand clothing market was to differentiate traders. When examining the structure of imports, one sees striking patterns emerge. The distinction among importers of secondhand clothing is clearer than that for car traders because the weight per operation is an important criterion for distinguishing formal importers from informal importers. Some traders import containers full of secondhand clothing (the weight per operation is approximately 20 tons or 12 tons for a 20-foot container), whereas others import secondhand clothing with other goods or secondhand clothing in "small" quantities (about 100 or 50 kilograms per operation).

Some 1,600 importers are in the second category, and some have imported 2–5 tons a year through several operations. Most are probably informal traders, but they are not counted in the

following analysis for two reasons: (1) the 264 importers in the first category represent 98 percent of the imported value; and (2) informal traders in the second category cannot be distinguished in the IT system from traders who import secondhand clothing for personal use (the same problem that applies to importing cars).

In the second step, we explore how secondhand clothing is imported by these 264 importers, taking into account that importing secondhand clothing may be a main or a secondary activity. Table 4 describes the characteristics of the secondhand clothing import mix.

Table 4. Secondhand Clothing Import Mix Characteristics, Douala port, Cameroon

	Number of importers (share of total imports of secondhand clothes)	Average share of declared value of secondhand clothes	Number of imports by PM (legal entities) and PP (real persons)	Median, standard deviation, and maximum values (CFAF)
Importers who import only 6309	96 (37%)	23.0%	11 PM; 75 PP	Median: 30 million SD: 92 million Max: 432 million
Importers who import mainly other products (more than 60% of total value)	9 (3%)	0.7%	1 PM; 8 PP	Median: 24 million SD: 24 million Max: 83.7 million
Importers who import 50/50 (between 45 and 55% of total value of other products)	10 (4%)	6.0%	3 PM; 7 PP	Median: 19 million SD: 555 million Max: 1.787 billion
Importers who import mainly 6309 but not exclusively (between 45 and 1% of total value of other products)	146 (56%)	70.0%	20 PM; 126 PP	Median: 67 million SD: 274 million Max:1.6 billion Min: 8 million

Source: ASYCUDA system.

Note: 6309 refers to worn clothing and other worn articles. PM = personne morale or legal entity; PP = personne physique or real person; SD = standard deviation.

One main conclusion that can be drawn from these data is that secondhand clothing importers rarely import clothing as a minor commodity in terms of value; nearly all importers who import secondhand clothing do so as a main activity. This sector is dominated by informality. However, albeit informal, this sector provides significant revenues, and the dominant business model

imports exclusively or mainly secondhand clothing, which means that this sector is economically robust and well established (but also politically sensitive).

A second conclusion is that the 264 importers who imported 98 percent of the value are mainly individuals (216 of 262).

A third conclusion is that in terms of content, standardization in declarations is according to the content, value, and weight of the secondhand clothing. This is the result of negotiations between importers and customs to control smuggling. Such an agreement sets a minimal value per kilogram for the weight of a container: for the 264 importers, the median value per kilogram is 498 CFAF, with a standard deviation (SD) of 217 CFAF, and the weight per operation is 23 tons (median), with a standard deviation of 4 tons. This negotiation process ensures that a minimal value is applied to imports and in the process secures important revenue for the port of Douala. And this value is taken seriously. In Cameroon, secondhand clothing importers organized a strike in 2001 to protest a decision by the head of the customs office. According to importers, the office had increased the minimum value of a container to an unacceptable level. Table 5 describes the characteristics of secondhand clothing imports.

Table 5. Characteristics of Secondhand Clothing Imports, Douala port, Cameroon

	Number of agents (percentage of total imported value)	Value per kg (CFAF)	Number of importers per category	Number of imports by PM (legal entities) and PP (real persons)
Customs agents' activity (value treated) mainly in secondhand clothing (more than 50% of total activity)	3 (16%)	458–538	41	22 PM; 78 PP
Customs agents' activity in secondhand clothing (between 20 and 50% of total activity)	7 (63%)	474–542	139	16 PM; 123 PP
Customs agents' activity in secondhand clothing (between 5 and 20% of total activity)	10 (13%)	452–554	86	7 PM; 70 PP
Customs agents' activity in second -hand clothing	30 (8%)	407–1,156	70	10 PM; 60 PP

(less than 5% of total activity)				

The profession is highly concentrated. The 264 importers are accustomed to working with only 50 customs agents. Three major brokers deal with 120 different importers (accounting for 47 percent of the declared value).[7] Their values per kilogram vary from 480 CFAF to 542 CFAF. A difference of 60 CFAF (which is less than 10 percent) in the clothing value has important implications for taxes and duties, because it is approximately 1.5 million CFAF per container or equivalent. The amount 1.5 million CFAF "saved" on the value is approximately 750,000 CFAF in taxes and duties "saved" for the importer or 25 percent of the customs taxes and duties paid per container. Of these three major brokers, two have focused their activity on secondhand clothing (representing 40 percent of the value), and one devotes 21 percent of his activity to secondhand clothing. All three brokers deal with secondhand clothing and one other major product: motorcycles (the minimum value of which is informally set by agreement), cloth (the value of which is set by agreement, but this value is double the minimum value of secondhand clothing), workbooks, or milk.

An exclusive relationship between an importer and an agent is rare: we found only seven cases of such a relationship for a total value share of 1.3 percent of secondhand clothing imports. However, we could not confirm whether the same importer used several identification numbers.

One assumption was that there are connections among some brokers, informal brokers, and informal traders. To check this assumption, we examined more closely 32 brokers who process approximately 20 tons per transaction (which means one container per operation).

The three major official brokers (representing 47 percent of the secondhand clothing market) rely on secondhand clothing for their main product, but the value share treated is less than 50 percent (40 percent, 20 percent, and 10 percent). The shares are more or less similar when calculated in terms of the number of operations. Only two brokers among the 33 have a share of secondhand

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[7] Of 264 importers, 144 (18 PM and 126 PP) deal with just one agent (and represent 45 percent of the value treated). The maximum is one PP who has 9 agents. Sixteen customs agents (of the 50 who work in secondhand clothing) work with just one secondhand clothing importer.

clothing higher than 50 percent. Twenty brokers stated that they usually clear customs in one day (the median), which is good compared with the more than two days usually required for clothing to clear customs in Douala port. Standardizing values and weights through agreements with the administration facilitates the secondhand clothing imports; despite scanning all secondhand containers, the control process does not cause delays.

Two observations are important in assessing the importance of the connection between informal and formal brokers, and the impact this connection has on clearance time and value. First, one major broker processes many declarations and importers with a low declared value per kilogram (median = 466 CFAF per kilogram, standard deviation = 224 kilograms). The customs clearance time is limited (median = one day), but the standard deviation is high (five to eight days). One assumption is that this broker shares a login and password on the IT system with informal brokers who personally process, at the same time, fewer importers' declarations. As a consequence, these informal brokers are efficient in terms of value and delays. They seem to have personal contacts with both the administrative staff of private companies (warehouses, container terminal, SGS,[8] scanning machine) and public agencies (port authority, customs, police), which help to lower the value of goods and speed processing. Second, among the 13 brokers with clearance time exceeding one day (which is the median for all 20 brokers), nine brokers have values exceeding 500 CFAF per kilogram (the highest). The assumption is that these 13 brokers work with less informal brokers.

These cases help to explain broker practices when brokers play a major role.

5. The Importance of Broker Practices on Clearance Processes

Knowledge of the entire import process, including importer practices and customs administrative procedures, allows better understanding of the key role performed by brokers. Also important is the double informational rent at their disposal to use as leverage with customs and importers. This finding was ascertained through the interviews we conducted.

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[8] Société Générale de Surveillance, the pre-shipping company in Cameroon for customs revenues.

The Blurred Definition of Informal Brokering

Approximately 200 official certified customs brokers (*commissionnaires agréés en douane*, CAD) operate in Cameroon. The CAD status allows them to conduct some import operations on behalf of their clients. In Cameroon, importers must use a customs broker to clear goods, excluding cars. It would be naïve to believe that formal brokers work exclusively with formal importers and therefore exhibit the most professionalism. In reality, many formal brokers partner with informal brokers from whom they secure a rent.

For brokers, there is no correlation between being licensed and being professional. The professional practices and performances of both formal and informal brokers[9] vary. Broadly speaking, three broker categories emerged during the study:

- Formal brokers (working with informal importers)
- "Professional" informal brokers with training, education, and experience in the transit sector and a sound knowledge of customs practices, procedures, and documents
- Nonprofessional brokers, otherwise known as *bala-balas* by their more professional counterparts. Some have an intuitive knowledge of the profession, while others are quite experienced and, in general, are more eager to take on risks with fewer containers. Brokers estimated that between 50 and 80 percent of informal brokers are *bala-balas* (accounting for less than 30 percent of declarations). Because of their nonprofessional practices and knowledge, the *bala-balas* have a negative spillover effect for customs.

Specific skills, knowledge, and experience are needed for effectively managing the clearance process, properly assessing the risks, and ensuring profitability. Most full-time brokers, whether formal or informal, have some experience in the brokering sector and some specialized training in management, sales, and administration. They must handle complex organizational and management tasks, in addition to the usual administrative and negotiation responsibilities.

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[9] A significant number of informal brokers work part-time and are appointed by importers on account of social norms (they are recommended by family members or regional networks). In general, they lack the knowledge and competencies to handle the required tasks and pose a high risk for importers.

Professional informal brokers have the advantage of being more flexible in their practices and are able to adapt to their customers' needs and risk exposure. They also may propose better services (such as pre-financing a part or the full cost of operations), but they face increased risks from controls and visits. They tend to cover part of the unexpected costs, unless these costs fall under the responsibility of their customers (e.g., intentional mistakes during the declaration process). They charge less than formal brokers for their services. Customers of *bala-balas* are, in general, less aware of the risks associated with clearance operations. Although they may end up paying lower fees and taxes, they run higher risks because *bala-balas* often derive added gains through fraud and double informational rents with less transparent information flows. In what follows and in appendix A are several illustrations of and additional details on the matching of brokers and importers.

Nonprofessional brokers tend to underdeclare the value of imports and take more time in order to find the most corruptible officers and agents who they can bribe at each step of the clearance chain. They can save several million CFAF on a 40-foot container. The gain would be split among the bribes needed for corrupt agents, the courtesy reduced fees for the customer, and higher profit margins for the broker, who can earn up to 1 million CFAF, or at least 100,000–200,000 CFAF, more than professional brokers on the same volume (see table 6).

Problems arise when bribery is not possible at a step in the chain. To clear the container, non-professional brokers then have to cover the additional fees and fines after controls and revised declaration values, making everyone, starting with the customer, ultimately worse off. In these situations, some brokers may choose to disappear because they do not have the working capital to finance revised declaration values fees and do not feel they can legitimately claim additional payment from their customers. With informal brokers, the unexpected costs are never covered unless specified.[10]

Formal and some informal professional brokers provide additional services to their customers but not to all, depending on their long-term relationship and proven reliability. They notably offer

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[10] Specified costs might be port fees when a shipment stays over 11 days at port and the costs of a scanner or additional visits when not expected or not intentionally the result of the importer's behavior.

pre-financing services (reimbursable 60 days after delivery), business services abroad for purchases and sourcing, storage and warehouse facilities, and some other logistical services (e.g., bulking). They can use the importers' merchandise as collateral, provided those importers are well established. Table 6 presents some figures provided by the brokers interviewed on the customs and other operational costs at the port and related fees.

Table 6 Declared Values and Overall Costs for Importer and Brokers' Fees, Douala port, Cameroon

Declared value of goods (in million CFAF)	Overall cost charged to importer	Informal brokers' fees	Formal brokers' fees (official)
10 million	6 million	30,000–50,000 for validation + 50,000–150,000 honorarium	245,000
6.3 million (secondhand clothing): 20 ft. container (reference value)	4 million (under administrative value); 3–3.5 million (when not enforced)	Professional: 80,000 for validation + 75,000–175,000 *Bala-bala*: 80,000 for validation + 150,000–300,000	230,000
12 million (secondhand clothing): 40 ft. container (reference value)	8 million (under administrative value); 6.5–7 million (when not enforced)	Professional: 120,000 for validation + 100,000–250,000 *Bala-bala*: 120,000 for validation + 300,000–500,000	275,000
Cars (secondhand)	Depends on market rates	Professional: 50,000–150,000 *Bala-bala*:10,000–500,000 (including validation fees of about 10% of import value)	?

Source: Interviews.

Formal brokers are generally able to cover unexpected expenses (associated with formalities) and overhead (receiving some provisional fees up to 3 percent beforehand from their customers), and exercise more responsibility over the entire clearance process. They tend to be more effective in terms of clearance operations and can deliver containers in three to four days upon arrival at a gate (with no additional control or revised declaration values). Informal brokers provide the same service in 5–10 days on average because of tighter financial constraints (they cannot advance cash funds for customers) and a lack of knowledge about procedures and the relevant documentation. However, some informal brokers perform just as well as formal ones.

In a sizable heterogeneous pool of informal brokers, some possess knowledge and practices similar to that of the formal brokers. They offer the same type of services and fare equally well in terms of clearance operational and transactional performance. Formal brokers are, in general, able to clear the import declaration at the port of origin (beforehand) when the customer can provide all the relevant documentation. Professional informal brokers aim to process clearance in less than 11 days with complete documentation in hand, taking into account the potential delays and operational inefficiencies of customs and port agents.

Informal brokers cannot handle the entire process on their own; they must find and be tutored by a formal broker. In general, informal brokers must pay formal brokers validation fees. Formal brokers validate the declarations of the informal brokers because of the legal liability associated with the formal broker's professional license. If their informal brokers create too many problems and deliver low performance for customs, they can be targeted as a high risk by the risk analysis unit of customs and screened and monitored more frequently. Such attention will generate additional costs for them. So, in general, formal brokers also try to screen informal brokers to limit the extent of bad practices.

Professional brokers market their services, but rely largely on their own personal and professional networks. Informal brokers and *bala-balas* find the majority of their customers around the GUCE[11] by soliciting "door to door." Most importers are aware that these brokers are available if they would like to bypass formal brokers.

Many brokers interviewed deplore the lack of professionalism, the way the sector is regulated, and the unequal treatment by customers because of personal networks. Most formal brokers interviewed have a good sense of their informal brokers' practices and associated risks, tending to select them based on their own personal risk assessment. However, others do not screen informal brokers, knowing (rightly) that they will not be sanctioned.

Brokering Practices with Customs Administration

Brokering practices with the customs administration are classified into two categories, according to the interpretations of brokers: the transactional/formal route, which is respectful of customs

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[11] Guichet Unique des Opérations du Commerce Extérieur (GUCE) is a single window for foreign trade transactions in Cameroon.

regulations and "good clearance practices," and the negotiated route where brokers and importers aim to minimize the amount of tax duties and attempt tax evasion, irrespective of the set import value and customs regulations (see appendix C for examples).

Most small-scale importers believe the negotiated route is the most cost-effective for them. This belief stems often from a misperception of the risk that may be propagated by their own brokers.

One of every five customs agents is estimated to be corrupt, but in most cases this is at the request of agents' customers and importers.[12] Similar products are sometimes valued differently; the harmonizing process is ongoing or only partly enforced. When litigation cases become too costly, most importers prefer to surrender (because delays entail additional costs) and pay what the customer claims. Many brokers tend to invent operational strategies to avoid the scanner because they deplore the discretionary behavior and manipulation that accompanies it, providing opportunities for agents to request informal payments. Discretionary behavior is also found at GUCE, where the time spent on declaration files may be exaggerated, despite files having been properly documented and processed by brokers and offering informal payments to agents to enhance transaction performance. One of the main criticisms involves Port Authority of Douala (PAD) fees, which are often used to generate additional and unjustified fees and rents.

Some brokers lament the lack of operational efficiency caused by visits, which could have been avoided had all containers gone through the scanner first and been documented with photographs as evidence rather than resorting to follow-up and secondary controls. Overall, they complain about the redundancy of operations, the transactions between different authorities, and the ensuing delays. Distrust is prevalent. Some agree, however, that since the introduction of both performance contracts and GUCE, the entire process has improved.

In summary, the shipment evaluation process seems to be a key driver of practices, whether based on referenced value per container or on quotes and values per item. Thus the packing list matters, and sometimes the list refers to both criteria such as that for secondhand clothing. In

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[12] Relationships with other administrative agents also involve corruption, bottlenecks, and inefficiencies. Overall, there seems to be a common structure of practices and learn-by-doing knowledge to improve transactional efficiency for small-scale importers, in addition to sector-specific issues and strategies.

other cases (e.g., computer hardware), importers complain about the lack of consistency of accepted values for each item and prefer a shipment-level administrative value ("mercurial value"). Other importers prefer more differentiation. Fraud and corruption practices seem widespread, and monitoring practices could better target and adjust according to the risk profile of importers.

Finally, the acquisition of formal broker licenses is inadequately regulated and monitored because licenses can be rented, sold, or ceded to a third party without effectively controlling for financial and management skill. Some formal brokers partner with associates who do not have the necessary skills and experience to operate. Compared with countries in East Africa, in Cameroon the number of official brokers is limited (see table 7), and therefore the barrier to entry seems to be higher (which also could reflect the level of guarantee associated with obtaining a license).

However, it is also important to note that licenses are never removed in practice. Therefore, the guarantee level is questionable because it only acts as a barrier to entering the profession and is not used as a sanctioning tool. As a barrier to entry, the guarantee does not separate brokers with good practices from others. The guarantee only screens out those with limited financial resources.

Table 7 Comparison of Number of Brokers and Freight Forwarders and Ratio of Imports to Number of Brokers, Cameroon and East Africa

Country	Number of customs brokers and freight forwarders	Ratio of imports (US$, millions) to number of brokers
Burundi	43	18.8
Kenya	1,200	12.6
Rwanda	124	12.6
Tanzania	480	21.5
Uganda	339	15.3
Cameroon	**200**	**32.8**

Sources: Cameroon: World Bank; East Africa: Arnold et al. 2011.

In addition to importers and brokers, some customs officials interviewed confirmed our findings, such as the practices of specific small-scale importers. Overall, the perception remains that informal importers are more willing to take risks because they incur lower costs, even when detected. However, they also confirm that what matters the most is the way brokers navigate the clearance process. These importers and brokers also agree that risky behavior correlates with higher profit margins, exposing the risk-profitability trade-off.

6. Heterogeneity of Importers' Models, Sourcing Strategies and Clearance Strategies

Sector-specific organizational models of sourcing and purchasing[13] seem to have developed in Cameroon (see appendix C for examples of models of sourcing). In the secondhand clothing sector, most importers are connected to family members abroad who handle purchases, whereas home-based importers are faced with heavy coordination for marketing and quality demand issues (e.g., unsold quantities—a frequent occurrence). Because the supply chain involves large importers and wholesalers, handling purchases through frequent travels abroad is not possible. Sourcing should be a specialized activity well connected to downstream activities in the chain. In the hardware sector, most sourcing is carried out through email and telephone orders. Long-term and trust-based relationships seem more frequent and widespread than in other sectors. For furniture and secondhand electronic devices and household appliances, sourcing is carried out by means of travel and fewer long-term relationships with providers, and more often through spot market transactions. This also appears to be the case for secondhand vehicles. Purchases and sourcing through family networks are less established than for secondhand clothing, although still significant.

Overall, secondhand products are in high demand because they are the most affordable for urban populations. These products are sold at prices competitive with those for new low-quality

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[13] From our fieldwork, we learned that most small-scale importers originate from the western part of the Cameroon, and thus they may have some network advantages. Regional networks are the basis of ROSCAs (tontines), through which a significant share of set-up and working capital for small-scale importers and wholesalers is channeled. These networks can also provide advantages of scale and scope.

products such as ones originating from China (e.g., Amsua electronic devices, but the term *Amsua* is also applied generally to low-quality Chinese products). The price gap between secondhand and new products is in the range of 200–300 percent for secondhand cars or computers in good condition.

Marketing and commercial practices and strategies are also heterogeneous among retailers and wholesalers. In general, fierce competition takes place at the retail level, with its issues regarding the quality and commercial practices that are specific to various import sectors. As expected, the secondhand clothing sector is the most organized, characterized by tremendous variety among the intermediate actors and the ways in which they conduct business. Some market segment specialization helps to increase profits and is associated with specific commercial strategies (e.g., hardware for business and institutional customers). Additional monitoring and repair services can be offered or bundled to satisfy customers. Some marketing networks are clearly visible, although this calls for a more in-depth, larger-scale value chain analysis. We also observed loyal and reciprocal relationships between wholesalers and retailers, and at times with end customers. Personal networks seem to play a significant role in marketing strategies, which can be expected from the way these sectors function.

We now turn to business models and estimated margins based on information reported by interviewees (and therefore should be taken with caution). Table 8 presents the figures provided by importers and, when available, the retail margins.

Table 8 Estimated Margins by Type of Informal Imports, Douala port, Cameroon (in CFAF (unless otherwise noted))

	Sector/product				
	Secondhand clothing	Secondhand vehicles	Furniture	Household appliances	Computer hardware
FOB cost per container (average)	40 ft.: 13 million 20 ft.: 6.5 million	Car: 2 million Truck and kit from pieces: 11 million	Roughly comparable to household appliances	40 ft.: 12–20 million (value) + travel and sourcing (1 million)	20 ft: 16 million
Clearance and transit costs	40 ft. container: 11.0 million = 2.6 million (transit) + 4.9 million	Car transit: 14% Customs: 57 million + 5% Broker: 10,000–	(imports are mostly bundled with household	Transit: €3,000 Customs: 4.8 million Broker + PAD + other taxes: 1.2	Transit: 1.6–2.3 million Broker: 300,000 Customs: 6 million

			appliances)		
	(customs) + 2.5 million (VAT) + other (1 million) 20 ft. container: 6 million	50,000 PAD: 21,000 Stamp: 10,000 Truck + pieces: 7 million overall		million	Other: 800,000 VAT: 2.5 million
Estimated value of sales	30–40 million 15–20 million	4.3–4.5 million 23 million		25–35 million	30–35 million
Gross margin	6 million (20%) after all sold—4 million with rebates and unsold items (13%), other operational costs (salesmen + warehouse); some do only 500,000—1 million (2–4%) Retailers: 2–10% (20% for shoes)	Car 600,000 = 14% (direct sales); some do only 300,000 or 7% (for wholesale), 100,000–300,000 or 5–7% (for retail) Truck + pieces: 4 million (17%)		3.8–5.5 million = 15% (direct sales) Other operational costs: 3–4 million per year (employees and taxes) Estimated net margins: 2.3–3.5 million (9-10%) Retailers: 10%	2–7 million = 7–20% (3–5% for retailers); 10–20% on printers and Xerox (retail)

Source: Interview.

Note: FOB = free on board; VAT = value added tax; PAD = Port Authority of Douala (PAD).

The clearance process depends on the imported product category. Targeted importers and brokers with a high-risk profile may design import strategies that avoid lengthy and costly controls. For example, car importers can decide to place the vehicles in containers with other secondhand appliances and electronic devices.[14] The typical strategy followed by high-risk and small-scale importers is to pack containers mixed with different products, intentionally arranging the products to maximize the undervaluation for merchandise declaration and to bypass the evaluation by inspectors (sometimes hiding the highest-value products in places virtually unreachable by agents).

This last strategy has further implications for sourcing and provision in the originating countries. Only secondhand clothing importers seem to be specialized and organized differently from other

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[14] Some brokers and importers always look for one car to put in their container even though their main business is household appliances and furniture.

importers. Because secondhand clothing has an administrative price, there is much less gain by mixing it with other products, thereby simplifying the import process.

The other sectors are much less concentrated than that for secondhand clothing with many more semi-wholesalers and direct retailers, also owner-importers. Most secondhand importers also specialize in wholesale.

7. Relationships between Brokers and Importers

The relationships between brokers and importers appear to be dependent on trust, a strategy most often favored by regional and family networks. However, when considering the medium- and long-term perspectives, regional and family networks seem to matter less and less for importers and brokers who wish to comply with regulations.

Moreover, brokers usually have information that importers do not usually have and make good use of this information asymmetry. This is especially true of risk-taking importers.

From appendix A, several observations can also be made about importer-broker relationships:

- When importing computer hardware, importers select formal brokers who specialize in this trade.
- Large-scale importers seem to be efficiency-oriented, favoring cost predictability and short dwell times, but they seem to favor professional informal brokers. Pre-financing resources and professional broker skills also seem to matter.
- In a few cases, matching continues to be dictated by personal relationships.

Some informal importers expect specific broker performance (e.g., dwell times and delivery date) and a willingness to negotiate litigation cases, avoid administrative annoyances, and use their experience and connections with customs agents. In general, brokers are specialized in the way they navigate the clearance process (e.g., time effectiveness and compliance versus risk and delayed leveling of duties). They also select importers based on contractual arrangements and the services provided.

Total clearance costs (which include duties, taxes, brokerage fees, and port charges) matter most. Most informal importers are not interested in the cost components of what their brokers pay for clearing containers. The informal importer's only concern is acquiring products and selling them in a timely manner and at an affordable cost via trust and reciprocal relationships. Thus they tend to favor informal broker connections recommended by relatives or friends rather than develop relations with a formal broker, who may require too much information sharing and who may not be trustworthy. In table 8, informal and formal costs and the charges of brokers do not differ much (except for *bala-bala*). Therefore, it is necessary to focus more on the process and practices selected by informal and small-scale importers and the ways in which these choices materialize in relationships with brokers and subsequent business arrangements.

Informal importers usually use informal brokers because they perceive that formal brokers would not be interested by their business and would be too expensive.

On the supply side, because of barriers to entry, including licensing costs and certain qualifications, the number of formal brokers in operation is limited. Informal importers are either too risky or not profitable enough for most formal brokers. However, some brokers lacking a large company customer base and with less professional connections are often keen to work with informal and small-scale importers. These importers mainly work with informal brokers because they draw up implicit contracts that are more likely to be enforceable in the context of shared high risk, together with recurring interactions.

Our interviews with brokers reveal a striking heterogeneity in broker and importer business practices. Some brokers are mainly performance-oriented and start by evaluating customers' import values. They will not try to negotiate declared values, and they rarely engage in litigation unless they have the means to support their claims and are almost certain to win. These brokers often have an informative approach toward their customers, explaining the procedures, risks, benefits, and costs of the declaration and clearance processes. They ensure that additional risks

are assumed by the customer in order to secure fees without having to commit to costs and undergo delays.[15]

On the demand side, many informal importers aim to save more on customs duties and taxes, preferring to take higher risks. We observed that informal brokers operating with small-scale, informal importers often specialize with this type of importer because they have difficulties developing business relationships with larger-scale firms and importers because of a bad reputation or image (sometimes incorrect), including possible problems with the tax administration. Most of these brokers are aware of the risks and costs faced by importers making use of their services, but who in general have no alternative. Small-scale and informal importers may represent 70–80 percent of an informal broker's annual volume, if not more.

Table 9 presents rough estimates (with intervals) of transit activity outcome by category of broker.

Table 9 Comparison of the Main Characteristics of Brokers (Formal and Informal) and Their Perceptions and Reality from Informal Importers' Points of View, Douala port, Cameroon

	Type of broker		
	Formal (CAD)	Professional informal	*Bala-bala*
Number of containers, import value per year (CFAF, millions)	25–300, 100–5,000	15–100 + secondhand cars,100–1,500	1–20 + secondhandcars, 5–250
Gross estimated income (million CFAF)	6–250	2–20	6–25
Average dwell time (days)	2–6	4–10	1–10
Perceptions of informal importers	Too expensive, do not wish to work with informal importers		Cheapest brokers and accept flat budget

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[15] This can also happen with formal brokers who do not comply with official regulations, negotiate their own fees, and try to respond to their customers' demands for the clearance process.

Reality		May work partially with informal importers when customer base limited	Use information asymmetry against importer and flat budget to overcharge and are not cheaper than professional informal broker

Source: Interviews.

Note: The income of formal brokers includes wages for company's employees and the validation fees paid by informal brokers. CAD = commissionnaires agréés en douane (certified customs brokers).

The business models of informal and small-scale importers are characterized by a high degree of heterogeneity according to their financial resources, import volumes, and profits. But they also are characterized by trade-off risks (being caught by customs when goods are undervalued) and profits. Thi**s** affects whether informal and small-scale importers decide to work with brokers based on the expected services and the level of risk in the clearance process. However, in this context social capital (family, kinship, ethnicity, neighborhood) is an important method for matching brokers with importers.

8. Conclusions and Lessons for Customs Reform in a Low-Governance Environment

Based on extensive interviews in the entire Cameroon customs sector, it appears that the same kinds of business practices are found in both the informal sector and formal sector. However, in the informal sector more extreme business practices emerged because of the increased difficulty for customs to sanction transactions when unable to trace operations along each step of the customs process, increasing the scope for moral hazard.

Informal brokering is quite important in Cameroon because it is perceived to fulfill demands from informal importers who do not dare to operate with formal brokers, fearing they are too expensive and would not wish to work with them (which is probably a misperception for most of them). Moreover, it seems that the number of formal brokers is excessively low because of the high barriers to entry.

Brokerage practices matter enormously for customs because brokers primarily shape the business environment for customs. Bad practices from some brokers have a significant negative spillover effect for the entire administration.

In order to address this issue, a three-pronged strategy should be pursued by customs:

- Disseminate more information on import requirements and procedures and the detailed costs of reducing the information asymmetry. (The most professional informal brokers and importers have called for better treatment by customs officials and more differentiation from unprofessional informal brokers.)
- Reduce barriers to entry for a broker's license in order to create more competition in this area and include the professional informal brokers.
- And finally, to make the "player behavior" of the *bala-balas* (high stakes, high reward) better sanctioned.

Based on the current ratio between the number of brokers per U.S. million dollars in imports, Cameroon customs should consider developing a comprehensive package aimed at increasing the traceability of operations and rewarding the most professional informal brokers by reducing the information asymmetry between importers and brokers.

With this end in view, customs should also strive to avoid applying blanket policies to the IT system for some sectors because systematic controls have become an incentive for importers to evade taxes and duties.

But this would not be an easy task because brokers are sometimes politically powerful, and some past initiatives have not led to the expected impacts. For example, the Trade Facilitation Committee, GUCE, and customs wanted to establish a certification program for brokers and freight forwarders, but could not achieve their plans because some "professionals" did not meet the required criteria and sabotaged the whole initiative. A differentiated approach (through contractual incentives) could also be envisioned to address that matter.

Shaping brokers' market structure and practices is therefore the required next step to changing informal trade practices in an incentive-compatible approach. However, for political economy reasons, a coalition between customs and some brokers and importers should be encouraged.

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Appendix A. Broker-Importer Matching Characteristics

Type of broker-importer association	Wholesaler–informal broker	Informal semi-wholesaler–informal broker	Retailer–informal broker	Formal retailer–formal broker	Formal semi-wholesaler–informal broker
Product	Secondhand clothing	Secondhand cars and appliances	Electronic devices + cars	Appliances and furniture	Appliances and furniture
Annual import value FOB (CFAF)	85 million	55 million	10 million (bulking, other retail activities)	4 million (bulking)	30 million (2 containers, 40 ft.)
Dwell time	?	11 days	5–6 days for cars	7–8 days	2 days
Selection criteria and practices	?	Broker fees: 10,000/car	Broker fees: 30,000/car	Full integrated service (3 feet); 800,000 for transit, taxes, and broker fees	Broker fees: 100,000/container Based on trust and performance

Type of broker-importer association	Formal semi-wholesaler–formal broker	Formal semi-wholesale–informal broker	Retailer–without broker	Formal semi-wholesaler–formal broker	Transit service provider and retailer–informal broker
Product	Computer hardware	Appliances	Containerized cars, consumables, new clothing, appliances	Computer hardware and electronic devices	Organize bulking + appliances and furniture + cars
Annual import value FOB (CFAF)	30 million (2 containers, 40 ft.)	35–40 million (4 containers, 40 ft.)	20–25 million (2 containers, 20 ft.)	50 million (4 containers, 40 ft.)	10 million
Dwell time	1–2 weeks	3–7 days	10 days	7 days	
Selection criteria and practices	300,000–330,000 broker fees per container	Personal relationship	Does everything on her own; just pays validation fees to formal broker (50,000)	Satisfaction for services, accountability, and pre-financing of operations Broker fees are regulated ones	Personal relationship Overall 4.5 million clearance cost per container Does not know details

Type of broker-importer association	Wholesaler–informal broker	Wholesaler–informal broker	Wholesaler–informal broker and formal broker	Retailer–without broker
Product	Computer hardware	Secondhand clothing	Computer hardware and screen	Secondhand cars + devices
Annual import value FOB (CFAF)	200 million (8 containers, 40 ft.)	150–300 million (5–10 containers, 40 ft.)	90 million (6 containers, 40 ft.)	100–300 million (50–100 cars)
Dwell time	2–3 days	3 days	10–15 days	12–17 days
Selection criteria and practices	Work with several different brokers: 9,450,000 CFAF per container for all clearance costs; does not know details (but stated by brokers in the bill)	Compare formal broker with informal broker: 9.5 million CFAF per container for formal broker, 8.5 million CFAF for informal broker with good performance + experience and good connections with customs agents + prefinancing (not offered by formal brokers)	With a formal broker for new hardware and informal broker for secondhand items; requires much bargaining with inspectors over scanner	Prefer to handle on own because of unpredictable delays in the clearance process (SGS, disembarking, formalities)— declaration based on *argus* (blue book)

Source: World Bank.

Note: FOB = free on board; SGS = Société Générale de Surveillance.

Appendix B. Sourcing Strategies from Interviews with Importers

Sector/product	Secondhand clothing	Secondhand cars	Computer hardware	Furniture	Household appliances
Origin	Belgium	Germany	France	Germany	Belgium
Purchases	Handled by one family member based abroad	Travel: vehicle parks—known location, depends on quality and price adequacy	Handled by one family member based abroad + travel	Travel: collecting places where stocks are	Handled by one family member based abroad
Sourcing	Quality concerns	Identify available cars by Internet	By Internet and shops	Secondhand marketplaces in Hamburg	Quality concerns
Packing	Composition and calibration	Purchased cars with appliances and furniture (not containerized)	Only hardware, no consumables	With appliances, and sometimes cars	Furniture with household appliances and consumables (bulking)
Relationships with providers	Familial networks	Spot market relationships (cash), quality checks, random trustworthiness	No specific relationships, payment by transfer	No trust-based, some regular orders (cash), but have to travel for quality checks	Familial networks
Upstream market structure	Competitive, quality heterogeneity	Competitive, quality heterogeneity	Competitive, good quality	Oligopolistic, quality issues	Competitive, quality heterogeneity
Importer's category	Mid-scale: 50 million CFCF import value	Small-scale (10–15 cars three times a year	Mid-scale: 32 million import value	Mid-scale: 30-40 million import value	Small-scale (3 20 feet containers 4 times a year)

Sector/product	Secondhand clothing	Secondhand cars	Computer hardware	Furniture	Household appliances

Origin	US and Canada	Europe	Europe and US		Germany
Purchases	Associated family member based in US + interaction with Cameroon-based family to better serve demand	Travel: by building networks in known marketplaces and on the spot	By email—secondhand prices are higher under pressure of demand from North Africa, Asia, and East Europe		Travel: collecting places where stocks are + orders by email and telephone within familial networks
Sourcing	Handled by familial links (from NGOs and collecting places)	Targeting Toyota's cars irrespective of age	Depending on customers' needs and obsolescence (Pentium IV currently)		Secondhand marketplaces of Hamburg or handled by family relatives
Packing	According to the market's informal standards	Cars + devices loaded	New and secondhand		With furniture
Relationships with providers	Familial links—marketing strategies to better serve market demand	Spot market transactions—rapid quality checks	Usual ones under mutual understanding, expected delivered quality, monitoring and trust-based relationship		Trust with family; otherwise only spot market transactions
Upstream market structure	Competitive, quality, and composition (calibration) issues	Competitive	Competitive, quality, and knowledge issues		Competitive and quality issues
Importer's category	5–6 up to 20 40 ft. containers a year	50–100 cars a year	6 40 ft. containers a year		4 40 ft. containers a year

Source: World Bank.

Appendix C. Examples of Clearance Practices and Relationships with Customs Administration

Sector/product	Secondhand cars	Secondhand clothing	Household appliances and furniture	Computer hardware
Identified issues	Poor functioning of GUCE; port police claims and fines; thieves and damages on the way to the vehicle park; long SGS procedure; all vehicle-related taxes; problems with products loaded in the vehicles (for evaluation purposes); all annoyances at checkpoints (police, environmental services)	Corruption; errors in processing; customs duties (too high); disruption of scanner; connection problems to ASYCUDA	Some import regulations; customs duties (too high); contestation of tax values by customs for the items for which there are flat-rate agreements; "DIT mafia"; number of checkpoints in port; intentionally slow processing by inspectors	Damages and thieves encountered during control visits; contestation of new-looking secondhand products to reclassify in higher tax categories; slow processing; lack of knowledge of tax categories and values by customs
Solutions	Bribe police and other administration and security officers to save time and resources;	Declaration based on packing list; avoid mistakes in documentation	Fraud—underestimation of import value; bribes	Use of packaging list for declarations; mercurial values would be helpful; simplification of the whole process; better adapt monitoring to the risk profile of importers (number of visits, scanner) and reduce in the long term if the process is better mastered by importers
Strategies	Make declaration on a personal basis;	Working with an informal broker is	Load consumables in appliances and old TVs	Solicit post-clearance visits at home; be assigned

	collective agreement would not be helpful	associated with more bribes for customs agents and can help save costs and avoid additional and costly monitoring; avoid scanner	(forbidden)	to the same inspector; better functioning of GUCE; declaration based on receipts when possible; bribing when influencing the post-scanner report made by customs agents
Practices	Official quotes are respected, but not always fiscal categories; brokers should help just in case of litigation—otherwise everything can be handled through GUCE if better functioning	Cost and time of clearance process and occurrence of scanner and visits depend on the practices of the broker; taxes levied according to already agreed-on rates and values	Is close to the ones for secondhand clothing, except that there are systematic control visits and more difficulties in monitoring, which generate additional costs for every actor	Complicated negotiations and a risky process; GUCE is not operational; many bottlenecks are based on personal mood and relationship issues; occurrence of control visits depends on the overall value of containers

Source: World Bank.

Note: GUCE = Guichet Unique des Opérations du Commerce Extérieur; SGS = Société Générale de