

The logo for the Institute for ICTD, featuring the letters 'ICTD' in a bold, white, sans-serif font. The letters are partially overlaid by a series of concentric, semi-transparent grey circles that create a sense of depth and movement.

ICTD

Working Paper 118

**Explaining Informal Taxation and
Revenue Generation:
Evidence from south-central Somalia**

Vanessa van den Boogaard and Fabrizio Santoro

March 2021

ICTD Working Paper 118

Explaining Informal Taxation and Revenue Generation: Evidence from south-central Somalia

Vanessa van den Boogaard and Fabrizio Santoro

March 2021

Explaining Informal Taxation and Revenue Generation: Evidence from south-central Somalia

Vanessa van den Boogaard and Fabrizio Santoro

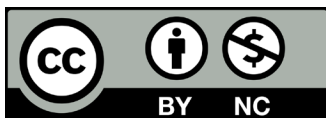
ICTD Working Paper 118

First published by the Institute of Development Studies in March 2021

© Institute of Development Studies 2021

ISBN: 978-1-78118-779-1

DOI: [10.19088/ICTD.2021.003](https://doi.org/10.19088/ICTD.2021.003)



This is an Open Access paper distributed under the terms of the Creative Commons Attribution Non Commercial 4.0 International license, which permits downloading and sharing provided the original authors and source are credited – but the work is not used for commercial purposes. <http://creativecommons.org/licenses/by-nc/4.0/legalcode>

The views and opinions expressed in this paper are those of the authors and do not necessarily reflect the official policy or position of Somalia Stability Fund.

Available from:

The International Centre for Tax and Development at the Institute of Development Studies, Brighton BN1 9RE, UK

Tel: +44 (0) 1273 606261

Email: info@ictd.ac

Web: www.ictd.ac/publication

Twitter: [@ICTDTax](https://twitter.com/ICTDTax)

Facebook: www.facebook.com/ICTDtax

IDS is a charitable company limited by guarantee and registered in England

Charity Registration Number 306371

Charitable Company Number 877338

Explaining Informal Taxation and Revenue Generation: Evidence from south-central Somalia

Vanessa van den Boogaard and Fabrizio Santoro

Summary

Most people in low-income countries contribute substantially to the financing of local public goods through informal revenue generation (IRG). However, very little is known about how IRG works in practice. We produce novel evidence on the magnitude and regressivity of IRG and its relationship with the state in a fragile context, Somalia. We rely on original data from surveys with over 2,300 households and 117 community leaders in Gedo region, as well as on extensive qualitative research.

We first show that IRG is prevalent. Over 70 per cent of households report paying at least one informal tax or fee in the previous year, representing on average 9.5 per cent of annual income. We also find that, among households that contribute, poorer ones contribute larger amounts than richer ones, with higher incidence in relation to their income. Further, in line with theory and expectations, informal payments have inequitable community-level effects, with individuals in wealthier communities making more informal payments than in poorer ones and, correspondingly, having access to a greater number of public goods.

We then consider four explanations for the prevalence of IRG. First, IRG clearly fills gaps left by weak state capacity. Relatedly, we show that IRG can bolster perceptions and legitimacy of the state, indicating that sub-national governments may actually benefit from informal taxation. Second, informal taxing authorities are more effective tax collectors than the state, with informal taxing authorities having greater legitimacy and taxpayers perceiving informal payments to be fairer than those levied by the state. Third, dispelling the possibility that informal payments should be classified as user fees, taxpayers overwhelmingly expect nothing in return for their contributions. Fourth, in contrast to hypotheses that informal payments may be voluntary, taxpayers associate informal payments with punishment and informal institutions of enforcement.

Our research reinforces the importance of IRG to public goods provision in weak formal institutional contexts, to everyday citizens, and to policymakers attempting to extend the influence of the federal state in south-central Somalia. Foremost, informal tax institutions need to be incorporated within analyses of taxation, service delivery, social protection, and equity. At the same time, our findings of the complementary nature of IRG and district-level governance and of the relative efficiency of revenue generation by local leaders have important implications for understanding statebuilding processes from below. Indeed, our findings suggest that governments may have little incentive to extend their taxing authority in some fragile contexts.

Keywords: informal taxation, informal revenue generation, equity, public goods provision, Somalia.

Vanessa van den Boogaard is a Research Fellow at the International Centre for Tax and Development, where she co-leads the research programme on informality and taxation.

Fabrizio Santoro is a Postdoctoral Fellow at the Institute of Development Studies and at the International Centre for Tax and Development.

Acknowledgements

We are grateful to the Somalia Stability Fund for funding this research and to the Danish Refugee Council (DRC) for collaborating on this project. We are particularly grateful to Ivanoe Fugali and Mohamed Mohamud Hussein AP for their partnership and for showing both great enthusiasm for the work. We are likewise grateful to all the staff at the DRC Doolow office and the DRC Somalia national security team for facilitating the data collection and welcoming us to Gedo. The research would not have been possible without an excellent team of research enumerators in Gedo region. For security purposes, the names of DRC staff and research enumerators are not shared, though this certainly does not diminish our gratitude to them. We are particularly thankful to the research participants who spoke with us and our research team during the course of this research. The paper was much improved by the useful suggestions and input from readers of early versions of this paper, including Mick Moore, Tanya Bandula Irwin, and Ahmed Hashi, as well as by the feedback from three anonymous ICTD reviewers. A particular debt of gratitude goes to Kailee Jordan, with whom we collaborated on the qualitative scoping study upon which this research builds.

Note on transliteration

In most cases when referring to clan and place names, we use the Somali spelling and the Somali Latin alphabet. In cases where there already exists a commonly accepted English spelling, however, we use that instead of the Somali (for example, we use Mogadishu instead of Muqdisho). In other cases, the new Somali spelling has become the standard, which we use accordingly (e.g. Benaadir instead of Benadir).

Acronyms

| | |
|-----|-------------------------------|
| DRC | Danish Refugee Council |
| FGS | Federal Government of Somalia |
| FMS | Federal member states |
| IRG | Informal revenue generation |

Contents

| | | |
|----------|---|-----------|
| | Summary | 3 |
| | Acknowledgements | 4 |
| | Acronyms | 4 |
| | Introduction | 7 |
| 1 | Research design and data | 9 |
| 2 | State taxation in south-central Somalia | 13 |
| 3 | Informal taxation and revenue generation in south-central Somalia | 18 |
| | 3.1 Clan governance and conflict resolution | 19 |
| | 3.2 Security provision | 20 |
| | 3.3 Social welfare and local public goods provision | 21 |
| 4 | Magnitude and distribution of informal taxation and revenue generation | 26 |
| 5 | Explaining informal taxation and revenue generation | 31 |
| | 5.1 Informal taxes as a response to constraints on formal taxes? | 32 |
| | 5.2 Informal taxes as an optimal response to information and enforcement problems? | 34 |
| | 5.3 Informal taxes as user fees? | 37 |
| | 5.4 Informal taxes as altruistic voluntary contributions? | 38 |
| 6 | Conclusions | 39 |
| | Appendices | 41 |
| | Appendix 1 Map of Jubbaland state and Gedo region | 41 |
| | Appendix 2 Settlement-level data | 42 |
| | Appendix 3 Clan distribution in Jubbaland state | 42 |
| | Appendix 4 Al-Shabaab presence in Jubbaland state | 43 |
| | Appendix 5 Number of conflict events per year by district in Gedo region | 43 |
| | Appendix 6 Somali clan lineage system | 44 |
| | Appendix 7 Taxpayer perceptions of state and non-state actors (vulnerable population) | 44 |
| | References | 45 |
| | Tables | |
| | Table 1 Summary statistics of general and vulnerable groups | 12 |
| | Table 2 Typology of informal taxation and revenue generation | 24 |
| | Table 3 Average annual contributions (USD and labour days) | 28 |
| | Table 4 IRG and tax morale in relation to state and non-state actors | 34 |
| | Table 5 Taxpayer perceptions of state and non-state actors (general population) | 36 |
| | Table 6 Assistance received by whether at least one payment is made | 38 |

Figures

| | | |
|-----------|---|----|
| Figure 1 | State tax capacity | 15 |
| Figure 2 | Estimated revenues for the FGS, FMS, and Somaliland (2018) | 16 |
| Figure 3 | Breakdown of revenues for the FGS, FMS, and Somaliland (2018) | 16 |
| Figure 4 | Frequency of formal taxation | 17 |
| Figure 5 | Frequency of informal revenue generation | 26 |
| Figure 6 | Percentage of settlements reliant on community contributions to maintain local public goods | 27 |
| Figure 7 | Informal tax contributions, by household wealth decile | 29 |
| Figure 8 | Incidence of contributions on income (%) by income deciles | 29 |
| Figure 9 | Informal contributions by village wealth decile | 30 |
| Figure 10 | Public service provision by village wealth decile | 31 |

Introduction

Individuals in low-income countries pay little in formal direct taxes, including on income and property (Moore, Prichard and Fjeldstad 2018; van den Boogaard 2018). This is particularly true in Somalia, which, with a tax to GDP ratio of little over 2 per cent of GDP, has the weakest tax capacity in the world (ICTD/UNU-WIDER 2020; World Bank 2019).

Nevertheless, there is growing recognition that most people in low-income countries contribute substantially to the financing of local public goods through informal taxation and revenue generation (see Lust and Rakner 2018; Olken and Singhal 2011; Prud'homme 1992; van den Boogaard, Prichard and Jibao 2019; van den Boogaard and Prichard 2016). Despite this growing recognition, there remains limited understanding of how local public goods financing works in practice and limited empirical evidence across diverse contexts.

Through a detailed exploration of informal taxation and revenue generation in Gedo region in south-central Somalia, we contribute novel evidence to a growing body of literature in this field (e.g. Paler, Prichard, Sanchez de la Sierra and Samii 2017; Titeca and Kimanuka 2012; van den Boogaard 2020; Walker 2017). First, we provide rich empirical data on informal public goods financing in an understudied case. Though much has been written about the nature of non-state service delivery and welfare provision in the context of the 'collapse' of the Somali state in 1991, the role and implications of *citizens* in contributing to the funding of these public goods through informal tax and fee payment is often overlooked. We draw attention to the underappreciated ways that Somalis contribute to and bear the burden of public goods provision in the absence of a centralised, redistributive tax system. Second, by relying on both rich empirical data on informal taxes, fees, and contributions from surveys of over 2,300 households and 117 community leaders as well as deep contextual knowledge of the processes and grounding of informal payments, we offer an expansive view of the nature and significance of informal revenue raising, as well as its relations to local institutions and the state. We capture both informal and formal payments, as well as contributions to and perceptions of multiple actors. This allows for a more nuanced exploration of the effects of different types of informal taxes and their situation within a broader fiscal–political context compared to studies that consider informal taxation alone. Alongside this empirical evidence, we provide an in-depth look at the complex nature of informal revenue raising institutions and the multitude of actors involved.

In our analysis, we define informal revenue generation as non-market payments that are not required or defined by state law and are enforced outside of the state legal system (van den Boogaard 2020).¹ According to this definition, informal state or non-state actors may levy taxes – what matters is whether the taxes have a formal legal basis and reach the formal public budget.² Informal revenue generation serves as an umbrella concept that captures a range of different informal payments: some that look more like user fees to access specific services, some that look more like taxes to collectively finance public goods, some that finance informal governance institutions and systems of social welfare, some that are defined by state law but whose revenues don't reach state coffers, and some that may look more like protection payments or extortion for the provision of security, with little choice of whether to pay or not.³ Rather than trying to strictly categorise payments as such, we recognise that

¹ This is in line with the definition of Prud'homme (1992: 6), who defines informal taxation as 'nonformal means utilised to finance the provision of public goods', and is broader than the definition used by Olken and Singhal (2011: 5), who capture only contributions to the collective construction of community works. In line with the political science literature, we define *local public goods* as goods that are geographically targeted and confer benefits on multiple community members, rather than the stricter economic definition (see e.g. Tiebout 1956). Examples include public schools and water wells.

² We specify enforcement as 'outside of the state legal system' in order to contrast with enforcement through social and informal institutions.

³ In defining informal payments as being enforced outside of the state, we are less concerned with the inherently blurred lines between their voluntary or compulsory nature – which is complicated in contexts, as in Gedo region, where social

'the provision of any public good likely involves some combination of these types of payments, while also often involving multiple taxing actors, which themselves may not always be easily categorised as "state" or "non-state"' (van den Boogaard 2020: 54). We value a broad conceptualisation in order to better understand the real costs for taxpayers to access public goods and services in contexts of weak formal systems of tax and redistribution, though likewise see value in disaggregating informal revenue generation in our analysis in recognition of the diversity of payments captured within.

Fundamentally, our evidence makes clear that informal revenue generation in Gedo region is both prevalent, deeply embedded within clan-based and Islamic institutions, and also rooted in a long history of decentralised political authority and self-reliance in the region – as described in Sections 2 and 3. We present several stylised facts about informal revenue generation. First, it is prevalent, with over 70 per cent of respondents reporting having paid at least one informal tax or fee in the previous year. Second, informal payments represent a significant share of annual income for households (on average 9.5 per cent among households that make any informal payment), with incidence in cash higher than through labour. Third, we find that informal payments are not regressive at the extensive margin, as more vulnerable populations contribute less, but are regressive at the intensive margin among households that make any payments. Among households that contribute, we find that poorer ones contribute larger amounts than richer ones. Correspondingly, the incidence of such amounts over income is higher in poorer than richer households. At the same time, reliance on informal payments implies inequitable community-level effects, with individuals in wealthier communities making more informal payments than in poorer ones.

Building on the seminal work of Olken and Singhal (2011), we move beyond these stylised facts to further explore non-mutually exclusive explanations for the prevalence of informal revenue raising in this context. Four key findings emerge. First, informal payments clearly fill gaps left by weak state capacity. We argue, however, that the Somali government lacks not just the capacity but also the will to strengthen direct taxation, given in part its reliance on the business community and clans to govern and to maintain peace and stability. Further, we present novel evidence that sub-national governments may actually benefit from the outcomes enabled by informal payments, with payment of informal taxes positively correlated with district-level tax morale, thus suggesting that local governments may have little incentive to extend their taxing capacity and authority or control informal taxes. On the one hand, this finding, indicating that informal taxes may actually increase the state's capacity to collect formal taxes and strengthen state legitimacy through tax morale, is theoretically surprising given the tendency to assume that informality undermines state institutions (e.g. Böröcz 2000; Lauth 2000). However, it is consistent with more recent and nuanced understandings of informality that show informal institutions do not necessarily exist in a zero-sum relationship with formal ones (see e.g. Cleaver 2001; Helmke and Levitsky 2004; Lund 2006; Meagher 1990, 2007, 2012), and supported by recent evidence that informal taxing actors may reinforce state authority and strengthen the state's capacity to govern (Roitman 2005; Titeca and De Herdt 2011; van den Boogaard 2020). Second, the decentralised nature of informal taxing authority is more effective than the state at both gathering the information necessary for revenue raising and enforcing payment, as well as in encouraging quasi-voluntary tax compliance, with relatively high taxpayer perceptions of the fairness of informal payments. This finding is in line with research from Sierra Leone that shows that taxpayers have more positive perceptions of informal taxes than formal taxes (van den Boogaard *et al.*

pressures and intragroup reliance for survival are high – than we are with capturing the experience and perspectives of taxpayers themselves. While we thus do not capture entirely voluntary contributions, including donations through *sadaqah* (an Islamic voluntary charitable contribution collected through mosques and nationwide networks), we capture a range of informal payments that may be more or less mandatory in different spatial and temporal contexts. For a deeper discussion of the complicated nature of the concept of informal revenue generation – particularly with regard to its relationship to state law and public goods provision; the blurred lines between taxation, corruption, and extortion; and the spectrum of voluntarism versus obligation – see van den Boogaard (2020: 51-65).

2019), as well as broader evidence that citizens have greater trust in more localised authority (e.g. Bratton 2010). Third, while some forms of informal revenue generation can be classified as user fees, linked directly to service provision, taxpayers overwhelmingly indicate that they expect nothing in return for the most common forms of informal payments. Finally, despite there being an undeniably blurry relationship between the voluntary and compulsory nature of many types of informal payments that rely on social enforcement, taxpayers overwhelmingly viewed informal payments as being associated with forms of punishment.

We develop these arguments in the following six sections. The first section outlines the research design and summarises the data upon which we rely. In Section 2 we provide background on the nature of state taxation in south-central Somalia, illustrating how effective direct taxation under a centralised authority has long been a persistent challenge, leading to a context today wherein the central government effectively does not collect taxes outside of Mogadishu, while the sub-national tax system is fragmented and lacks grounding in a framework of fiscal federalism. With the context thus set, in Section 3, we provide a detailed descriptive view into the nature of community-based informal revenue raising in Gedo region, demonstrating how it is essential to the collective obligations shaped by clan governance institutions and customary law, the provision of security in fragile contexts, and the provision of both social welfare and local public goods. Building on this conceptual understanding of informal revenue raising, in Section 4 we present stylised facts with respect to the magnitude and distribution of informal taxation and revenue generation in this context. Section 5 proceeds to test non-mutually exclusive hypotheses for explaining the prevalence of informal taxation in the region. Section 6 concludes by considering the implications of our findings and highlighting key questions for future research.

1 Research design and data

In line with our central objective of contributing to the empirical basis of knowledge around informal taxation, we explore the phenomenon in the understudied context of south-central Somalia, representing an ‘unusually revelatory’ case for the study of informal taxation (Eisenhardt and Graeber 2007: 27). Existing data on informal revenue generation (IRG) indicates that it may be more prevalent where state institutional capacity is weak, public services are insufficiently provided by the state, conflict has affected the legitimacy of the state, and actors outside of the state have taxing authority (van den Boogaard 2020). Across these four indicators, Somalia represents an extreme case, making it an ideal context within which to explore the nature of informal taxation and revenue generation.

This study is the result of two distinct phases of data collection in the region. First, in 2016, one of the authors led qualitative data collection in seven case studies in Hirshabelle and Jubbaland states, representing a mix of rural and urban locations.⁴ For this qualitative scoping study of the context of informal taxation in south-central Somalia, interviews were delegated to Somali-speaking research assistants with secure access to case study regions.⁵ Over 40 focus group discussions were held with, separately, taxpayers; women; clan or traditional leaders; business people, traders, and/ or market leaders; and civil society

⁴ In Hirshabelle state, data was collected in Beledweyne, El Gal, Matabaan, and Buuloburde. In Jubbaland state, data was collected in Kismayo, Dooloow, and Beled Xaawo.

⁵ Research enumerators followed structured interview and focus group discussion guides, as well as completing summary briefs after each interview and focus group discussion in order to record reflections about the data. While working with local research assistants facilitated access and ensured greater security for research teams and participants, delegating data collection comes with additional challenges (see e.g. Cammett 2013). Accordingly, during data collection we held frequent meetings with research teams and reviewed data daily to ensure data quality. Data security and guarantees of anonymity were central to the research process. Accordingly, when citing interviews, we do not identify sub-state locations and provide no other identifying information. More information about this study and a highlight of key findings is published as Jordan (2016). For interview and focus group discussion questionnaires, see the online appendix.

leaders, including youth groups. Additionally, 72 interviews were conducted with local government finance officials, council members and chairpeople, mayors, district commissioners, representatives from local government tax departments, tax collectors, traditional, religious and clan leaders, civil society representatives, and taxpayers.

Building on this qualitative scoping study, in 2018, we engaged in quantitative data collection in Doolow, Luuq, and Beled Xaawo districts of Gedo region, situated in Jubbaland state in south-central Somalia (see Appendix 1). Relative to northern Somalia, south-central Somalia represents a useful context in which to study informal revenue generation as a result of the legacy of its long history of decentralised governance, severe experience of civil conflict after the fall of the state in 1991,⁶ longstanding presence of Islamist groups,⁷ and evidence of community-based self-reliance, taxation and hybrid governance (see e.g. Gundel 2006; Menkhaus 2004a: 27, 2006: 86).⁸ Within the administrative region of Gedo, we used a stratified sub-district sampling frame, purposively selecting 128 settlements in Gedo region on the basis of their voluntary engagement to be included for consideration within a matching grant and cash transfer programme funded by the Somalia Stability Fund and implemented by the Danish Refugee Council (DRC).⁹ Descriptive data about settlements is included in Appendix 2.¹⁰

There are two potential limitations to how representative these settlements are of the broader population in south-central Somalia. First, in order to be eligible for consideration in the DRC programme, settlements had to be secure enough to allow for DRC field staff to visit at the time of data collection (March 2018) and thus may not be comparable to less secure ones. Though selected settlements include multiple clans, they are primarily dominated by the Marehan (see Appendix 2), with such clan dominance often being an indicator of stability and cohesion. While selected settlements may thus be relatively secure, there is good reason to think that they do not differ significantly from other settlements in Gedo region, given the broader dominance of the Marehan in the region (see Appendix 3; Appendix 4). Nevertheless, the institutions of local governance and revenue raising that we map in Gedo region may not be representative of other areas of south-central Somalia that are less secure and/or dominated by other clan families.¹¹ Despite the potentially unique context of Gedo

⁶ The civil war that broke out in the 1990s was centred in southern Somalia, while even after the Transitional Federal Government was established in 2004, south-central Somalia continued to face instability and more complex conflict rooted in clan-based political factional rivalry, warlordism, and Islamic-based factionalism (Gundel 2006).

⁷ During the civil war, Jubbaland had a significant presence of Islamist militants, including *al-Itihaad al-Islamiya*, which rose to power in the region in the 1990s and was headquartered in Luuq district. By 2007, Harakat al-Shabaab al-Mujahideen (al-Shabaab), the erstwhile youth wing of the Islamic Courts Union, seized control over towns in Jubbaland state and much of south-central Somalia. Even after Jubbaland was incorporated into the Federal Government of Somalia in 2013, al-Shabaab has continued to exercise control in large parts of the rural areas of the state and in most of the rural areas and roads between districts in Gedo region, as well as territory in the southeast of the district (Hansen 2016; Hiraal Institute 2020b; UN Habitat 2018: 5,6). As noted by the Hiraal Institute (2020b), al-Shabaab's 'main focus among the federal member states is Jubbaland, where it increased its attacks [in 2020]'. See Appendix 4.

⁸ By contrast, with the fall of the central state in 1991, in the north, two former militia factions quickly established political control over substantial territories, creating the self-declared autonomous state of Somaliland in 1991 and the autonomous regional administration of Puntland in 1998, with both considered 'de facto states' (Johnson and Smaker 2014), offering 'lessons in successful Somali governance' (Hesse 2010a). Somaliland been widely seen as 'an oasis of (relatively) good governance' (Hesse 2010b: 350; see also Eubank 2012; Le Sage 2005; Walls 2009), and described as a 'state-within-a-failed-state' (Bryden 2004), while Puntland was the only part of Somalia unaffected by the civil war, enabling it to create 'a viable regional administration authority' (Menkhaus 1998: 221).

⁹ Data in this paper served as baseline for an evaluation of this programme, more information about which is available in van den Boogaard and Santoro (forthcoming).

¹⁰ We define settlement in line with the UNFPA (2014: 118) as 'A group of dwellings comprising different households in a delineated area with clear boundaries.' Most of these are rural villages (*tuulo/bulsho*), though our sample also includes the three district headquarter towns of Luuq, Doolow, and Beled Xaawo. While the population of internally displaced people (IDPs) in Gedo region is relatively high (estimated to be 15 per cent relative to 9 per cent across the country) (UNFPA 2014), our sample excludes IDP camps.

¹¹ Overall, despite the continued presence of al-Shabaab, Gedo is perceived to be safer than other regions in Jubbaland state on account of political and economic power being centralised in the hands of an important clan, the Marehan (Menkhaus 2006: 84), having a more homogenous population, and having a significant Ethiopian military presence (UN Habitat 2018: 22). This concentration of power comes at the expense of minority clans including the Raxanweyn and

region, as there is no established theory on the relationship between informal taxation and insecurity,¹² there is no a priori reason to think that our estimations of informal tax are systematically over or underestimated.

Second, as villages in our sample opted to be considered for the DRC's matching grant programme, which required communities to raise revenues locally, they may be more likely to have a stronger ability to mobilise informal revenues than communities that did not opt in. This possibility is made more likely by the reality that the majority clan in the region dominated most of the settlements. Nevertheless, our previous experience studying informal taxation and revenue generation outside of Gedo region, including elsewhere in Jubbaland and Hirshabelle states, give us confidence that the nature and prevalence of informal revenue generation that we describe, if not the exact institutional configurations, reflects broader patterns of 'self-reliance' and 'self-help' in the south-central region. While the nature of informal revenue collection and social welfare provision are expected to differ based on clan family and region, we are confident that informal revenue generation and public goods provision is more broadly significant in the region.

Our primary source of data is an original household survey capturing formal and informal tax incidence, public goods usage, perceptions of state and non-state actors and taxation, and civic and political participation.¹³ Enumerators conducted surveys with 1,297 randomly selected households ('general group') and an additional 1,037 vulnerable households that were randomly selected from a population identified by community leaders as vulnerable ('vulnerable group').¹⁴ Vulnerability in the latter group is demonstrated in the higher distribution of female respondents,¹⁵ lower levels of education, and lower incomes (demonstrated through a poverty index ('wealth index (PCA)'), joblessness and lack of land ownership), while those in this group simultaneously have less access to assistance,

does not imply that there is a lack of intraclan conflict. For example, within the Marehan there is a split between original inhabitants (*guri*) and new settlers (*galti*), with common conflicts over power and resources.

¹² On the one hand, more insecure regions may rely on informal taxation to a greater extent, given more limited ability for state and humanitarian actors to provide local services and given greater need for local actors to provide security. On the other hand, more insecure regions may be more divided, with local leaders less able to levy informal taxes.

¹³ Ethics and security protocols were strictly followed in line with ICTD research protocols and the security guidelines of the DRC. Given the conflict-affected context, there were considerable ethical and security considerations related to conducting fieldwork (see e.g. Peritore 1990; E. J. Wood 2006). The security team at the DRC was essential for ensuring that the fieldwork was conducted safely and ethically. As described, case selection was shaped by the relative security of settlements. The security team provided daily security status reports, with teams of enumerators moving only with the permission of the security team, who approved areas for research and monitored the situation on the ground. At the same time, enumerators and field supervisors were critical in interpreting complex cultural contexts and monitoring potential threats of violence. Their embeddedness in local communities (with enumerators selected from each of the three case study districts) ensured access to security-related information through trust-based relationships. Several further precautions were taken to ensure the security of both the research team and participants. In particular, the survey does not ask questions that could be perceived to be overly political or related to ongoing statebuilding processes. Accordingly, we ask questions about the government at the district level, but not more broadly. At the same time, we do not ask questions directly about informal payments made to or relations with militias and armed groups. In every situation, we only engaged with research participants after acquiring informed consent and ensuring that we were able to provide credible guarantees that the research would not cause harm to the research participants. Data security and guarantees of anonymity were central to the research process. Further, gender dynamics were particularly important to consider in the context for both the safety of research enumerators and the validity of data (for further discussion see e.g. Arendell 1997; Jackson and Kelly 2019). Enumerators included both men and women, though field research supervisors in each district were male in order to facilitate the movement of research teams. Having a gender-balanced team was important to ensure the participation of women in the surveys, interviews, and focus group discussions, with female enumerators often having greater access to female-headed households. For further reflections on the gender dynamics and the relevant challenges, opportunities, and ethical dilemmas in data collection in a different context, see van den Boogaard (2019).

¹⁴ Community leaders identified these households as vulnerable in order to be eligible for cash transfers through the DRC programme described above.

¹⁵ Women are marginalised from clan decision-making, which is led by male clan elders on the basis of consensus (J. Gardner and Bushra 2004; Gundel 2006: iv). Despite the patriarchal system and limited income earning potential of women, they are, according to the PDRC (2019: 1), 'the primary providers, breadwinners and the backbones of many households', in part as a result of conflict-related household disruptions (see also J. Gardner and Bushra 2004; UNFPA 2016). At the same time, women have long been central to community-based public goods provision and have often been responsible for paying for informal user fees and taxes, particularly where they relate to education and health care (PDRC 2019; see also Joshi, Kangave and van den Boogaard 2020).

potentially related to their greater social marginalisation and lower rates of civic engagement, including participation in organised religious, social, political or trade groups (Table 1). Capturing data from both samples gives a more complete picture of outcomes in this context, in particular allowing us to more systematically explore regressivity across the general population, as well as within lower income and female-dominated sub-populations.

Table 1 Summary statistics of general and vulnerable groups¹⁶

| | General | | Vulnerable | | Difference |
|----------------------------|---------|------|------------|------|------------|
| | Mean | Obs | Mean | Obs | |
| <i>Demographics</i> | | | | | |
| Female | 0.43 | 911 | 0.77 | 649 | -0.34*** |
| Any education | 0.31 | 911 | 0.23 | 649 | 0.08*** |
| <i>Job and earnings</i> | | | | | |
| No job | 0.26 | 1298 | 0.51 | 693 | -0.25*** |
| Agriculture | 0.26 | 1298 | 0.09 | 693 | 0.17*** |
| Pastoralism | 0.31 | 1298 | 0.28 | 693 | 0.03 |
| Casual labour | 0.28 | 1298 | 0.21 | 693 | 0.07*** |
| Looking for a job | 0.60 | 335 | 0.63 | 349 | -0.03 |
| <i>Housing</i> | | | | | |
| Own with land title | 0.68 | 1308 | 0.47 | 649 | 0.21*** |
| Wealth index (PCA) | 0.03 | 1308 | -0.06 | 649 | 0.09** |
| <i>Assistance received</i> | | | | | |
| Lack of food or water | 0.13 | 1281 | 0.10 | 1036 | 0.04*** |
| Crop failure | 0.04 | 1281 | 0.02 | 1036 | 0.02*** |
| Health emergency | 0.12 | 1281 | 0.07 | 1036 | 0.05*** |
| Disability | 0.04 | 1281 | 0.02 | 1036 | 0.01** |
| Care for the elderly | 0.06 | 1281 | 0.06 | 1036 | 0.00 |
| Pregnancy | 0.08 | 1281 | 0.06 | 1036 | 0.03** |
| School fees | 0.05 | 1281 | 0.02 | 1036 | 0.03*** |
| Abuse or violence | 0.04 | 1281 | 0.02 | 1036 | 0.02*** |
| Funeral | 0.10 | 1281 | 0.06 | 1036 | 0.04*** |
| <i>Civic participation</i> | | | | | |
| Religious group | 0.16 | 1308 | 0.07 | 649 | 0.09*** |
| Women association | 0.20 | 1308 | 0.21 | 649 | -0.02 |
| Youth association | 0.10 | 1308 | 0.05 | 649 | 0.05*** |
| Political group | 0.07 | 1308 | 0.06 | 649 | 0.01 |
| Ethnic association | 0.14 | 1308 | 0.07 | 649 | 0.07*** |
| Trade association | 0.08 | 1308 | 0.05 | 649 | 0.02** |
| Social group | 0.08 | 1308 | 0.06 | 649 | 0.02 |
| <i>N</i> | 2335 | | | | |

Wages are in Somali shillings. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Settlement-level data complements household-level data. Enumerators conducted surveys with 117 community leaders, including clan elders and leaders of village committees, capturing settlement-level data on public services, self-help activities, political and civic decision-making, community groups, civic participation, the nature of formal and informal taxation, security, and information about community development projects. Providing additional empirical richness, we rely on directly observable data about the settlements collected by enumerators, including the quantity and quality of public services and indicators of local accountability, transparency, and decision-making processes.¹⁷

¹⁶ All variables in Table 1 are indicator variables that take value 0 or 1. The only exception is the wealth index, built from principal component analysis (PCA). PCA delivers the combination of housing indicators which retain the highest variance in the sample, or first component. The indicators used to build the index are the following: whether the household has a mobile phone, whether the house is owned with a formal land title, whether the house has roof, walls, floor, the number of rooms in the house, and whether the respondent has a job.

¹⁷ Questionnaire forms are available in the online appendix to this paper.

2 State taxation in south-central Somalia

Effective direct taxation under a centralised authority has been a persistent challenge in south-central Somalia. Before the colonisation and partition of the territory occupied by ethnic Somalis by Ethiopia, Britain, Italy and France, there was no centralised Somali state, with it largely only being 'on the coast that any degree of centralised government was established and maintained' (Lewis 2002: 33). As nomadic pastoralists, much of the population did not fall under a state-like authority, but rather was politically decentralised, representing 'a nation, not a state' (Lewis 1993: 25; see also Laitin and Samatar 1987).¹⁸ With colonial intervention and the establishment of British and Italian Somaliland in the late nineteenth century, tax capacity remained weak. Colonial authorities were unable or unwilling to institute an effective system of direct taxation, relying primarily on indirect taxes and customs duties (Kakwenzire 1986: 669; Lewis 2002: 104; Abdi Ismail Samatar 1989: 86; S. S. Samatar 2009: 104), in part because of fierce resistance to colonial authority and taxation in particular (Issa-Salwe 1996; Gesheker 1985; Hess 1966; Kakwenzire 1986; Mohamoud 2006; Abdi Ismail Samatar 1989; Tripodi 1999: 65; Turton 1969, 1972).¹⁹

The state's reliance on indirect taxation persisted after the unification of Italian and British Somaliland and the independence of the Somali Republic in 1960 (Medani 2003: 200), with domestic revenues often insufficient to fund government activities. In part due to the 'structural defects of the taxes and... the inefficient operation and administrative weaknesses of the tax system' (Purohit 1990: 188; see also Mohamud and Isak 2019; Mubarak 1996), the authoritarian regime of Mohamed Siyaad Barre (1969–1990) relied on a high proportion of 'Cold War-generated' international aid, rather than taxes (Menkhaus 2006; Abdi Ismail Samatar 1988; Varming 2019). Even as tax revenues increased throughout the 1970s and 1980s, they were predominately made up of customs taxes, while contributing little to state expenditure (Purohit 1990),²⁰ with the state having limited reach or presence outside of Mogadishu.²¹ Following the disastrous Ogaden War with Ethiopia from 1977–1978, the economic mismanagement and repression of the Barre regime intensified (Menkhaus 2006; Omar 1992). With the freezing of aid by Western donors in 1988–89, the central government was 'left virtually devoid of resources' (Menkhaus 2006: 80), collapsing in January 1991. During the subsequent period of statelessness, there was no official, centralised tax system (Mohamud and Isak 2019; Webersik 2004: 91, 150–154, 172, 179–180).²²

Various attempts at peace and statebuilding were attempted between 2000 and 2011, though as their authority was transitional and limited, attempts to re-introduce taxes and customs duties were largely ineffective (Isak 2018; Mohamud and Isak 2019). Even after the establishment of the internationally recognised Federal Government of Somalia in 2012 – the first permanent central government in the country since the start of the civil war – the central state and its taxing capacity remain weak. This is unsurprising given that the central government has limited power outside of Mogadishu.²³ At the same time, the presence of

¹⁸ The exceptions to this political decentralisation were the city-states and sultanates of the Middle Ages and early modern period. Some of these, including Adal in the north and Ajuran and Geledi in the south, extended considerable reach beyond the coast (including in Jubbaland) and collected tribute from cultivators in the form of agricultural goods and from nomads in the form of livestock (see e.g. Cassanelli 1982; Jalata 2004; Njoku 2013).

¹⁹ Abdi Ismail Samatar (1989: 86) shows that 'in the case of the Italian colony indirect taxes constituted about 73 per cent of the state's locally generated revenues between 1950 and 1958... In the British Protectorate indirect taxes, mainly in the form of customs duties, accounted for more than 80 per cent of the local revenues from 1955 to 1959'.

²⁰ Menkhaus and Ortmayer (1999: 4) describe that 'By the mid-1980s, 100% of Somalia's development budget was externally funded, and 50% of its recurrent budget was dependent on international loans and grants.'

²¹ Indeed, Barre was jokingly referred to by Somalis as the 'Mayor of Mogadishu' (Spears 2004: 19–20).

²² During this period, Menkhaus (2004c: 51) described Somalia as 'the largest duty-free shop in the world'.

²³ As described above, precolonial authority was relatively decentralised, and colonial institutions did nothing to strengthen the reach of the central administration, while during the period of state collapse, 'real political power' became 'radically decentralised' (Menkhaus 1998: 224; see also Menkhaus and Prendergast 1995).

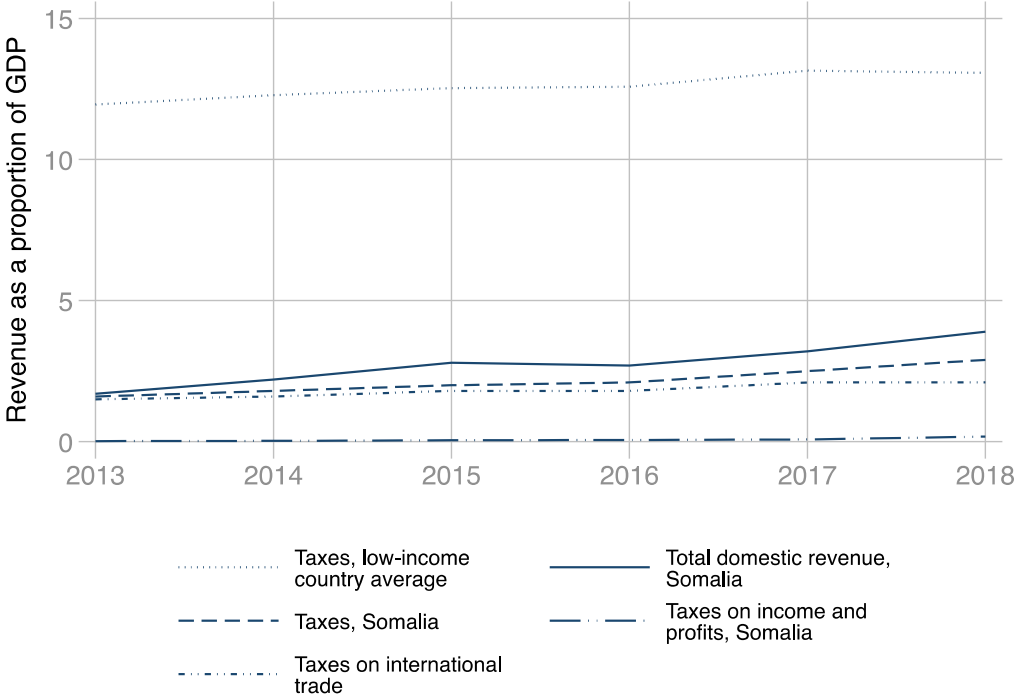
armed groups with parallel governing and taxing structures limits the state's capacity to extend its reach outside of the capital region. Most consequentially, al-Shabaab runs a 'shadow government', including a highly efficient and centralised taxation system that is applied consistently across southern and central Somalia (Bryden 2014; Hansen 2016; Hiraal Institute 2018, 2020a; Joseph and Maruf 2018; United Nations Security Council 2018).²⁴

These factors have led to a situation wherein the federal government only collects revenue from the Benaadir (capital) region in practice, with formal central state taxation non-existent outside of Mogadishu and key ports of entry (Mohamud and Isak 2019: 126; United Nations Security Council 2018; World Bank 2015). Annual federal tax revenues are estimated at on average little over 2 per cent of GDP between 2013 and 2018, the only years for which data is available (Figure 1) – or about half of what al-Shabaab is estimated to take in in revenues each year (Hiraal Institute 2020a).²⁵ An even better indicator of state capacity is direct taxation to GDP, given that it is more difficult to collect taxes on income or wealth than it is to collect indirect taxes on sales and international trade (e.g. Fukuyama 2013: 353). On this indicator, Somali formal tax capacity performs even worse, with total taxes on income and profit amounting to on average only 0.09 per cent of GDP over the same period, with the state almost entirely dependent on international trade taxes (Figure 1; see also United Nations Security Council 2018; World Bank 2015, 2017).

²⁴ While not the only armed group that is involved in tax collection in Somalia – notably, the Islamic State has been growing in strength in Somali territory since 2015 – al-Shabaab remains the largest and most sophisticated. Its taxing capacity extends beyond its areas of territorial control – even spreading into the capital, Mogadishu, the only city that the government has reliably controlled – and is broader, more effective, and more systematic than that of the federal government (Faruk and Bearak 2019; Hiraal Institute 2018; Maruf 2018; United Nations Security Council 2018: par. 86). Notably, it is significantly more effective at directly taxing income than the central government, while being the only Somali polity to have substantial money reserves (Hiraal Institute 2020a).

²⁵ While domestic revenue has increased considerably in recent years as a result of a range of tax policy and administrative reforms (see e.g. Mohamud and Isak 2019), Somalia still has the lowest domestic revenue to GDP ratio in the world. Even while the Federal Government of Somalia argues that it's not fair to compare Mogadishu-based revenue with the national GDP, Mohamud and Isak (2019), researchers within the Ministry of Finance, estimate that a comparison with consolidated fiscal data would only put the revenue ratio at over 2.5 per cent.

Figure 1 State tax capacity



Data source: ICTD/UNU-WIDER (2020); World Bank (2019).²⁶

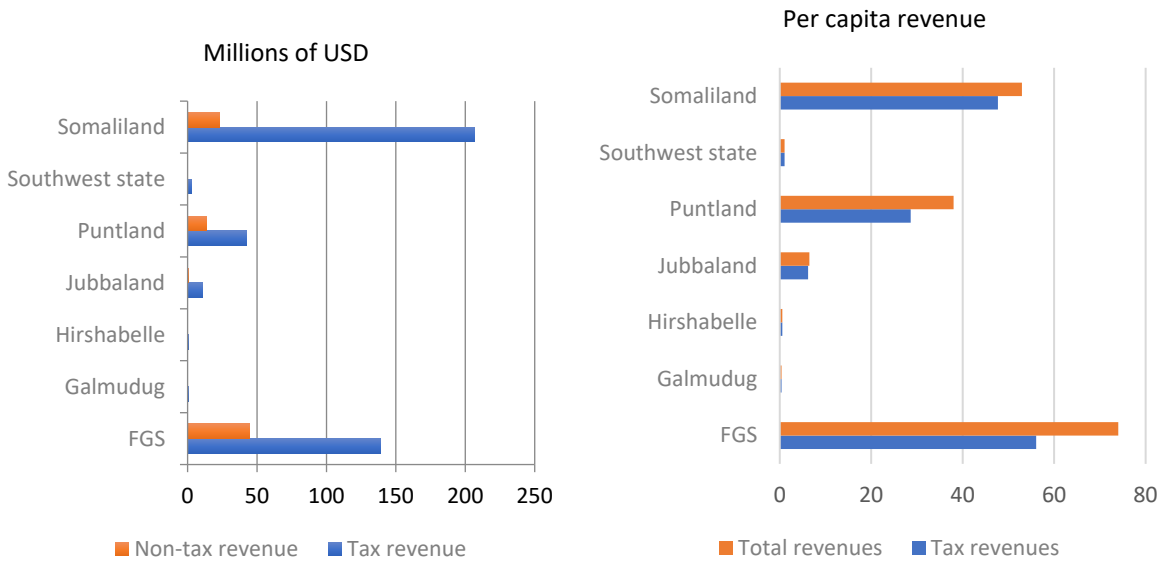
Meanwhile, the sub-national tax system is fragmented, with ‘multiple and layered public administrations’ collecting taxes (Musa, Stepputat and Haggmann 2020: 2; see also Haggmann and Hoehne 2009), representing an ‘extreme case’ of multiple taxation (Raballand and Knebelmann 2020: 23).²⁷ Federalisation is incomplete, with no clear framework for fiscal federalism (Federal Government of Somalia 2016: vii). While the ongoing federalising process outlines an agreement wherein the federal member states (FMS) and the Federal Government of Somalia (FGS) share the responsibility of delivering services to citizens (Federal Republic of Somalia 2012), policies around power sharing are ambiguous, especially in relation to tax assignments among the governments and intragovernmental transfer policies (Isak 2018), with negotiations ongoing between the FGS and FMS.²⁸ With this ambiguity, federal member states collect taxes in their jurisdictions without central oversight or clarity on tax assignments, with revenue collection processes ‘still in the making’ (Musa *et al.* 2020: 7). Unsurprisingly, performance of sub-national entities is highly variable, with Jubbaland state among the worst revenue performers, with per capita taxation amounting to just US\$6.2 in 2018 (Raballand and Knebelmann 2020: 11).

²⁶ Somalia tax and revenue data are sourced from World Bank (2019), while the low-income country average over the same period is sourced from ICTD/UNU-WIDER (2020). Note that total revenue excludes external grants, which represented on average 1.6 per cent of GDP from 2013 to 2018 (World Bank 2019).

²⁷ This reflects the patchwork nature of statebuilding after the civil war, when the lack of central state authority led to a situation wherein ‘whoever had territorial control and defended it became a de facto state’ (Musa *et al.* 2020: 6; see also Hoehne 2009).

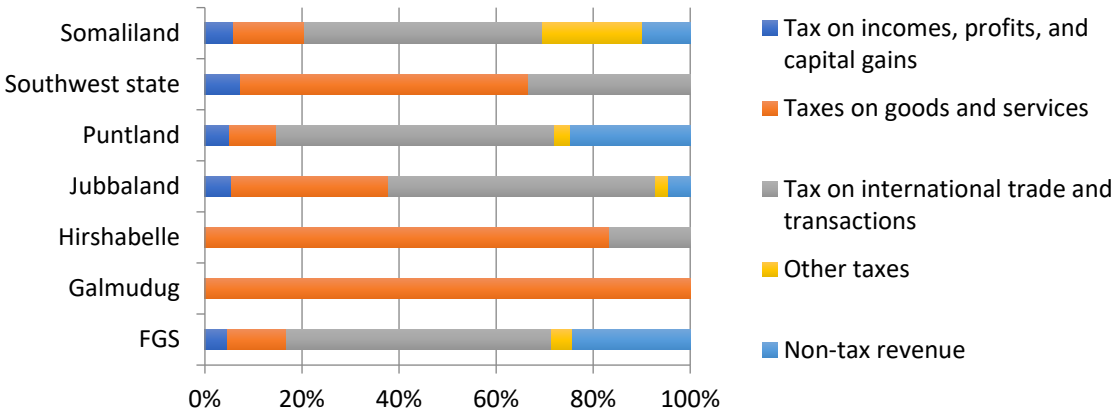
²⁸ For example, the Provisional Constitution assigns revenue-raising responsibilities to the level of government that can exercise that responsibility most effectively (Federal Republic of Somalia 2012: Art. 50(f)), to be determined by negotiation. While there have been some preliminary agreements on revenue sharing of natural resource revenue and harmonisation of some tax rates, these agreements lack legal standing, highlighting that the transition to the federal system and process of decentralisation has been incomplete and lacking in clarity (Isak 2018).

Figure 2 Estimated revenues for the FGS, FMS, and Somaliland (2018)²⁹



Data source: Raballand and Knebelmann (2020).

Figure 3 Breakdown of revenues for the FGS, FMS, and Somaliland (2018)



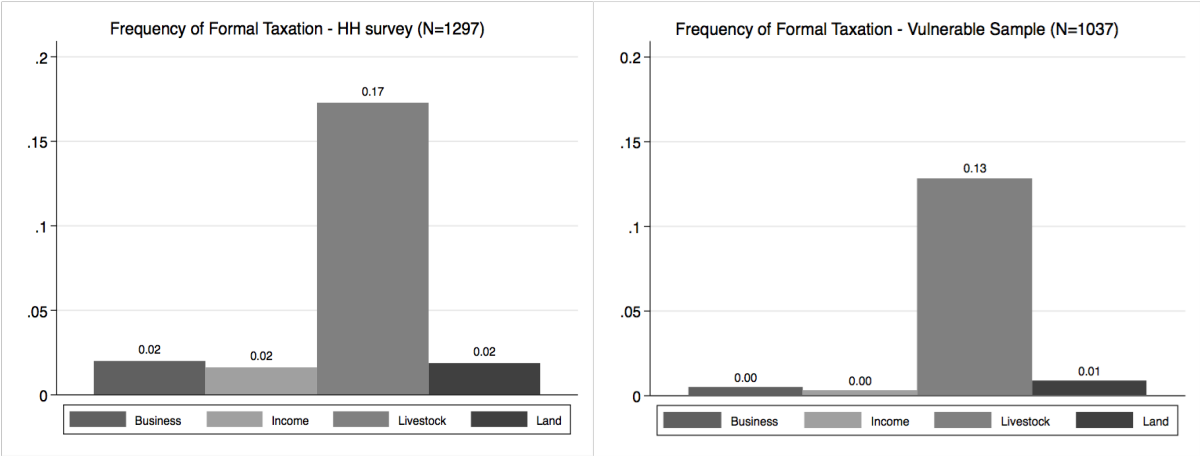
Data source: Raballand and Knebelmann (2020).

Meanwhile, municipalities and districts levy taxes through uncoordinated and often overlapping revenue collection systems of various forms, many of which arose during the period of state collapse in the 1990s. They have limited capacity to collect revenue, with a heavy emphasis on business, transport, and livestock taxes, the latter of which have long been a main source of tax revenue for local administrations throughout the country (Mukhtar 2003: 138; see also Musa *et al.* 2020: 12). Even in federal member states with stronger administrative capacity, tax collection remains limited and unable to finance basic public services. For example, though located in the strongest performing federal member state, municipalities in Puntland raise enough revenue only to cover salaries and administrative costs, but little more, with more than 70 per cent of expenditure earmarked for recurrent administrative costs (Salah 2014: 14).

²⁹ Per capita revenues are based on estimated population figures, which are disputed among some of the FMS.

Taxpayer data reflects the limited reach of both the national and sub-national governments in Gedo region. Only 17 per cent of households and 13 per cent of vulnerable households reported paying any formal tax, and in most cases, this was only a livestock tax paid at the local level (Isak 2018).³⁰ Nevertheless, it is important to recognise the often blurred lines between formal and informal taxation in the context of Somalia, where ‘even official state taxes may in some ways be considered informal, while informal payments are sometimes considered [formal] taxation’ (Varming 2019: 4; see also Hiraal Institute 2020a).³¹ While in the survey we do not ask to whom formal taxes are paid, there is evidence that suggests that livestock taxes may be paid to a variety of state and non-state actors (Musa *et al.* 2020) – implying that they may be informal (e.g. they do not end up in state coffers, regardless of to whom they are paid) and that the tax compliance figures in Figure 4 may thus overestimate formal state taxes.³²

Figure 4 Frequency of formal taxation



In this context, it is unsurprising that tax collectors across the country describe reluctance among taxpayers to pay taxes. The Head of Bari Inland Taxation Office in Puntland reported taxpayer reluctance, with taxpayers asking ‘But what do you do with our money? We do not see anything coming back to us’ (cited in Salah 2014: 13). Meanwhile, a District Finance Officer in Hirshabelle state described the need to use force to collect local taxes and fees: ‘We usually use our security agents to collect and the people pay because they don’t want to be harassed. I am sure they don’t have the willingness to support our administration... since the collectors... use some funds for their personal use before reaching the finance office.’³³ Similarly, a citizen in Jubbaland described that, ‘They [the local tax administration] usually use militias along [with] the tax collector to create fear in the community so that nobody could refuse [to pay]. They don’t provide any document showing the person has paid. People don’t know how the collected tax is utilised. There are militias everywhere and they ask for payments.’³⁴ Unsurprisingly, overall tax morale is relatively low, at least for sub-national

³⁰ Figure 4 summarises only the most commonly paid forms of formal taxes, though in the questionnaire we asked about a wide range of taxes and fees, including road tax, checkpoint fees, fees to private providers of electricity and education, and document and passport fees. The fact that these payments were not made by anyone in the sample reflects the reality of limited access to formal services, whether provided by a public or private actor. Livestock taxes may include sales tax, transit tax, export tax, and customs duties.

³¹ For a discussion of the blurred lines between formal and informal taxation in another context see Paler *et al.* 2017.

³² For a broader discussion of the blurriness between formal and informal rules, regulations, and institutions in the region, including the complicity of state officials in informal economic activities and the informalisation of tax administration, see Tazebew and Kefale 2021, Eid 2014, and Little, Tiki and Debsu 2015.

³³ Interview, District Finance Officer, Hirshabelle state, 2016.

³⁴ FGD participant, Jubbaland state, 2016.

administrations, with 52 per cent of respondents agreeing that the district administration always has the right to collect taxes.³⁵

3 Informal taxation and revenue generation in south-central Somalia

In this context of persistently weak centralised statehood, and building on a history of pre-colonial decentralised authority, south-central Somalia is characterised by a rich network of local governance institutions and practices. Self-reliance, self-help, and hybrid governance have been ‘more the norm than the exception in the Somali territories since colonial times and, even more significantly, since the outbreak of the civil war’ (Varming 2019: 6).³⁶ With the collapse of the state in 1991, there was both a rise of coercive revenue extraction by armed groups and localised authorities and a further institutionalisation of systems of informal revenue raising and self-reliance.³⁷ A similar situation persists today, with limited central state authority and presence outside of Mogadishu, reflecting a reality wherein ‘The state is only one actor among others, and “state order” is only one of a number of orders claiming to provide security, frameworks for conflict regulation and social services’ (Boege, Brown, Clements and Nolan 2008: 6).

In this context, traditional and non-state actors play an important role in governance and the provision of local public goods, funded by local revenues, mainly collected in the form of monetary contributions or labour. Private actors, NGOs, and international organisations undertake most service delivery and infrastructure (Menkhaus 2006: 90, 2014b; Saggiomo 2011; Schäferhoff 2014; United Nations Security Council 2018; Varming 2019: 6), while traditional authorities, including clan elders and religious leaders, play particularly important roles in local governance, conflict resolution and security provision, social welfare provision and emergency relief, and local public goods provision. Non-state service provision is well documented; however, the role of *citizens* in contributing to the funding of these public goods through informal tax and fee payment is often overlooked.³⁸ We draw attention to the underappreciated ways that Somalis contribute to and bear the burden of public goods provision in the absence of a centralised, redistributive tax system. As described below and as summarised in Table 2, citizens pay a range of informal taxes, fees, and contributions to clan elders, community leaders, religious leaders, and NGOs to support (1) clan governance and conflict resolution, (2) security provision, and (3) social welfare and local public goods provision.

³⁵ For context, on average across 34 African countries (excluding Somalia), 73.4 per cent of respondents agreed that the tax authorities always have the right to make people pay taxes (Afrobarometer 2016/2018). Of course, low tax morale across the country is not universal. In some areas of Jubbaland state, for instance, citizens described the importance of strengthening state revenue collection in order to distance themselves from what they saw as dependence on international aid. FGD participants, Jubbaland state, 2016.

³⁶ Indeed, Menkhaus (2006: 74) describes ‘the rise of informal systems of adaptation, security, and governance in response to the prolonged absence of a central government’, emphasising that Somalia was ‘without government but not without governance’.

³⁷ There is widespread documentation of protection payments being levied during this period by localised strongmen, warlords, and clan militias (see e.g. Ahmad 2017: 125–126; Grosse-Kettler 2004; Menkhaus 1998, 2004b: 44, 2006: 88; Webersik 2004: 74). Falling somewhere between coercive extraction and taxation based on a fiscal contract, Bakonyi (2013) describes how the Raxanweyn Resistance Army, fighting against the clan-based militia United Somali Congress and Somali National Alliance in order to liberate Raxanweyn territory, established a social order, with subordinate town administrations developing their own mechanisms for tax and fee collection, used to finance the militia, tax collectors, administration, and social welfare provision.

³⁸ Somalis in both Somalia and the diaspora commonly contribute to clan-based obligations and community-based revenue raising (see e.g. Hammond, Awad, Dagane, Hansen, Horst, Menkhaus and Obare 2011; Menkhaus 2014b), though we predominately focus on locally-based taxpayers.

3.1 Clan governance and conflict resolution

While having undergone substantive changes under colonial rule and post-colonial statebuilding, clans remain a cornerstone of social and political organisation among nomadic-pastoralist Somalis,³⁹ while having been integrated with the post-colonial state apparatus (Bakonyi and Stuvøy 2005; Lewis 1998a; Mohamed 2007). Kinship (*tol*) is founded on a segmentary lineage system under which people trace their descent to common male ancestors, which may be hierarchically divided into clan families, clans, sub-clans, primary lineages, and *diya*-paying groups (Lewis 1998a: 4, see Appendix 6. In considering local governance and informal revenue raising, the most important constituency is the *diya*-paying group (as it is often described in English), representing the smallest social unit (from a few hundred to a few thousand men), bound by the closest kinship ties, with members taking collective responsibility for their own security and common help (Le Sage 2005; Lewis 2002: 11). This group is effectively ‘the basic political and jural unit of pastoral society’ (Lewis 1998a: 6; see also Farah and Lewis 1993: 12), underpinned by ‘group feeling’ (*tolnimo*), making possible cooperation and assistance to others (*isu hiilin*) (Mohamed 2007: 239; see also Lewis 2002: 11). Within this lineage system, clan elders represent the most important figures in governance at every level of clan families, having gained greater importance in political life and development with the collapse of the state (Gundel 2006: iv).⁴⁰ At the lowest level, elders (normally known in the south as *nabodoon*), ‘are the daily managers’ of the *diya*-paying groups, whom individual Somalis ‘simply cannot do without’ (Gundel 2006: 45).⁴¹

There are a range of payments and contributions collected by clan elders to manage local governance and conflicts, underpinned by customary laws, or *xeer*. In Somali society, resolving conflicts is a collective responsibility, with one of the general principles (*xissi adkaaday*) of customary law being the resolution of conflicts through retribution, financed by the collective. In line with this principle, clan members pay *diya* (in Arabic), usually translated as blood compensation, in cases of death, physical harm, theft, rape, loss of property, defamation (PDR 2003: 19–20),⁴² with one *diya*-paying group collectively paying the compensation to the victim’s family in another *diya*-paying group (Le Sage 2005; Lewis 1998a: 6; PDR 2003: 19–20).⁴³ *Diya* thus reflects a form of communal burden sharing that both contributes to stability and peace, and represents a financial burden on households.⁴⁴

³⁹ The discussion of clans here provides only an overview of general practices among majority clans, who predominate in Gedo region. In Gedo region, the majority of the population is from the Marehan clan (a subclan of the Darod), though also includes those from the Raxanweyn, Ogaden, and Harti clans, and a small percentage of Bantu peoples (see Appendix 3). Our sample population is 95 per cent Marehan, while only 2 per cent of our sample population reported speaking Af-Maay, spoken predominately by the minority Raxanweyn.

⁴⁰ Though the specific histories and forms of traditional authority vary across regions, in general clan authority has two layers, ‘with a high level group of lineage elders representing the clan family level, and a level of elders representing the *mag* [*diya*] paying group’ (Gundel 2006: 44), though there are not always such clear distinctions.

⁴¹ Notably, the titles used vary from one clan-group to another, as well as across regions and between the north and south. Titles for high-level elders include *Suldaan*, *Garaad*, *Boqor*, *Ugaas*, *Islaam*, *Beel Daje*, *Imam*, and *Malaakh*. Titles for the *diya*-paying group of elders include *aqiil* and *nabodoon*.

⁴² Depending on the crime, the payment may be referred to differently; for example, in some instances of rape, the victim’s clan may be given *xumayn* (compensation for abuse), while in instances of moral injury, including verbal insults, compensation may be called *haal* (Lewis 1994: 109–110). Regardless of the term, the concept of collective compensation is the same. For simplicity, we use *diya* as a generic term for collective compensation (also known as *mag*).

⁴³ Within clans, sub-groups take a portion of the *diya* payment, with the distribution of the burden of this payment on individuals being decided by clan elders within the *diya*-paying group, with clan elders assigning all men a mandatory amount to pay. Payment is made exclusively by men, as women ‘are not regarded as paying or receiving members when it comes to the group paying out compensation or sharing compensation received... the amount to be paid or received is divided by the number of men in the group... A family which has only girl children will thus have less to pay in *diya* contributions but will also receive less [in the case of compensation]’ (J. Gardner and Warsame 2004: 157). Reflecting Islamic influence, *diya* is also a common practice in Islamic law, with references to payment in both the qur’an and the hadith (*The Qur’an*, n.d.: 4: 92; see also Emon 2012; Peters 2006; Spevack 2015). Valuation of *diya* is underpinned by *sharia* law, with an Islamic jurisprudential scholar (*qaadi*) determining the *diya*, with clan elders abiding by the decision. For the death of a man, the amount due is one hundred camels, while ‘a woman’s life is valued at half that figure’ and other injuries are ‘similarly compounded in a standard tariff of damages expressed in different amounts

Similarly reflecting these principles of collective responsibility, *diya* group members may be required to make clan debt relief payments (*qaan*), which shift the liability of debt from a clan member to the *diya* group as a whole. While there is some question about whether this is mandatory in the same way as *diya* or whether it is a voluntary contribution to assist fellow clan members, it is commonly paid by households in the region. Further, customary law includes public resource-utilisation rules for water, pasture, and other natural resources to ensure their best and fair usage (Gundel 2006: 15; PDRC 2003), which in some contexts can require a type of fee paid to clan elders or the managers of the resource for use of common clan land or resources (see e.g. Linkenback 2001: 24). While not a generally defined principle or requirement, individuals may also be required to pay conflict resolution fees in order to fund dispute meetings and provide logistical support, food, and refreshments for those clan leaders entrusted with maintaining knowledge of *xeer* application (known as *xeer beegti*). Where informal communal financial obligations cannot be met, in some contexts, group members may provide labour contributions to clan elders, while clan elders may also solicit personal financial contributions from clan members (through what is known as *shahad*) to support their own households.⁴⁵

3.2 Security provision

Given the underlying context of insecurity, in some areas clan elders levy informal taxes to finance community-based security. As Lewis (2002: 11) notes, '[e]ven under modern administration self-help still retains much force... with the difficulty under present conditions of adequately policing much of the country, the security of the individual pastoralist's person and property depends ultimately upon his membership of a *diya*-paying group'.⁴⁶ In contexts of conflict between two clans, for example, communities may organise the equivalent of 'neighbourhood watch' groups, with armed young men protecting the clan and their property, with clan elders collecting money and livestock for the upkeep of these local security groups.⁴⁷ In some areas of Hirshabelle state, for example, community leaders reported that citizens are required to make direct security payments, often called 'safety fees', to the village security council, while some clans levied exceptional, ad hoc informal taxes on households or used revenues from other clan-based taxes to procure weapons.⁴⁸

Outside of security taxes levied by clan leaders, there is a long history of protection payments and taxes being levied by armed actors, including Islamist militants. As with armed group taxation more broadly, there is often a blurred line between extortion, taxation, and security provision in contexts of insecurity (Revkin 2020; Sabates-Wheeler and Verwimp 2014).⁴⁹ To protect research participants and enumerators, we did not ask directly about

of camels' (Lewis 2002: 8; see also PDRC 2003: 27). This rate is most likely derived from a pre-Islamic Arab tradition that was later adopted by Sharia law (PDRC 2003: 28, 163–165).

⁴⁴ The contribution to peace and stability is clear – where *diya* is not paid or accepted as a form of collective compensation, *qisaas* (revenge, or 'eye for an eye' justice) applies.

⁴⁵ Gundel (2006: 49) notes that while 'many elders are reliant on *shahad* as their primary source of household income... such "begging" demeans them in the eyes of their clansmen and compromises their impartiality in settling disputes'.

⁴⁶ See also Menkhaus (2014a) for discussion of the continued importance of community policing.

⁴⁷ Menkhaus (2004a) describes forms of neighbourhood watch systems and paid protection forces, while we find evidence of their persistence in some areas of instability in Jubbaland and Hirshabelle states.

⁴⁸ In some cases, the diaspora plays a significant role in funding clan militias, which can be a source of escalating clan conflict.

⁴⁹ As Menkhaus (2008: 222) notes of the civil war period, when armed groups settled in communities, 'the symbiotic relationship between gunman and villager evolves, [and] the line between extortion and taxation, between protection racket and police force is blurred, and a system of governance within anarchy is born'. Similarly, Menkhaus (2004a: 32) notes that 'protection rackets and mafioso behaviour are hardly ideal, and sometimes engender local resistance, but they do nonetheless provide a more predictable security environment for local communities. In some cases, these arrangements have moved into a grey area between extortion and taxation, between protection racket and nascent security force'. We follow scholars of rebel governance in distinguishing armed group taxation from 'corruption' or extortion by its foundation in 'publicly known rules and procedures', with the important distinction that tax-like payments are 'justified on public interest grounds (i.e. supporting a religious ideology, financing public goods, paying for the costs

informal taxation by non-state armed groups. Nevertheless, in an open-ended question about other informal payments made, 15 per cent of respondents reported making contributions to non-state armed groups.⁵⁰ Key informants confirmed that al-Shabaab commonly levies monetary and non-monetary (i.e. livestock, farm produce) taxes on individuals and businesses in Gedo region.⁵¹ This includes the taxation of farms and agricultural produce (*dalag*), taxation of goods being transported (*badeeco*), taxation of livestock sales (*xoolo*), registration and taxation of transitting vehicles (*gaadiid*), the taxation of land sales, and the taxation of all major businesses through the *zakat* (Hiraal Institute 2018, 2020a; Kisiangani 2011; Musa *et al.* 2020; Mwangi 2012; United Nations Security Council, 2011, 2018).⁵² Additionally, al-Shabaab is reported to occasionally collect *infaq*, referring to a qur'anic payment to please God without hoping to receive anything in return, and 'jihad contributions' (Levy and Yusuf 2019; Mwangi 2012), while outside of Gedo region, the group gains significant revenues from customs taxes at the country's major ports. In some areas, this tax collection is assisted by clan elders (Hiraal Institute 2018),⁵³ while being more broadly facilitated by poorly regulated telecommunications and financial entities, over which al-Shabaab has considerable influence (United Nations Security Council 2018: para. 83). This extraction is undeniably coercive, with the 'collection of taxes enforced through violence and intimidation', including through the threat of execution (Hiraal Institute 2018; Levy and Yusuf 2019; United Nations Security Council 2018: para. 83), though nevertheless can contribute to the provision of public goods and infrastructure (Marchal 2018: 349; UN Habitat 2018: 25).⁵⁴ This does not mean it is voluntary, with the Hiraal Institute (2020a: 1, 6) reporting 'an almost universal desire among taxpayers to be taxed solely by the Somali government', with payment having 'little to do with recognising the legitimacy of the group and more to do with the practicality of real life, which makes it impossible to conduct business in areas where the group has operational presence'.

3.3 Social welfare and local public goods provision

Finally, clan, religious, and village leaders – often working in collaboration – are central in providing social welfare and emergency relief in the absence of assistance from the state.⁵⁵ For example, *qaaraan* is a particularly important form of social welfare contribution levied by clan or community leaders, often described as a general 'welfare tax' or as akin to a clan- or community-based social insurance.⁵⁶ Revenues from *qaaraan* may be used for general clan

of war, or redistributing assets from rich to poor) whereas theft is justified only by a self-serving desire for private gain' (Revkin 2020).

⁵⁰ We assume that this reports a lower bound for actual payments made to such groups.

⁵¹ As described in Section 2 above, al-Shabaab continues to exercise control in large parts of the rural areas of Jubbaland state and in most of the rural areas and roads between districts in Gedo region, as well as territory in the southeast of the district (Hansen 2016; Hiraal Institute 2020b; UN Habitat 2018: 5,6). In line with the discussion above, al-Shabaab's revenue generation conforms to the standard definition of taxation, even if it is coercive. It is enforced through an efficient administration and bureaucracy that tightly controls and monitors tax collection and internal audits and undertakes tax assessments while the United Nations describes its taxation as 'accountable and predictable' (United Nations Security Council 2018: paras. 85–86).

⁵² In this context *zakat* is levied at 2.5 per cent of the monetary value of a business (before profit) as assessed by al-Shabaab accountants.

⁵³ This is also supported by interviews with taxpayers in Hirshabelle state, 2016. Levy and Yusuf (2019: 10) describe that 'Tribal elders play central roles as community leaders. Al-Shabaab coopts them to keep order in the areas under its control. It delegates taxation and policing to elders, who have preexisting authority among local populations. In return, al-Shabaab refrains from punishing cooperative clans, facilitates arbitration of inter-tribal disputes, and provides financial assistance to some clans.'

⁵⁴ In Jubbaland, UN Habitat (2018: 25) additionally notes that al-Shabaab represents some form of alternative 'land authority' in rural areas, resolving land disputes and collecting a form of land tax.

⁵⁵ Village leaders hold informal administrative positions outside of both the clan and the government. They act as leaders in communities, with clan elders (across clans or sub-clans) responding to them, as well as community liaisons to district governments. At the village level, multiple committees that focus on development (e.g. health, water, inter-clan peace) involve both clan elders and village leaders.

⁵⁶ As described by a clan leader, 'Qaaraan is just clan insurance. The clan member will have the benefit of insurance. In case he/she...[has] a problem, the other clan members have to contribute some *qaaraan* to solve that.' Interview, clan leader, Jubbaland state, 2016.

expenses, including facilitating elder meetings and security and peace dialogues, assisting the needy, or providing support for community members, as in the case of illness or for funeral expenses. Additionally, clan elders and religious leaders commonly organise and collect revenues for emergency assistance, often in collaboration with NGOs, international agencies, and/or the government (see e.g. Varming 2019).⁵⁷ While *diya* is levied only within clans, *qaaraan* can be levied outside of a specific clan. The payment is often negotiable, with individuals discussing with elders the amount they could pay (unlike *diya*, for which households are assigned an amount to pay) and, while not mandatory in principle, was often described by individuals as effectively required, given the social pressures to contribute. Indeed, non-payment is seen in some contexts as a breakdown in social solidarity and a sign of anti-social behaviour, while payment bestows reciprocal benefits and respect on those that contribute.

Social welfare is also provided through other channels, including through the generally accepted customary legal principle that involves collective contributions of livestock or other assets to the poor (Le Sage 2005; PDRC 2003).⁵⁸ While Le Sage (2005: 37) notes that ‘after the pauperisation that accompanied the civil war, the commitment of sub-clans and *diya* groups to provide material assistance to relatives and the poor... diminished’, such payments remain central to informal social welfare provision in some areas. Another important way that Somalis contribute to social welfare provision is through *zakaat*, one of the Five Pillars of Islam, referring to a mandatory contribution to help the poor, compulsory for all those that can afford it.⁵⁹

In addition to social welfare, Somalis contribute to local public goods provision in a variety of ways, including contributions to support the maintenance or building of local public goods, including through community development projects, such as sanitation programmes, road rehabilitation, street lighting, or the building of public markets, community centres, or administrative buildings.⁶⁰ As in many contexts, ‘informal taxation is one of the primary ways through which local public goods are financed’ (Olken and Singhal 2011: 12). In south-central Somalia, such projects often involve multiple actors – including clans, religious leaders, community groups, businesses and business associations, NGOs, or the government itself – often working with or with the approval of clan leaders and/or local government administrations.⁶¹ Frequently, these forms of community development projects take the form of religious leaders calling on individuals and businesses to support mosque renovations or improvements.⁶² In other instances, public goods may be funded jointly with NGOs or the state. As described by a community leader, ‘For some of the development projects like the community hall, an NGO paid most of the budget and the community contributed 20 per cent. The clan elders were responsible [for] collecting these payments and I was working with them.’⁶³ In addition to funding public infrastructure, households commonly pay informal taxes

⁵⁷ In the course of the exploratory study in 2016, for example, we observed community-based revenue generation to support emergency assistance for mass flooding in Hirshabelle state that displaced a large segment of the population. Even in locations with insecurity and tension within and across communities, community members commonly contributed to and collaborated on emergency assistance projects, including a large degree of cross-community and cross-clan collaboration in Hirshabelle and Jubbaland states.

⁵⁸ We do not consider here *yarad* (dowry) as, though it is also defined in customary law, it has weaker links to social welfare provision and wealth redistribution.

⁵⁹ This is distinct from the Islamic obligation to pay *sadaqah*. As noted above, we do not consider *sadaqah* in this analysis, as we perceive it to be closer to charity than it is to an informal tax.

⁶⁰ We do not consider user fees for services, which are common given that private companies commonly provide water, electricity, and schooling. Instead, we consider public goods and informal forms of revenue generation to support them.

⁶¹ Commonly, for example, an actor – say, the local government administration or an NGO – may provide materials for a community development project, with community members being called upon to contribute labour and cash or in-kind contributions.

⁶² For, instance, in our exploratory study, religious leaders in Hirshabelle state explained that it was common to request US\$5-10 from individuals and US\$700 from businesses.

⁶³ Interview, community leader, Jubbaland state, 2016. In another case, a civil society organisation directly mobilised contributions from households in the community for a well rehabilitation project. Interview, community leader, Hirshabelle state, 2016.

and fees to teachers and schools to finance schools (both secular and Islamic) that are not funded by the state. In some areas, both urban and rural, citizens also contribute to regular town cleaning and communal labour exercises, involving the cleaning or maintenance of public spaces, which is common given the lack of state garbage collection or road maintenance.

Table 2 Typology of informal taxation and revenue generation⁶⁴

| Umbrella group | Informal payment | Somali | Levying authority (HH survey, general population, N 1,297) ⁶⁵ | Likelihood of being punished for non-payment(%) ⁶⁶ | Perception of fairness (%) ⁶⁷ | Fiscal reciprocity — what is expected in return? |
|---|--|--|--|---|--|--|
| Clan governance and conflict resolution | <i>Diya</i> /blood compensation | <i>Diyada iyo magta/diya</i> | Clan elders (84%), village leader (44%) | 62.3 | 57.5 | Nothing (67%) |
| | Taxes on land/resources as a means of controlling resources* | | Clan elders | | | |
| | Clan debt relief | <i>Daynta qabiilka (waxay masuuliyada daynta uraraysaa qabiilka)</i> | Clan elders (55%), village leader (53%) | 73.1 | 69.4 | Nothing (61%) |
| | Conflict resolution fees | <i>Qaabka xalinta qilaafaadka</i> | Village leader (70%), clan elders (54%) | 68.9 | 72.3 | Nothing (52%) |
| | Labour contributions to clan or village leaders | <i>Tabarucaad muruq ah oo lasiiyo hogaamiyaha tuulada</i> | Village leader (67%), clan elders (39%) | 59.1 | 66.7 | Nothing (53%) |
| Security provision | Clan-based security/safety fees/payments* | | Clan elders | - | - | - |
| | Payments to armed groups/protection payments* | | Armed groups, including al-Shabaab | - | - | - |
| Social welfare provision/local public goods provision | Social welfare tax/emergency assistance | <i>Qaaraanka qabiilka</i> | Clan elders (84%), village leader (37%) | 69.4 | 74.5 | Nothing (63%) |
| | Social welfare payments for funerals/the poor | <i>Qaaraanka duugta/ Qaaraanka bulsho</i> | Clan elders (68%), village leader (61%) | 80.8 | 79.5 | Nothing (66%) |
| | Religious contributions (including <i>zakat</i> and contributions for mosque improvements) | <i>Qaaraan diimeed</i> | Religious leaders (49%), clan elders (43%) | 80.9 | 79.5 | Nothing (50%), respect (31%) |

⁶⁴ Payments marked with an asterisk were not included in the survey. In the survey, we included all religious contributions together, though recognise that there would be analytic value to having them separated.

⁶⁵ Percentages do not equal 100 per cent, since in most cases respondents are paying to multiple actors at the same time.

⁶⁶ The survey question reads: 'How do you perceive the likelihood to get punished if you don't contribute?' Options range from very likely to very unlikely.

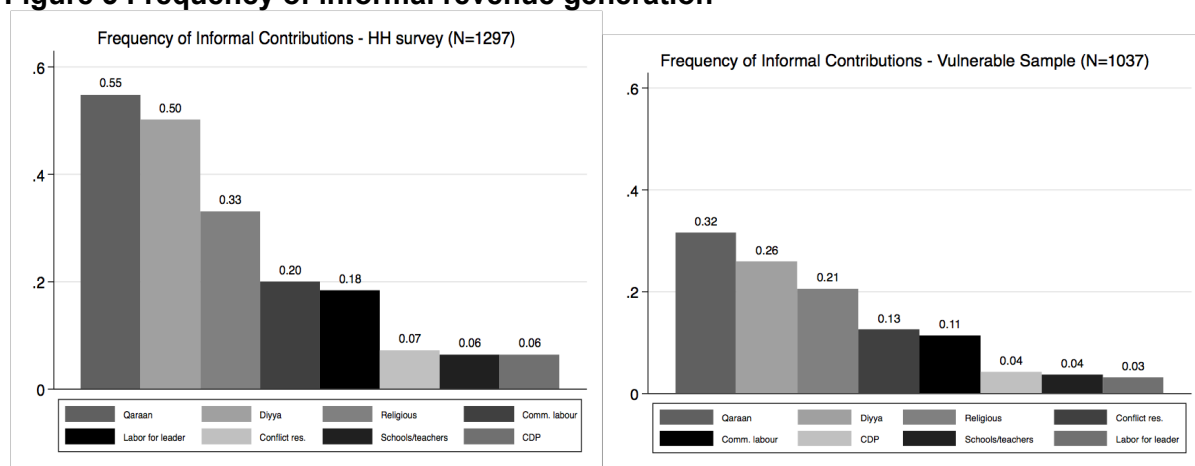
⁶⁷ The survey question reads: 'Do you feel like the amount of this contribution you normally pay is very fair, somewhat fair, not too fair, or not fair at all?'

| | | | | | | |
|--|--|---|--|------|------|---|
| | Contributions to maintenance or building of local public goods/community development projects (outside of mosque building) | <i>Mashaariicda horumarinta bulshada</i> | Village leader (70%), clan elders (57%) | 61.5 | 47.1 | Nothing (41%), community development (24%) |
| | Contributions to schools/schoolteachers' salaries | | Schools/schoolteachers | - | - | - |
| | Town cleaning/communal labour | <i>Nadaafinta magaalada/ Shaqo bulsho</i> | Village leader (66%), clan elders (32%) | 74.5 | 86.1 | Community development (33%), nothing (32%) |

4 Magnitude and distribution of informal taxation and revenue generation

Building on this conceptual understanding of the nature of informal revenue generation in Gedo region, we further explore the magnitude and distribution of informal payments. First, we find a high prevalence of informal taxation and revenue generation, with 71 per cent of respondents in the general sample reporting having paid at least one informal tax or fee in the previous year, broadly comparable to previous studies of informal taxation in other contexts.⁶⁸ Disaggregated findings are reported in Figure 5 below, for both the general and the vulnerable sample. *Qaaraan*, *diyya* and religious contributions are the most common types of payments in both samples, with the sample of vulnerable citizens less likely to make informal payments,⁶⁹ potentially reflecting local norms of collective responsibility for poorer individuals and females. Overall, although access to public goods is limited overall (Appendix 2) – in line with expectations given the limited nature of state revenues described in Section 2 – community leaders reported that settlements are heavily reliant on voluntary contributions in order to maintain local public goods where they do exist (Figure 6). This evidence reinforces the argument that informal contributions represent a key source of local public finance in fragile contexts.

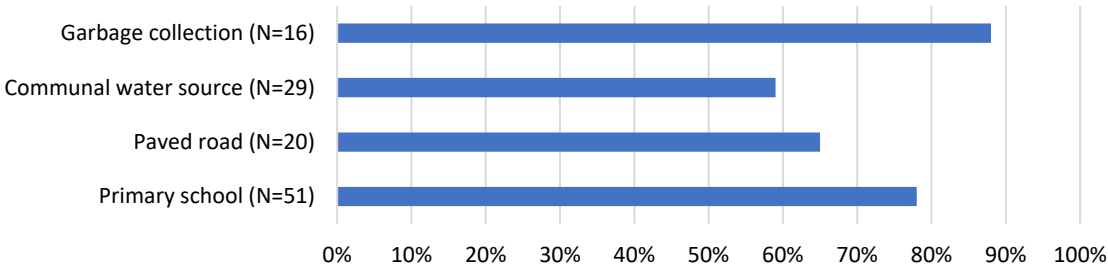
Figure 5 Frequency of informal revenue generation



⁶⁸ Using micro-data from ten countries and capturing informal taxes for public works projects, Olken and Singhal (2011) find that informal tax payments are widespread in rural areas, reaching over 50 per cent of households in some countries (Ethiopia, Indonesia, Vietnam) and an average of 20 per cent in all countries under study. Similarly, considering informal taxes for public works projects, Walker (2017) finds that over 40 per cent of households made informal payments in the previous year. Using a wider definition of informal taxation – similar to that used here – in Sierra Leone, various studies have shown that 69 per cent of households reported paying at least one informal tax in the previous year (van den Boogaard *et al.* 2019) and 99 per cent of households reported paying at least one informal tax or user fee (van den Boogaard 2020), with communal labour largely accounting for this near universality in the latter case. Meanwhile Paler *et al.* (2017) similarly report widespread informal taxation paid to both state and non-state actors.

⁶⁹ In the sample of vulnerable citizens, only 38 per cent paid at least one informal tax or fee in the previous year.

Figure 6 Percentage of settlements reliant on community contributions to maintain local public goods⁷⁰



As a second exercise, we compute the relative incidence of informal payments in relation to income, in order to gauge the burden that informal contributions impose on households. We first calculate the annual income for each respondent, dropping the 18 per cent of the sample without any annual income (as the ratio of contributions over zero income is not computationally possible). We then calculate total informal payments made by households in a year, by summing up payments made in cash and those made in labour days. In the general population sample, most informal contributions are paid in cash, while labour represents a negligible share of what households contribute – only a few days in a year. These amounts are reported in Table 3 below. We monetise the labour days by multiplying each day of labour by the daily wage, which is fairly constant across the whole Gedo region (estimated at US\$8, which is a common compensation amount for cash-for-work programmes). Overall, informal contributions represent a non-negligible share of annual household income, at 9.5 per cent on average. Given the extreme nature of the case of Somalia, it is unsurprising that this share is higher than found elsewhere, including in Ethiopia (6.8 per cent) (Olken and Singhal 2011), Kenya (2.5 per cent) (Walker 2017), and Sierra Leone (5 per cent) (van den Boogaard *et al.* 2019).

Third, we also consider the separate burden imposed by cash and labour contributions. Reflecting the fact that most of the households contribute in cash (Table 3), the incidence of cash is much higher than that of labour. Cash payments comprise about 10 per cent of annual income, while labour represents a negligible 0.7 per cent on average.

⁷⁰ Data reflects public services that are present in at least 10 per cent of villages, with all other public services dropped because of a lack of frequency. Garbage collection only happens in 11 per cent of the sample.

Table 3 Average annual contributions (USD and labour days)⁷¹

| | N | Median |
|---|-----|--------|
| <i>Qaaraan</i> : cash | 679 | 122.6 |
| <i>Qaaraan</i> : labour days | 676 | 0 |
| <i>Diya</i> : cash | 595 | 177.6 |
| <i>Diya</i> : labour days | 594 | 0 |
| Labour contributions to leader: cash | 89 | 22.2 |
| Labour contributions to leader: labour days | 90 | 0 |
| Clan debt relief: cash | 255 | 106.6 |
| Clan debt relief: labour days | 255 | 0 |
| Conflict resolution fees: cash | 227 | 19.1 |
| Conflict resolution fees: labour days | 231 | 2 |
| <i>Zakat</i> : cash | 408 | 88.8 |
| <i>Zakat</i> : labour days | 408 | 2 |
| Town cleaning: cash | 205 | 37.3 |
| Town cleaning: labour days | 208 | 1 |
| Communal labour: cash | 82 | 1.8 |
| Communal labour: labour days | 82 | 0 |
| Contributions for community development projects: cash | 80 | .9 |
| Contributions for community development projects: labour days | 79 | 2 |

Fourth, we consider how the burden of informal taxes is distributed among individual households considering the extent to which informal revenue generation represents a proportionally greater burden on lower income households than higher income ones. Earlier accounts of informal taxation showed that informal taxes can be less regressive than the formal tax system on account as informal taxing actors are embedded within communities and may thus be more likely to enact informal exemptions and uphold principles of local moral economies.⁷² Broader evidence, including more recent empirical analysis, however, shows that informal taxation and revenue generation is often regressive in its impact, with lower income quintiles paying more informal taxes and fees in relation to their incomes than higher income quintiles across diverse contexts (Beard 2007; Lin and Liu 2007; Olken and Singhal 2011; Paler *et al.* 2017; Thomas 1987; van den Boogaard *et al.* 2019; Walker 2017). We find that informal payments are not regressive at the extensive margin, as more vulnerable populations contribute less, but are regressive at the intensive margin among those that make some payment. More in detail, we document that, at the participation level, or extensive margin, the vulnerable sample is about half as likely to contribute for each specific payment than the general sample, as displayed in Figure 3 above. When it comes to restricting our focus to those that pay anything and plotting their contributions over a wealth index,⁷³ we see stark evidence of the overall regressive nature of cash-based payments for both the general and vulnerable populations, and the regressive nature of labour-based payments for the vulnerable sample only – while they seem to be progressive for the wealthier general sample (Figure 7).⁷⁴ By contrast, though prevalence of formal taxation is

⁷¹ As the distribution of contributions was particularly noisy, we trimmed the sample to the 95th percentile and only report median contributions. For the same reason, we report median values instead of average values. For what concerns unconditional contribution values, as measured over the whole sample, we omit the corresponding table since the median values are all zero. This is due to the fact that respondents not contributing are given a value of zero for each contribution and this inevitably shifts the distribution of amounts toward zero.

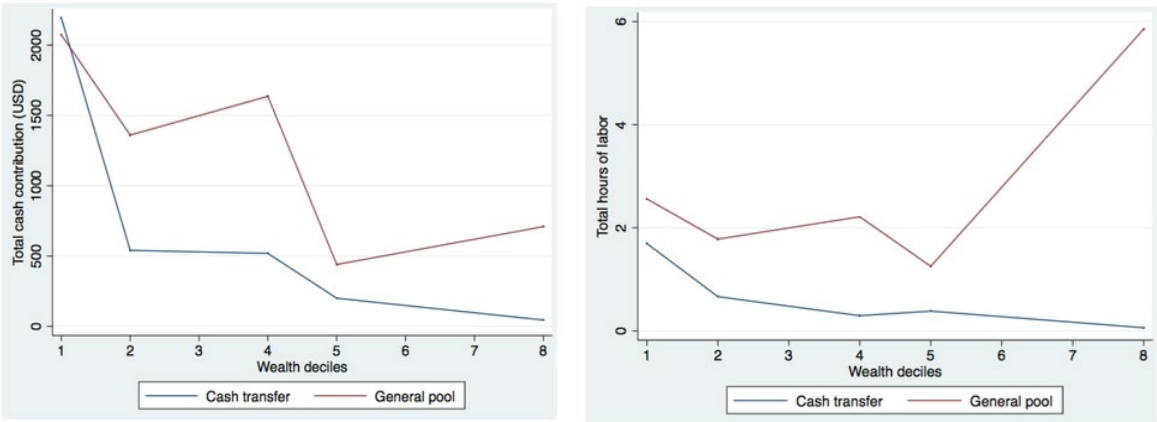
⁷² For example, Barkan and Holmquist (1986: i) argue that in Kenya ‘the landless obtain benefits from Harambee [self-help activities] projects as virtual “free riders” while “rich” peasants [...] subsidize the poorer elements of the community.’

⁷³ The same index used in Table 1.

⁷⁴ In the literature, regressivity is usually measured based on the ratio of cash contributions to household income. However, since our estimates of household income are very noisy, we use a wealth index as the most credible proxy.

limited, mostly represented by livestock tax, the distribution is relatively evenly distributed among income groups, paid by both the poorest and richest households.⁷⁵

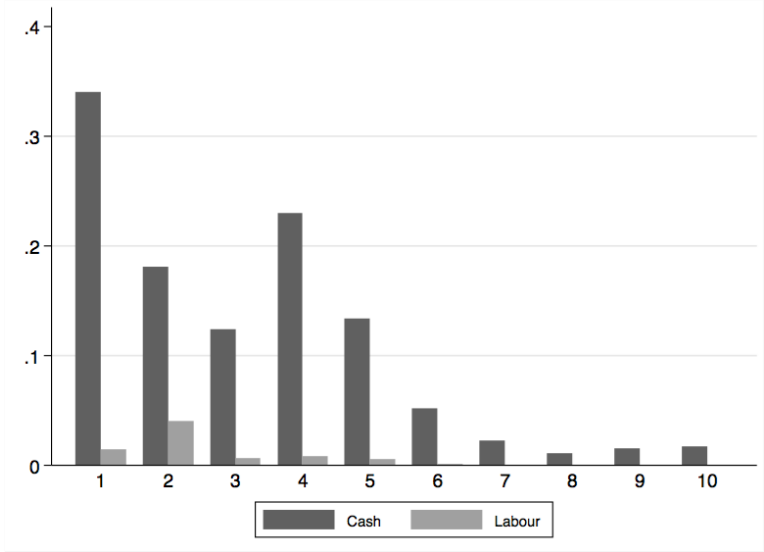
Figure 7 Informal tax contributions, by household wealth decile



Note: refer to footnote 16 for the construction of the wealth index. In the figures above, wealth deciles 8, 9 and 10 are merged together given the underlying distribution of the wealth index, i.e the index having many identical large values.

As far as the incidence of contributions as a proportion of income is concerned, Figure 8 below illustrates a similar pattern of regressivity. Lower income deciles bear a disproportionately higher burden of informal contributions as a proportion of their income relative to higher income deciles. For instance, while informal contributions represent about 30 per cent of annual income in the poorest decile, they comprise a ten-times smaller share in the middle-higher income deciles (7–10). Breaking this down by type of contributions, the same regressivity is noticed for both cash and labour. Especially with labour, this type of contribution is non-existent among middle-higher income deciles, while it represents about 2 per cent of the annual income in the lowest deciles.

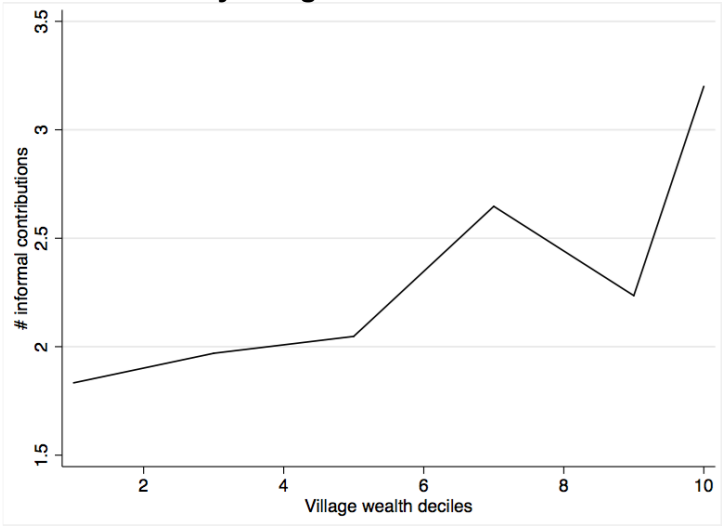
Figure 8 Incidence of contributions on income (%) by income deciles



⁷⁵ Tables available upon request.

Aside from the uneven individual distribution of informal taxes, when informal revenue generation replaces a centralised system of taxation and redistribution, it has unequal community-level effects. When the responsibility for financing public goods falls on individuals, rather than the state, access to public goods and the quality of those goods will depend on the relative wealth of the local community, implying uneven distributional effects within countries and regions.⁷⁶ In Kenya, for example, *harambee*, or community-based self-help activities, effectively served as a counter-welfare programme, since the more privileged were more capable of creating and participating in self-help programmes. Wealthier communities could raise greater amounts of money and draw on the skills of their better-educated populations, while they were more likely to possess links to political elites (Moskowitz 2017: 53; see also Winans and Haugerud 1977).⁷⁷ In Gedo region, we find that on average individuals in wealthier communities make more informal payments and contributions than in poorer ones, as shown in Figure 9.⁷⁸ Unsurprisingly, access to public goods is similarly distributed unequally, with wealthier communities having a greater number of basic public goods (Figure 10). This is in line with expectations that where there is no centralised redistributive system, communities will have unequal capacity to fill the revenue and service provision gap left by the state.⁷⁹

Figure 9 Informal contributions by village wealth decile



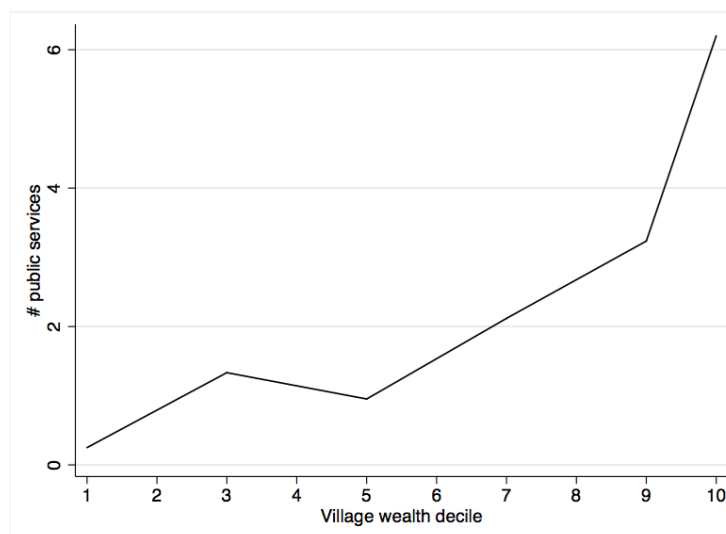
⁷⁶ Stratified equity outcomes may be exacerbated where the wealthiest are able to opt out of public goods through the private market (see e.g. Bearse, Glomm and Eckhard 2000; Catterall 1988; Fink, Kandpal and Shapira 2019; van de Walle 1995). There is ample evidence linking user fees and privatisation to inequities of access in both low-income and highly industrialised contexts (e.g. Allard 2014; MacLean 2017; MacLean and Brass 2015; G. D. Wood 1997), while similar patterns are observable when local public goods like education are reliant on local financing (e.g. Metzler 2003).

⁷⁷ In industrialised contexts, research has similarly shown that voluntary contributions to parent-teacher associations reinforce inequities in education across districts (Bice and Hoyt 2000; Brunner and Sonstelie 2006; Schaller and Nisbet 2020; Winerip 2003).

⁷⁸ The village wealth index is derived from the village leader survey. A number of different indicators are included in the index: public service availability (primary school, hospital, post office, garbage disposal system, paved road, a water source), the price to buy soap or salt, whether the village has been visited by a district or national government official in the last year, and whether the village council has an office.

⁷⁹ In this sense, the prevalence of informal revenue generation can effectively represent 'a decision by the state not to assume responsibility for the provision of public welfare' (Handley 2020: 157), with inequitable outcomes. In Somalia, of course, this may not be a 'decision' of the state, so much as a reality of the decentralised nature of political power and the persistent challenges in establishing a centralised authority, as described above. Interestingly, the geographic inequities that arise from an over-reliance on informal taxation mirror broader discussions of inequities associated with the financing of essential public goods through certain property taxation (see e.g. Alemán 2007; Kelly 1995).

Figure 10 Public service provision by village wealth decile



Finally, we explore whether the incidence of informal tax payments varies across sub-populations. As expected, in line with cultural customs around male-headed households and males taking responsibility for female family members, men are significantly more likely to make informal payments than women (73 per cent relative to 61 per cent, a difference in means which is significant at the 1 per cent level). There is also some indication that networks and community participation also influence incidence of tax payment. For instance, while those whose village leader, clan elder, or religious leader knows their name are not significantly more or less likely to make informal payments, those that are not members of a community group are significantly more likely to make informal payments than those who are either leaders or members of community groups (71 per cent relative to 62 per cent, significant at the 5 per cent level).⁸⁰ However, we find no significant evidence that being from a dominant clan family (namely, the Marehan in Gedo region (67 per cent relative to 71 per cent, insignificant) or reporting interest in public affairs (68 per cent relative to 70 per cent, insignificant) affects incidence of contributions.

5 Explaining informal taxation and revenue generation

As described above, informal revenue generation is prevalent in Gedo region, representing a critical mechanism through which communities self-finance public goods provision, social welfare and redistribution, conflict resolution, and local governance and security. Given the long period of state collapse and longstanding history of decentralised political authority in the region, this high prevalence may not be particularly surprising. Nevertheless, given the diversity of informal payments and the high burden that they represent for individuals and households, it is useful to further parse common explanations for the prevalence of informal revenue generation. As noted above, south-central Somalia is a particularly revelatory case within which to explore a little-understood phenomenon, representing a suitable case for theory testing. Building on the seminal work of Olken and Singhal (2011), we explore the four non-mutually exclusive hypotheses that they propose for explaining the prevalence of informal taxation: first, that informal taxes arise as a response to constraints on formal taxes;

⁸⁰ Community groups include religious groups that meet outside of regular worship services, women's associations, youth associations, political groups, cultural or ethnic associations, trade or market associations or cooperatives, social groups, and credit or savings groups.

second, that informal taxes represent an optimal response to information and enforcement; third, that informal taxes represent user fees or benefits taxes; and fourth, that informal taxes are more like voluntary contributions than they are formal taxes. In the context of Gedo region, we explore each of these possibilities. Capturing a broader and more diverse spectrum of payments, we add nuance to these explanations, considering how they may differ across disaggregated types of informal taxes, user fees, and contributions, and extend the explanations with reference to the unique context of south-central Somalia.

5.1 Informal taxes as a response to constraints on formal taxes?

First, Olken and Singhal (2011: 20) propose that ‘informal taxation is simply a response to constraints on the ability of local governments to raise formal taxes to meet their demand for local public goods’, either through legal constraints on sub-national taxation or because of a lack of capacity to effectively tax. While there are no legal constraints on formal taxes – as described above, in fact, the central government has no *de facto* oversight over sub-national taxation – the capacity constraints and limited reach of the government described in Section 2 effectively mean that ‘informal taxation may be the only mechanisms through which additional public goods can be financed’ (Olken and Singhal 2011: 20). In Somalia, it is clearly plausible that informal taxes and the citizens who pay for them are filling a gap left by weak state capacity. As described in Section 2, the government has the weakest formal taxing capacity in the world. The FGS does not collect taxes outside of Mogadishu, while total revenues for Jubbaland state amounted to only US\$6.5 per capita in 2018 (US\$6.2 in per capita tax revenue).⁸¹ Evidently, the government is unable to provide much of anything in the way of public services and infrastructure. Where government fails to provide basic public services, citizens step in to fill gaps left by the state, ‘taking on core state services like building roads and providing health care and education’ (Dahir 2020).⁸² ‘We have to rely on ourselves’, says Dr Amina Abdulkadir Isack, while another Somali citizen expressed, ‘I don’t think we should wait for the government... I just want us to be prepared so that we can save ourselves’ (cited in Dahir 2020).

While this self-reliance emerged in part from state weakness after its collapse in the 1990s, it moreover reflects a long trend of self-sufficiency in line with the history of atomised rule in the region, as well as state weakness that long predates the state’s collapse. While there were pre-colonial centralised tax-levying sultanates, these were relatively short-lived and regionally bound, with a lack of central authority necessitating clan-based solutions for governance, security, and social welfare. The importance, or necessity, of decentralised political structures was further amplified by the concept of self-reliance embraced by both colonial authorities and the post-colonial state (Ahmed I. Samatar 1987; Varming 2019; see also L. Gardner 2012). Indeed, under the post-colonial military dictatorship of Barre, self-help and hybrid financing of public goods provision were encouraged, in line with a broader trend on the continent of post-colonial leaders embracing a philosophy of ‘self-reliance’ as a means of rejecting both capitalism and colonialism (Menkhaus 2006; Abdi Ismail Samatar 1988; Varming 2019).

At the same time, it is clear that informal taxes are not simply filling a gap left by the state to provide essential services, but that the gap of state authority incentivises non-state actors to compete with the state to extract revenue. The government’s lack of capacity to assert its

⁸¹ For the FGS, using the most recent population estimates (UNFPA 2014), from 2013 to 2018, total domestic revenues amounted on average to only US\$11.3, while total tax revenues amounted to only US\$8.5. Given that the central government does not collect revenue outside of Mogadishu, we likewise consider per capita figures on the basis of the population in Benaadir region alone. Even with this more limited population, per capita domestic revenue from 2013 to 2018 amounted on average to only US\$84.1 while per capita tax revenue over the same period amounted to only US\$63.4. In any case, the amount of revenue available to provide essential services and infrastructure is evidently low.

⁸² Alternatively, in at least some regions, Mwangi (2012: 524–526) notes that the lack of national civil service and functional government means that al-Shabaab ‘has been the only organization that can provide such services’, including public works projects such as building bridges and repairing roads (see also Shinn 2011: 215).

authority and control armed group taxation, for instance, leads to a proliferation of informal taxes and illegal levies by these groups. This lack of capacity is particularly well evidenced by the reality that even government officials have to pay taxes to al-Shabaab (Hiraal Institute 2020a). Moreover, it is clear that in some cases, informal and formal taxation ‘may fund different types of public goods’ (Olken and Singhal 2011: 25), that the state may have no interest in financing. Relatedly, given that a significant proportion of informal contributions are made in labour (see Section 4), informal payments may not be compatible with state finances.

Evidence suggests, however, that the government lacks not only capacity but also the *will* to levy direct taxes or to regulate informal taxes. This largely reflects its complicity with and reliance on both the business community (Ahmad 2017; Musa *et al.* 2020; Salah 2014) and clans to govern and to maintain peace and stability. For example, the federal government has effectively chosen not to target large companies in urban areas. Major economic sectors, including telecommunications, remittances, and electricity generation and distribution, are undertaxed, though large corporations in these sectors ‘have the potential to contribute far greater revenues than currently’, while taxes on wages and business income could be collected with relative ease by focusing on ‘the small number of taxpayers likely to have the largest tax bills’ (World Bank 2017: 27, 31). In at least some parts of the country, this reflects an unwillingness to tax businesses, rather than a lack of institutional capacity. For example, as Musa *et al.* (2020: 8) explain, the Somaliland government ‘has repeatedly turned to powerful businessmen and companies for loans which makes the state beholden to them’ and the resultant political settlements (see also Musa and Horst 2019; Phillips 2016). Meanwhile, evidence from Puntland suggests that the poor face a particularly high burden of local government taxes, with local governments targeting small businesses and market vendors with daily operating fees, though largely leaving ‘politically powerful’ businesses under- or un-taxed (Salah 2014: 12–13).

Moreover, our survey evidence suggests that sub-national governments may actually benefit from the outcomes enabled by informal taxes (Table 4) and may thus have little incentive to control them. In Table 4, we regress indicators of tax morale disaggregated by state (district) and non-state (village, clan, religious) actors on three indicators of informal contributions: (i) in panel A, we use an indicator variable for the number of informal contributions paid by a given respondent being above the median in the sample, which is 2; (ii) in panel B, we consider an indicator for paying in cash more than the median respondent in the sample (US\$3.2); while (iii) in panel C, we adopt an indicator for contributing a number of labour days above the median value in the sample (0 days). To increase the sample size available, we assign zero to cash and labour contributions of all non-payers.

First, we find that informal revenue generation is positively correlated with state-related tax morale. From panel A, a higher level of informal revenue generation corresponds to 12 percentage points higher tax morale regarding the district government (column 2), or 23 per cent of the average tax morale. This coefficient is larger for state actors than for non-state ones, also given the higher average morale with non-state actors in the sample. Second, we similarly find that higher informal payments made in cash are associated with positive tax morale towards the district government, implying an increase of 25 percentage points or 50 per cent the average tax morale. The positive relation of cash payments occurs with non-governmental community actors as well, but with a smaller magnitude (columns 4-6-8). These positive spillover effects may indicate that taxpayers attribute outcomes from informal payments to the district government, whether or not they have a role in providing them (see e.g. Sacks 2012; van den Boogaard 2020).⁸³ However, these positive attribution effects

⁸³ Relatedly, in Puntland Varming (2019: 17) finds that hybrid governance arrangements with religious authorities contributed to increased acceptance of, and compliance with, tax collection, with non-state actors contributing to ‘the constitution and (re)creation of the image of the self-reliant Puntland state’.

disappear for contributions made in labour (panel C, column 2), while labour contributions remain positively correlated with non-state community actors.

Table 4 IRG and tax morale in relation to state and non-state actors

| <i>Panel A: number of informal contributions above median</i> | | | | | | | | |
|---|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | (1) District | (2) District | (3) Village | (4) Village | (5) Clan | (6) Clan | (7) Religious | (8) Religious |
| IRG | 0.15*** (0.03) | 0.12*** (0.03) | 0.07*** (0.02) | 0.09*** (0.03) | 0.09*** (0.04) | 0.11*** (0.04) | 0.12*** (0.03) | 0.11*** (0.03) |
| Controls | No | Yes | No | Yes | No | Yes | No | Yes |
| Mean of Y | 0.52 | 0.52 | 0.76 | 0.76 | 0.73 | 0.73 | 0.71 | 0.71 |
| R-sq. | 0.014 | 0.104 | 0.007 | 0.018 | 0.009 | 0.043 | 0.015 | 0.053 |
| N | 1224 | 1224 | 1259 | 1259 | 1258 | 1258 | 1232 | 1232 |
| <i>Panel B: total cash amounts above median</i> | | | | | | | | |
| | (1) District | (2) District | (3) Village | (4) Village | (5) Clan | (6) Clan | (7) Religious | (8) Religious |
| IRG | 0.16*** (0.03) | 0.25*** (0.03) | 0.13** (0.03) | 0.15*** (0.03) | 0.15*** (0.03) | 0.16*** (0.03) | 0.19** (0.03) | 0.20** (0.03) |
| Controls | No | Yes | No | Yes | No | Yes | No | Yes |
| Mean of Y | 0.507 | 0.507 | 0.73 | 0.73 | 0.71 | 0.71 | 0.67 | 0.67 |
| R-sq. | 0.000 | 0.134 | 0.022 | 0.043 | 0.028 | 0.084 | 0.041 | 0.119 |
| N | 941 | 941 | 959 | 959 | 954 | 954 | 925 | 925 |
| <i>Panel C: total labour days above median</i> | | | | | | | | |
| | (1) District | (2) District | (3) Village | (4) Village | (5) Clan | (6) Clan | (7) Religious | (8) Religious |
| IRG | -0.09** (0.04) | -0.12*** (0.04) | 0.09*** (0.03) | 0.11*** (0.03) | 0.10*** (0.03) | 0.15*** (0.03) | 0.07* (0.03) | 0.11*** (0.04) |
| Controls | No | Yes | No | Yes | No | Yes | No | Yes |
| Mean of Y | 0.523 | 0.523 | 0.76 | 0.76 | 0.74 | 0.74 | 0.71 | 0.71 |
| R-sq. | 0.005 | 0.119 | 0.006 | 0.022 | 0.008 | 0.050 | 0.003 | 0.065 |
| N | 1,039 | 1,039 | 1,072 | 1,072 | 1,071 | 1,071 | 1,038 | 1,038 |

Notes: Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. All coefficients are OLS linear estimates. The dependent variable, the actor's legitimacy, is defined as an indicator variable for the respondent somewhat or strongly agreeing with the fact that the actor always has the right to make people pay taxes. The main independent variable is an indicator variable for the respondent contributing more than the median in the sample: (i) in terms of types of payments in panel A, (ii) in terms of cash amounts in panel B, (iii) in terms of labour days in panel C.

5.2 Informal taxes as an optimal response to information and enforcement problems?

Second, Olken and Singhal (2011: 20) propose that informal taxation represents 'the solution to a constrained optimal tax problem', with governments less able than communities to enforce compliance and identify taxable incomes. In south-central Somalia, this certainly seems to be the case. The decentralised nature of public authority makes identifying taxable income possible through 'observable but not legally verifiable' means (Olken and Singhal 2011: 21), facilitated by the small size of *diya*-paying groups. This is in line with growing evidence that in some contexts local elites are more capable of mobilising revenues than the state (see e.g. Balán, Bergeron, Tourek and Weigel 2020; van den Boogaard 2020).⁸⁴ In the case of Gedo, however, this additional information does not necessarily reflect 'the desire of communities to impose more redistributive (socially enforced) tax schedules than are feasible under formal taxation' (Olken and Singhal 2011: 26); as described in Section 4, while more vulnerable populations contribute less, informal payments are regressive among those that make any informal payments.

⁸⁴ These findings further align with broader research on the ways in which local leaders can improve governance outcomes and public service delivery in weak states (see e.g. Acemoglu, Cheema, Khwaja and Robinson 2020; Alatas, Banerjee, Hanna, Olken, Purnamasari and Wai-Poi 2019; Basurto, Dupas and Robinson 2020).

While community leaders are more effective at gathering information about taxpayers than the state, enforcement is likewise easier among non-state actors because of their legitimacy among community members. As described in Section 3, informal payments are embedded in local political, kin, and religious structures that facilitate compliance through social sanctions, with local leaders imbued with cultural and/or religious respect.⁸⁵ Clan elders, for instance, are ‘the only group that possesses legitimacy across the broad spectrum of Somali society’ and ‘wield a moral authority that is associated with immediate recognition of legitimacy’ (Shire 2020: 2 and 14).⁸⁶ Taxpayers largely have positive perceptions of the fairness of informal payments (Table 2), while, as described in Table 5, taxpayers have more positive perceptions of community leaders (village leaders, clan elders, and religious leaders) relative to the district government across measures of transparency, trust, performance, and authority to collect tax.⁸⁷ As a village council member described, ‘Only religious and clan leaders collect payments with the support of the community members... this activity has been going on since time [im]memorial and will continue as long as the community continues.’⁸⁸ Meanwhile, a focus group participant explained, ‘We trust clan and religious leaders because both of them enjoy considerable recognition from the community members. In this regard, they are the gatekeepers of the community in the absence of strong government and [their] institution[al] presence’.⁸⁹

⁸⁵ Gundel (2006) explains that there is no common way for elders to be chosen, with some found by heritage, some chosen by a *shir* (council), and some emerging through respect and recognition. In some areas, individuals may be more willing to comply with clan-based decisions, given the often decentralised ways in which community decisions are taken. Clan governance does not normally follow a hierarchical pattern of authority; as Lewis (2002: 10) describes, ‘a hierarchical pattern of authority is foreign to Somali nomadic pastoral society which in its customary process of decision-making is democratic almost to the point of anarchy’ – though, notably, excluding women (Hudson 2015). While clans are traditionally led by Sultans (*Suldan, Boqar, Garad, Uqas*, etc.), power is not normally vested in a single leader. Lewis (2002: 10) notes that Sultans ‘are normally little more than convenient figureheads and lack any firmly institutionalized power... [their] effective power is often no greater, and sometimes less, than that of other clan elders’. Technically all adult males are ‘classed as elders (*oday*, pl. *odayaal*) with the right to speak at the council (*shir*) which deliberates matters of common concern’ (Lewis 1998a: 196). Within a *diya*-paying *shir*, ‘All men are councillors, and all men are politicians’ (Lewis 1998a: 198). In practice, Lewis (1998a: 5) notes that clans are ‘often led by a clan-head’, though remain ‘without centralised administration or government’. Though there is no ‘stable hierarchy’ among clan structures (Lewis 1998a: 196), ‘influence and power [is] conferred by the society according to specific standards of virtue’, limited to males (Mohamed 2007: 227; see also Lewis 1998a: 196, 198). Some note that recent political statebuilding processes have shifted the incentives of clan leaders, who are perceived by some to be growing less legitimate and accountable due to the manner of their integration with formal state structures (see e.g. Hoehne 2010, 2011; Hussein 2018). It should moreover be noted that in some parts of the country, the structure and selection of traditional leaders was manipulated by colonial administrators, who, to attempt to facilitate indirect rule, created ‘artificial positions of leadership’ that had no traditional roots (Lewis 1998a: 203), though have since become ‘traditional’ (Mohamed 2007).

⁸⁶ Tazebew and Kefale (2021), for example, describe that ‘elders are highly-esteemed in their locality’ and enable a means of economic regulation and enforcement ‘[u]nderwritten in mutual trust, kinship and patron-client relations’.

⁸⁷ Similar patterns are found in the perceptions of individuals in the vulnerable population, with data found in Appendix 7.

⁸⁸ Interview, village council member, Hirshabelle state, 2016.

⁸⁹ FGD participant, Hirshabelle state, 2016.

Table 5 Taxpayer perceptions of state and non-state actors (0-1 indicators, general population of taxpayers)

| Variable | N | Mean |
|---|------|------|
| <i>High transparency – district</i> | 1258 | 0.20 |
| <i>High transparency – village council</i> | 1262 | 0.42 |
| <i>High transparency – clan elders</i> | 1259 | 0.40 |
| <i>High transparency – religious leaders</i> | 1258 | 0.20 |
| <i>High trust – district</i> | 1249 | 0.64 |
| <i>High trust – village council</i> | 1284 | 0.95 |
| <i>High trust – clan elders</i> | 1287 | 0.92 |
| <i>High trust – religious leaders</i> | 1230 | 0.88 |
| <i>Better performance – district</i> | 1171 | 0.46 |
| <i>Better performance – village council</i> | 1272 | 0.71 |
| <i>Better performance – clan elders</i> | 1277 | 0.61 |
| <i>Better performance – religious leaders</i> | 1206 | 0.59 |
| <i>High tax morale – district</i> | 1240 | 0.53 |
| <i>High tax morale – village council</i> | 1275 | 0.76 |
| <i>High tax morale – clan elders</i> | 1273 | 0.73 |
| <i>High tax morale – religious leaders</i> | 1241 | 0.71 |

At the same time, clan elders have considerable influence to enforce *diya* and other payments, with their power stemming from their moral authority and with enforcement depending largely on societal norms, supported by clan or community pressure and a desire to earn social capital and respect, avoid public shaming, ostracism or the denial of access to the clan’s safety net and benefits, as well as the material, physical or moral punishments that the *xeer beegti* (clan leaders entrusted with applying customary law) may apply to persons who ignore their ruling (PDRC 2003: 147–150). As Lewis (1998b: 50) notes, ‘Ultimately, force or its threat [is] the final sanction supporting a settlement.’ Strong enforcement capacity also reflects a broader culture of obeying decisions taken by elders and religious leaders – as the Somali saying goes, ‘He who rejects right judgment does not believe in Almighty God either’ (*Gar diid waa Alla diid*) (PDRC 2003: 28, 150).⁹⁰ As described by a citizen in Jubbaland, ‘The payments collected by the elders, it is not a question [to pay them or not], for they explain the reason and they demonstrate the result’,⁹¹ while another taxpayer explained, ‘If you try to reject their collection, elders will remove you from the clan insurance and you will have no support.’⁹² Accordingly, local enforcement capacity is underpinned not just by the legitimacy of local actors, but through the considerable social pressures and informal sanctions that create a *de facto* obligation to contribute.

Strong local enforcement capacity contrasts sharply with anecdotal evidence of the capacity of the state to collect taxes. As described in Section 2, local taxes are often collected by force, unsurprisingly contributing to low taxpayer perceptions of their fairness and reciprocity. For instance, Nenova (2004: 2) describes that state taxes are ‘perceived as pay-off to avoid harassment, rather than payments in exchange for public goods provision’, while Varming (2019) describes how citizens in Puntland are more likely to comply with requests for contributions from government when religious authority figures are involved, as a result of ‘increased trust and the hope of proper management of the collected funds’.⁹³ Underpinning

⁹⁰ Tellingly, a decision made by the elders *guurti* (the governing body of the family, clan or community comprising the elders from every social unit of the participating lineages or community of lineages), is known as *guurti ka hadh* – a decision no one can deny (Gundel 2006: 15).

⁹¹ Interview, taxpayer, Jubbaland, 2016.

⁹² Interview, taxpayer, Jubbaland, 2016.

⁹³ As she describes, ‘the involvement of the sheikhs was a prerequisite for many business owners to pay the extra contribution [for emergency relief]. In response to a question of whether the money collected from the business

these perspectives, Abshir, Abdirahman, and Stogdon (2020: 2) note that formal taxes are known as *canshuur*, meaning a restriction or burden, which ‘signif[ies] a system imposed and regulated by force’. It is particularly telling that taxpayers prefer to travel through al-Shabaab’s transport and customs checkpoints rather than the state’s, as the former are seen as more accountable and fairer (in relative terms) (Hiraal Institute 2020a, United Nations Security Council 2018: para. 86, see also Marchal 2018: 354–355).⁹⁴ This is in line with the suggestion that where governments are perceived to be corrupt, citizens ‘may prefer to make payments toward public projects in a form that cannot be expropriated’ (Olken and Singhal 2011: 25), as well as the recognition that ‘local acceptance of taxation is not dependent on the formal status of the tax’ (Varming 2019: 5).

While it may thus be more ‘optimal’ for decentralised actors to levy taxes in this context, there is an important need to move away from the tendency towards a statist bias and assumptions that the prevalence of informal revenue generation is in some way a ‘choice’ by the state. For example, Olken and Singhal (2011: 20–21) suggest that ‘local governments wish to finance public goods in a social welfare maximizing way and are making a choice between formal and informal taxation’. In south-central Somalia, rather than explaining how or why things ‘work’ outside of the state, it may be more relevant and useful to consider decentralised public authority as the default referent, with a need only to explain the puzzle of ‘pockets of state effectiveness’. Barring the powerful centralised sultanates of the early and middle ages, pastoral zones have not come under effective control of a state in the modern period. State collapse is often assumed to lead to greater informal taxation and governance, though in south-central Somalia, ‘the collapse of the state [was] not as traumatic for nomadic populations as outsiders often presume’ (Menkhaus 2006: 87).⁹⁵ Effectively, communities operate largely outside of the state, as they have long been doing.

5.3 Informal taxes as user fees?

Third, Olken and Singhal (2011: 22) propose that informal tax ‘payments represent pre-paid user fees or benefits taxes’. While this is certainly the case for some informal payments, including those made to teachers or schools in order to access education, this hypothesis does not fit with many of the common informal taxes and contributions paid in Gedo region, where our survey evidence shows that taxpayers expect little in return for the informal payments and contributions that they make (Table 2).⁹⁶ This is in line with the description of informal payments in Section 3, which makes clear that many of these payments are required or requested to fulfil collective responsibilities rather than to provide direct access to a good. Research participants likewise made clear that many of these payments are ‘necessary’ insofar as they are necessary to maintain good standing within the community and thus to be eligible to receive reciprocal support from the community in the future. In this context, informal payments reflect collective financing of public goods, without being immediately required. Illustrating these more embedded ties of reciprocity, access to forms of informal social welfare seems to be associated with informal tax payment. While the sample of vulnerable individuals are less likely than the general population to make informal payments, as described in Section 4, they are also less likely to receive access to various

community was paid directly to the government, the owner of a large business responded, “Oh no! No one would pay them directly (Laughing)” (Varming 2019: 13).

⁹⁴ The UN Monitoring Group on Somalia and Ethiopia describes al-Shabaab’s tax system as ‘accountable and predictable’ as a result of the issuance of receipts, while acknowledging that the authority is responsive to taxpayers – for instance, quickly responding to businesses’ complaints about double taxation or fraudulent tax collectors (United Nations Security Council 2018: 86). In these regards, the organisational competence of al-Shabaab sharply contrasts to the formal tax system, which lacks oversight and accountability, with some taxpayers actually preferring al-Shabaab’s tax system to the federal or regional system (United Nations Security Council 2018: 86).

⁹⁵ From the perspective of informal taxation, the state collapse may nevertheless be relevant insofar as it has led to an important role of NGOs in co-financing public goods with communities.

⁹⁶ As noted above, however, user fees to private actors are common in the region, given that it is primarily private companies that provide key services like water, electricity, and schooling.

forms of assistance (see Table 1). Moreover, Table 6 shows that among both the general and vulnerable populations, those that make at least one informal payment are significantly more likely to receive access to informal social assistance, regardless of who provides it.⁹⁷

Table 6 Assistance received by whether at least one payment is made

(Above: vulnerable sample; below: general sample)

| | No | | Yes | | Difference |
|-----------------------|------|-----|------|-----|------------|
| | Mean | Obs | Mean | Obs | |
| Lack of food or water | 0.07 | 640 | 0.13 | 396 | -0.06*** |
| Crop failure | 0.03 | 640 | 0.01 | 396 | 0.02 |
| Health emergency | 0.03 | 640 | 0.14 | 396 | -0.11*** |
| Disability | 0.03 | 640 | 0.00 | 396 | 0.03*** |
| Care for the elderly | 0.02 | 640 | 0.13 | 396 | -0.11*** |
| Pregnancy | 0.01 | 640 | 0.13 | 396 | -0.12*** |
| School fees | 0.03 | 640 | 0.01 | 396 | 0.02** |
| Abuse or violence | 0.03 | 640 | 0.00 | 396 | 0.03*** |
| Funeral | 0.00 | 640 | 0.15 | 396 | -0.15*** |
| <i>N</i> | 1036 | | | | |

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

| | No | | Yes | | Difference |
|-----------------------|------|-----|------|-----|------------|
| | Mean | Obs | Mean | Obs | |
| Lack of food or water | 0.10 | 392 | 0.15 | 889 | -0.05** |
| Crop failure | 0.02 | 392 | 0.05 | 889 | -0.03*** |
| Health emergency | 0.07 | 392 | 0.14 | 889 | -0.07*** |
| Disability | 0.05 | 392 | 0.03 | 889 | 0.03** |
| Care for the elderly | 0.02 | 392 | 0.08 | 889 | -0.06*** |
| Pregnancy | 0.03 | 392 | 0.11 | 889 | -0.08*** |
| School fees | 0.07 | 392 | 0.04 | 889 | 0.03** |
| Abuse or violence | 0.07 | 392 | 0.03 | 889 | 0.04*** |
| Funeral | 0.01 | 392 | 0.14 | 889 | -0.14*** |
| <i>N</i> | 1281 | | | | |

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

5.4 Informal taxes as altruistic voluntary contributions?

Fourth, Olken and Singhal (2011: 23) suggest that informal taxes may be ‘more akin to voluntary charitable contributions than taxes’. While research participants and key informants often described a blurred line between the voluntary and mandatory nature of informal payments, our survey evidence makes clear that the majority of taxpayers view non-compliance with informal payments as resulting in punishment (Table 2). Notably, taxpayers perceived it more likely to be punished for non-payment of informal payments, than of the formal livestock tax, for which only 42 per cent of taxpayers reported that non-payment was very or somewhat likely to result in punishment.⁹⁸ While, as described in Section 3, some informal payments are grounded in customary law (*xeer*) and thus have considerable force, the importance of social pressures and sanctions is also relevant to understanding what are often perceived as mandatory payments. This is illustrated by the Somali proverb ‘*Gar diid waa Alla diid*’, meaning a disobedient person – one who doesn’t respect what has been agreed upon – is fined; if he again disobeys, he is alienated from the society or clan insurance (Gundel 2006: iv). With this perceived threat of punishment and social sanction, we thus find, consistent with Olken and Singhal (2011: 23) that informal tax payments ‘are unlikely to be motivated solely by altruism or warm glow preferences’.

⁹⁷ In the questionnaire, we further asked whether the assistance was provided by a relative, village or community association, someone from another village, government, an armed group, a political party, a religious entity, an NGO or welfare group, an insurance group, or another actor.

⁹⁸ As livestock tax is the only formal tax paid by more than 10 per cent of the sample (see Section 2), it is the only formal tax with a large enough sample to allow for comparison.

6 Conclusions

Our exploration of informal taxation and revenue generation in an understudied context clearly shows that informal taxes are critical to local public goods finance in contexts of weak formal taxation. In Somalia, as in other low-income and fragile contexts, the full landscape of institutions for providing security, governance and public goods provision is often 'virtually invisible to external observers, whose sole preoccupation is often with the one structure that actually provides the least amount of rule of law to Somalis – the central state' (Menkhaus, 2006: 87). Our research makes clear that informal tax institutions need to be incorporated within analyses of taxation, service delivery, social protection, and equity. As described by Olken and Singhal, 'Failing to take informal taxation into account will lead to underestimates of the tax burden faced by households, the size of the public sector, and the level of decentralisation', as well as leading to an overestimation of 'the overall progressivity of the tax system' (Olken and Singhal 2011: 19, 26).

Our evidence provides support for several non-mutually exclusive theories for the prevalence of informal taxation. First, given weak formal tax capacity, informal taxation and revenue generation fills gaps left by the state and provides essential public goods. Our evidence further suggests, however, that sub-national governments actually benefit from informal revenue generation and the outcomes it enables, with informal revenue generation positively correlated with formal tax morale. Second, in line with expectations, informal taxes represent a solution to the information and enforcement challenges faced by the state. Local leaders that are engaged in informal revenue generation have greater information about taxpayers, while their enforcement is backed by significant local legitimacy and ability to levy sanctions in the case of non-payment.

At the same time, however, our evidence disproves the relevance of other theories of informal taxation in the context of Gedo region. First, while some informal taxes are effectively user fees for public services received, our evidence shows that taxpayers in Gedo expect little in return for the payments they make. Instead, many of the payments made represent informal payments to fill collective responsibilities of governance and financing public goods provision. Second, rather than being voluntary, the majority of taxpayers expect punishment as a result of non-payment, with social sanctions and ostracism from communal support and governance being particularly effective deterrents from evasion.

Our research contributes to what is a limited but growing body of knowledge on informal taxation, while at the same time raising additional questions for future research. First, though this deep look at the nature of informal revenue generation in Gedo region provides an important contribution of empirical evidence and contextual depth, future research should explore how the patterns and dynamics of informal revenue raising vary across different regions and the diverse clan networks in south-central Somalia. In particular, it would be valuable for further analysis to explore the dynamics of informal revenue generation in a context not dominated by a single clan. To what extent is the prevalence of informal taxation seen in Gedo region reflective of the relatively homogenous population and structures of public authority?

Second, given the extreme nature of the case in south-central Somalia, further research is required to explore the way in which the prevalence, incidence, and structures of informal revenue generation are linked to conflict, fragility, and state weakness. As discussed, in many ways, informal revenue generation in Gedo substitutes for the lack of formal state taxation, while it is thus reasonable to consider that its prevalence, incidence, nature, and structure may vary in contexts where formal and informal taxation operate in parallel. Indeed, research on informal taxation and revenue generation in Sierra Leone appears to document greater variation in the relationships between informal revenue generation and the state, with

the state's relative coexistence, competition, or collusion with informal taxing actors being shaped by its dependence on them to govern (van den Boogaard 2020). Future research could valuably deepen our understanding of this variation by engaging in structured comparisons and explorations in contexts with stronger state institutions.

Finally, our findings point to the ways in which informal revenue generation may complement or even strengthen local government taxation. More research is needed in order to understand the mechanisms underpinning this association and to further consider how this varies across cash and labour contributions. We are taking first steps to explore these dynamics through an ongoing study of the impacts of matching grants on community-based contributions and perceptions of government in Gedo region. In particular, it will be valuable to explore the relationship between informal taxation and state legitimacy, which may have important implications for sub-national governance in weak and fragile contexts. To what extent do citizens attribute informal taxes to local or national governing authorities? What are the implications for the ways in which local governments may work with local communities to either raise revenues or provide services through hybrid models of governance? How may the relationship between informal revenue generation, the state, and formal tax morale vary in contexts that are more or less supportive of broader federal statebuilding processes?

Our research in south-central Somalia reinforces the importance of informal revenue generation to public goods provision in weak formal institutional contexts, to everyday citizens, and to policymakers attempting to extend the influence of the federal state in the region. At the same time, our work raises significant new questions and thus gives further motivation for exploring the dynamics and impacts of informal taxation and revenue generation across diverse contexts.

Appendices

Appendix 1 Map of Jubbaland state and Gedo region⁹⁹



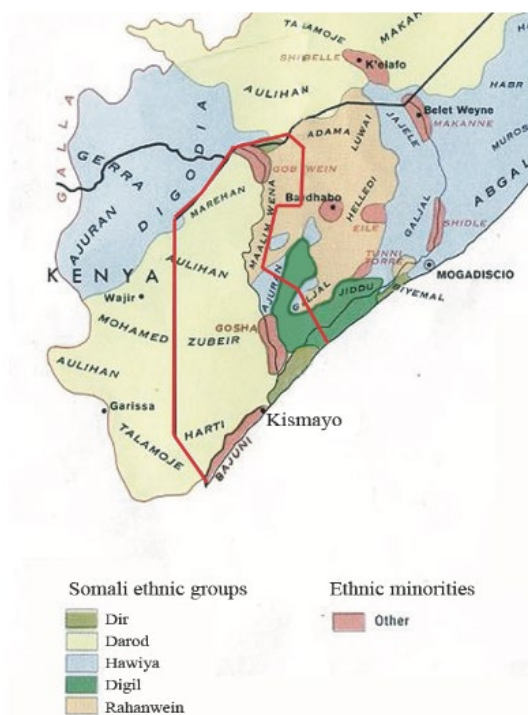
Source: Adapted from Menkhaus (2004d).

⁹⁹ Outlined in red.

Appendix 2 Settlement-level data

| | N | Mean | St. dev | p25 | Median | p75 |
|--------------------------------------|-----|--------|---------|-----|--------|-----|
| <i>Village characteristics</i> | | | | | | |
| Rural village | 117 | .97 | 0.16 | 1 | 1 | 1 |
| Population | 117 | 1426.4 | 5686.4 | 240 | 476 | 900 |
| Darod Marehan as dominant clan | 117 | .8 | .4 | 1 | 1 | 1 |
| Agriculture | 115 | 48.2 | 26.4 | 30 | 50 | 70 |
| Fishing | 94 | 2.3 | 6.3 | 0 | 0 | 0 |
| Breeding | 108 | 34.6 | 28 | 5 | 37.5 | 60 |
| Small business/petty trading | 98 | 5.7 | 12.9 | 0 | 0 | 5 |
| # public meetings last year | 116 | 8 | 10.4 | 2 | 3 | 10 |
| Attendance at last public meeting | 97 | 899.1 | 5450.1 | 35 | 50 | 150 |
| Has a public notice board visible | 117 | .1 | .3 | 0 | 0 | 0 |
| <i>Village leader characteristic</i> | | | | | | |
| Male village leader | 117 | .96 | .20 | 1 | 1 | 1 |
| Village leader tenure (years) | 117 | 6.8 | 5.7 | 4 | 5 | 8 |
| <i>Public services</i> | | | | | | |
| Has a primary school | 117 | .44 | .50 | 0 | 0 | 1 |
| Has paved road | 117 | .17 | .37 | 0 | 0 | 0 |
| Has piped water | 117 | .05 | .22 | 0 | 0 | 0 |
| Has communal water source | 117 | .25 | .43 | 0 | 0 | 0 |
| Has electricity | 117 | .02 | .13 | 0 | 0 | 0 |
| Has a public hospital/clinic | 117 | .07 | .25 | 0 | 0 | 0 |
| Has garbage collection | 117 | .14 | .35 | 0 | 0 | 0 |
| Has a public market | 117 | .07 | .25 | 0 | 0 | 0 |
| Has public transport | 117 | .03 | .18 | 0 | 0 | 0 |

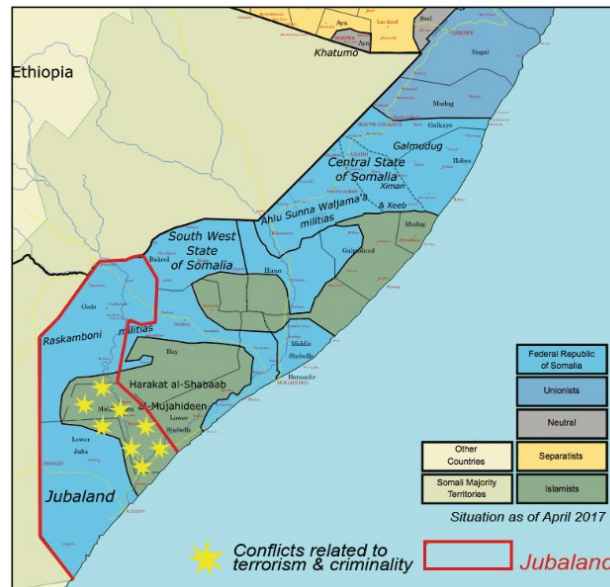
Appendix 3 Clan distribution in Jubbland state¹⁰⁰



Source: UN Habitat (2018).

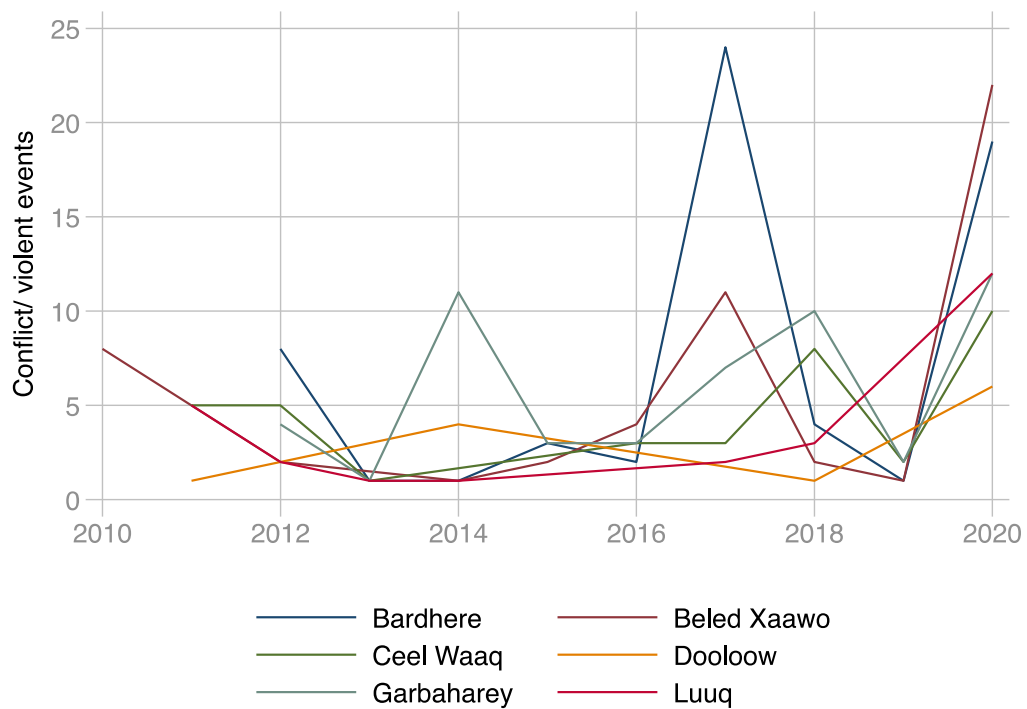
¹⁰⁰ Outlined in red.

Appendix 4 Al-Shabaab presence in Jubaland state



Data source UN Habitat (2018).

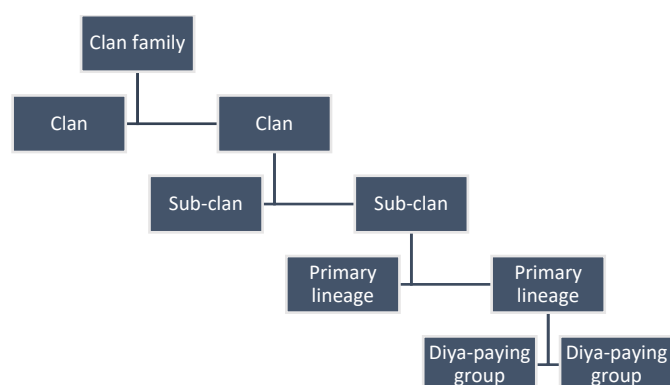
Appendix 5 Number of conflict events per year by district in Gedo region, 2010–2020¹⁰¹



Data source: ACLED (Armed Conflict Location & Event Data Project) (2020).

¹⁰¹ Conflict events include, as classified by ACLED, battles, explosions/remote violence, riots, and violence against civilians. Data was not found for Buurdhuubo district.

Appendix 6 Somali clan lineage system



Source: Adapted from Gundel (2006: 5).

Appendix 7 Taxpayer perceptions of state and non-state actors (vulnerable population)

| Variable | Obs. | Mean | Std. Dev. | Min | Max |
|--|------|------|-----------|------|------|
| <i>High transparency – district</i> | 1029 | 0.17 | 0.37 | 0.00 | 1.00 |
| <i>High transparency – village council</i> | 1028 | 0.58 | 0.49 | 0.00 | 1.00 |
| <i>High transparency – clan elders</i> | 1024 | 0.47 | 0.50 | 0.00 | 1.00 |
| <i>High transparency – religious leader</i> | 1029 | 0.17 | 0.37 | 0.00 | 1.00 |
| <i>High trust – district</i> | 993 | 0.64 | 0.48 | 0.00 | 1.00 |
| <i>High trust – village council</i> | 1028 | 0.94 | 0.24 | 0.00 | 1.00 |
| <i>High trust – clan elders</i> | 1028 | 0.83 | 0.37 | 0.00 | 1.00 |
| <i>High trust – religious leaders</i> | 1013 | 0.82 | 0.39 | 0.00 | 1.00 |
| <i>Better performance – district</i> | 859 | 0.46 | 0.50 | 0.00 | 1.00 |
| <i>Better performance – village council</i> | 1014 | 0.72 | 0.45 | 0.00 | 1.00 |
| <i>Better performance – clan elders</i> | 999 | 0.55 | 0.50 | 0.00 | 1.00 |
| <i>Better performance – religious leader</i> | 991 | 0.60 | 0.49 | 0.00 | 1.00 |
| <i>High tax morale – district</i> | 956 | 0.58 | 0.49 | 0.00 | 1.00 |
| <i>High tax morale – village council</i> | 1025 | 0.84 | 0.37 | 0.00 | 1.00 |
| <i>High tax morale – clan elders</i> | 1024 | 0.75 | 0.44 | 0.00 | 1.00 |
| <i>High tax morale – religious leader</i> | 1015 | 0.73 | 0.45 | 0.00 | 1.00 |

References

- Abshir, S., Abdirahman, K. and Stogdon, H. (2020) *Tax and the State in Somalia: Understanding Domestic Revenue Mobilization*, Rift Valley Institute Briefing Paper, Rift Valley Institute
- Acemoglu, D., Cheema, A., Khwaja, A. I. and Robinson, J. A. (2020) 'Trust in State and Nonstate Actors: Evidence from Dispute Resolution in Pakistan', *Journal of Political Economy* 128.8: 3090–3147
- Afrobarometer (2016/2018) *Afrobarometer Dataset, Round 7*, Afrobarometer
- Ahmad, A. (2017) *Jihad & Co: Black Markets and Islamist Power*, Oxford University Press
- Alatas, V., Banerjee, A., Hanna, R., Olken, B. A., Purnamasari, R. and Wai-Poi, M. (2019) 'Does Elite Capture Matter? Local Elites and Targeted Welfare Programs in Indonesia', *AEA Papers and Proceedings* 109: 334–339
- Alemán, E. (2007) 'Situating Texas School Finance Policy in a CRT Framework: How "Substantially Equal" Yields Racial Inequity', *Educational Administration Quarterly* 43.5: 525–558
- Allard, S. (2014) 'State Dollars, Non-state Provision: Local Nonprofit Welfare Provision in the United States', in M. Cammett and L. MacLean (eds.) *The Politics of Non-state Social Welfare*, Cornell University Press: 237–256
- Arendell, T. (1997) 'Reflections on the Researcher-Researched Relationship: A Woman Interviewing Men', *Qualitative Sociology* 20.3: 341–368
- Armed Conflict Location & Event Data Project (2020) *Armed Conflict Location & Event Data Project (ACLED) dataset*, <https://www.acleddata.com/data/>
- Bakonyi, J. (2013) 'Authority and Administration Beyond the State: Local Governance in Southern Somalia, 1995–2006', *Journal of Eastern African Studies* 7.2: 272–290
- Bakonyi, J. and Stuvøy, K. (2005) 'Violence & Social Order beyond the State: Somalia & Angola', *Review of African Political Economy* 32.104/105: 359–382
- Balán, P., Bergeron, A., Tourek, G. and Weigel, J. L. (2020) *Local Elites as State Capacity: How Cuty Chiefs Use Local Information to Increase Tax Compliance in the D.R. Congo*, CEPR Discussion Paper No. DP15138, Centre for Economic Policy Research
- Barkan, J. D. and Holmquist, F. (1986) *Politics and the Peasantry in Kenya: The Lessons of Harambee*, Working Paper No. 440, Nairobi: Institute for Development Studies, University of Nairobi
- Basurto, M. P., Dupas, P. and Robinson, J. (2020) 'Decentralization and Efficiency of Subsidy Targeting: Evidence from Chiefs in Rural Malawi', *Journal of Public Economics* 185
- Beard, V. A. (2007) 'Household Contributions to Community Development in Indonesia', *World Development* 35.4: 607–625

- Bearse, P., Glomm, G. and Eckhard, J. (2000) 'Why Poor Countries Rely Mostly on Redistribution In-kind', *Journal of Public Economics* 75: 463–481
- Bice, D. C. and Hoyt, W. H. (2000) 'The Impact of Mandates and Tax Limits on Voluntary Contributions to Local Public Services: An Application to Fire-protection Services', *National Tax Journal* 53.1: 79–104
- Boege, V., Brown, A., Clements, K. and Nolan, A. (2008) *On Hybrid Political Orders and Emerging States*, Berlin: Berghof Research Center for Constructive Conflict Management
- Böröcz, J. (2000) 'Informality Rules', *East European Politics and Societies* 14.2: 348–380
- Bratton, M. (2010) *Citizen Perceptions of Local Government Responsiveness in Sub-Saharan Africa*, Afrobarometer Working Paper No. 119, Afrobarometer
- Brunner, E. and Sonstelie, J. (2006) *California's School Finance Reform: An Experiment in Fiscal Federalism*, University of Connecticut Department of Economics Working Paper Series 2006, 9
- Bryden, M. (2014) *The Reinvention of Al-Shabaab: A Strategy of Choice or Necessity?* Center for Strategic and International Studies
- (2004) 'State-Within-a-Failed-State: Somaliland and the Challenge of International Recognition', in P. W. T. Kingston and I. Spears (eds.) *States-Within-States: Incipient Political Entities in the Post-Cold War Era*, Palgrave MacMillan: 167–188
- Cammett, M. (2013) 'Using Proxy Interviewing to Address Sensitive Topics', in L. Mosley (ed.), *Interview Research in Political Science*, Cornell University Press: 124–143
- Cassanelli, I. V. (1982) *The Shaping of Somali Society: Reconstructing the History of a Pastoral People, 1600-1900*, University of Pennsylvania Press
- Catterall, J. S. (1988) 'Private School Participation and Public Policy', in T. James and H. M. Levin (eds.), *Comparing Public and Private Schools: Vol. 1: Institutions and Organizations*, New York: Falmer Press: 46–66
- Cleaver, F. (2001) 'Institutional Bricolage, Conflict and Cooperation in Usangu, Tanzania', *IDS Bulletin* 32.4: 26–35
- Dahir, A. L. (2020) 'Young Somalis Step in Where Government Fails', *The New York Times*, February 16, <https://www.nytimes.com/2020/02/16/world/africa/somalia-.html>
- Eid, A. (2014) *Jostling for Trade: The Politics of Livestock Marketing on the Ethiopia–Somaliland Border*, FAC Working Paper No. 75, Future Agricultures Consortium
- Eisenhardt, K. M. and Graeber, M. E. (2007) 'Theory Building from Cases: Opportunities and Challenges', *Academy of Management Journal* 50.1: 25–32
- Emon, A. M. (2012) *Religious Pluralism and Islamic Law: Dhimmis and Others in the Empire of Law*, 1st ed., Oxford: Oxford University Press
- Eubank, N. (2012) 'Taxation, Political Accountability and Foreign Aid: Lessons from Somaliland', *The Journal of Development Studies* 48.4: 465–480

- Farah, A. Y. and Lewis, I. M. (1993) *Somalia, the Roots of Reconciliation: Peace Making Endeavours of Contemporary Lineage Leaders: A Survey of Grassroots Peace Conferences in 'Somaliland'*, Action Aid
- Faruk, O. and Bearak, M. (2019) 'If I Don't Pay, They Kill Me': Al-Shabab Tightens Grip on Somalia with Growing Tax Racket', *The Washington Post*, 30 August, https://www.washingtonpost.com/world/africa/if-i-dont-pay-they-kill-me-al-shabab-tightens-its-grip-on-somalia-with-growing-tax-racket/2019/08/30/81472b38-beac-11e9-a8b0-7ed8a0d5dc5d_story.html
- Federal Government of Somalia (2016) *National Development Plan 2017–2019*, Federal Government of Somalia
- Federal Republic of Somalia (2012) *Provisional Constitution*, Federal Republic of Somalia
- Fink, G., Kandpal, E. and Shapira, G. (2019) *Inequality in the Quality of Health Services: Wealth, Content of Care, and Price of Antenatal Consultations in the Democratic Republic of Congo*, Policy Research Working Paper No. 8818, World Bank
- Fukuyama, F. (2013) 'What is Governance?', *Governance: An International Journal of Policy, Administration, and Institutions*, 26.3: 347–368
- Gardner, J. and Bushra, J. E. (eds.) (2004) *Somalia The Untold Story: The War Through the Eyes of Somali Women*, London: Pluto Press
- and Warsame, A. M. (2004) 'Women, Clan Identity and Peace-building', in J. Gardner and J. E. Bushra (eds.), *Somalia The Untold Story: The War Through the Eyes of Somali Women*, London: Pluto Press: 153–165
- Gardner, L. (2012) 'Self-sufficiency Policy and the Fiscal Consequences of Decolonization', in L. Gardner (ed.) *Taxing Colonial Africa*, Oxford: Oxford University Press
- Gesheker, C. L. (1985) 'Anti-Colonialism and Class Formation: The Eastern Horn of Africa Before 1950', *The International Journal of African Historical Studies* 18.1: 1–32
- Grosse-Kettler, S. (2004) *External Actors in Stateless Somalia: A War Economy and its Promoters*, Paper 39, Bonn International Center for Conversion
- Gundel, J. (2006) *The Predicament of the "Oday": The Role of Traditional Structures in Security, Rights, Law and Development in Somalia*, Nairobi: DRC and Novib/Oxfam
- Hagmann, T. and Hoehne, M. V. (2009) 'Failures of the State Failure Debate: Evidence from the Somali Territories', *Journal of International Development* 21: 42–57
- Hammond, L., Awad, M., Dagane, A. I., Hansen, P., Horst, C., Menkhaus, K. and Obare, L. (2011) *Cash and Compassion: The Role of the Somali Diaspora in Relief, Development and Peace-building*, New York: UNDP
- Handley, A. (2020) *Business and Social Crisis in Africa*, Cambridge University Press
- Hansen, S. J. (2016) *Al-Shabaab in Somalia: The History and Ideology of a Militant Islamist Group*, Oxford University Press
- Helmke, G. and Levitsky, S. (2004) 'Informal Institutions and Comparative Politics: A Research Agenda', *Perspectives on Politics* 2.4: 725–740

- Hess, R. L. (1966) *Italian Colonialism in Somalia*, University of Chicago Press
- Hesse, B. (2010a) 'Lessons in Successful Somali Governance', *Journal of Contemporary African Studies* 28.1: 71–83
- (2010b) 'Where Somalia Works', *Journal of Contemporary African Studies* 28.3: 343–362
- Hiraal Institute (2020a) *A Losing Game: Countering Al-Shabab's Financial System*, Mogadishu: Hiraal Institute
- (2020b) *Semi-annual Somalia Security Report*, Mogadishu: Hiraal Institute
- (2018) *The AS Finance System*, Mogadishu: Hiraal Institute
- Hoehne, M. V. (2011) *No Easy Way Out: Traditional Authorities in Somaliland and the Limits of Hybrid Political Orders*, DIIS Working Paper 2011:18, Danish Institute for International Studies
- (2010) 'Political Representation in Somalia: Citizenship, Clanism, and Territoriality', in Accord 21: *Whose Peace is it Anyway? Connecting Somali and International Peacemaking*, Conciliation Resources
- (2009) 'Mimesis and Mimicry in Dynamics of State and Identity Formation in Northern Somalia', *Africa* 79.2: 252–281
- Hudson, V. M., Bowen, D. L. and Nielsen, P. L. (2015) 'Clan Governance and State Stability: The Relationship between Female Subordination and Political Order', *American Political Science Review* 109.3: 535–555
- Hussein, S. M-S. H. (2018) *The Impact of the Role of Traditional Leaders on Politico-Governance in Somalia: Present Realities and Past Reflections*, Somali Institute for Development Research and Analysis
- ICTD/UNU-WIDER (2020) *Government Revenue Dataset*, UNU-WIDER, <https://www.wider.unu.edu/project/government-revenue-dataset>
- Isak, N. (2018) 'Challenges of Domestic Revenue Mobilization in Somalia', *International Journal of Economics, Commerce and Management* VI.9
- Issa-Salwe, A. M. (1996) *The Collapse of the Somali State: The Impact of the Colonial Legacy*, 2nd ed., Haan Publishing
- Jackson, R. and Kelly, M. (2019) 'Women Researching in Africa: The Impact of Gender', in R. Jackson and M. Kelly (eds.), *Women Researching in Africa: The Impact of Gender*, Palgrave MacMillan
- Jalata, A. (2004) 'The Process of State Formation in the Horn of Africa in Comparative Perspective', in A. Jalata (ed.) *State Crises, Globalisation and National Movements in North-East Africa: The Horn's Dilemma*, Routledge
- Johnson, M. C. and Smaker, M. (2014) 'State Building in De Facto States: Somaliland and Puntland Compared', *Africa Today* 60.4: 3–23

- Jordan, K. (2016) *Community-based and Customary Taxation in South-central Somalia: Possibilities for Hybrid Governance and DIALOGUE Programming*, Nairobi: Danish Refugee Council
- Joseph, D. and Maruf, H. (2018) *Inside Al-Shabaab: The Secret History of Al-Qaeda's Most Powerful Ally*, Indiana University Press
- Joshi, A., Kangave, J. and van den Boogaard, V. (2020) *Gender and Tax Policies in the Global South*, K4D Helpdesk Report 817, Brighton: Institute of Development Studies
- Kakwenzire, P. (1986) 'Resistance, Revenue and Development in Northern Somalia, 1905–1939', *The International Journal of African Historical Studies* 19.4: 659–677
- Kelly, E. E. (1995) 'All Students Are Not Created Equal: The Inequitable Combination of Property-tax-based School Finance Systems and Local Control', *Duke Law Journal* 45.2: 397–435
- Kisiangani, E. (2011) *Comparing Somalia's al-Shabaab and Uganda's Lord's Resistance Army: A Toxic Mix of Religion, Politics and Violence*, ISS Paper 229, Pretoria: Institute for Security Studies
- Laitin, D. and Samatar, S. S. (1987) *Somalia: Nation in Search of a State*, Westview Press
- Lauth, H.-J. (2000) 'Informal Institutions and Democracy', *Democratization* 7.4: 21–50
- Le Sage, A. (2005) *Stateless Justice in Somalia: Formal and Informal Rule of Law Initiatives*, Centre for Humanitarian Dialogue
- Levy, I. and Yusuf, A. (2019) 'How Do Terrorist Organizations Make Money? Terrorist Funding and Innovation in the Case of al-Shabaab', *Studies in Conflict & Terrorism* 1–23
- Lewis, I. M. (2002) *A Modern History of Somalia: Nation and State in the Horn of Africa*, Westview Press
- (1998a) *A Pastoral Democracy: A Study of Pastoralism and Politics Among the Northern Somali of the Horn of Africa*, Oxford University Press
- (1998b) *Saints and Somalis: Popular Islam in a Clan-based Society*, The Red Sea Press
- (1994) *Peoples of the Horn of Africa: Somalia, Afar and Saho*, International African Institute
- (1993) *Understanding Somalia: Guide to Culture, History and Social Institutions*, Haan Publishing
- Lin, J. Y. and Liu, M. (2007) 'Rural Informal Taxation in China: Historical Evolution and an Analytic Framework', *China & World Economy* 15.3: 1–18
- Linkenback, L. (2001) 'Analysis of the Socio-Economic Drivers Behind the Charcoal Trade in Somalia', MSc thesis, University of Edinburgh

- Little, P. D., Tiki, W. and Debsu, D. N. (2015) 'Formal or Informal, Legal or Illegal: The Ambiguous Nature of Cross-border Livestock Trade in the Horn of Africa', *Journal of Borderlands Studies* 30.3: 405–421
- Lund, C. (2006) 'Twilight Institutions: Public Authority and Local Politics in Africa', *Development and Change* 37.4: 685–705
- Lust, E. and Rakner, L. (2018) 'The Other Side of Taxation: Extraction and Social Institutions in the Developing World', *Annual Review of Political Science* 21.1: 277–294
- MacLean, L. (2017) 'Neoliberal Democratisation, Colonial Legacies and the Rise of the Non-state Provision of Social Welfare in West Africa', *Review of African Political Economy*, 44.153: 358–380
- and Brass, J. (2015) 'Foreign Aid, NGOs and the Private Sector: New Forms of Hybridity in Renewable Energy Provision in East Africa', *Africa Today* 62.1: 57–84
- Marchal, R. (2018) 'Rivals in Governance: Civil Activities of Al-Shabaab', in M. Keating and M. Waldman (eds.), *War and Peace in Somalia: National Grievances, Local Conflict and Al-Shabaab*, Oxford University Press: 349–357
- Maruf, H. (2018) 'In Somalia, Businesses Face "Taxation" by Militants', *VOA News*, 3 December, <https://www.voanews.com/africa/somalia-businesses-face-taxation-militants>
- Meagher, K. (2012) 'The Strength of Weak States? Non-state Security Forces and Hybrid Governance in Africa', *Development and Change* 43.5: 1073–1101
- (2007) 'Introduction: Special Issue on "Informal Institutions and Development in Africa"', *Afrika Spectrum* 42.3: 405–418
- (1990) 'The Hidden Economy: Informal and Parallel Trade in Northwestern Uganda', *Review of African Political Economy* 47: 64–83
- Medani, K. M. (2003) 'Globalization, Informal Markets and Collective Action: The Development of Islamic and Ethnic Politics in Egypt, Sudan and Somalia', PhD dissertation, University of California, Berkeley
- Menkhaus, K. (2014a) *If Mayors Ruled Somalia*, Policy Note No. 2, The Nordic Africa Institute
- (2014b) 'State Collapse and Local Response in Somalia', in I. Trauschweizer, and S. M. Miner (eds.), *Failed States and Fragile Societies: A New World Disorder?* Ohio University Press: 142–150
- (2008) 'The Rise of a Mediated State in Northern Kenya: The Wajir Story and Its Implications for State-Building', *Afrika Focus*, 21.2: 23–38
- (2006) 'Governance without Government in Somalia: Spoilers, State Building, and the Politics of Coping', *International Security*, 31.3: 74–106
- (2004a) 'Chapter 1: Reassessing Protracted State Collapse in Somalia', *The Adelphi Papers* 44.364: 15–35

- (2004b) 'Chapter 2: Interests and Risk in a Collapse State', *The Adelphi Papers*, 44.364: 37–47
- (2004c) 'Chapter 3: Somalia, Global Security and the War on Terrorism', *The Adelphi Papers*, 44.364: 49–75
- (2004d) 'Glossary and Map of Somalia', *The Adelphi Papers*, 44.364: 5–6
- (1998) 'Somalia: Political Order in a Stateless Society', *Current History* 97.619: 220
- and Ortmayer, L. (1999) 'Somalia: Misread Crises and Missed Opportunities', in B. W. Jentleson (ed.), *Preventative Diplomacy in the Post-Cold War World: Opportunities Missed, Opportunities Seized, and Lessons to be Learned*, Rowman and Littlefield
- and Prendergast, J. (1995) *Governance and Economic Survival in Postintervention Somalia*, CSIS Africa Notes No. 172, Center for Strategic and International Studies
- Metzler, J. (2003) 'Inequitable Equilibrium: School Finance in the United States', *Indiana Law Review*, 36.3: 561–608
- Mohamed, J. (2007) 'Kinship and Contract in Somali Politics', *Africa* 77.2: 226–249
- Mohamoud, A. (2006) *State Collapse and Post-Conflict Development in Africa: The Case of Somalia (1960–2001)*, Purdue University Press
- and Isak, N. (2019) 'Reforming the Tax System of the Federal Government of Somalia', *Journal of Tax Administration* 5.2: 125–137
- Moore, M., Prichard, W. and Fjeldstad, O.-H. (2018) *Taxing Africa: Coercion, Reform and Development*, Zed Books
- Moskowitz, K. (2017) 'Sweating to Help Themselves: Self-Help and the Contradictions of Citizenship and Development in Decolonizing Kenya', *International Journal of African Historical Studies* 50.1: 35–58
- Mubarak, J. A. (1996) *From Bad Policy to Chaos in Somalia*, Praeger
- Mukhtar, M. H. (2003) *Historical Dictionary of Somalia*, Scarecrow Press
- Musa, A. M. and Horst, C. (2019) 'State Formation and Economic Development in Post-war Somaliland: The Impact of the Private Sector in an Unrecognised State', *Conflict, Security & Development* 19.1: 35–53
- , Stepputat, F. and Haggmann, T. (2020) 'Revenues on the Hoof: Livestock Trade, Taxation and State-making in the Somali Territories', *Journal of Eastern African Studies* 21
- Mwangi, O. G. (2012) 'State Collapse, Al-Shabaab, Islamism, and Legitimacy in Somalia', *Politics, Religion & Ideology* 13.4: 513–527
- Nenova, T. (2004) *Private Sector Response to the Absence of Government Institutions in Somalia*, Washington, DC: World Bank
- Njoku, R. C. (2013) *The History of Somalia*, ABC-CLIO

- Olken, B. and Singhal, M. (2011) 'Informal Taxation', *American Economic Journal: Applied Economics*, 3: 1–28
- Omar, M. O. (1992) *The Road to Zero: Somalia's Self-destruction*, Haan Publishing
- Paler, L., Prichard, W., Sanchez de la Sierra, R. and Samii, C. (2017) *Survey on Total Tax Burden in the DRC*, Department for International Development
- PDRC (2019) *The Role of Somali Women in State Building*, Policy Brief No. 3, Puntland Development & Research Center
- (2003) *Somali Customary Law and Traditional Economy: Cross Sectional, Pastoral, Frankincense, and Marine Norms*, Puntland Development Research Centre
- Peritore, N. P. (1990) 'Reflections on Dangerous Fieldwork', *American Sociologist* 21.1: 359–372
- Peters, R. (2006) *Crime and Punishment in Islamic Law: Theory and Practice from the Sixteenth to the Twenty-First Century*, Cambridge University Press
- Phillips, S. G. (2016) 'When Less Was More: External Assistance and the Political Settlement in Somaliland', *International Affairs* 92.3: 629–645
- Prud'homme, R. (1992) 'Informal Local Taxation in Developing Countries', *Environment and Planning C: Government and Policy*, 10.1: 1–17
- Purohit, M. C. (1990) 'Somalia: Tax Reform in an Unconventional Economy: A Case Study', *Bulletin for International Fiscal Documentation* 44.4: 185–193
- Raballand, G. and Knebelmann, J. (2020) *Domestic Resource Mobilization in Somalia*, World Bank
- Revkin, M. (2020) 'What Explains Taxation by Resource-rich Rebels? Evidence from the Islamic State in Syria', *Journal of Politics* 82.2: 757–764
- Roitman, J. (2005) *Fiscal Disobedience. An Anthropology of Economic Regulation in Central Africa*, Princeton University Press
- Sabates-Wheeler, R. and Verwimp, P. (2014) 'Extortion with Protection: Understanding the Effect of Rebel Taxation on Civilian Welfare in Burundi', *Journal of Conflict Resolution* 58.8: 1471–1499
- Sacks, A. (2012) *Can Donors and Non-State Actors Undermine Citizens' Legitimizing Beliefs*, Policy Research Working Paper No. 6158, World Bank
- Saggiomo, V. (2011) 'From Charity to Governance: Islamic NGOs and Education in Somalia', *The Open Area Studies Journal* 4.1: 53–61
- Salah, A. Sh. M. (2014) *Equity and Taxes in Puntland and Jubbaland*, Diakonia
- Samatar, Abdi Ismail (1989) *The State and Rural Transformation in Northern Somalia, 1884–1986*, University of Wisconsin Press
- (1988) *Socialist Somalia: Rhetoric and Reality*, Zed

- Samatar, Ahmed I. (1987) 'Self-Reliance Betrayed: Somali Foreign Policy, 1969–1980', *Canadian Journal of African Studies* 21.2: 201–219
- Samatar, S. S. (2009) *Oral Poetry and Somali Nationalism: The Case of Sayid Mahammad 'Abdille Hasan*, Cambridge University Press
- Schäferhoff, M. (2014) 'External Actors and the Provision of Public Health Services in Somalia', *Governance* 27.4: 675–695
- Schaller, S. and Nisbet, E. (2020) 'Regulating Private Support for Public Goods: De-clubbing Public Schools', *Journal of Education Policy* 35.3: 287–314
- Shinn, D. (2011) 'Al Shabaab's Foreign Threat to Somalia', *Orbis*, 55.2: 203–215
- Shire, M. I. (2020) 'Dialoguing and Negotiating with Al-Shabaab: The Role of Clan Elders as Insider-partial Mediators', *Journal of Eastern African Studies*
- Spears, I. (2004) 'States-Within-States: An Introduction to Their Empirical Attributes', in P. Kingston and I. Spears (eds.), *States-Within-States: Incipient Political Entities in the Post-Cold War Era*, Palgrave MacMillan: 15–34
- Spevack, A. (2015) *The Archetypal Sunni Scholar: Law, Theology, and Mysticism in the Synthesis of al-Bajuri*, annotated edition, State University of New York Press
- Tazebew, T. and Kefale, A. (2021) 'Governing the Economy: Rule and Resistance in the Ethiopia-Somaliland Borderlands', *Journal of Eastern African Studies*, 15.1: 147–167
- The Qur'an* (M. Khattab, trans.), (n.d.)
- Thomas, B. P. (1987) 'Development Through Harambee: Who Wins and Who Loses? Rural Self-help Projects in Kenya', *World Development* 15.4: 463–481
- Tiebout, C. (1956) 'A Pure Theory of Local Expenditures', *Journal of Political Economy* 64.5: 415–424
- Titeca, K. and De Herdt, T. (2011) 'Real Governance Beyond the "Failed State": Negotiating Education in the Democratic Republic of the Congo', *African Affairs* 110.439: 213–231
- and Kimanuka, C. (2012) *Walking in the Dark: Informal Cross-border Trade in the Great Lakes Region*, International Alert and UN Women
- Tripodi, P. (1999) *The Colonial Legacy in Somalia. Rome and Mogadishu: From Colonial Administration to Operation Restore Hope*, Palgrave Macmillan
- Turton, E. R. (1972) 'Somali Resistance to Colonial Rule and the Development of Somali Political Activity in Kenya 1893–1960', *The Journal of African History* 13.1: 119–143
- (1969) 'The Impact of Mohammad Abdille Hassan in the East Africa Protectorate', *The Journal of African History* 10.4: 641–657
- UN Habitat (2018) *Land and Conflict in Jubaland: Root Cause Analysis and Recommendations*, UN Habitat

- UNFPA (2016) *Looking Towards a Brighter Tomorrow: Population Composition and Demographic Characteristics of the Somali People*, Volume 2, UNFPA
- (2014) *Population Estimation Survey 2014 for the 18 Pre-war Regions of Somalia*, UNFPA
- United Nations Security Council (2018) 'Letter Dated 2 October 2018 from the Monitoring Group on Somalia and Eritrea Addressed to the Chair of the Security Council Committee Pursuant to Resolutions 751 (1992) and 1907 (2009) Concerning Somalia and Eritrea (S/2018/1002)', New York: United Nations Security Council
- (2011) 'Report of the Monitoring Group on Somalia and Eritrea Pursuant to Security Council Resolution 1916 (2010)', New York: United Nations Security Council
- van de Walle, D. (1995) 'The Distribution of Subsidies through Public Health Services in Indonesia, 1978–1987', in D. van de Walle and K. Nead (eds.), *Public Spending and the Poor: Theory and Evidence*, The Johns Hopkins University Press
- van den Boogaard, V. (2020) 'Informal Revenue Generation and the State: Evidence from Sierra Leone', PhD thesis, University of Toronto
- (2019) 'Gender and Positionality: Opportunities, Challenges, and Ethical Dilemmas in Ghana and Sierra Leone', in M. Kelly and R. Jackson (eds.), *Women Researching in Africa: The Impact of Gender*, Palgrave MacMillan: 257–275
- (2018) 'Gender and the Formal and Informal Systems of Local Public Finance in Sierra Leone', *Politique Africaine* 3.151
- and Prichard, W. (2016) *What Have We Learned about Informal Taxation in Sub-Saharan Africa?* ICTD Summary Brief No. 2, Brighton: Institute of Development Studies
- , Prichard, W. and Jibao, S. (2019) 'Informal Taxation in Sierra Leone: Magnitudes, Perceptions and Implications', *African Affairs* 118.471: 259–284
- and Santoro, F. (forthcoming) *Matching Grants and Community Resource Mobilisation in South-central Somalia*, ICTD Working Paper, Brighton: Institute of Development Studies
- Varming, K. S. (2019) 'Ideological Taxation: Hybridity and Images of State in Puntland, Somalia', *Bildhaan: An International Journal of Somali Studies* 19.5
- Walker, M. (2017) *Informal Taxation and Cash Transfers: Experimental Evidence from Kenya*, unpublished working paper
- Walls, M. (2009) 'The Emergence of a Somali State: Building Peace from Civil War in Somaliland', *African Affairs* 108.432: 371–389
- Webersik, C. (2004) 'Reinterpreting Environmental Scarcity and Conflict: Evidence from Somalia', PhD thesis, University of Oxford
- Winans, E. and Haugerud, A. (1977) 'Rural Self-Help in Kenya: The Harambee Movement', *Human Organization* 36.4: 334–351

Winerip, M. (2003) 'On Education; Giving Green or Turning Red', *The New York Times*, 26 February

Wood, E. J. (2006) 'The Ethical Challenges of Field Research in Conflict Zones', *Qualitative Sociology* 29: 373–386

Wood, G. D. (1997) 'States Without Citizens: The Problem of the Franchise State', in D. Hulme and M. Edwards (eds.), *NGOs, States and Donors: Too Close for Comfort? Save the Children and MacMillan*

World Bank (2019) *Building Education to Boost Human Capital*, Somalia Economic Update No. 4, World Bank

——— (2017) *Mobilizing Domestic Revenue to Rebuild Somalia*, Somali Economic Update, World Bank

——— (2015) *Somalia Economic Update*, World Bank