

**Pathways to improved natural  
resource governance through fiscal  
policy in the Democratic Republic of  
Congo**

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# Democratic Republic of Congo

- No other country in Africa has such an impressive concentration & diversity of natural wealth
- Few countries in Africa have such overwhelming governance, infrastructure & development challenges

# Political economy background

- Major international efforts to rebuild the state since 2001 (dominated by peace-building)
- National budget: +/- \$5 billion
- Economy is informal & secretive
- Poor rankings in 'Doing Business' reports
- Political & economic power is controlled by the president; Parliament & judiciary have little say
- Administrative shortcomings
- Informal taxation is the real enemy
- Weak state but strong society

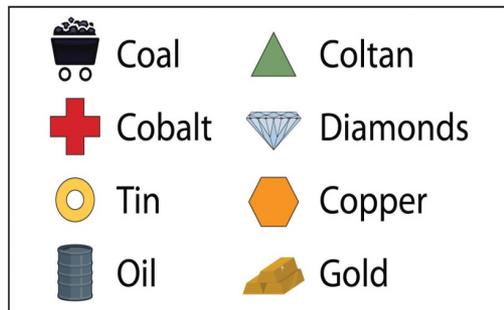
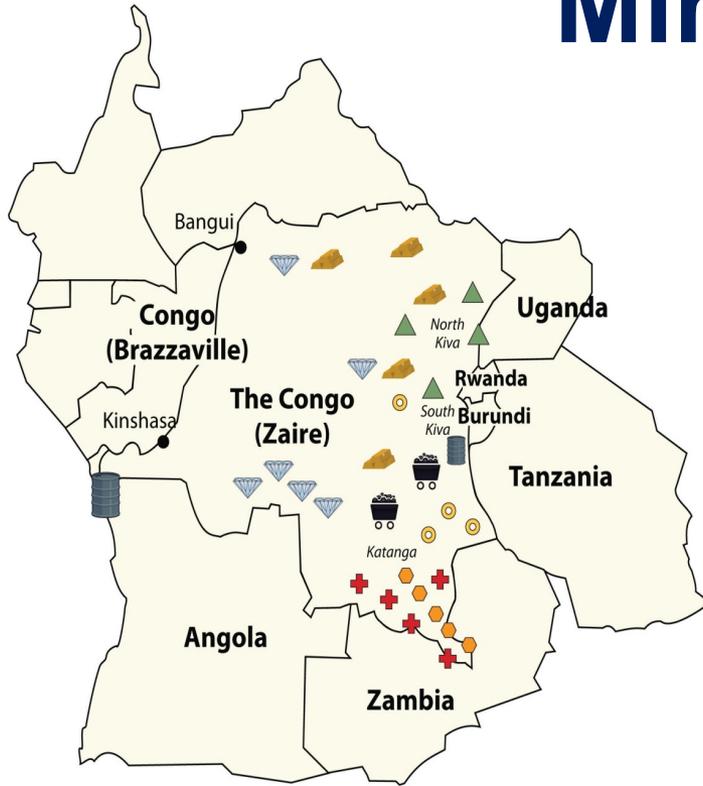
**In a resource-rich country like the  
DRC, governance & state-building  
initiatives need to be embedded in  
improved natural resource  
management**

A small boat with two people is visible on a large body of water under a blue sky. The text is overlaid on the image.

A vicious circle is firmly in place

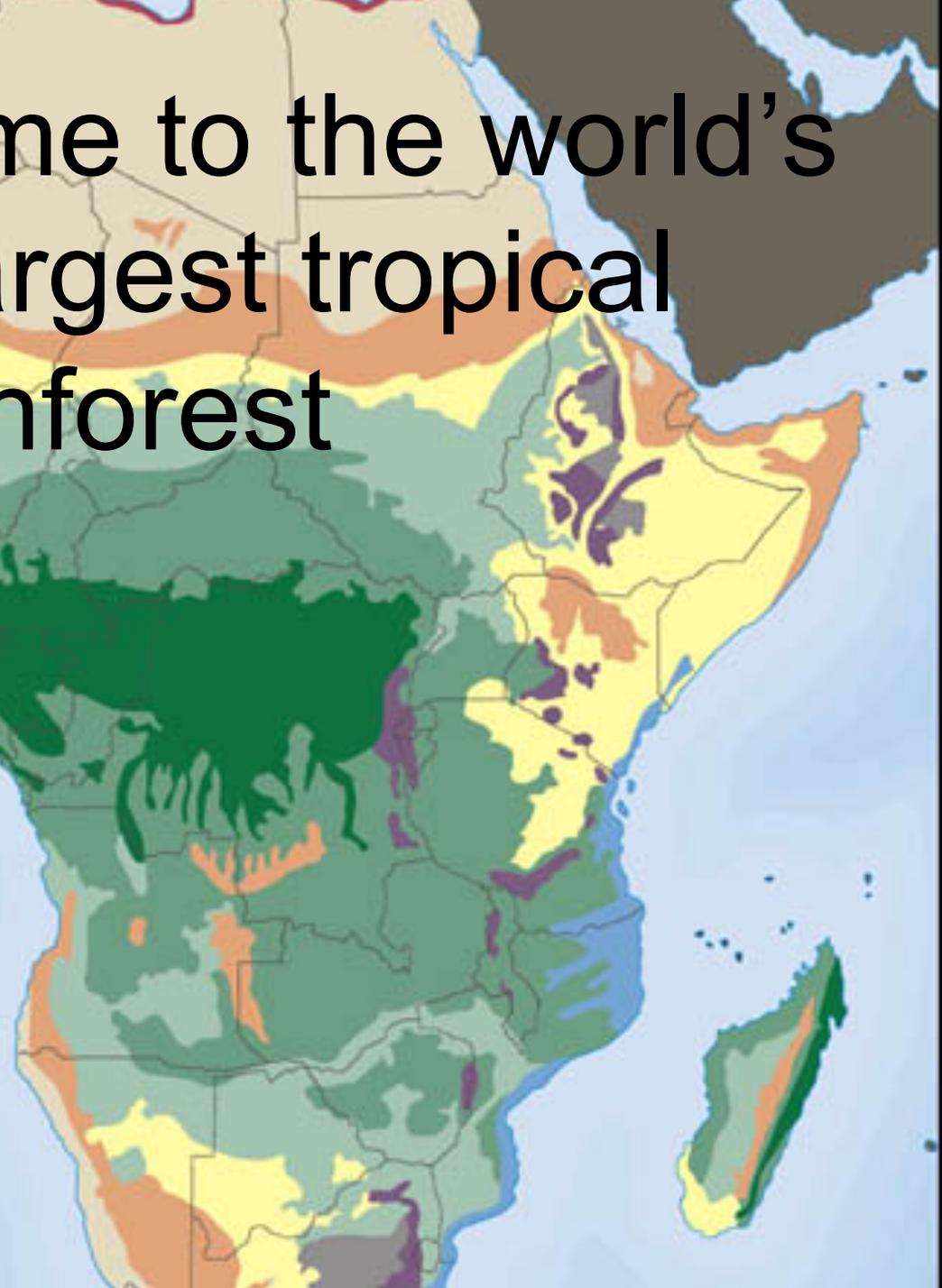
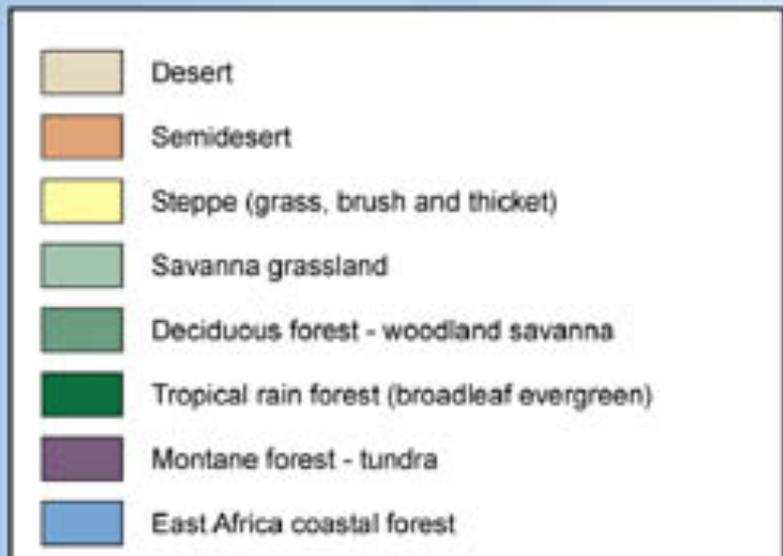
Poor natural resource management handicaps efforts to rebuild the state, but because the state is weak, it cannot regain sovereignty over its natural capital

# Mineral wealth



Congo has over 1,100 different kinds of minerals, including strategic minerals.

Congo is home to the world's  
second-largest tropical  
rainforest



A photograph of a dense tropical forest. In the foreground, there is a large pile of cut logs and branches, some of which are stacked in a way that suggests they are being prepared for use. The background is filled with lush greenery, including tall palm trees and other tropical plants. The lighting is bright, suggesting a sunny day.

**Congo's farmers could feed a billion people  
– the population of all of Africa**

**More than half of Africa's fish & water are located in the DRC**



**DRC's hydro-electric potential could  
light up the entire continent**



Oil is Congo's third most important export earner (11%) after copper (51%) and cobalt (30%) but well ahead of diamonds (3.4%) and gold (1.2%).



Natural resource management suffers from a sector-specific bias. The policy landscape is dominated by silo initiatives.

Although development planners agree that an integrated approach is necessary, it is conceptually difficult to design & implement.

# Integrated natural resource management

- **It is impossible to design viable forestry policies without making linkages with the energy and agriculture sectors because land clearing for food & fuelwood are the primary drivers of deforestation.**
- **Industrial mining needs hydropower.**

# Implications for environmental fiscality



# Implications for environmental fiscality

- ‘No taxation without representation’.
- In the broader context of the democratic process, we could reverse the logic - no representation without taxation.

# Implications for environmental fiscality

- VAT put into place in 2012 to increase state revenues.
- Mining companies & petroleum distributors main contributors.
- What lessons can be drawn from this mechanism?

# Implications for environmental fiscality

The 2002 Forest Code and the October 2005 presidential decree lay the foundation for sustainable management. However, the too-ambitious terms of the Code have squeezed out companies that pay taxes or try to respect social clauses.



# Implications for environmental fiscality

- Industrial logging contributes around 1 % to the national economy (6 times less than Cameroon).
- The problem is the state's inability to collect taxes and, if are collected, its unwillingness to transfer the money into the appropriate government channels, so – not necessarily the absence of taxable revenues themselves.
- Tax legislation and regulations are inadequate with poor coordination by different collection agencies.
- Payment methods that are not transparent have prevented reliable disclosure of real tax amounts.

# Implications for environmental fiscality

- National revenues collected by the central government through specialized structures; mainly OFIDA (customs and excise tax), DGRAD (fees and commissions), DGI and DGE (income tax).
- Taxes collected but largely unreported.
- Retrocession requirements (Art 175) to provinces from central government unfulfilled.

# Implications for environmental fiscality

Civil society can contribute to improving fiscal management but needs training & incentives to do so.



# Concluding question

**If we agree that an integrated natural resource approach in DRC is necessary to regain sovereignty & to better manage the resource base, are fiscal mechanisms prerequisites or the foundation for subsequent benefits?**

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**... governance & state-building  
initiatives need to be embedded in  
the smart mix of improved fiscal  
policy**

