

## Mobilization of Fiscal Resources as Development Engine of Decentralized Territorial Entities: The case study of Mbandaka City in Democratic Republic of the Congo

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### Abstract

*The State as an institution was born from the will of the people for the realization of activities of common interest, such as: the building of hospitals, roads, schools, electrification, job creation, water etc. As the protector of goods, the state is called upon to fulfill several duties either governmental, when the state exercises its sovereignty to legislate and execute, or administrative when it ensures the management of the public administration for the benefit of the collective welfare thanks to the various taxes, levies and other charges mobilized and/or collected from the population in order to meet its expectations and aspirations. The modern State fulfills five important socio-economic duties, which are: production, regulation, protection, compensation and finally the function of stabilization and stimulation of the economic growth. Through production, the state intervenes not only to produce and create material wealth, but also to ensure the necessary conditions for its creation (e.g., provide adequate infrastructure and create an efficient administration). The state plays the role of the father of the city, must demonstrate certain equity through distributive justice, ensuring the redistribution of income by means of taxation on the income of the individual and the profit of the corporations or by means of aid and social security. Finally, the state has the responsibility of stabilizing and stimulating the economic growth. To achieve this, it is vital to practice the policy of full employment, price stability and very rapid economic growth, with the aim of increasing the quantity, quality and mobility of production factors, it is reflected in the policy of education, scientific research and training as well as labor mobility. Thus, local elected officials are called upon to fulfill these different functions in order to take off the development of their areas of common interest for the benefit of community welfare at the grassroots level.*

### Keywords

Decentralization; territorial entities; tax revenues; Province; Democratic Republic of the Congo



## I. Introduction

Tax revenues are essential for sustainable development because they provide Decentralized Territorial Entities (DTEs) with the necessary resources for the development of their areas, poverty reduction, the provision of public services, as well as in the capacity

building of its leaders, its accountability and its ability to meet the expectations of the people. However, they face many challenges that they will have to meet in order to achieve them, of which the failure of the administration, corruption, bad governance, lack of civic-mindedness and fiscal discipline, the absence of a resource mobilization policy or even the absence of a pricing policy, the absence of tax legitimacy. The financial capacity of the DTEs remains weak to the point where taxpayers question the appropriateness of their payment, since the counterparty is not well assured. The pillars of action of the DTEs for sustainable development are oriented towards the provision of quality services and the improvement of the living conditions of the population. In DTEs, the mobilization of resources is hampered by the low level of population education, the low level of training and the lack of motivation of local agents, as well as the lack of a tax culture among the population, which leads to all forms of tax fraud and cheating to the detriment of the provincial treasury, and more specifically of the town hall. It should be noted that the perception of the population on the management of the DTEs is still far from accompanying the decentralization in the achievement of its objectives, due to the lack of trust between the governors and the governed, because of the non-participation of citizens in the decision making of public affairs and the lack of accountability. The lack of involvement of political authorities in the collection of taxes, the inactivation of acts generating certain tax assessment services, the poor channeling of tax revenues, the lack of printed values, the non-payment of retrocessions from the province to the town hall and the failure to respect the chain of revenues and expenditures, and even the repeated change of revenue coordinators and or animators. This causes the population's lack of awareness of their legitimate duties to contribute to the payment of taxes and other fees for the success of the decentralization process. Faced with all these problems listed above and without claiming to have said everything, it seems essential and imperative to ask ourselves as many questions on how to help the city hall of Mbandaka to mobilize its tax revenues (Boulivier, 1995).

Our concern in this research revolves around the following questions:

1. Does the City Council, as a decentralized territorial entity, practice the principles and norms provided for by the law on the mobilization of fiscal resources?
2. What are the factors that prevent it from being able to mobilize its fiscal resources to improve its development process?
3. What strategies should be put in place to help the Town Hall improve its development from its fiscal resources without relying on retrocession from the central and provincial authorities?

## **II. Research Methods**

A survey was carried out among taxpayers, men and women, the various tax departments, civil society and the population. These surveys enabled us to analyze the various tax resources generated by the province, how these funds are channeled and allocated to the various sectors and, finally, to see the impact of these tax resources on the development of Mbandaka City Hall in the province of Equateur. Interviews were also used, this technique led us to the notables who are resource persons, the networks of women's associations, the grouping of young people, opinion leaders, local authorities as well as local elected officials, on their perceptions and appropriation of this reform at the

local level and to see how they contribute to the socio-economic development of their environment, their aspirations, their expectations, and what are the factors that can constitute a blockage and a success to decentralization. Finally, we consulted various documents, books and scientific papers related to taxation. The sample size was of 70 participants, of which 44 females and 26 males, all were involved in tax revenues services (Chambas G, Brun J.F, Combes j. L, 2002).

### **III. Results and Discussion**

Taxation is a generic term that includes taxes, levies and para-fiscal levies, i.e. it is the action of the taxpayer who's the sole purpose is to place him in the most advantageous conditions with regard to the tax law. It allows the State to carry out activities of common interest for the well-being of its population, to meet the aspirations and expectations of its citizens and gives the financial means to decentralized territorial entities to develop (Collin, 1990).

#### **3.1 Objectives of Decentralization**

Economic, social and environmental development of the entity; fight against poverty to achieve SDGs; good local governance; grassroots democracy.

#### **3.2 Basic Principles of Decentralization**

Progressiveness; consultation and social dialogue; transparency; participation; foresight (ability to anticipate problems); effectiveness and efficiency; traceability; rule of law; credibility of a detailed budget taking into account the priorities of the population; accountability; communication and information; respect for minorities. To achieve the above objectives, the province or ETD must have a socio-economic and environmental development program, elaborated with the participation of all decentralization actors or entities involved in the decentralization process (local elected officials, administration, FEC, religious denominations, civil society, women's and youth associations as well as local notables) (Vunduawe, 1992).

#### **3.3 Guiding Principles of Decentralization**

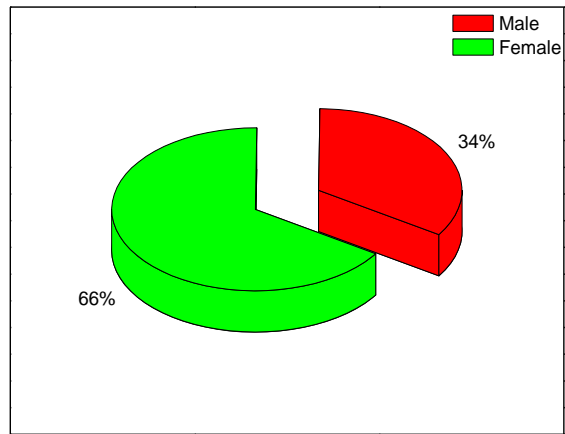
The implementation of decentralization is based on the following principles:

Safeguarding national unity: the aim is to preserve and consolidate national unity by ensuring the proper functioning of all workers. The major challenge is to re-establish citizens' confidence in the capacity of the new institutions to implement a new approach to development, where the citizen is an actor and not a subject in the development of one's locality. It will also be necessary to cultivate and perpetuate citizens' attachment to republican values, which include respect for the authority of the state and the public good, tolerance, solidarity and political civic-mindedness, all of which are essential for maintaining social cohesion and peace (Banque Mondiale, 2008).

#### **3.4 Advantages of Mobilizing Fiscal Resources at the Level of Decentralized Territorial Entities**

Decentralization is a source of better consideration of social demands, as the decision-making centers are now close to specific economic and social conditions, which argues at least for the decentralization of all local services (PNUD, 2010).

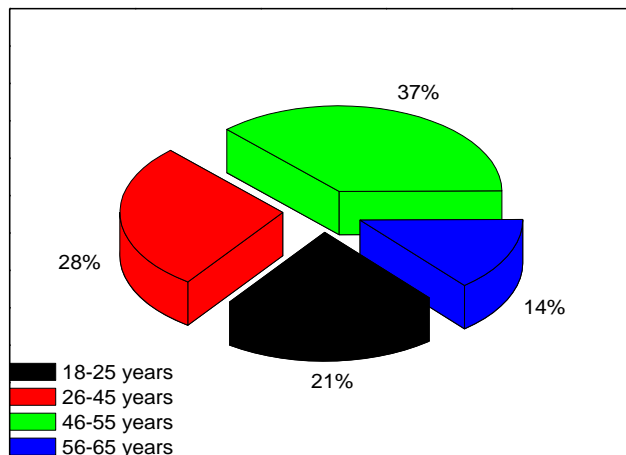
Figure 1 gives the distribution of respondents according to their sex.



**Figure 1.** *Distribution of respondents according to gender*

The figure 1 shows that among the different subjects surveyed, the majority of subjects are female with 66% and 34% are male.

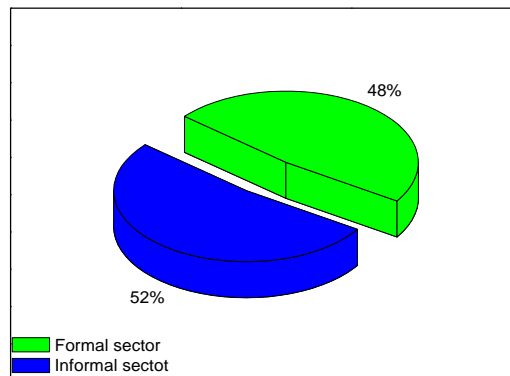
Figure 2 gives the distribution of respondents according to age.



**Figure 2.** *Distribution of respondents according to age*

The figure 2 shows that the most dominant age among those subject to the law varies between 45 and 55 years, i.e. 28%.

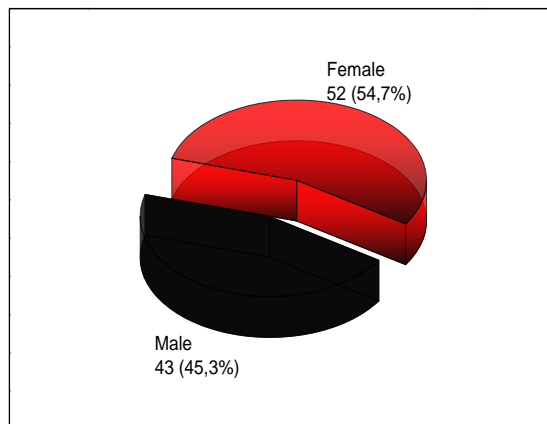
Figure 3 gives the distribution of respondents according to the activities.



**Figure 3.** *Distribution of respondents according to the activities*

The figure 3 revealed that informal sector occupies 52% of the activity while formal sector represent 48.

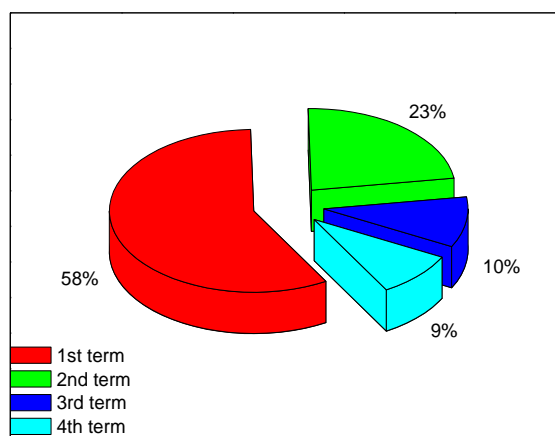
Figure 4 gives the rate of participation according to gender.



**Figure 4.** Rate of participation according to gender

The figure 4 gives revealed that the high rate of participation is represented by female while male represent 45.3% of the respondents.

Figure 5 give the evolution of the revenues generated by the Mbandaka City Council from 2016 to 2018.



**Figure 5.** Evolution of the revenues generated by the City Council from 2016-2018

The graph shows that there is an exponential growth in revenue from one year to the next at the city hall according to the categories of taxes, but in the fourth quarter there was a fairly high growth compared to the first three quarters, of 58%.

**Table 1.** Evolution of tax revenues at Mbandaka City Hall from 2016 to 2018

Plate services	Years		
	2016	2017	2018
Notary fees	800.000 CDF	680.000 CDF	13.223.900 CDF
Civil status fees	77.000 CDF	836.000 CDF	14.583.000 CDF
Transport fees	3.575.600 CDF	11.035.300 CDF	16.307.300 CDF
Agrivet fees	52 CDF	12.551.300 CDF	44.114.200 CDF

It can be seen from Table 1 that, apart from the notary's fees, which were discounted in 2017, there was potential growth in tax revenues in other city hall departments in 2016, 2017 and 2018.

Democratic Republic of the Congo has resolutely embarked on the path of democratization of the State and its Provinces like all other countries. The size of the national territory and the socio-cultural diversity necessarily impose a mode of governance that takes into account the assets, constraints and distances of the provinces in order to promote local governance based on a more efficient management mode that meets the expectations of the populations.

### **3.5 On the Development Plan**

Local economic development is a continuous effort to create, exploit, accumulate and distribute wealth on a territory for the well-being of the populations. This requires the participation of all actors (State, local elected officials, associations, NGOs, the private sector and partners) for the achievement of prosperity and progress of the ETDs in a sustainable manner.

### **3.6 On the Socio-Cultural Level**

The mobilization of fiscal resources creates the conditions for populations to take charge of their social development needs. It remains an opportunity to enhance the cultural potential of different localities in the perspective of a national development policy and finally to bring public decision-making closer to the citizens.

## **IV. Conclusion**

We believe that through this process, the State wants to rebuild itself on new bases by breaking with centralism for a very advanced decentralization by opting for a democratic regime respectful of human rights and subject to rules of rights thus being in search of a new balance and a national consensus which provides for a more consensual sharing of resources and the transfer of competences from the central power to the provinces and to the ETD while preserving the national unity and the integrity of the country

In view of the numerous problems mentioned above, we believe that in order to enable the Town Hall to fulfill its mission as an ETD, it should

1. Direct the payment of taxes to the bank;
2. Produce printed materials of value;
3. Create a one-stop shop;
4. Activate non-operational taxes recognized by the nomenclature,
5. Strengthen the capacity of agents to collect taxes, duties and fees,
6. Raise awareness of the tax culture among the population,
7. The province must retrocede to the town hall in order to carry out its annual work plan.

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