

# **INCREASED REVENUE MOBILIZATION IN THE DEMOCRATIC REPUBLIC OF CONGO: ANALYSIS OF MEASURES TAKEN BY THE MINISTRY OF FINANCE AND PERSPECTIVES**

## **MOBILISATION ACCRUE DES RECETTES EN REPUBLIQUE DEMOCRATIQUE DU CONGO: ANALYSE DES MESURES PRISES PAR LE MINISTERE DES FINANCES ET PERSPECTIVES**

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## Summary

In the Democratic Republic of Congo, revenue mobilization is ensured under the responsibility of the Minister in charge of Finance; revenue mobilization actions are carried out by the Heads of the Financial Authorities, namely, the General Directorate of Taxes (DGI), the General Directorate of Customs and Excise (DGDA) and the General Directorate of Administrative, Judicial, State and Participation (DGRAD), in collaboration with Base Services. The objective of this article is to present the partial results of the actions taken by the Ministry of Finance for revenue mobilization for 2022 in the Democratic Republic of Congo and the outlook for 2023. To carry out this study, we used the comparative method which allowed us to take a comparative look at the assignments and achievements in the past and those of the first half of 2022.

**Keywords:** Finance; Mobilization; Receipts ; Tax; Outlook; ground floor.

## Résumé

En République Démocratique du Congo, la mobilisation des recettes est assurée sous la responsabilité du Ministre ayant en charge les Finances ; les actions de mobilisation des recettes sont menées par les Responsables des Régies financières, à savoir, la Direction Générale des Impôts (DGI), la Direction Générale des Douanes et Accises (DGDA) et la Direction Générale des Recettes Administratives, Judiciaires, Domaniales et de Participation (DGRAD), en collaboration avec les Services d'assiette. L'objectif de cet article est de présenter les résultats partiels des actions prises par le Ministère des finances pour une mobilisation des recettes pour 2022 en République Démocratique du Congo et les perspectives 2023. Pour mener à bien cette étude, nous avons utilisé la méthode comparative qui nous a permis de jeter un regard comparatif sur les assignations et les réalisations dans le passé et celles du premier semestre 2022.

**Mots clés :** Finances ; Mobilisation ; Recettes ; Impôt ; Perspectives.

## **INTRODUCTION**

The Constitution of the Republic (sections 1, 2 and 4 of Title III) determines the organization and exercise of power in the Democratic Republic of Congo, namely: the executive power, the legislative power and the judicial power. The Ministry of Finance is a component of the Government and therefore comes under the Executive power.

The Government defines, in consultation with the President of the Republic, the policy of the nation and assumes responsibility for it. The Government conducts national policy. Defence, security and foreign affairs are areas of collaboration between the President of the Republic and the Government. The Government has the public administration, the Armed Forces, the National Police and the security services. The Government is responsible to the National Assembly under the conditions provided for in Articles 90, 100, 146 and 147. An ordinance deliberated in the Council of Ministers determines the organization, the functioning of the Government and the methods of collaboration between the President of the Republic and the Government as well as between the members of the Government.

The Ministry of Finance is one of the components of the Government whose powers are set by Ordinance No. 20/017 of March 27, 2020 setting the powers of the Ministries.

Indeed, finance is one of the major pillars of the organization and development of any human enterprise, especially for the survival of a State.

The Democratic Republic of Congo, to meet its multiple needs, relies on the Ministry of Finance whose main missions are the mobilization of revenue and the rational allocation of expenditure.

The Ministry of Finance includes the Cabinet, the General Secretariat, the Financial Authorities, the Specialized Services, the Cells or related Committees and the Establishments under supervision or joint supervision.

Actions for the mobilization of public revenue are carried out by the Heads of Financial Authorities, namely, the General Directorate of Taxes (DGI), the General Directorate of Customs and Excise (DGDA) and the General Directorate of Administrative, Judicial, State Revenue and Participation (DGRAD), in collaboration with the Base Services under the responsibility of the Minister of Finance. The latter has the power to define rules or take measures for increased mobilization of public revenue and finally to meet the multiple needs of the State.

Once plagued by indelicate practices in its process and flattened before the steamroller of anti-values, revenue mobilization had known a stationary state at the risk of seeing the concavity of its curve take on a decreasing pace. Thus, the current Minister of Finance has put his feet on the accelerator to reverse the trend and set the bar very high. This is why this article would like to answer the question: what are the strategies put in place by the Ministry of Finance to increase public revenue? To achieve this, we used the comparative method which allowed us to take a comparative look at assignments and achievements in the past and those of the first half of 2022.

To do this, we will first review the theoretical literature on revenue mobilization, then we will analyze the measures taken by the Ministry of Finance and prospects.

## **1. LITERATURE REVIEW ON REVENUE MOBILIZATION**

### **1.1. PUBLIC REVENUES**

To meet the needs of the population, the State must put in place a process that requires the sufficient mobilization of its resources. These resources are traced in the budget in the form of public revenue and include, on the one hand, internal resources and, on the other, external resources. They are mobilized by way of authority or constraint on the resources of both private and public economic agents. This category of resources having a budgetary traceability called: "budgetary revenue", is added that of cash resources in accordance with article 74 of the law relating to public finances having close links with the public treasury than with the budget of the state.

According to N.MBUMBA NZUZI, "the collection of receipts is the extinction of the debt in accordance with the invoice drawn up by the public body. It requires the establishment of mechanisms that can enable the cashier to collect State revenue and report to the Public Treasury through proper keeping of public accounts. However, not all collection is done amicably. On this subject, in the event of refusal or insubordination, recourse is had to a binding procedure covered by the public power of the State. In this practice, the State penalizes and sanctions the taxable person in question for having caused damage to the collection of public funds. >> (N. MBUMBA NZUZI, 2007). With regard to the management of public revenues, Crépin SINGOCK SOTONG and Magloire TCHATCHOUA NYA suggest to the various colleges of local electors, taking into account the initial training of the mayor, the number and quality of assistants to the resident mayor, in order to create structural and functional changes to positively impact financial management performance in

municipalities (SINGOCK SOTONG , C., & TCHATCHOUA NYA, . M., 2021). Also public resources must be subject to management control practices in governance at all levels (FAYE.D & WADE.M.E., 2022).

### **1.1.1. The internal resources of the State**

These are resources that the State collects or recovers within its borders in order to meet its various expenses. They are grouped into three components, namely: current resources, capital resources and exceptional resources.

#### **❖ Current recipes**

Consisting mainly of taxes and fees in accordance with Article 34 of Law No. 11/011 of July 13, 2011 on public finances, current revenue is:

- Income from taxes and levies relating to direct and indirect taxation;
- The income from the domain and financial participations and other assets and rights, in particular the share of the central power, in the profits of public enterprises.
- The proceeds from administrative and judicial revenue, royalties and compensatory taxes for services rendered;
- Almond products and
- Miscellaneous products.

#### **❖ Capital revenue**

These receipts include the proceeds of the disposals of the domain and that of the disposals of the financial participations of the State as well as its other assets and rights.

#### **❖ Exceptional revenue**

The law on public finance distinguishes four categories of exceptional internal resources, namely:

- Current domestic donations and legacies for current expenditure;
- Domestic project donations and legacies for investment expenditure;
- Reimbursement of loans and advances;
- Proceeds from domestic borrowings.

### 1.1.2. External resources

These are receipts from external partners of the Democratic Republic of Congo (DRC) (friendly countries and international organizations). They consist of:

- External donations and bequests covering current expenses;
- External project donations and legacies for investment expenditure;
- Drawings on external loans.

## 1.2. REVENUE MOBILIZATION

### 1.2.1. Notion

In terms of public finance, the mobilization of revenue goes through two phases or four stages arising from the law on public finance.

It has two phases, namely:

- The administrative phase which includes the recognition, liquidation and scheduling and
- The accounting phase which is the recovery step.

Receipts are recorded, liquidated and authorized before being collected.

- ❖ The observation which is an operation to determine the taxable matter following a generating event and to establish the base by the application of a legal rate in force for the revenue;
- ❖ The liquidation which is an operation which consists in calculating the amount of the recipe taking into account the rate of the taxable matter;
- ❖ The payment order which is an act by which after having liquidated the right of a creditor, an administrator gives the order to the accountant to pay at his cash desk;
- ❖ Recovery, which is an operation that consists of executing the order issued by the authorizing officer, to collect the amount due to the public treasury. In fact, recovery consists for the person liable to the State or the taxable person, of freeing himself from his obligations and, for the State of recovering his rights; it is therefore the concretization of the tax process, of the observation, liquidation and payment order.

### 1.2.2. Revenue Mobilizing Services in the DRC

The mobilization of internal revenue in the Democratic Republic of Congo is ensured under the responsibility of the Minister in charge of Finance via the heads of the Financial Authorities, namely:

- The General Directorate of Customs and Excise (DGDA) collects resources related to duties, taxes and other customs and fiscal charges, present and future and which are due either from the import or export of goods from all nature, either because of their transit or their stay in a customs warehouse;
- The Directorate General of Taxes (DGI) collects taxes on cash benefits. For example, tax on salaries, taxes on profits and profits, etc.
- The General Directorate of Revenue, Administrative, Judicial, State Property and Participations (DGRAD) supervises the revenue collected by the various ministries with generating acts. For example, the sale of passports, fines and penalties, etc.

## **2. ANALYSIS OF MEASURES TAKEN BY THE MINISTRY OF FINANCE AND OUTLOOK**

During the drafting of the 2022 finance law, in collaboration with the heads of the three different financial authorities, namely, the General Directorate of Taxes (DGI), the General Directorate of Customs and Excise (DGDA) and the General Directorate of Revenue Administrative, Judicial, State and Participations (DGRAD) of the Democratic Republic of the Congo, the Congolese Minister of Finance, has taken some measures aimed at increased mobilization of public revenue, as part of this study, we analyze these measures at three levels , whos:

### **2.1. EXECUTION LEVEL**

#### **2.1.1. For the Directorate General of Taxes (DGI)**

Thirty-eight (38) measures were taken, the level of execution of which is as follows:

**Indicated 1: Measures taken to increase DGI revenue**

DESIGNATION	NUMBER	PERCENTAGE
Applied measures	26	68,4
In progress	12	31,6
Total	38	100

**Source:** DGI monthly report January 2022

#### **➤ Measures applied**

Among the 26 measures applied, we have:

- Exemption of deliveries of Fuel Oil Internal Market (FOMI);
- Introduction of a reduced rate of 8% applicable to certain basic necessities;
- Integration, in the text of Ordinance-Law No. 10/001 of August 20, 2010 establishing the value added tax, of the fine of 1,500,000.00 Congolese Francs and the loss of a quota of 10% of the amount of the credit;
- Introduction, in the tax audit procedure, of an obligation for the Tax Administration to notify the taxpayer of a notice of dismissal in the event of no adjustment;
- Establishment of a tax clearance issued by the tax collector to the taxpayer certifying that the applicant is in good standing with the payment of his taxes;
- Authorization of the Urban or Provincial Directors of Taxes competent to take decisions closing the investigation of complaints lodged by taxpayers managed by the Synthetic Tax Centers;
- Improvement of the methods of payment of tax on profits and profits payable by small businesses by replacing the deposit and the balance by two quotas;
- Reinforcement of the conditions for the deductibility of professional expenses from taxable profits for tax on profits and profits.

➤ **Measures in progress**

Among the measures currently being applied, we cite:

- Acquisition and implementation of appropriate integrated tax management software;
- Collection of the IPR from the executing agencies benefiting from external financing through the adoption, in collaboration with the Ministry of Finance, of the reference systems for the declaration and payment of the IPR of the employees of the said Agencies;
- The withholding and repayment of Professional Tax on Remuneration, on bonuses, snacks and other benefits paid to members of National and Provincial Institutions and Assimilated;
- Establishment of a tax clearance issued by the tax collector to the taxpayer certifying that the applicant is in good standing with the payment of his taxes;
- Institution of the annual summary declaration of the professional tax on the remunerations to be subscribed by the employees themselves, as well of the private sector as of the public sector, at the latest on March 30 of the year which follows that of payment of the remuneration or their provision;



- Authorization of the Minister having Finance in his attributions to fix the practical methods of conclusion of the preliminary agreements on the methods of determination of the prices of the intragroup transactions in the prescriptions of the texts

### 2.1.2. For the General Directorate of Customs and Excise (DGDA)

For the DGDA, seventeen (17) fiscal and administrative measures were taken and the level of execution is as follows:

**Indicated 2: Measures taken to increase DGDA revenue**

DESIGNATION	NUMBER	PERCENTAGE
Applied measures	7	41,1
In progress	10	58,9
Total	17	100

Source: DGI monthly report January 2022

#### ➤ Measures applied

Among the 7 measures applied, we have:

- Raising customs duties on imports, as the case may be, to 10% and 20%, on certain products;
- Maintenance of the rate of customs duties on the export of diamonds and gold from artisanal mining at 1.5%;
- The taxation of plastic articles and structures in accordance with the provisions of Ordinance-Law No. 18/002 of March 13, 2018 on the Excise Code, with the exception of basic household economy plastic products

#### ➤ Measures being implemented

Among the measures currently being applied, we cite:

- The implementation of the reform of the excise duty traceability system;
- The use of all legal means for the recovery of litigation files, in particular legal proceedings, including the procedure for notifying third parties;
- The reinstatement of positive excise duties on petroleum products.

### 2.1.3. For the General Directorate of Administrative, Judicial, State and Participations Revenue (DGRAD)

#### ➤ Measures applied

On behalf of the DGRAD, non-fiscal measures have been implemented, these are:

- Measures on on-call duty;
- The introduction of the electronic procedure;
- Base penalties in the event of failure to declare;
- The exercise of on-site checks individually or concurrently with the base services.

#### ➤ Measures being implemented

The key administrative measures are being implemented, these are:

- Deployment of the LOGIRAD software;
- The signing of inter-ministerial decrees in application of Ordinance-Law No. 18/003 of March 13, 2018 fixing the nomenclature of duties, taxes and royalties of the Central Power (8 decrees signed and others are awaiting countersignature from the ministers sectors).

## 2.2. REVENUE SITUATION

With regard to revenue mobilization, the situation in the first half of 2022 is as follows:

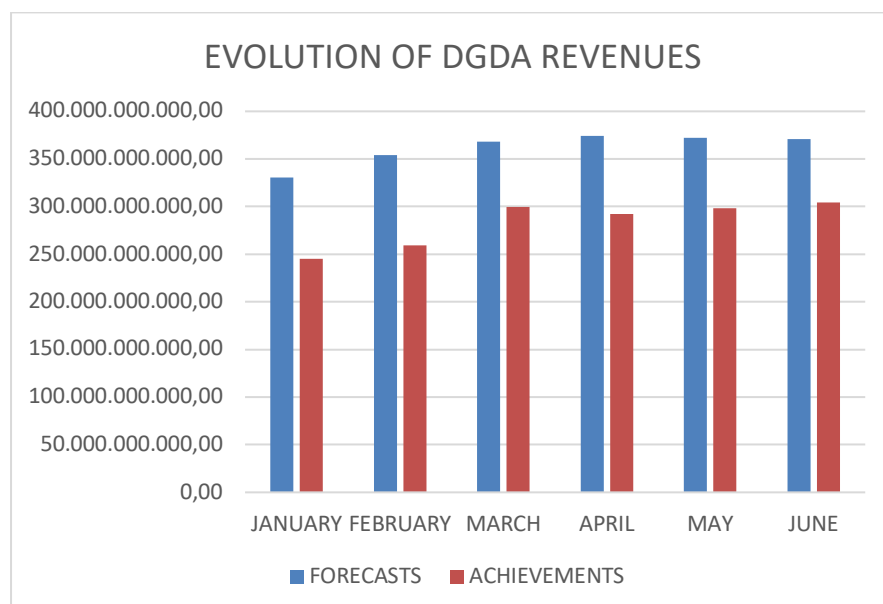
**Indicated 3: Revenue mobilization by the DGDA**

MONTH	FORECASTS	ACHIEVEMENTS	%
JANUARY	330.571.160.000,00	245.465.695.971,00	74%
FEBRUARY	353.857.250.000,00	259.430.927.377,60	73%
MARCH	368.011.540.000,00	299.481.766.054,15	81%
APRIL	374.403.800.000,00	292.063.391.606,23	78%
MAY	372.120.850.000,00	298.172.790.834,32	80%
JUNE	370.751.080.000,00	304.415.643.289,69	82%
<b>TOTAL</b>	<b>2.169.715.680.000,00</b>	<b>1.699.030.215.132,99</b>	<b>78%</b>

Source: 2022 DGDA monthly reports

In light of this table, it should be noted that receipts have taken the upward trend each month and that assignments are carried out on average by 78% for the period from January to June 2022.

**Figure 1: Evolution of DGDA revenue**



**Source:** Authors. Graph mounted according to the indicated 3

**Indicated 4. Revenue mobilization by the DGI**

MONTH	FORECASTS	ACHIEVEMENTS	%
JANUARY	439.587.487.176,29	520.296.990.926,58	118%
FEBRUARY	381.790.927.077,57	393.553.800.344,92	103%
MARCH	387.318.696.946,47	793.232.751.317,22	205%
APRIL	1.219.917.139.296,12	2.892.937.568.298,84	237%
MAY	746.611.951.070,94	1.329.537.830.846,55	178%
JUNE	406.560.701.944,38	512.533.109.429,48	126%
<b>TOTAL</b>	<b>3.581.786.903.511,77</b>	<b>6.442.092.051.163,59</b>	<b>180%</b>

**Source:** DGI 2022 monthly reports

The data in this table shows that revenues are increasing at breakneck speed at the DGI because assignments are carried out at an average of 180% for the period from January to June 2022.

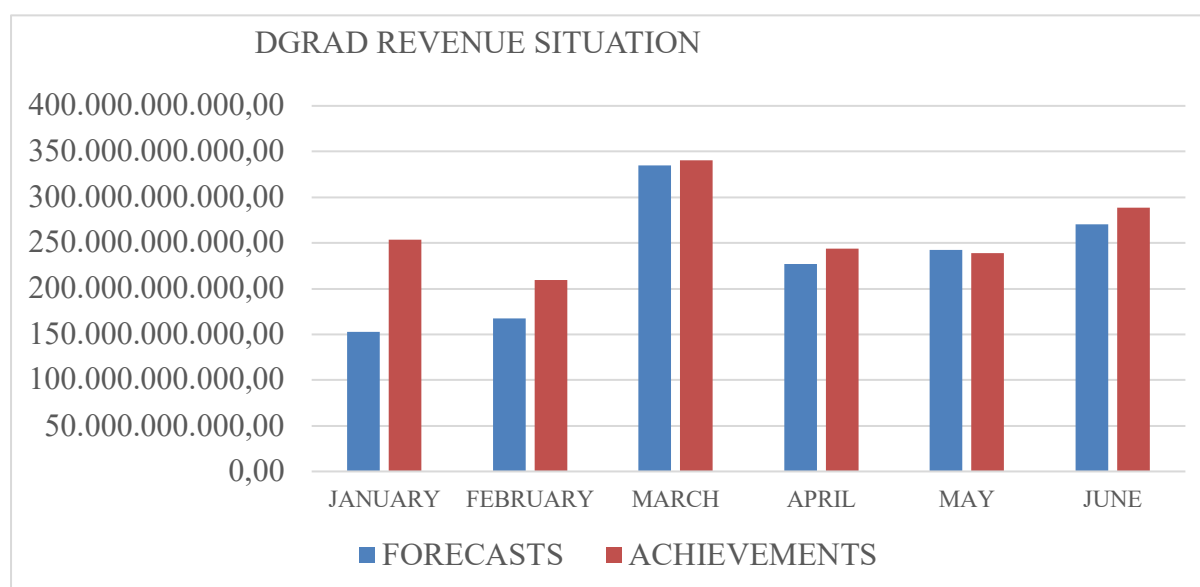
**Indicated 5. Revenue mobilization by the DGRAD**

MONTH	FORECASTS	ACHIEVEMENTS	%
JANUARY	152.517.506.146,27	253.731.599.187,40	166%
FEBRUARY	167.591.407.371,98	209.741.812.793,32	125%
MARCH	334.564.604.734,00	340.807.233.553,23	102%
APRIL	227.286.292.937,30	244.134.425.042,89	107%
MAY	242.626.963.421,75	239.075.270.026,46	99%
JUNE	270.306.077.140,52	288.578.989.833,90	107%
<b>TOTAL</b>	<b>1.394.892.851.751,82</b>	<b>1.576.069.330.437,20</b>	<b>113%</b>

Source: DGRAD 2022 monthly reports

The figures in this table show that the revenue mobilized by the DGRAD changes every month and that assignments are carried out on average by 113% during this period.

**Figure 2. Evolution of DGRAD revenue**



Source: Authors. Graph mounted according to the indicated 5

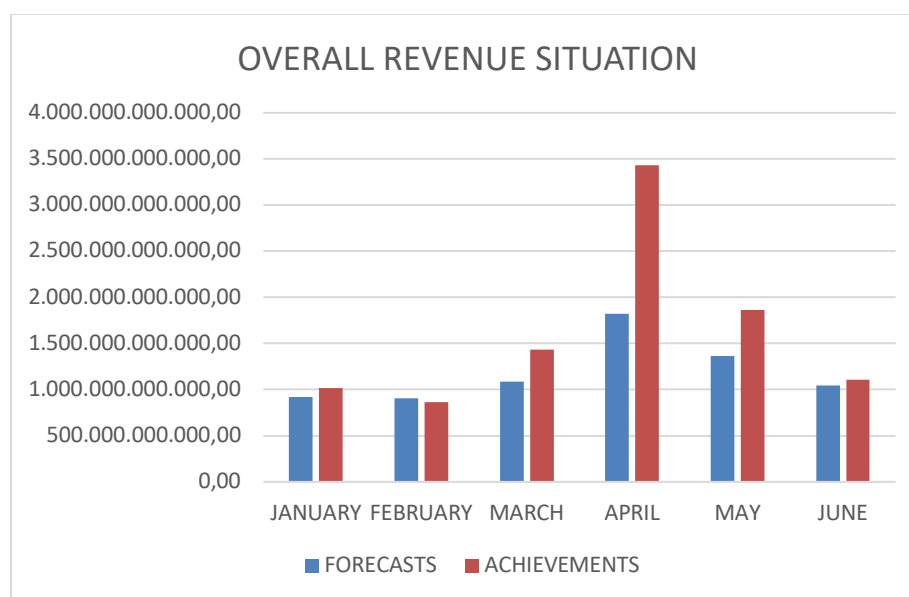
**Indicated 6. Overall Situation**

<b>MONTH</b>	<b>FORECASTS</b>	<b>ACHIEVEMENTS</b>	<b>%</b>
JANUARY	922.676.153.322,56	1.019.494.286.084,98	110%
FEBRUARY	903.239.584.449,55	862.726.540.515,84	96%
MARCH	1.089.894.841.680,47	1.433.521.750.924,60	132%
APRIL	1.821.607.232.233,42	3.429.135.384.947,96	188%
MAY	1.361.359.764.492,69	1.866.785.891.707,33	137%
JUNE	1.047.617.859.084,90	1.105.527.742.553,07	106%
<b>TOTAL</b>	<b>7.146.395.435.263,59</b>	<b>9.717.191.596.733,78</b>	<b>136%</b>

Source: Authors

This table merges the data from indicated 3,4 and 5 and allows us to say that the three financial authorities have increased revenue with an average of 136% achievement on assignments for the period from January to June 2022.

**Figure 3. Overall evolution of receipts**



Source: Authors. Graph mounted according to the indicated 6

### **2.3. LOOKING AHEAD FOR INCREASED REVENUE MOBILIZATION IN 2023**

For increased revenue mobilization for the 2023 financial year, the following strategies have been identified as part of this study:

#### **2.3.1. FOR THE DIRECTORATE GENERAL OF TAXATION**

- In terms of computerization of Services and tax management
  - Advocacy with the Government to obtain the implementation of electronic tax systems for reporting information on VAT (cash registers);
  - Finalize the implementation and deployment of the integrated tax management software package;
  - Continuation of the migration, with the financial support of the Government, towards the biometrization of the data of taxpayers, natural and legal persons.

- In terms of tax audit;
  - Strengthening the supervision of tax audit missions;
  - Intensification of spot checks on VAT.

In terms of staff capacity building

- Organization of training sessions for Versatile Tax Auditors, Managers of Taxpayer Accounts, Collection Agents.

#### **2.3.2. FOR THE DIRECTORATE GENERAL OF CUSTOMS AND EXCISE**

- The effective implementation of the Convention on the traceability and monitoring of products and services subject to the payment of excise duties;
- The implementation of the Care Value Africa vehicle evaluation solution in interaction with Sydonia World;
- Implementation of RECTS (Real-Time Electronic Cargo Transit Tracking System) in the Northern International Corridor (EAC);
- Strengthening the system for combating fraud and smuggling;
- Reinforcement and optimization of control of the value of declared goods;
- The generalization of the use of the Electronic Management of Litigation software (GELEC).

### 2.3.3. FOR THE DGRAD

- The implementation of a LOGIRAD (Administrative, Judicial, State and Participation Revenue software)
- Continuation of the signing of interministerial decrees fixing the rates of duties, taxes and royalties of the Central Power, in accordance with Ordinance-Law n° 18/003 of March 13, 2018 fixing the nomenclature of duties, taxes and royalties of the Central Power, as amended and supplemented to date;
- Signing of memorandums of understanding for taxation and liquidation of non-tax revenue with all tax base services;
- Regular assessment of the level of recognition, liquidation and collection of revenue, with the Base Services;
- Organization of joint DGRAD-Services control missions for the assessment of duties, taxes and royalties;
- Organization of fact-finding missions, with a view to identifying new taxable persons in all sectors;

### CONCLUSION

All the governments of the world put in place a number of public policies in terms of actions to be taken to meet collective needs, including fiscal and monetary policy, which are essential levers for achieving the objectives pursued. Endowed with regulatory and coercive power, the Congolese State has since the dawn of time fought for the increase in public revenue, but the political gravity interspersed with professional and ethical excesses has presented itself as being the explanatory variable of the financial slump that does not allow it not to take action in favor of development.

Nowadays, the determination to increase public revenues is the workhorse of the Minister of Finance. The results of our research prove sufficiently and without a shadow of doubt that the advances are very significant and that the assignments are carried out at a percentage beyond expectations.

On the managerial level, this article popularizes the efforts made by the Minister of Finance in the mobilization of public revenues and allows any other subsequent Minister to start from this base to maintain this course.

From a scientific point of view, this work is a necessary contribution to the enrichment of theories on public revenues.



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