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Analytical study of the Haut-Katanga provincial budget and its impact on decentralized territorial entities, 2019 to 2021: Case of the Kenya commune

Swima Mussa

Department of Management of Commercial and Administrative Sciences, Teachers' Training College of Lubumbashi, DR Congo

* Corresponding Author: **Swima Mussa**

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Abstract

This article shows the negative impact of the development and vote of the budget by the provincial parliament on the socio-economic development of decentralized territorial entities by confirming that there is a gap between the budget forecasts of the province and that of planned execution.

The procedure taken since 2006 by the national authorities, that of opting for retrocession instead of withholding tax, does not allow national revenues to return to the provinces as allegedly, because for the budgetary year of 2021 only 67619004585.00 FC out of 842889362525.00 FC that is 8% were mobilized outside the province in 2019. This article is particularly interested in the deputies, the heads of the provinces and the Decentralized Territorial Entities (DTE in acronym), it is also interested in the heads of the tax services responsible for revenue collection and the impact of the budget, the merits of its development and its vote by the provincial parliament. It first presents the summary of revenues and expenditures for the budgetary years 2019, 2020 and 2021. It proposes what the ministry responsible for executing expenditures should do after the budget forecasts, taking into account three fields of investigation: 1) contributory capacity 2) demography 3) surface area. The article also examines the relationships between the distribution estimate in expenditure execution and the variables of these three fields.

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Keywords: Haut-Katanga, Kenya, territorial, budget

1. Introduction

This work is the result of long and careful observation. Taxpayers of the Democratic Republic of Congo (DRC) in general and of Haut-Katanga in particular complain of the negative impact of the voted budget on the improvement of their living conditions, they pay taxes but their socio-economic conditions still remain precarious.

To this end, the perspective offered by the state budget motivated us to carry out a study on decentralized territorial entities in general and on the case of the Kenya municipality in particular.

In this regard, we have chosen the theme: "analytical study of the provincial budget of upper Katanga and its impact on the decentralized territorial entities, 2019 to 2021. (Case of the Kenya commune)" the improvement of the living conditions of the population.

BAYO and al (2021) ^[1] concluded that the disappointing contribution ^[1] of voted budgets to the socio-economic development of African countries. A country's budget is drawn up and voted on based on the fundamental needs of the population, but during its execution, it is mainly oriented towards activities of a political nature.

In the DRC, the national budget is drawn up, voted on and published each end of the year to the Congolese population and even to the whole world to make known the usefulness of the money collected in revenue to cover expenses. Article 175 of the Congolese constitution stipulates that "the share of national revenue allocated to the provinces is established at 40%. It is

withheld at source.” (Constitution, 2006) [3]. The provinces, in the DRC, are the first subdivisions that we recognize; there are 26 of them, according to article 2 of the 2005 constitution of the DRC which specifies a division of the country into 26 provinces, including the city province of Kinshasa; voted in February 2006, this new territorial organization was to take effect within three years following the effective installation of the political institutions provided for by the constitution (art.826), that is to say in February 2009. Since June, July 2015, the new provinces were established (TSHIKUNGA, N, 2008 & WANSENGA; 2016) [8, 9].

The DRC, therefore, has experiences chronic and pathological under-administration. This is the consequence of the distance between the administration and those administered as well as a poor geographical distribution of staff in public administration due to the centralization of management of the function. It is to get out of this sub-administration and promote the development of local entities that a new law was promulgated in October 2008. This study therefore constitutes both a critical analysis of organic law N° 08/016 of 7th October 2008 relating to the composition, organization and operation of Decentralized Territorial Entities (DTE in acronym), and a contribution to the implementation of a local administration in the service of development. The DTE are the first levels of political democracy in the DRC. Article 3 of the constitution of the DRC promulgated on February 18, 2006 indicates that the provinces and DTE of the RDC have legal personality and are managed by local bodies. These decentralized territorial entities are the following: the municipality; the city; the Chiefdom and the area. They enjoy free administration and autonomy in the management of their economic, human, financial and technical resources. The composition, organization and functioning of these decentralized territorial entities as well as their relationships with the State and the provinces are established by an organic law.

According to the same organic law No. 08/016, DTE are entitled to 40% of the share of national revenue allocated to the provinces (Loi organique du 10 Octobre, 2008) [6].

Despite this legal requirement of withholding at source of 40% of national revenues, the national tax services in particular the Directorate General of Taxes, the General Direction of Administrative revenues, Judicial and State Revenue and the General Direction of customs et Seating responsible for collecting and centralizing income are not authorized to withhold even a single Congolese franc at the provincial level before sending revenue to the national level (PPI, 2021). It appears on the ground that the national authorities of the DRC have opted since 2006 for the retrocession instead of the withholding tax of 40% of national revenues as provided for by the constitution in its article 175. The decentralized territorial entities continue to demand from the provinces their shares in the 40% of national revenues, at a time when even the governors of the provinces themselves do not receive any from Kinshasa (KAB. M, 2018 & KIB. M, 2019) [4, 5]. The overall objective of this study is to contribute to the socio-economic development of the Haut-Katanga province, to the protection, investment and sustainable improvement of the population's standard of living but also to contribute to the raising awareness of provincial revenue collection on all levels

This article is particularly interested in the deputies, the heads

of the provinces and the DTE, it is also interested in the heads of the tax services responsible for revenue collection and the impact of the budget, the merits of its development and its vote by the provincial parliament.

It first presents the summary of revenues and expenditures for the budgetary years 2019, 2020 and 2021. It proposes what the ministry responsible for executing expenditures should do after the budget forecasts, taking into account three fields of investigation: 1) contributory capacity 2) demography 3) surface area.

The article also examines the relationships between the distribution estimate in expenditure execution and the variables of these three fields.

2. Materials and Methods

To collect our data, we proceeded with a prospective analysis of revenues and expenditures recorded for the 2019, 2020 and 2021 budgetary years in the province of Haut-Katanga. This prospective analysis was supported by interview, data techniques and documentary analysis.

2.1. Study site

We conducted our research in the commune of Kenya, one of the decentralized territorial entities of the province of Haut-Katanga in the DRC. The reason which pushed us to retain this DTE among many others is its highest population density, we found it useful to determine the impact of the provincial budget voted on improving the living conditions of this large population.

During our pre-survey, with the help of municipal officials, we counted three (3) neighborhoods which are each subdivided into six (6) blocks that is (18) eighteen blocks. There is also a lot of commercial activity in this DTE, we observed several commercial establishments including food stores, bars, hotels, welding workshops, mechanical workshops, butchers, stores, beer depots, depots food products, air freight agencies, credit union banks, mills, carpentries and hairdressing salons which pay taxes to give the DTE the means for its policy.

2.2. Statistical analysis

Expenditures and revenues collected from the budget ministry varied depending on the year of the budget exercise. The obtained means were subjected to univariate analysis of variance (ANOVA) with the XLSTAT-Pro 7.5 statistical software. The independent variables were the variables studied and the contributory capacity, demographics and area as the dependent variables.

3. Results and Discussion

Our study focuses on analytical study of the Haut-Katanga provincial budget and its impact on the decentralized territorial entities, 2019 to 2021. (Case of the Kenya commune).

To arrive at the results presented in the various tables, we proceeded with the prospective analysis of revenues and expenditures recorded for the 2019, 2020 and 2021 budgetary years in the province of Haut-Katanga. This prospective analysis was supported by the techniques interview and documentary analysis.

The results relating to revenue and expenditure for the 2019 budget year are shown in Table 1 below.

Table 1: Summary of revenue and expenditure for the 2019 financial year in Francs congolais

| Headings | Forecasts |
|-------------------------------------|--------------------|
| 1. Revenues | 518 185 151 475,00 |
| 1.1. Internal revenues | 477 833 716 711,00 |
| 1.1.1. <i>Current revenues</i> | 459 680 716 711,00 |
| 1.1.1.1. Share of national revenues | 172 653 581 470,00 |
| 1.1.1.2. Own revenues | 287 027 135 241,00 |
| Revenues of common interest | 128 743 925 257,00 |
| Specific revenues from the province | 158 283 209 984,00 |
| 1.1.2. <i>Exceptional revenues</i> | 18 153 000 000, 00 |
| 1.2. External revenues | 40351434764,00 |
| Total Revenues | 518 185 151 475,00 |
| 2. Expenses | 518 187 151 475,00 |
| 2.1. Current Expenses | 330 604 332 122,00 |
| 2.1.1. Public Debt In Capital | 7 552 862 617,00 |
| 2.1.2. Financial Expenses | 239 594 661, 00 |
| 2.1.3. Staff Expenses | 110 277 229 871,00 |
| 2.1.4. Property and Matirials | 45 389 148 208,00 |
| 2.1.5. Service Expenses | 66 576 464 566,00 |
| 2.1.6. Transfers and Interventions | 100 569 032 199,00 |
| 2.2. Expenses In Capital | 187 580 819 353,00 |
| 2.2.1. Equipments | 64 858 281 384,00 |
| 2.2.2. Construction | 22 722 537 969,00 |
| Total Expenses | 518 187 151 475,00 |

Table 1 presents the results relating to revenues and expenditures for the 2019 financial year in Francs Congolais.

It appears that more than 90% of revenue is mobilized in the provinces. This could be explained by the fact that Haut-Katanga is the province which has the highest mobilization capacity and tax base after the city province of Kinshasa. We have identified a relationship between the mobilization capacity and the tax base [$F(3,2358)=8.0$; $p<0.001$]. Haut-

Katanga province, which strives to maximize some revenues, actually observes the increase in its tax base

These results are identical to those of Shame and al (2020)^[7] who noted the shrinking of the tax base with state institutions established in rural areas of Zimbabwe. The province of Haut-Katanga, whose capital is the city of Lubumbashi, is full of many well-established companies which have the usual culture of paying taxes.

Table 2: Summary of revenue and expenditure for the 2020 financial year in Francs Congolais

| Headings | Previsions |
|-------------------------------------|------------------|
| 1. Revenues | 524964545748,00 |
| 1.1. Internal revenues | 474673600010,00 |
| 1.1.1. <i>Current revenues</i> | 461725463586,00 |
| 1.1.1.1. Share of national revenues | 188273664519,00 |
| 1.1.1.2. Own revenues | 273451799067,00 |
| Revenues of common interest | 149652221770,00 |
| Specific revenues from the province | 123799577297,00 |
| 1.1.2. <i>Revenues in capital</i> | 3139211384,00 |
| 1.1.3. <i>Exceptional revenues</i> | 9808925040,00 |
| 1.2. External revenues | 50290945738,00 |
| Total revenues | 524964545748,00 |
| 2. Expenses | 524964545748,00 |
| 2.1. Current expenses | 335166178465,00 |
| 2.1.1. Public debt in capital | 13660943059,00 |
| 2.1.2. Financial expenses | 1229783924,00 |
| 2.1.3. Staff expenses | 103821214681,00 |
| 2.1.4. Property and matirials | 58201731217,00 |
| 2.1.5. Service expenses | 57298718122 ; 00 |
| 2.1.6. Transfers and interventions | 100953787462,00 |
| 2.2. Expenses in capital | 189798367283,00 |
| 2.2.1. Equipments | 77899457534,00 |
| 2.2.2. Construction | 111898909749,00 |
| Total expenses | 524964545748,00 |

As for the 2019 budget year, the results in Table 2 show that less than 15% of revenues mobilized in 2020 come from

outside the province.

Table 3: Summary of revenue and expenditure for the 2021 financial year in Francs Congolais

| Headings | Previsions |
|-------------------------------------|-----------------|
| 1. Revenues | 842889362525,00 |
| 1.1. Internal revenues | 775270357940,00 |
| 1.1.1. <i>Current revenues</i> | 735873445112,00 |
| 1.1.1.1. Share of national revenues | 362322545347,00 |
| 1.1.1.2. Own revenues | 373550899765,00 |
| Revenues of common interest | 194497534024,00 |
| Specific revenues from the province | 179053365741,00 |
| 1.1.2. <i>Revenues in capital</i> | 19329912828,00 |
| 1.1.3. <i>Exceptional revenues</i> | 20057000000,00 |
| 1.2. External revenues | 67619004585,00 |
| Total revenues | 842889362525,00 |
| 2. Expenses | 842889362525,00 |
| 2.1. Current expenses | 541832861817,00 |
| 2.1.1. Public debt in capital | 12611599312,00 |
| 2.1.2. Financial expenses | 2937873405,00 |
| 2.1.3. Staff expenses | 269379027265,00 |
| 2.1.4. Property and materials | 53773727117,00 |
| 2.1.5. Service expenses | 69650240001,00 |
| 2.1.6. Transfers and interventions | 133480394717,00 |
| 2.2. Expenses in capital | 301056500708,00 |
| ii.2.1. Equipments | 129576562300,00 |
| ii.2.2. Construction | 171479938408,00 |
| Total expenses | 842889362525,00 |

Table 3 presents the results relating to revenues and expenditures for the 2021 budget year.

It appears that only 67619004585.00 FC out of 842889362525.00 FC that is 8% were mobilized outside the province. This could be justified by the fact that since 2006 the national authorities have opted for retrocession instead of withholding tax, a procedure which does not even allow the money to return to the provinces as supposedly justified.

We identified a relationship between revenues aimed at improving the socio-economic conditions of populations and national revenues transferred to the provinces [F (3.2358)=8.0; p<0.001].

Haut-Katanga province actually allocates a lot of resources to improving the socio-economic conditions of the Haut-Katanga people when the national revenues that are transferred are significant. These results corroborate those of BINTU (2022)^[2] which also found that the deliberative body of South Kivu was considering, with the support of other provincial member parliament, other new advocacy strategies Always with the aim of stimulating the national government to effectively implement the withholding tax, especially since the province is not developing due to lack of withheld revenues.

The proposals addressed to the Ministry of the Budget which had to be taken into account during the execution of expenditure after the 2019 budget forecast are recorded in Table 4 below

Table 4: Proposals addressed to the Ministry of Budget for the 2019 budget year

| Headings | Execution/fc |
|-----------------------------|-----------------|
| Transfers and interventions | 100 569 082 199 |
| Share of each DTE | 304 546 430,27 |
| contributory capacity | 157 240 787,16 |
| Retrocession at 40% | 4 022 761 289 |

For the 2019 financial year, the ministry concerned in the execution of expenditure should do, after forecasting the budget, what is indicated in the table above.

Table 5 shows the proposals addressed to the Ministry of the Budget which had to be taken into account when executing expenditure after the 2020 budget forecast.

Table 5: Proposals addressed to the Ministry of the Budget for the 2020 budget year

| Heading | Execution/FC |
|-----------------------------|-----------------|
| Transfers and interventions | 100 573 782 462 |
| Share of each DTE | 3 059 205 680 |
| Contributory capacity | 157 842 356, 24 |
| Retrocession at 40% | 4 038 151 499 |

The Ministry of Budget for the 2020 financial year should, in the execution of expenditures, after forecasting the budget, do what is indicated in table 5.

Table 6 shows the proposals addressed to the Ministry of the Budget which had to be taken into account when executing expenditure after the 2021 budget forecast.

Table 6: Proposals addressed to the Ministry of the Budget for the 2021 budget year

| Headings | Execution/FsC |
|-----------------------------|-----------------|
| Transfers and interventions | 133 480 394 717 |
| Share of each DTE | 4 044 860 416 |
| contributory capacity | 208 688 064,17 |
| Retrocession at 40% | 5 339 215,8 |

Table 6 presents what the budget ministry should do in the execution of expenditure after forecasting the budget for the 2021 financial year.

The data collected from the provincial budget minister concerning budget forecasts allowed us to estimate his execution of expenditures in the province because they constitute one or more political notions. In the calculation of the common interest revenue that the entities benefit from in terms of 40% retrocession, it is required to scrupulously observe the three parameters or rules to follow in the allocation of this 40% retrocession in execution mode and

forecasting. So we have: contributory capacity, demographics and surface area.

Depending on the capacity possessed by the province of Haut-Katanga in the DRC, the national revenues of the finance law for the 2020 financial year were 10.16% or 192,242,696,241 FC out of 524964545748.00 FC. Haut-Katanga province is the second province in terms of national revenue it contributes after the city of Kinshasa. This could be explained by the fact that the province of Haut-Katanga has the necessary potential to overcome the various problems linked to its entity, particularly those of the decentralized territorial entities which, despite this, have become incomprehensible in the fact that other projects and expenditure are neglected.

In principle, even though all decentralized territorial entities participate in common interest revenue, they do not all have the same contributory capacities due to enormous difficulties as well as their areas which have fewer inhabitants and experience the reduction of their tax base.

The Kenya commune with all the commercial activities that are developing there is a commune which has a great capacity to contribute in Haut-Katanga. It participates in common interest revenue without paying anything into the Province's account. This province mobilizes directly through its service and its agents.

There is a gap between the province's budget forecasts and that of the expected execution. The provincial budget should respect the laws which order the retrocession of 40% of common interest revenues to DTE. And this must be presented to the provincial assembly as a matter of monitoring and control during execution; while there is sometimes a total slippage following the numerous problems which arise and disrupt the various projects of the province during the financial year. During the reporting, the province will have to explain why it did not achieve the execution prerequisites as planned.

Conclusion

The article focuses on the analytical study of the provincial budget of upper Katanga and its impact on the decentralized territorial entities, 2019 to 2021. (Case of the Kenya commune) whose general objective is to contribute to the socio-economic development of the province of Haut-Katanga, to the protection, investment and sustainable improvement of the standard of living of the Haut-Katanga people but also to contribute to raising awareness of revenue recovery of the province on all levels.

To arrive at the results, we carried out a prospective analysis of revenues and expenditures recorded for the 2019, 2020 and 2021 budgetary years in the province of Haut-Katanga. This prospective analysis was supported by interview and documentary analysis.

This article examines the impact of the Haut-Katanga provincial budget on DTE in general and more particularly on the Kenya commune; it also examines the merits of its development and its vote by the provincial parliament.

The article also shows that the Kenya commune with all the commercial activities that are developing there is a commune that has a great capacity to contribute in Haut-Katanga. It participates in common interest revenue without paying anything into the Province's account. The latter mobilizes directly through its service and its agents.

Descriptive data taken from the budget ministry show that

only 67619004585.00 FC out of 842889362525.00 FC that is 8% were mobilized outside the province in 2019. This could be justified by the fact that since 2006 the national authorities have opted for retrocession in place of withholding tax, a procedure which does not even allow the money to return to the provinces as allegedly justified. The retrocession planned in the provinces has never been published particularly to the population in the provinces and made known the usefulness of the revenues recovered by the general directorate of Haut-Katanga. This worries the population in the provinces. Because it is considered useless.

We were able to compare the execution of the budget from 2019 to 2021. This comparison led us to say that there can be an improvement in the management of the public treasury if the executive branch respected the laws that the State provides in order to guarantee the independence of decentralized territorial entities. It was also noted that the province has many internal resources capable of overcoming the issue of retrocession as prescribed by the organic law.

Overall, we should not conclude that there was a failure in the preparation and voting of the budget by the provincial parliament, but rather that it made a disappointing contribution to the socio-economic development of decentralized territorial entities.

As part of this study, we realized that there is a gap between the budget forecasts of the province and that of the execution due, it is noted that despite the parliamentary votes of the budget in the province, the execution of the latter is far from reassuring the revival of economic activity and social life, the improvement of living conditions of the population languishing in poverty. A country's budget is drawn up and voted on based on the basic needs of the population, but during its execution, it is directed to emergencies that arise in the province, or even the country.

Suggestions

It is true that taking our suggestions into account would not systematically lead to an improvement in performance in science. But it will still be a step towards improving the living conditions of populations living in DTE.

We propose to the provincial assembly to start reporting the expenses to be made at the time of unforeseen events so that there is assurance in terms of revenue recovery.

We propose that the province can explain during the reporting process why it did not result in execution as planned.

The provincial budget should respect the laws which order the retrocession of 40% of common interest revenues to DTE, because they also participate in the common interest revenues of the province. And this must be presented to the provincial assembly so that the latter can establish monitoring and control mechanisms during execution; even though there is sometimes a total slippage following the numerous problems which arise and disrupt the various projects of the province during the financial year.

Based on our results, we were able to confirm that there is a gap between the province's budget forecasts and that of the due execution. This article shows the impact of the development and vote of the budget by the provincial parliament on the socio-economic development of decentralized territorial entities. It constitutes an orientation for future researchers who should think about verifying the root causes of the gap between the budgetary forecasts of the province and that of the expected execution.

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