

Beyond Greed: Why Armed Groups Tax

Tanya Bandula-Irwin, Max Gallien, Ashley Jackson, Vanessa van den Boogaard and Florian Weigand

Summary of Working Paper 131

Armed groups tax. Journalistic accounts often have a tone of surprise about this fact, while policy reports tend to strike a tone of alarm, highlighting the link between armed group taxation and ongoing conflict. Policymakers often focus on targeting the mechanisms of armed group taxation as part of their conflict strategy, often described as ‘following the money’. We argue that what is instead needed is a deeper understanding of the nuanced realities of armed group taxation, the motivations behind it, and the implications it has for an armed group’s relationship with civilian and diaspora populations, as well as the broader international community. We build on two distinct literatures, on armed groups and on taxation, to provide the first systematic exploration into the motivation of armed group taxation.

Based on a review of the diverse practices of how armed groups tax, we highlight that a full account of the groups’ motivations needs to go beyond revenue motivations, and engage with key themes around legitimacy, control of populations, institution building, and the performance of public authority.

The Multi-faceted Motivations for Armed Group Taxation

Over the past two decades, the opportunity for material gains has been the most popular framework to understand why armed group tax, influenced by theories of the ways in which greed influences broader conflict motivations. Revenue does indeed appear to be a driver of some taxing behaviours, with tax allegedly accounting for the majority of revenue for some of the largest armed groups globally. Lucrative opportunities such as the taxing of key trade routes and natural resources, as well as major expenses like war-making are key drivers of armed group’s taxation practices. But while material gains tell an important part of the story, a revenue-based explanation needs to be supplemented with a wider view of what taxation can ‘do’ for armed groups.

Armed group taxation can be motivated by more than just the opportunity to raise revenue. Specifically, armed groups can use taxation to reinforce or project ideology,

build legitimacy, develop institutions, control civilian populations, and to perform and project public authority. We consider these five interrelated and non-mutually exclusive explanations for armed group taxation in turn:

Ideology: Taxation may be seen to serve two main ideological functions for rebel groups. First, tax serves an instrumental role – instilling behavioural bounds, erasing individuality and establishing a group identity that enables cohesion. Armed groups often link tax collection to objectives like nationalism, religious purity, or a revolutionary agenda. Second, tax establishes norms – defining acceptable behaviours and boundaries. Armed groups may tax goods to signal ideological orientations (e.g., socialist groups taxing luxury goods, Islamist groups taxing alcohol or narcotics). Conversely, armed groups may forgo the potential profits of some taxes on ideological grounds (e.g., the Kachin Independence Organisation/Army electing not to tax illicit drugs). Overall, however, ideology appears to drive armed groups’ framing of taxation more than it drives the actual practice of it. The need to generate revenue shapes rebel ideology, insofar as ideology can be sidelined or used to enable revenue raising activities.

Building legitimacy: Taxation is a generally accepted right of the state. When competing for legitimacy, therefore, armed groups may likewise compete for the legitimate right to tax. An armed group’s interest in local legitimacy shapes not only the extent to which it is able to levy taxes but also the character of its taxation practices. Armed groups that want to construct legitimacy have to be conscious of local perceptions when demanding levies, such as views on what type of activities are locally accepted. Moreover, taxation can help armed groups build legitimacy among civilian populations by enabling public service provision and, possibly, the establishment of a form of ‘tacit social contract.’ As legitimacy enables taxation and as taxation allows for the provision of services, taxation and legitimacy can reinforce one other.

Institution building: Taxation represents a bureaucratic function and can thus be a means for armed groups to build state-like institutions that strengthen their

legitimacy and organisational capacity, with implications beyond revenue raising. This bureaucratization can help to centralise authority and establish standards of hierarchy, supervision, and professionalism within the group.

Legibility and control of civilian populations: Armed group taxation can contribute to the mass accumulation of information about populations and support authorities' ability to control behaviour. The design, planning, collection, accounting, and auditing of taxation requires an enormous amount of information about the taxed population (e.g., intelligence on the location and number of businesses, individuals, and households; their incomes; foreign and domestic transactions; and their eligibility for various exemptions.) This information can in turn be used to influence the movement and economic activity of the population.

Performing public authority: Taxation is associated with legitimate statehood; armed group taxation is consequently often highly symbolic and can be viewed as an attempt to act like a state in order to construct state-like legitimacy in the eyes of local, national and international audiences.

Research agenda

While this paper has shown the diversity of armed group taxation strategies, underpinned by different drivers and motives, more research needs to be done to unpack these dynamics and to develop a more structured understanding of the taxation strategies of different types of armed groups. More work to expand both the breadth of cases as well as the depth of information on armed groups' taxation should be prioritised. The findings of such research could help policymakers that engage with armed groups to mediate peace agreements, to advocate for human rights and to deliver aid into areas under armed groups' control or influence.

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Further reading

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Credits

Paper Authors

Tanya Bandula-Irwin is a PhD student at the University of Toronto. Her dissertation focuses on civilian-armed group dynamics surrounding taxation, with a focus on the Philippines. She is a Fellow at the Trudeau Centre for Peace, Justice and Conflict, a Junior Fellow with the Defense and Security Foresight Group, and Vice-President of Women in International Security-Canada, Toronto.

Max Gallien is a Research Fellow at the Institute of Development Studies and the International Centre for Tax and Development, where he co-leads the research programme on informality and taxation as well as the centre's capacity building programme. A political scientist, he specialises in the politics of informal and illegal economies, the political economy of development and the modern politics of the Middle East and North Africa. He is also a Senior Fellow at the Global Initiative against Transnational Organised Crime and the co-editor of the *Routledge Handbook of Smuggling* (Routledge, 2021).

Ashley Jackson is the Co-Director of the Centre for the Study of Armed Groups at ODI. She has conducted extensive research on and with the Taliban and civilians living under their control in Afghanistan. She has also conducted on the ground research and dialogue with armed groups in an array of other contexts, from Central African Republic to Iraq. Her research on armed groups began as a Research Fellow with the Humanitarian Policy Group at ODI, where she led a multi-year project on humanitarian dialogue with armed groups in Afghanistan, Somalia, Sudan, and South Sudan. She is the author of *Negotiating Survival: Civilian-Insurgent Relations in Afghanistan* (Hurst, 2021).

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 and leads the research programme on the role of civil society and tax. Her research focuses on informal taxation and revenue generation, with a particular focus on taxation, informality, and state-building in conflict-affected contexts. She has research experience in Somalia, the Democratic Republic of the Congo and Sierra Leone.

Florian Weigand is the Co-Director of the Centre for the Study of Armed Groups at ODI and a Research Associate at the London School of Economics and Political Science. His work focuses on armed groups, illicit economies and international interventions and explores the politics and societal dynamics of conflict zones, borderlands, and other complex environments. He has conducted extensive research in South Asia and Southeast Asia and is the author of *Waiting for Dignity: Legitimacy and Authority in Afghanistan* (Columbia University Press, 2022) and *Conflict and Transnational Crime: Borders, Bullets & Business in Southeast Asia* (Edward Elgar, 2020) and the co-editor of the *Routledge Handbook of Smuggling* (Routledge, 2021).

Summary Preparation

Megan Campbell is a Research and Programme Intern at the International Centre for Tax and Development, and a JD/BCL candidate at McGill's Faculty of Law.

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