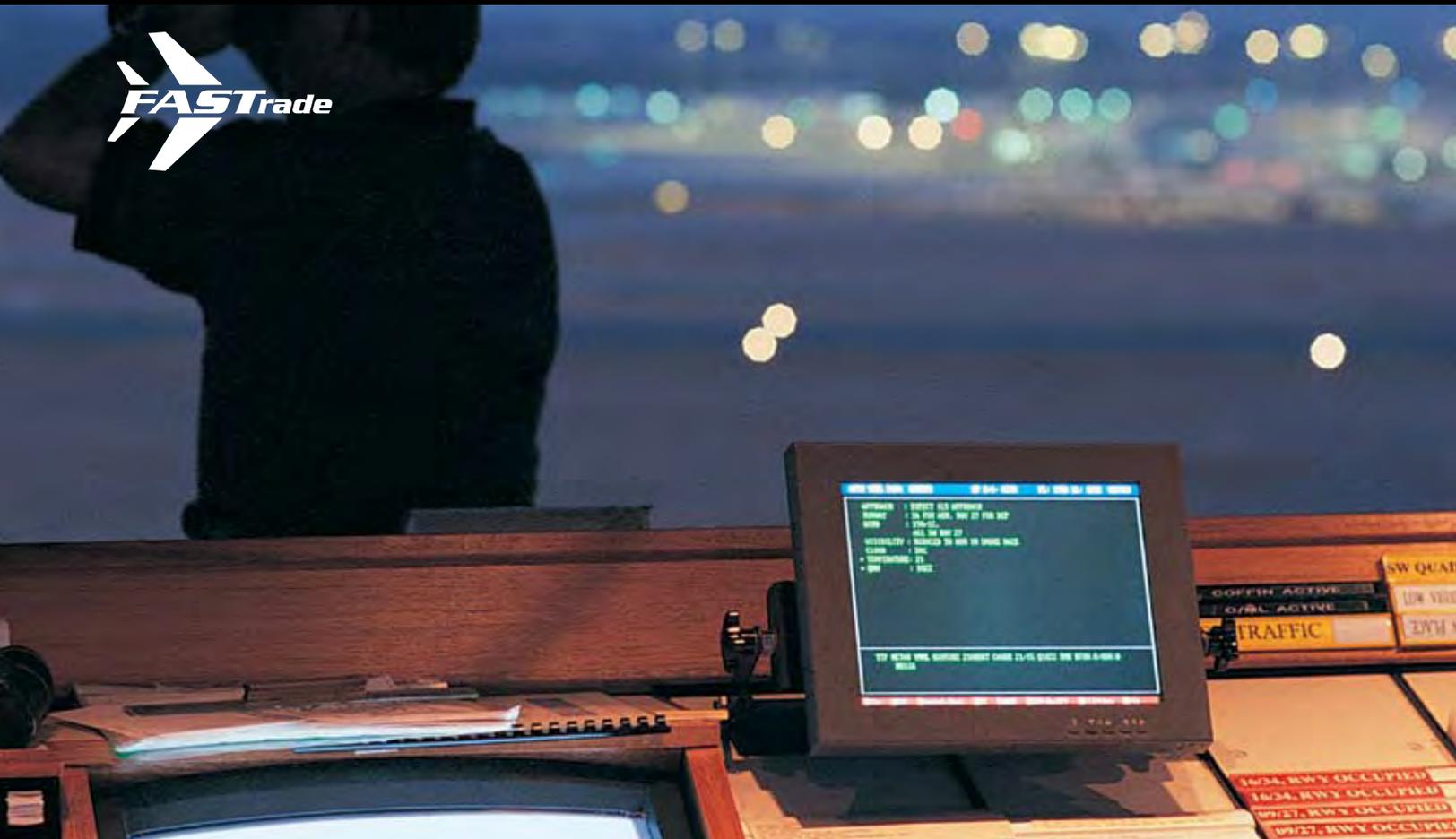




**USAID**  
FROM THE AMERICAN PEOPLE

# PERFORMANCE INCENTIVES FOR BORDER CONTROL OFFICERS

THE ROLE OF A WELL-MOTIVATED AND PROFESSIONAL WORKFORCE IN SECURING AND FACILITATING TRADE



August 2004

This publication was produced for review by the United States Agency for International Development. It was prepared by Robert L. Holler for Booz Allen Hamilton.

Booz | Allen | Hamilton



# Performance Incentives for Border Control Officers

## Table of Contents

Section	Page
Executive Summary .....	1
Introduction.....	3
The Working Environment .....	5
Establishing Performance Standards .....	9
Recommendations Toward a Model Performance Incentive Scheme .....	15
Conclusions .....	17

## Appendix A: Endnotes regarding sources of information

*This Trade Facilitation Issue Paper was written by Robert L. Holler under the U.S. Agency for International Development (USAID) Trade Facilitation and Capacity Building Project. Through the FASTrade Project, USAID's Bureau for Economic Growth, Agriculture and Trade (EGAT) works with USAID field missions, other U.S. agencies, the U.S. private sector, other donors, and a range of developing country government agencies and private sector stakeholders to streamline clearance procedures, meet new security requirements, and reduce incoming and outgoing transaction costs at international borders. The project, implemented by Booz Allen Hamilton, focuses on building and strengthening developing countries' institutional foundations to ensure that training, technology transfer, and new infrastructure can have a strong and sustainable long-term impact on economic development. Visit <http://tcb-fastrade.com> for more information.*

### DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



Booz | Allen | Hamilton





APL  
881  
181

115013500

115013500

Y  
M  
L

DO NOT OPEN TO LOAD  
OR UNLOAD

ETOV 11034

# Executive Summary

## **MOST COUNTRIES HAVE ACKNOWLEDGED THE CRITICAL IMPORTANCE** of

trade facilitation to improving their economies. Furthermore, more than 40 percent of government revenue in many developing countries comes from Customs collections. Performance incentives can support achieving the goal of a well-trained, highly motivated, and productive border control workforce. Such a well-motivated and professional workforce can have a significant impact on the successful implementation of world standard Customs and other border procedures, helping to streamline both customs clearance and other processing procedures for the benefit of trade and to protect the revenue.

Unfortunately, there are no commonly accepted standards or guidelines regarding performance incentives in border control agencies, and there are few well-documented studies of successful systems currently in use. Pay-for-performance is a concept that is gaining interest and one that offers the prospect of justifying adequate compensation to border control officers in developing countries where civil service salaries are often barely above the poverty level. In considering performance incentives for border control officers, one must understand how environmental factors (geographical, political, organizational, and economic) and the ever-present threat of corruption affect performance. Implementing performance incentives without first having dealt with these difficult issues will not achieve the desired results. One must also consider the standards against which performance gains will be measured. Measurable and achievable performance standards must be established consistent with the agency's performance goals. Performance evaluations must be implemented. Unacceptable performance must be dealt with through corrective actions ranging from individual performance improvement plans to termination of employment or reassignment to other duties. Misconduct must be dealt with through disciplinary procedures, and criminal activity through criminal prosecution.

A variety of incentives and types of recognition should be available to border control agency managers. These incentives and forms of recognition should be well understood throughout the agency. The agency's incentive award program should be documented and publicized and must be administered fairly. This paper concludes with a recommended mix of various types of monetary and non-monetary incentives and types of recognition for border control officers. This mix consists of:

- Team-based annual bonuses,
- Sustained superior performance awards,
- Special act awards,
- Adopted suggestion awards, and
- Honorary awards.

The paper also recommends that documented performance recognition be the basis for desirable advanced training opportunities and that it be given due consideration in the merit promotion process.

---

**More than 40 percent of government revenue in many developing countries comes from Customs collections**

---

---

**There are no commonly accepted standards or guidelines regarding performance incentives in border control agencies**

---



T  
A  
K  
R  
A  
F

TERMINAL

قطري بن الفجاءة  
QATARIBEN AL FUJA'A

# Introduction

**THE WORLD CUSTOMS ORGANIZATION**, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Europe, the International Chamber of Commerce, and other international and regional organizations have clearly addressed the importance of trade facilitation to developing countries by promulgating international standards, guidelines, and systems designed to improve and expedite border clearance processes. Most countries have acknowledged the importance of trade facilitation to improving their economies by providing their private sectors the opportunity to compete in the global marketplace. Furthermore, more than 40 percent of many developing countries' government revenue comes from Customs collections, and expanded trade can more than offset the revenue impact of lowered tariff rates. In order to streamline border processing and to collect the maximum due, governments must try to achieve the goal of a well-trained, highly motivated, and productive border control workforce. An effective incentive awards program for Customs and other border control personnel can help achieve this goal.

The transition from traditional time, labor, and paper-intensive clearance methods to modern risk-management-based procedures often proves difficult. Traditional procedures, based on the philosophy that effective enforcement can be accomplished only by direct intervention in every transaction (intensive review of all documentation and physical examination of all shipments) tend to be deeply ingrained at the mid-level manager and line officer level. Active or passive resistance by these managers and officers impedes the implementation of modern procedures. These modern procedures have proven that risk-based selectivity (concentrating available resources on high-risk transactions and passing low-risk transactions with minimal intervention) not only facilitates trade but also results in improved enforcement.

Performance incentives can and should play an important trade facilitation role, reducing unnecessary clearance processing delays, reducing costs to the trader, and increasing revenue to the government. Trade security can be improved both by encouraging mid-level managers and line officers to accept and implement new selectivity-based procedures and by providing financial rewards tied to productivity improvements. Unfortunately, there are no commonly accepted standards or guidelines regarding performance incentives in border control agencies, and there are few well-documented studies of successful systems currently in use. Nevertheless, pay-for-performance is a concept that seems to be gaining the interest of governments and one that offers the prospect of justifying adequate compensation to border control officers in developing countries where civil service salaries are often barely above the poverty level. Introducing performance incentives is a concept that merits consideration, but in doing so, one must first understand how environmental factors (geographical, political, organizational, and economic) and the ever-present threat of corruption affect performance. Implementing performance incentives without first having dealt with these difficult issues will not achieve the desired results.

---

**Trade security can be improved both by encouraging mid-level managers and line officers to accept and implement new selectivity-based procedures and by providing financial rewards tied to productivity improvements**

---



FELIZ VIAJE  
LE DESSEA  
LA REPUBLICA DE GUATEMALA

BENEFICENCIA  
LA REPUBLICA DE EL SALVADOR

NO  
ESTACIONAR

# The Working Environment

**SOME DEVELOPING COUNTRIES** have created reasonably well-functioning border-processing systems, but unfortunately the following scenario is often the case: Even though university degrees are frequently a requirement for employment in the border control agencies of developing countries, once hired new officers receive little or no training in the technical aspects of their jobs and their salary levels are barely above the poverty level. The border posts to which they are assigned tend to be remote, isolated locations and even if an officer is assigned to a desirable location, he or she is subject to arbitrary transfer with little notice and no compensation. Inspection facilities are minimal by international standards, and essential tools and equipment are lacking. The public holds border officers in low regard, considering them to be among the most corrupt groups in society. Neither the government nor the border agency demonstrates positive expectations of the officers. Pride in the organization and morale are minimal at all levels. Supervisors are selected on political grounds. Management training is unheard of. Merit promotion is a foreign concept.

Yes, there are exceptions, but by and large, this is the environment in which the average border control officer in a developing country works. So why would any reasonable university graduate be interested in such a position? Some, hopefully, consider public service to be an honorable calling and hope that things will improve. Others, facing the reality of severe unemployment levels, are grateful for any employment until something better comes along. Still others have less admirable reasons. As John Crotty points out in his *Practical Measures to Promote Integrity in Customs Administration*, too often employment in customs administrations is seen as an opportunity to work for a short period of time to enrich oneself and not as a long-term professional career.<sup>1</sup>

## **An Honest Day's Work for an Honest Day's Pay?**

A typical but somewhat naive response to corruption, inefficiency, and delays within border control agencies is: "If we expect officers to stop taking bribes, we have to pay them a decent wage." This often ignores the fact that the government feels that it does not have the money, and it does not address the question that arises of how government can justify raising border control officer salaries without raising the salaries of other civil servants.

There is no question that low salaries generate corruption, that border control officers often supplement salaries that are below survival level with "gratuities", but there are no simple answers. Once the border control officer accepts the fact that he or she must depend on outside sources to earn an adequate income and that supervisors and managers either turn a blind eye to the situation, or worse, condone the situation and expect a share of the take, internal inhibitions are often overcome and the amount of money an officer can make is virtually limitless. In Nepal, corrupt officers can earn from a few months of bribes what would have taken them a thousand years of official salary to earn.<sup>2</sup> In Georgia, Customs salaries start at 50 dollars a month. Consideration has been

---

**Once hired, new officers receive little or no training in the technical aspects of their jobs and their salary levels are barely above the poverty level**

---



---

**What is necessary is a comprehensive systematic approach to put the required measures in place and to ensure their effective operation**

---

**Corruption must be dealt with before performance incentive strategies can be effective**

---

given to a proposed trade-funded plan that would raise salaries at least fivefold. But many skeptics doubt that even a raise of this magnitude would diminish corruption, reporting that even low-ranking officers can earn between \$2,000 and \$5,000 a month.<sup>3</sup>

### **Facing Corruption Head-on**

Dr. Leonid Lozbenko, former Deputy Secretary General of the World Customs Organization, makes the case that the potential for corruption is enormous, and there is no easy or quick solution. What is necessary is a comprehensive systematic approach to put the required measures in place and to ensure their effective operation.<sup>4</sup>

Although corruption is not the subject of this paper, it is a clear barrier to trade facilitation and productivity. It must be dealt with before performance incentive strategies can be effective. *The Integrity Development Guide, Self-Assessment and Evaluation*, published by the World Customs Organization, explains that corruption is most likely to occur where Customs officials enjoy monopoly power over clients, have discretionary power over the provision of goods or services, and the level of control or accountability is low.<sup>5</sup> Often, this discretion is external to the clearance process. Although officers may not have much discretion within the rigid rules of existing processes where every “i” must be dotted and every “t” crossed, they easily are able to take things outside the process where they have total discretion.

The degree to which the organizational culture and behavioral norms condone or actively discourage corrupt behavior and the deterrence value of the administrative controls play a critical role. For any deterrence to be effective, it must present a real risk to violators. Disincentives associated with detection must be greater than the incentives associated with the corrupt activities. Jit B.S. Gill’s work *Customs: Developing an Integrated Anti-corruption Strategy* suggests that corruption is a manifestation of the prevailing ethical standards in the public sector. In many countries that have suffered systemic corruption for a long period, corruption has become an accepted way of life. As a result, the stigma has lessened and the corrupt are no longer ostracized. This societal acceptance of corruption removes a major deterrent from the minds of officers in moneymaking positions.<sup>6</sup>





## Improving the Working Environment

According to James Shaver, former Secretary of the World Customs Organization, political leaders must provide support to modernize their Customs administrations and to fund programs that will upgrade and automate Customs processes, thus assuring the correct collection of revenues while reducing the arbitrary intervention that occurs in non-automated processes. They must also ensure that the remuneration levels for Customs employees are sufficient to provide them with an adequate and dignified lifestyle.<sup>7</sup> These actions will remove negative role models, opportunity, and economic need from the corruption equation. Working conditions must include adequate facilities, including office space, office equipment, telephones, computers, transportation, supplies, examination facilities, and tools. Officers should not have to rely on importers, exporters, or their agents to provide any facilities or equipment that could imply that favor is expected in return.

Border control agencies must be depoliticized. In a study involving 7,000 civil servants from 15 developing countries, the World Bank recently concluded that the best performers are the organizations with low politicization and high-incentive systems. The worst performers are the organizations with high patronage and low incentives.<sup>8</sup> Merit-based human resource management systems must be implemented and rules scrupulously followed. Many administrations lack well-defined rules relating to recruitment, promotion, transfers and postings, performance evaluation, and incentives. This makes it easier to appoint unqualified persons to important positions, shuffle officers for corrupt reasons, and reward dishonest officers, while relegating honest officials to the sidelines.

Training must be improved at all levels within the organization. Serious deficiencies in the training of managers are the norm. As a result, managers find it difficult to effectively direct operations and keep a check on corrupt officials. Existing barriers that prohibit junior officers who do not have university degrees from advancing to higher graded positions need to be removed. Higher educational levels should certainly be preferred in the hiring process, but once hired, officers must understand that productivity and performance are the keys to advancement.

Disciplinary standards must be developed and widely promulgated. Violators must be detected and either disciplined or prosecuted as the case may warrant. Administrative and criminal penalty provisions must be extended to traders, brokers, and freight forwarders who are in collusion with corrupt officers; in any bribe situation there are always two guilty parties. Traders must be assured the right of appeal against arbitrary decisions made by officers, and incentives should be provided to those traders, brokers, and freight forwarders who demonstrate a high level of compliance with laws and requirements.

Codes of ethics and service standards must alert the public that corruption will no longer be tolerated, and hotlines must provide them with a means of reporting suspected violations. Once these difficult tasks have been accomplished, the border control agency is ready to address the issue of performance incentives.

---

**Merit-based human resource management systems must be implemented and rules scrupulously followed**

---

---

**Once hired, officers must understand that productivity and performance are the keys to advancement**

---

---

**Codes of ethics and service standards must alert the public that corruption will no longer be tolerated, and hotlines must provide them with a means of reporting suspected violations**

---



# Establishing Performance Standards

**BUILDING ON A BASE THAT INCLUDES TRANSPARENT LEGISLATION** and clearly articulated and simple procedures, customs administrations should put in place performance standards that enable policy makers, management, and the public to measure how well an administration is performing. In his guide, John Crotty suggests that this concept has several advantages:

- It enables policy makers including Ministers to hold heads of administrations accountable if agreed standards are not met.
- It enables management to measure the performance of offices and individuals and to identify potential problems.
- It makes very clear to the employees what the expectations are and that their performance will be measured against these expectations.
- It alerts the public as to what is expected and encourages their bringing to the attention of management cases where the standards have not been met.

Too often, the only performance standard established is the requirement to meet certain revenue targets. As an example of the negative effect revenue targets can have, over the past three years the Directors General of Customs in a South East European country have been replaced almost quarterly for not achieving them. Customs officers that make their monthly target will hold (physically delay) shipments until the next month when they might need the revenue, or they will divert shipments to a neighboring station that is not going to meet its revenue target, hoping that the neighboring office will bail them out at a later date. The most corrupt revenue administration in the world may, over the short term, be able to meet revenue targets. This may do little, however, to ensure that the law is applied in the same manner to all taxpayers and that the collection of expected revenue will be sustained.

Performance standards in revenue administrations should include both revenue targets and clearly articulated service standards. For importers, it is very important that they know how long the goods will be under customs control, as this can have a significant impact on estimates of inventory requirements. By establishing service standards and making them known to staff and to importers and exporters, an administration can establish monitoring mechanisms to identify transactions, offices, and officers that do not meet the required standards. Reports from the monitoring system may also help to identify areas that should be investigated for potential corrupt practices. Border Police and other agencies must also establish achievable, measurable performance goals and service standards to which their managers and officers can be held accountable.

## Basic Salary Levels and Funding

Border control officers must be provided with sufficient compensation to reduce the incentive to engage in corrupt practices. While civil service pay can never be at a level that will discourage all corrupt behavior, compensation should be set at a level that provides a good standard of living and eliminates the need to accept gratuities, "facilitation fees," and

---

**Performance standards in revenue administrations should include both revenue targets and clearly articulated service standards**

---

---

**Border control officers must be provided with sufficient compensation to reduce the incentive to engage in corrupt practices**

---



outright bribes. Funding is always an issue and the first tendency of government is often to say that there isn't any. The best approach may be special legislation that authorizes Customs administrations to retain a percentage of increased revenues to be used to fund salary enhancements, performance incentives, and monetary recognition for superior performance.

### **The Possible Downside of Pay for Performance**

Good-government proponents generally like the idea of pay-for-performance. First, it focuses government and its employees on the idea of performance and results, rather than regarding government service as a sinecure for the security-minded. Second, it seems consistent with the idea of making government management more businesslike. The U.S. Office of Personnel Management, however, points out the need to be careful about how pay-for-performance plans are executed. They have strong potential downsides, and if not done right, they could make government performance worse, not better. The first problem involves the negative effect of extrinsic rewards, such as money, on intrinsic motivation.

Paying people more money in exchange for better performance has the direct effect, of course, of creating an incentive to perform better. But strong and repeatedly demonstrated evidence shows that extrinsic rewards exert a countervailing negative effect on the behavior of people who are intrinsically motivated to perform a certain task. The net effect depends on whether the direct incentive is greater or less than the indirect de-motivating effect. In theory, increased extrinsic rewards might actually produce poorer performance among intrinsically motivated people.<sup>9</sup> While this is disturbing, it is important to remember that OPM's conclusions are based on studies of the well-compensated U.S. Civil Service and not necessarily applicable in developing country situations.

### **Recognition and Incentives**

According to the U.S. Office of Personnel Management (OPM), performance awards should be used to support organizational objectives. The act of recognizing and rewarding employees communicates what the organization values. When an award is granted to

---

**Paying people more money in exchange for better performance has the direct effect, of course, of creating an incentive to perform better**

---

---

**The act of recognizing and rewarding employees communicates what the organization values**

---





recognize goal achievement, the agency is signaling that those goals are important. Such awards focus employees' efforts and communicate what is important to accomplish. Unless award programs have clearly stated objectives and are used to recognize individual, group, or organization goal achievement, they likely will be ineffective as a management tool. OPM distinguishes between "recognition" which provides after-the-fact reinforcement for specific types of performance or accomplishments and signals what the organization values, and "incentives" which focus employee efforts on the organization's goals and often promise specific rewards to those employees who help significantly to achieve them. OPM notes that U.S. Federal award programs have tended to reward performance and accomplishments (that is, provide recognition) rather than encourage new or improved performance (that is, serve as an incentive).<sup>10</sup>

### **Performance Incentives and Performance Recognition**

- **Team-Based Performance Bonuses.** One danger with pay-for-performance systems is that individually based reward systems can cause harm when collaboration, teamwork, and information sharing in a work group are crucial to good performance. If rewards are given to individuals, people have an incentive to keep information—such as tricks of the trade, advice, or informal mentoring—to themselves. Making incentives team-based rather than individually based can ameliorate this problem. But that does little to solve the problem of free riding in teams (when individuals under-perform and hope to benefit from the efforts of others).

Another key issue involving pay-for-performance systems is fairness. Concerns about fairness and playing favorites are quite common among rank-and-file employees in government and private organizations as well. In a study of the effectiveness of pay-for-performance schemes in the civil service, the United Kingdom's Treasury concluded that performance rewards should be one element in an overall approach to employee incentives that recognizes the importance of other forms of recognition. Performance bonuses should be clearly separated from basic pay and should not be consolidated into salaries. The study concludes that bonuses should be calculated on a team basis, reflecting the way in which most public servants really work. These team-based

---

**Concerns about fairness and playing favorites are quite common among rank-and-file employees**

---





incentives should in general relate to the performance of an individual office. They should be large enough to create real incentives—eventually at least 5 percent of an individual's salary.<sup>11</sup>

- **Penalty-based Awards.** One method of supplementing border control officers' salaries is by sharing the proceeds with those who make seizures of merchandise or assess monetary fines based on customs or other violations. These penalty-based systems do not appear to be widespread among national customs administrations, but they are in place in some countries. As officers and employees often find themselves relying heavily on the penalty-based payments for a substantial portion of their monthly compensation, these systems do not encourage compliance with the laws and regulations. To the contrary, officers tend to overstate minor discrepancies such as clerical errors in order to generate penalties when no penalties are warranted. A penalty results in a payment to the officer but the more appropriate act of allowing the trader to correct the clerical error does not. Another problem with penalty-based systems is that they are unfair to employees who, because of the nature of their positions, do not have the opportunity to participate in the detection of violations.<sup>12</sup>
- **Merit-based Promotions.** An important part of establishing a professional administration is a clearly defined career path and promotion policy that is based on merit. Each individual must feel that hard work will provide an opportunity to advance and that engaging in inappropriate behavior may jeopardize this opportunity and lead to dismissal in serious cases. A clear and achievable path to advancement, fairly administered, is an effective incentive in its own right.
- **Merit-based Training.** In addition to whatever routine training they are able to provide with their own resources, border control agencies of most developing countries are regularly invited to send participants to advanced training provided by international organizations or donor nations. Typically, there is little rhyme or reason to the selection by the agency of personnel to attend this training, which is considered desirable because it often involves travel, generous expense money, and a respite from the daily routine. Attendee selections that appear to others as arbitrary only encourage the feeling that managers are playing favorites, and they often have the tendency to decrease morale rather than enhance it. Rarely is such training offered to all interested officers on the basis of merit. Because much of this training is provided without cost to the receiving border control agency, if it is administered properly it can serve as a no-cost means of recognizing those officers who have demonstrated exemplary performance and serve as an incentive to others. (It should also be mentioned that well performing, highly motivated officers will receive more benefit from the training.)
- **Sustained Superior Performance Awards.** One form of performance award commonly used in the U.S. Civil Service is the Sustained Superior Performance Award, which is typically given to employees or groups of employees who have performed above expectations for a sustained period. The award is ideal for supporting the implementation of a difficult new program that benefits the border



control agency's objectives, such as introduction of a new automated system, at least in its early stages. It could also be used to reward and recognize a high level of discovery of violations or seizures during a sustained period, or the completion of a long and successful criminal investigation.

- **Special Act or Service Awards.** Special Act or Service Awards are given for a one-time act such as saving a life, discovering a large violation, making a large seizure, apprehending a wanted criminal, or performing a job under extremely difficult conditions. These are usually lump-sum awards paid in close proximity to the act or service being recognized.
- **Adopted Suggestion Awards.** Adopted Suggestion Awards also are utilized in the U.S. Civil Service for worthwhile employee suggestions that have been adopted by the agency. If the suggestion is adopted, an award will be given that takes into consideration the amount of the monetary benefit (cost savings) to the agency. The award can also be given to a group of employees who have jointly developed a suggestion for a successful solution to a problem.
- **Non-monetary Recognition.** The U.S. Office of Personnel Management reports that federal agency interest in using non-monetary awards stems from their growing use in organizations everywhere.<sup>13</sup> Non-monetary recognition can take the form of plaques, medals in presentation cases, briefcases, career service certificates, pen-and-pencil desk sets, lapel pins, and uniform decorations such as badges or service ribbons. To maximize their effectiveness, non-monetary awards should be presented in formal ceremonies. Ceremonies and honors have a value for the organization that extends well beyond the individuals being recognized. Publicly identifying "organizational heroes", individuals and groups who embody the organization's core values, is key to their serving as examples and inspiring others. Getting those heroes into the public eye is easily accomplished through both formal and informal ceremonies. The focus of the attention accorded to the recipients and the source of esteem is less the items that are awarded and more the public acts and expressions of respect and admiration the ceremonies include. Those acts and expressions are awards in themselves, and they are among the most powerful non-monetary awards that agencies can grant. The value of an honorary or informal recognition award is longer lasting than cash since cash is spent and gone, whereas the recognition items remain on employees' uniforms, desks, or in their homes.

A study of private sector awards found that employers spent less money on non-monetary awards than cash awards. However, the survey also found that employers reported about the same level of performance improvement with cash and non-monetary awards and that the awards held approximately the same perceived value. Non-monetary awards can often be shown to co-workers and friends as a trophy given in appreciation of good work. A check or a bank statement is generally something that employees do not display.<sup>14</sup> The Thai Customs Department has always fostered a working environment that recognizes and rewards meritorious conduct. In 2002, a total

---

**The value of an honorary or informal recognition award is longer lasting than cash since cash is spent and gone, whereas the recognition items remain on employees' uniforms, desks or in their homes**

---

---

**New pay arrangements generally take a considerable time to develop, negotiate, and implement**

---

of 17 Customs officials were rewarded for their meritorious conduct: two officials for honesty and integrity, 12 officials for perseverance, and three officials for outstanding performances during the year.<sup>15</sup> The Brazilian Customs Service awards two prestigious awards each year: a medal for recognizing meritorious performance of duty granted to an officer whose attitudes, dedication, and professional capacity recommend him as a model for his peers; and a monetary award to projects demonstrating good administration practices and improvement of the quality of service.<sup>16</sup> The United States Customs Service, prior to its integration into the Bureau of Customs and Border Protection, honored its "Officer of the Year" with a presentation of a medal and an engraved commemorative pistol at a national awards ceremony. The officers, of course, were very pleased, but not only that, their entire unit took pride in the award. The United States Federal Law Enforcement Training Center gives a student of the year award. In all of these examples, everyone familiar with the operation or the employee's work should recognize why the recipient won the award. Although some may feel they have been slighted, most co-workers should agree and be happy about it.

### **Pros and Cons — The Lack of Convincing Evaluations**

As previously mentioned, there are few readily available post-implementation evaluations of performance incentive programs that might convince the reader that one approach is better than another. A recent study on the process of evaluating the effectiveness of pay systems not only indicated the complexity of the task of evaluation, but also suggested reasons why evaluation often is not conducted.

- First, managers are busy people. They have little time to be reflective.
- Second, evaluation carries a cost.
- Third, there is the issue of the considerable time and effort necessary to conduct a valid impartial evaluation.
- Fourth, organizations see little incentive to evaluate.

New pay arrangements generally take a considerable time to develop, negotiate, and implement. Managers, having spent considerable time and energy in developing and implementing a new pay system, are likely to have a psychological investment in its success and thus have little inclination to carry out any rigorous evaluation. Moreover, such new pay structures are put in place for an indefinite period, and they are not regarded as experimental. They are expensive: perhaps 3 to 5 percent of the overall salary costs. When it is anecdotally reported that the new pay arrangements are working satisfactorily, or alternatively problems are not reported by middle managers or union representatives, senior managers may consider that there is little need to undertake in-depth evaluation, following the axiom "no news is good news." Also, they may not wish to delve deeper for fear that evaluation would point to the need for some corrective action that might be expensive and time consuming.<sup>17</sup>

# Recommendations Toward a Model Performance Incentive Scheme

## **TO SUCCESSFULLY PROMOTE A MODEL PERFORMANCE INCENTIVE SCHEME,**

efforts on establishing comprehensive, measurable, and achievable performance standards should focus on the following elements.

- The primary financial incentive should be an annual bonus based on measurable productivity that exceeds stated performance expectations. Bonuses should recognize team accomplishments rather than individual accomplishments. Team-based incentives encourage teamwork and help develop pride in the organization. Bounty or penalty-based incentives should not be considered.
- Secondary forms of pay-for-performance should include Sustained Superior Performance Awards, Special Act Awards, and Adopted Suggestion Awards. Both individuals and ad-hoc special project groups should be eligible for Sustained Superior Performance Awards. This allows some flexibility to recognizing individuals or small groups that might not be recognized by a team-based annual bonus. Special Act Awards should provide financial recognition for special acts deemed so meritorious as to be worthy of extra compensation. Special Act Awards should be presented in close time proximity to the acts they reward and should be presented in the area where they were earned, so that the recipient is surrounded by peers. Adopted suggestion awards encourage innovation and should be based on an analysis of projected cash savings to the agency.
- Ceremonial and honorary recognition should supplement financial incentives. Formal award ceremonies and receptions should be used to enhance the recognition bestowed on the recipients. There is little or no satisfaction or incentive gained from a certificate of appreciation received in the mail. Recognition items should be of a professional nature, suitable for wearing on a dress uniform, or displaying in the office or home.
- The ability to approve awards has to be driven to a fairly low level—i.e., when the officer's supervisor or chief sees something done that is worthy, he or she should have the authority to take the appropriate action. Peer awards, which allow one employee to nominate another, should be considered.
- Some jobs more readily provide the kind of work that gains management attention and awards. Managers must find ways to also reward those employees who do routine work, but do it well all the time. Director General Mihailovski of the Macedonian Customs Administration recently used the example of the gentleman who washes the vehicles at MCA. He works as hard as anyone, in difficult conditions. He is thorough, polite, and reliable and is performing at a very high level in a not very exciting job. He takes pride in his work, and clean vehicles reflect positively on the Customs administration. A good incentives system will have a way of taking care of people like that.

- An impartial awards committee should be established to review all reward recommendations. An awards system, if not properly managed and controlled, can do irreparable damage. It can cause morale problems and it can cause animosity. It must be totally transparent and accepted as being fair.
- Performance evaluations and awards should be made a permanent part of each employee's personnel folder and should be given due consideration in a merit promotion process to distinguish between candidates of otherwise equal qualifications.
- Selection of candidates for desirable, non-mandatory advanced training should be based on documented exemplary performance.
- Performance incentive award systems, like most other systems, should be evaluated on a regular basis. Evaluation should focus on the effectiveness of the system: Has it resulted in measurable performance improvements? A team consisting of management and non-management officers and employees should conduct any such evaluation.



# Conclusion

**MEASURABLE AND ACHIEVABLE PERFORMANCE STANDARDS** must be established consistent with the agency's performance goals, and performance evaluations must be implemented. Unacceptable performance must be dealt with through corrective actions ranging from individual performance improvement plans to reassignment to other duties or termination of employment. Misconduct must be dealt with through disciplinary procedures and criminal activity through criminal prosecution. Management through a variety of incentives and forms of recognition must recognize exemplary performance. The agency's incentive award program must be documented and well publicized, so that incentives and forms of recognition are well understood throughout the agency. It must be administered fairly and an impartial awards committee should be established to review award recommendations.





# Appendix A: Endnotes and Sources of Information

## Appendix A: Endnotes

1. "Practical Measures to Promote Integrity in Customs Administrations," John Crotty, Chief Tax Administration Division, Fiscal Affairs Department
2. "Attacking Opportunities and Incentives for Corruption in Customs," Final Report of workshop 3.6, 11th International Anti-Corruption Conference, Seoul Korea, 28 May 2003
3. "Entrenched Corruption Begins at Georgia's Border," Ken Stier, Eurasia Insight, Eurasia.org, June 27 2002
4. "Customs Integrity Issues," Dr. Leonid Lozbenko, Deputy Secretary General, World Customs Organization, 9th International Anti-Corruption Conference (IACC), 10-15 October 1999, Durban, South Africa
5. "Integrity Development Guide, Self-Assessment and Evaluation", jointly prepared by the WCO Secretariats and the WCO Asia/Pacific Region
6. "Customs: Developing an Integrated Anti-corruption," Strategy, Jit B. S. Gill
7. "8th IACC: Defeating Corruption in the International Trade Environment: A Global Vision," James W. Shaver, Secretary General, World Customs Organization
8. "Performance, Politicization and Incentive Systems in Public Organizations: New Evidence from Developing Countries," Ranjana Mukherjee and Omer Gokcekus, Public Sector Group of the Prem Network, the World Bank
9. "The Right Pay," Steven Kelman, Government Executive Magazine, May 15 2003
10. "Emerging Issues in Employee Incentives and Recognition," U.S. Office of Personnel Management, Workforce Performance Newsletter, October 1998
11. "Incentives for Change: New Performance Incentives Proposed for 150,000 Front Line Government Workers," John Malkinson, HM Treasury, Public Service Productivity Panel
12. "Report on Customs Bank Guarantees And Penalty-based Customs Incentives," Access to Microfinance and Improved Implementation of Policy Reform (AMIR), USAID Mission to Jordan, July 1999
13. "A Closer Look at Non-Monetary Awards," U.S. Office of Personnel Management, Workforce Performance Newsletter, April 1996
14. "Ceremony has its Own Recognition Value," U.S. Office of Personnel Management, Workforce Performance Newsletter, June 1995
15. "Measures to Increase Level of Integrity in the Thai Customs Department," 2003 APEC Subcommittee on Customs

The most critical element of trade facilitation, since it affects all trade both into and out of a country, is to streamline and secure the processing and clearance of goods as they cross international borders. This cannot be accomplished, however, without a highly motivated and productive border control workforce. An essential part of the foundation for the creation of such a workforce is a fairly administered incentive award program. This Trade Facilitation Issue Paper provides guidelines and recommendations for program establishment.



**U.S. Agency for International Development**

**EGAT/TI**

John Ellis

Project Manager

I (202) 712-5711

**Booz Allen Hamilton**

David Harrell

Project Chief of Party

I (703) 902-7164