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Conflict, taxation, and development

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Abstract: The impact of conflict on taxation and development has long been debated. Most studies suggest that conflict will have a depressive effect on state tax collection, negatively impacting economic growth and development. After reviewing the existing literature, we argue for an approach that recognizes conflict's nuanced effects on taxation. We show how violence can trigger the emergence of new taxation authorities, specifically non-state armed groups, including both criminal organizations and insurgent groups. These non-state groups may introduce new forms of taxation or expand existing tax practices resulting in an overall increase in taxation when combined with state taxation revenues. For ordinary civilians, the effect may be an overall increase in the amount and types of taxes they pay even as state services decrease.

Key words: conflict, taxation, development, non-state armed groups

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1 Introduction

Following the withdrawal of US forces from Afghanistan, expectations that the country would suffer an economic collapse under the new Taliban government were widespread. Cut off as the former rebels were from the support of international financial institutions and foreign aid that had propped up the previous Republic government, there was considerable doubt regarding their ability to stabilize the country's already precarious financial situation. Yet, while Afghanistan suffered a 21% hit to its economy in 2021 when the Taliban came to power, it had achieved a 'fragile low-level equilibrium' by mid-2022, according to the World Bank.¹

As reported by the *Wall Street Journal* (Shah 2023), 'The Taliban has managed to squeeze more tax revenue out of the country than the previous U.S.-backed governments.' According to the Afghan Ministry of Finance, tax revenues for 2022/23 were almost 10% higher than had been achieved during the previous fiscal year (2020/21) under the previous government. While the Taliban is still despised by many within Afghanistan, most civilians acknowledge that corruption and bribery are down, while taxation has emerged as a steady and reliable source of revenue.

How was the Taliban—an armed organization that has spent much of the past few decades fighting a multi-national coalition led by the US while being listed on global terrorism lists—able to fiscally outperform its technocratic predecessor, propped up as it was by global institutions?

Much of this success can be attributed to the Taliban's extensive experience of taxation during the war. The Taliban built an extensive taxation apparatus across areas under its control, a system that generated significant revenue for the group as well as bolstering its capacity as a governing authority. As we develop later, the Afghan example casts doubt on conventional assumptions that tax revenues decrease during conflict, suggesting that much of what we think we know about the relationship between conflict, development, and taxation is inadequate.

Violent conflicts are known to have an extraordinary impact on economic growth and development. According to the International Growth Centre, on average, a four-year civil war will contract GDP per capita by 18%. These effects do not disappear once a conflict ends. Even six years after the violence finishes, GDP per capita will remain 15% below what it would have been if the fighting had never occurred.² And it is projected that in 2024 the majority of the world's extremely poor live in conflict and fragile settings.³

While much has been written about the relationship between conflict and taxation, there is still confusion based on competing theoretical and empirical assumptions and approaches, a focus on different historical periods or geographic regions, and conceptual disagreements around what constitutes taxation amidst conflict. Interrogating the relationship between the two is essential as it provides insights into a range of important issues, including economic development, institutional trajectories, state-building, and state capacity after conflict.

In addition, violent conflicts can produce new illegal economies or dramatically expand existing ones. Scholars have long recognized that conflict and criminal activity can go hand in hand. Rebel

¹ <https://documents1.worldbank.org/curated/en/099906304122327182/pdf/IDU0070a059906f5204a5e09fdd0987724ab1df1.pdf>

² <https://www.theigc.org/publications/growth-brief-cost-violence-estimating-economic-impact-conflict>

³ <https://www.worldbank.org/en/topic/fragilityconflictviolence/overview>

groups often engage in illicit activities to fund their war machines, transforming into or birthing criminal organizations, or working with existing criminal networks (as with the Taliban and the opium trade). The line of causality can also run in the opposite direction, with criminal organizations taking advantage of the instability produced by conflict to expand their activities or even to transform into explicitly political organizations. In Haiti, for example, several criminal groups have sought to take over the government, requiring a reassessment of core assumptions regarding their motivation and behaviour.

Conflict, therefore, has an obvious impact on taxation and development, though the exact effect is still debated. Some historical studies focused on the North American or Western European experiences have argued that war-making can bolster tax revenues as the state seeks to fund its war machine through tax increases—the so-called bellicist theory of war (Mann 1986; Tilly 1985). More recently, scholars of the Global South have found the opposite: that violent conflict tends to reduce tax collection (e.g. Centeno 2002). In a study of tax collection in sub-Saharan African countries, for example, Dama (2021: 4) demonstrates that ‘an outbreak of violent conflicts leads to an average 1.7 percent loss of tax revenue per capita.’

In this essay, we review the existing literature on conflict, taxation, and development. We then propose a new conceptual approach that considers the impact of conflict on states and their non-state rivals, including those deemed ‘rebel’ as well as ‘criminal’ organizations. We argue that, in order to understand the relationship between conflict and taxation, it is necessary to take an integrated approach that illuminates conflict’s effects on state taxation as well as new forms of taxation and governance that may have been introduced by non-state actors during conflict.

Our approach centres on the perspectives of civilians living in conflict-affected states who may experience an increase in taxation (levied by a variety of state and non-state actors) even as state services decrease. While the international community may focus on the impact of conflict on the state, civilians often view all sides in a conflict as functionally the same. For example, Terpstra (2020: 1159) describes the experiences of Afghans, quoting a respondent who stated that ‘the government and the Taliban do not differ much for us. We want a governing body that can keep people secure, and it should be in accordance with Islam [...] we just want peace.’ Civilians often care more about their safety and total taxes paid than they do about who actually provides security and collects the taxes.

We begin by defining taxation and describing its conventional measures. We show how different disciplines diverge, creating challenges for identification and estimation. We then examine the existing state-centric approaches to studying taxation and conflict, before reviewing the emerging literature on non-state taxation, which helps us move beyond state-centrism. Through a case study of Afghanistan, we show how incorporating non-state actors into the analysis can improve analyses of the impact of violence on households and provide more realistic strategies to support local communities in rebuilding after war—a process that remains dependent on state resources and capacity. Finally, we provide some insights into taxation in post-conflict settings and offer some preliminary insights into how our approach can improve policy recommendations.

2 Methodological challenges and trends in the literature

In this section, we discuss the methodological challenges and trends in the conflict studies literature, with an emphasis on research related to taxation and governance. We begin by clarifying terms.

2.1 Definitions and measures

Conflict refers to violence between organized belligerents that causes injuries and death or damage to property and infrastructure. It may include armed conflict between states (interstate) or between organized belligerents within a state (civil war), as well as terrorism, riots, and other events that create insecurity and instability. When conflict undermines state sovereignty, particularly the ability of the state to maintain a monopoly on violence, the state is often referred to as ‘fragile’.

Such a broad definition of conflict does not always comport with existing databases, as there is no agreed measure of conflict, leading to substantive differences between datasets.⁴ Commonly, conflict is measured by geo-coded acts of violence and the resulting numbers of deaths or injuries. This can lead to certain low-intensity conflicts being excluded—an oversight we seek to avoid.

In our usage, rebels (or insurgents and militias) are organized armed groups that seek to challenge the sovereignty of the state in pursuit of a political agenda. We avoid terms like ‘guerrillas’ or ‘terrorists’, as they refer to specific actions that a rebel group may deploy and, in the case of terrorism, often betray a normative bias in favour of the state. We also distinguish rebels from ‘paramilitaries’ or armed groups that fight on behalf of the state and not against it.

Scholars have argued that there are specific features that distinguish legitimate rebellion from mere criminal activity. Most commonly, they argue that rebels deploy violence to pursue political agendas, while criminals use violence in pursuit of narrower private interests (e.g. generating revenues illegally, controlling turf). In practice, however, this distinction is not so clear. Governments, of course, are almost always inclined to view any threat to their monopoly on violence as criminal. Such ‘criminalization of rebellion’ can have constitutive effects on whether scholars and practitioners include certain groups in conflict datasets.

For example, the *Comando Vermelho* (Red Guard), in Brazil, is regularly treated as a criminal organization and hence often excluded from conflict datasets. Yet its founders included both traditional criminals and members of a leftist guerrilla organization, who left their imprint on the organizational structure and ideological orientation of the group. It has also forged alliances with other leftist organizations, most prominently the FARC in Colombia. Such ambiguity is not new, nor is it unique to Latin America. The Black Panthers in the United States similarly mixed revolutionary rhetoric and practices with clearly criminal activities, including the murder of a romantic rival by one of its leaders. This is not to suggest that there is no such thing as a purely criminal organization; rather, the inherently illicit nature of rebellion often entails a blurring of the line between activities carried out in the pursuit of private (criminal) or public (rebellion) agendas.

Even if we recognize criminal and rebel organizations as distinct, this does not mean that only rebels can engage in conflict with the state. For example, Trejo and Ley (2020) refer to violence between the Mexican state and drug-trafficking organizations as ‘criminal wars’, arguing that organizations without political agendas can and do engage in ‘war’ with the state. Writing about Latin America, where such conflicts proliferate, Lessing (2018) refers to a ‘cartel–state conflict’, a sustained armed confrontation between sophisticated and well armed drug trafficking organizations and state forces. Indeed, such criminal wars can produce more devastation than armed rebellion: despite being home to just 8% of the globe’s population, Latin America and the

⁴ Among the better known ones are the Uppsala Conflict Data Program (ucdp.uu.se), the Armed Conflict Location and Event Data (acleddata.com), and the Correlates of War (correlatesofwar.org). In addition, there are multiple datasets focused on state fragility and global terrorism.

Caribbean is responsible for about a third of all global violent deaths annually (Albarracín and Barnes 2020). Therefore, we refer to ‘non-state groups’ and ‘non-state taxation’ when discussing common dynamics for groups deemed either criminal or rebel, though we distinguish between them as necessary.

We use the term ‘taxation’ in its broadest form, including monetary contributions as well as goods or labour provided directly (e.g. income or property taxes) or indirectly (e.g. sales tax) to organizations with tax-levying authority. These organizations may be elected governments or non-state actors that have the ability to impose sanctions on individuals and firms for non-compliance.

Taxation implies a payment based on a combination of consent and coercion—what Levi (1988) has referred to as ‘quasi-voluntary compliance’. While civilians generally dislike paying taxes, most accede out of duty, social pressure, and/or fear. Civilians may expect to receive services and goods in exchange for paying taxes; but, in contrast to a pure exchange of resources, we view taxation as part of a larger project of public authority construction that also includes processes of recognition, authority, and the establishment of a political community (Hoffmann et al. 2016).⁵

In the context of sustained conflict, it is important to distinguish taxation from other forms of payments that civilians may make, such as donations or extortion. A donation implies a contribution made without the threat of coercion by the existing authority. Both states and armed groups can benefit from donations, whether of labour, supplies, cash, or even blood. While authorities may choose to encourage a donation, the underlying assumption is that an individual or firm does not fear violent consequences for non-compliance, even though they may be subjected to stigmatization. In contrast, extortion can be defined as a payment made out of fear of the consequences of non-payment. While the payee might benefit from the payment, most commonly through protection, it is difficult to identify consensuality since the threat is usually the authority itself (Tilly 1985). In contrast to both donations and extortion, then, we define taxation as payments made on a regular schedule based on publicly announced rules and procedures, though we acknowledge that not all taxes meet these criteria.

State taxes are commonly measured by tax revenue as a share of gross domestic product (GDP). This measure reflects both the tax base (total value of goods, services, and property subject to taxation) and the level of taxes. In the literature on non-state taxation, taxes may resemble state taxation, but pose unique challenges to measurement as the finances of such groups are often opaque. Further contributing to measurement challenges, non-state taxation may also include non-pecuniary forms like forced labour or in-kind contributions that most states no longer deploy. Such non-monetary ‘revolutionary’ taxes have been documented in many case studies but are more difficult to examine systematically and pose unique challenges for measurement. For example, in Afghanistan the Taliban used to collect opium as a tax payment, while in northeast India some armed groups required civilians to contribute labour as a form of revolutionary tax.

2.2 Methodological and ethical challenges

The methods used in the field of conflict studies have evolved over recent decades. Traditionally, research focused on national dynamics—such as ideological differences or levels of development—using quantitative analysis of cross-country or time series data. These studies relied

⁵ In their words, ‘Taxation thus enmeshes people in a web of generalized reciprocity based on mutual obligations and rights’ (Hoffmann et al. 2016: 1,436).

on official data sources from governments and international organizations; yet, as we discuss, such data are often incomplete due to existing biases against non-state actors or the challenges inherent in collecting data on non-state groups in conflict zones. Most of these studies tend to downplay or exclude the role of non-state actors in taxation and civilian governance. In addition, this top-down approach provides a limited understanding of why violence erupts in specific regions, of why individuals participate in violence, and of the heterogeneous impacts of violence—for example, on vulnerable populations.

Much of the work on taxation and governance by non-state actors, in contrast, tends to be on the micro (household or village) level and deploys qualitative approaches like ethnography and case studies. Such studies focus on interpersonal and intergroup dynamics, employing novel methods or data collection techniques, such as phone records (e.g. Tai et al. 2022) and satellite imagery (e.g. Mansfield and Smith 2021), to elucidate grievances, incentives, constraints, and coping mechanisms. Such bottom-up approaches offer deeper insights into the complex economic factors that fuel conflict, such as resource scarcity and social grievances within communities.

These differences in scope and methodology often lead to challenges in integrating findings, as macro-level theories may overlook the nuanced local contexts that shape conflicts, while micro-level studies may not generalize beyond specific cases. While we are unable to resolve the tension between the two levels, in the Afghanistan case study below, we offer an example of what a synthesis might look like and explore the challenges inherent in bringing the two levels together.

Further, different disciplinary approaches to conflict studies face distinct challenges shaped by their epistemological foundations, methodological approaches, and disciplinary cultures. Economics, for example, often treats any form of non-state taxation as akin to extortion, on the assumption that only the state can levy taxes. In contrast, some political scientists have argued that taxation, and governance more broadly, is not the preserve of the state, but a tactic that can be deployed by non-state groups as well. In political science and sociology, case studies and comparative (qualitative and quantitative) studies have proliferated and are often based on surveys, key informant interviews, and participant observation. Such data are critical in complementing empirical studies conducted at the regional or global level that mask much heterogeneity.

When deploying econometric methods, key concerns are data quality, reverse causality, and simultaneity. There is often a paucity of data from active conflict environments, given reduced state capacity, destruction of records, population displacement, and, importantly, fear for the safety of enumerators engaged in in-person survey work. Data may be unreliable, given that both state and non-state actors have incentives to misrepresent their behaviour for strategic gains, leading to non-traditional measurement error that results in biased estimates. Collecting data from armed non-state actors, in particular, is always challenging given the illegal nature of their behaviour. Data comparability can also pose difficulties given the multi-faceted causes of conflict; thus, even in the best-case scenarios where researchers are able to obtain high-quality data, the question of generalizability remains. Thus, the triangulation of data sources is of even greater importance.

Reverse causality relates to the fact that state tax collection systems and their efficiency may impact the onset, duration, scale, and scope of conflict. For example, strong tax institutions affect the ability of the state to collect tax revenue, which may be used to control rebel or criminal groups so that they are unable to launch a larger-scale conflict. Identifying the impact of conflict on non-state taxation is similarly problematic, as higher taxing capacity could prolong conflict if used, for example, to fund armed campaigns to capture more territory.

Simultaneity describes situations in which spurious correlations may be found when factors such as income levels and institutional quality influence both conflict and taxation simultaneously. To

address these challenges, economists have used regression analysis (e.g. de Groot et al. 2022), event studies, and synthetic control methods (e.g. Chen et al. 2008).

Importantly, within the social sciences, incentives to publish in high-quality peer-reviewed journals may push scholars to focus on narrow research questions where they have adequate evidence of causal mechanisms rather than on broader, more complex questions where evidence is scarce but policy stakes are high. For example, it is increasingly rare for even high-quality descriptive studies to appear in top social science journals, given the increasing number of randomized controlled trials being published.⁶ The exclusion of descriptive, historical, and interpretive research in top journals makes it difficult for scholars in the field of conflict studies to disseminate their research.

The privileging of certain types of research within the academic social sciences can also lead to a disconnect between what scholars produce and what practitioners say they need in order to craft effective policies. While practitioners and scholars occasionally collaborate, their incentives are often misaligned. In informal interviews, practitioners working in conflict regions at both non-governmental and international organizations describe a gap between what they want to see studied and what can be studied in a scientifically rigorous way, as well as the difficulty of translating results into actions on the ground. One practitioner noted that studies of specific local contexts can be difficult to generalize; thus systematic literature reviews and compilations of case studies may be more useful to policy-makers. Further, policy-makers and practitioners do not always value or implement research evidence (Hjort et al. 2021).⁷

Finally, there are ethical concerns when studying conflict, such as the mental health and safety of local enumerators and participants. Cultural sensitivity and context matter even more in conflict zones, where participants may be fearful of reprisal or where certain questions can cause unintentional harm or push participants to drop out. These dynamics may be exacerbated by the funding sources and policy relevance of conflict research. Unsurprisingly, much research on violence is funded by government sources, especially by the defence and intelligence communities, which have a vested interest in the research, potentially introducing bias into the data collection process and raising ethical concerns regarding the implicit and explicit normative positions a researcher is expected to take (Arjona et al. 2018).

3 Conflict and taxation by state actors

In this section, we briefly summarize the literature on conflict and state taxation. While so-called bellicist theories of war suggest that conflict can enhance state capacity, as the government seeks to increase tax revenues to fund its war machine, more recent research—particularly examinations of internal or civil wars—suggests a contradictory dynamic in which conflicts have a depressionary effect on state capacity, thereby reducing governments’ ability to collect tax revenues.

Taxation is the primary means of funding the provision of public goods and services and is assumed to be under the purview of the state, which, in stable environments, maintains a

⁶ <https://blogs.worldbank.org/en/impac evaluations/have-rcts-taken-over-development-economics>;
<https://blogs.worldbank.org/en/impac evaluations/whats-latest-research-development-economics-roundup-neudec-2023>

⁷ <https://voxdev.org/topic/methods-measurement/boosting-policy-impact-development-economics-key-insights-decade-research>

monopoly on violence.⁸ Taxation impacts state-building and development through its effects on both citizen participation (Rodríguez-Franco 2016; Weigel 2020) and state capacity (Besley and Persson 2008). In turn, such capacity improves the ability to tax (Akitoby et al. 2020; Eissa et al. 2023), leading to stronger institutions (Besley and Persson 2014).

Conflict has a depressive effect on these critical processes by undermining the state's ability to tax and reducing the size of its tax base, as well as its broader institutional functioning (e.g. Chowdhury and Murshed 2016). We describe several mechanisms explored in the literature.

Conflict can impact a state's ability to tax through several direct and indirect channels, with substantive effects on development. States require a reliable tax base of firms and individuals. Conflict can reduce this base through several channels, including the destruction of physical capital, reducing the market value of private property, and the relocation of firms or individuals (both forced and voluntary). Conflicts also reduce the value of legitimate commercial activities and increase those of illegal businesses that are not taxable (Besley and Persson 2008).

Indirectly, conflict affects the state's control over territory, its stewardship of the economy, and civilians' willingness to pay taxes.

First, conflict can make it challenging to collect property taxes (directly) due to the loss of safety for tax collectors and (indirectly) due to the loss of state-controlled territory. For example, losing control of major highways or ports can greatly weaken a state (Mansfield and Smith 2021).

Second, conflict indirectly impacts taxation through its impact on the economy—whether in terms of disruption of internal or external trade, destroyed infrastructure, or civilian deaths, injuries, and displacement (e.g., Blattman and Miguel 2010; Blomberg and Hess 2006; Bussman 2010; Glick and Taylor 2010; Lin et al. 2023; Muhammad et al. 2013). The reduction in economic activity can be worse for countries dependent on natural resources or with low financial reserves, or where important economic infrastructure is destroyed (e.g. Frynas and Wood 2001). Formal taxable sales also often decline, even as informal sales may grow (e.g. Looney 2006).

Third, during conflict, the state may provide fewer social and public services (including protection), generating negative reciprocity and making citizens more reluctant to pay taxes. Rebel and criminal groups may also pressure civilians to shirk state taxes, while offering basic services like protection. More generally, conflict has wide-ranging impacts on the population's psychological, emotional, and social wellbeing, with implications for their health and livelihoods (e.g. Favari et al. 2023). As a result, conflict can erode civilian trust in the state, reducing the likelihood that individuals and firms will cooperate with authorities (e.g. Cárdenas et al. 2014; Helhel and Ahmed 2014).

Using a new, high-quality database on state tax revenues on all low- and middle-income countries in conflict since 1980, van den Boogard et al. (2018: 354) 'find no clear evidence of a positive impact of civil conflict on state revenue collection prior to or during conflict', though there are exceptional cases where revenue increases in the short term. Contrary to the bellicist theory, their results suggest that revenues are lower, on average, during periods of intense conflict.

Mirroring some of these results, research on fragile countries, which include conflict countries, has found that tax revenue declined during peak fragility and recovered afterwards, but that recovery

⁸ States that rely on revenues derived from their control of natural resources, so-called 'rentier states', are less dependent on taxation for revenues but may still deploy taxation for other governance purposes (Moore 2004).

lasted only two to three years (Akitoby et al. 2020). The authors also found that fragile states on average collected revenue of approximately 11.5–12.5% of GDP, in contrast to non-fragile countries, whose tax revenues were approximately 14.5–18% of GDP.

The evidence points to a clear depressive effect of conflict on a state's ability to tax, though there are exceptions. For example, Flores-Macias (2014) documents the *Impuesto para la Seguridad Democrática* (a democratic security tax), collected during the Colombian civil war (2002–10) from elites, and accounting for about 20% of the country's security budget and 1% of GDP.

4 Taxation and governance by armed non-state actors

In the burgeoning fields of rebel and criminal governance, scholars have demonstrated that both rebel and organized criminal groups often engage in civilian governance, deploying taxation in ways that go beyond the conventional view of such activity as purely predatory (Moncada 2021; Thies 2010; Varese 2014; Volkov 2000). Non-state groups commonly levy taxes in a predictable and structured manner in order to fund armed campaigns and to advance their governance projects (Amiri and Jackson 2022; Bandula-Irwin et al. 2022; Breslawski and Tucker 2022; Mampilly 2015, 2021; Revkin 2020; Reyntjens 2014; Sánchez de la Sierra 2020; Thies 2010). In addition, they deploy taxation to define, engage, regulate, and control civilian populations and commercial actors. And the tax revenues can help develop organizational capacity (Cheng 2018). Finally, such non-state actors may identify new sources of revenue, adopt more efficient and innovative tax practices, and be seen as less corrupt than the state (Amiri and Jackson 2022; Levy and Yusuf 2021; Mampilly and Stewart 2021).

Rebel groups have been shown to adopt many of the governance practices and functions of states (Arjona et al. 2015), and rebel governance can be as wide-ranging and intensive as the governance of recognized states—from establishing educational, health, and judicial systems to building infrastructure and managing the economy (Mampilly and Stewart 2021). Rebels also engage in regulatory activities, resolve disputes, establish normative orders, and even adopt symbolic repertoires that can inspire similar nationalist sentiments amongst their constituencies as do their nation-state rivals (Arjona 2016; Forster 2015; Mampilly 2011, 2015). They also provide disaster relief, distribute food, prevent criminal activity, and manage natural resources (Corredor-Garcia and Gutiérrez 2024; Mampilly 2009). While it is not possible to determine exactly how many of these actions are funded through taxation, armed groups themselves have long made this connection.

Research has also generated novel insights into the phenomenon of 'criminal governance' (Arias 2017; Barnes 2017; Blattman et al. 2023; Lessing 2021; Moncada 2021). While earlier work emphasized the ways in which criminal groups often offer protection (Gambetta 1996), recent scholarship has demonstrated how they provide services beyond security. Most commonly, criminal organizations have been shown to establish community-level rules of behaviour and resolve both criminal and civil disputes between residents. They have also been shown to provide goods and services, including basic infrastructure, water, electricity, and internet access, to both

individuals and communities.⁹ During the COVID-19 pandemic, many criminal (and rebel) groups even supported public health campaigns.¹⁰

Despite this evidence, most payments to non-state actors continue to be viewed as forms of extortion—a position we reject in this paper. This is not simply a definitional issue, as discussed earlier, but also a theoretical and empirical reality. Theoretically, it is important to distinguish between payments made under the threat of violence and those driven by other logics. Empirically, despite the common tendency to focus on the most extortion-like forms of taxation, recent scholarship has demonstrated how non-state actors engage in numerous forms of taxation that are not primarily concerned with extracting profits.

Payments to non-state actors in which the organization represents the threat that the payee seeks to avoid are rightly considered extortion. But many non-state groups, even those widely considered criminal, provide protection from other violent actors. When provided in exchange for taxes, this should be recognized as a legitimate service and not racketeering, particularly in conflict zones. The Sicilian Mafia, for example, emerged in the late 19th century in response to the rise of a peasant movement that threatened the interests of wealthy landowners amidst wider conflicts over land and weak state capacity to maintain order (Acemoglu et al. 2019).¹¹

According to Moncada (2019), services provided at the request of the payee (demand-driven), including protection, have different power dynamics from those through which the organization creates a market where none existed before (supply-driven). The former relationship shifts the power balance, more closely resembling a tax than supply-side extortion.

Non-state groups can replicate existing state practices, innovate on existing state practices, or develop completely new forms of taxation. Empirically, examples of non-state taxation are abundant in conflict zones. Revkin (2020) highlights seven types of taxes and other revenue-extracting policies in Syrian districts governed by the Islamic State between 2013 and 2017, including income taxes, border taxes, excise taxes, fines, licensing fees, property taxes, and services fees. The Islamic State created a sophisticated rebel governance system that affected several spheres of civilian life through the management of security, as well as their own tribunals, laws, and education system (Corradi 2023). Other non-state groups levy different types of taxes, many of which do not resemble extortion, and in some cases may not even generate revenue for the organization at all. In India, for example, the National Socialist Council of Nagaland collects so-called ‘household taxes’, which are estimated to cost the organization more than they bring in as revenue (Mampilly and Thakur 2024).

Customs and checkpoint taxes often provide non-state groups with revenue as well as serving as markers of the groups’ territorial claims and the basis for establishing relative calm amidst violence.

⁹ Sneed (2007: 225) provides this description of Brazilian favelas: ‘[I]n their own communities the factions [of criminal organizations] typically impose a strict martial law, prohibiting street crime and brutally punishing those who commit offenses. They also provide some assistance to those in need of food, medicine, or clothing, and may even pave roads, maintain soccer courts, and fund day-care centers in their favelas’.

¹⁰ In El Salvador, for example, ‘Gangs imposed curfews, physically punished those who broke their rules, participated in food delivery programmes, organized their own food distribution and suspended extortion charges for local businesses and public transport’ (Sampaio 2021: 5).

¹¹ Moncada (2019) provides an example from contemporary Colombia, where ‘drivers had been paying a *vacuna* (‘vaccination’) of 40,000 Colombian pesos to members of a gang every week for over two years. Drivers who paid the tax received safe passage through dangerous neighborhoods. The gang’s collectors sometimes rode the buses to ensure that no harm came to the drivers or their passengers.’

In Yemen, where the Houthis tax businesses across various sectors and collect customs taxes, the United Nations has estimated that approximately 70% of the country's total tax revenue is derived from Houthi territories (UNSC 2023). Rebel taxation also occurs in border zones, since transnational commodities represent an important source of revenue, as with the Forces Armées du Peuple Congolais in the Democratic Republic of Congo (DRC) (Reyntjes 2014) and the Islamic State in Iraq and Syria (Revkin 2020). In the DRC, armed actors introduced work permits as well as sophisticated taxation systems, including poll taxes, taxes on sales in a local food market, and checkpoint taxes, which, according to scholars, contributed to the modicum of order within areas under their control (Sánchez de la Sierra 2020; Schouten 2022).

Non-state taxation may also serve ideological purposes for an armed group. For example, through its 'Peace Tax' (Ley 002 del año 2000: Sobre la Tributación) the FARC initiated a progressive tax policy within Colombia's cocaine-producing regions that was in line with the organization's Marxist ideology (Mampilly and Gutiérrez 2023). The FARC also imposed environmental taxes on civilians to reduce deforestation and wildlife hunting (Corredor-Garcia and Gutiérrez 2024).

As illegal actors, non-state actors are not bound by the same norms and logics as recognized state authorities. This can lead to several differences between state and non-state taxation that have substantive effects on overall taxation during conflict. First, non-state actors may be more capable of deploying force and other incentives to increase tax compliance. Unbound from national and international regulations and norms, non-state actors regularly deploy coercion to a higher degree to ensure tax compliance than state actors. For example, non-state actors have regularly engaged in physical punishment or detention to ensure compliance—practices that most states are prohibited from employing. As a result, non-state actors may achieve higher revenues despite deploying the same tax categories as the state.

Non-state actors may also benefit more from ideas of social solidarity or stigma in ensuring compliance than their state counterparts. Such ideological and affective factors may produce higher degrees of tax compliance with non-state taxation, as civilians pay not only out of fear or civic responsibility, but also out of a desire to support the cause that the non-state group is championing. Some studies even argue that rebel taxation can serve as a crucial technology of governance that allows armed groups to establish relatively stable forms of social order consistent with their ideological preferences and strategic needs during war (Mampilly and Gutiérrez 2023).

Finally, a consistent finding in the literature is that non-state groups frequently develop and implement novel and effective taxation regimes that depart from conventional state practices, including non-pecuniary forms of taxation such as forced or corvée labour. Such forms of non-state taxation are off limits for most state actors, which are bound by the 1930 Forced Labour Convention prohibiting the use of forced labour.

Non-state groups also frequently collect in-kind taxes, accepting goods or services in lieu of monetary payments, a strategy rarely deployed by modern states (though one frequently used by states in the past). In Philippines, for example, non-state groups took a share of fishermen's catch as a tax payment in areas where they lacked a presence on land and hence struggled to collect monetary payments (Ibanez et al. 2024). And non-state actors regularly tax illegal industries such as drug production and distribution that a state cannot (see Afghanistan case study below).

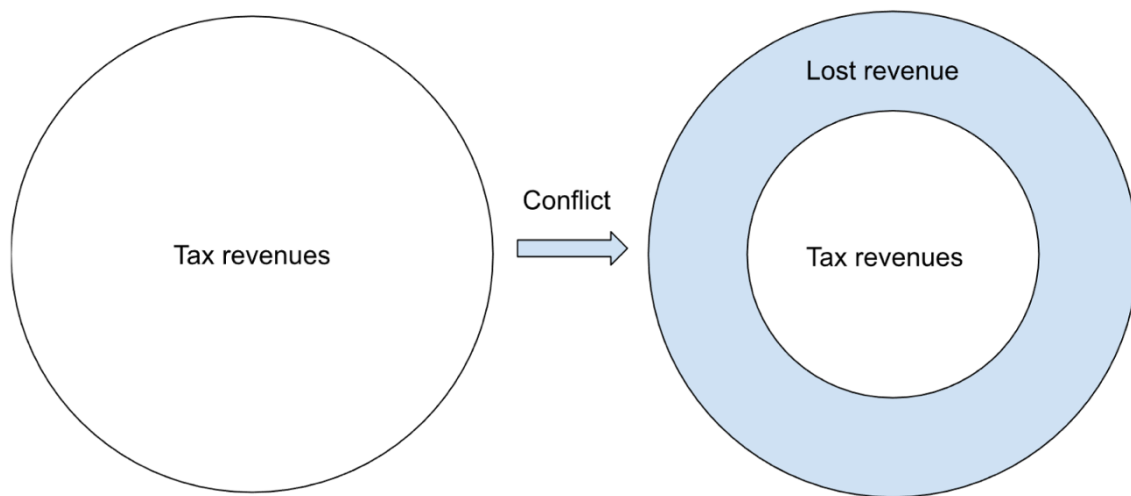
The above examples demonstrate that non-state taxation not only is a regular feature of violent conflict but also is a function of several factors beyond revenue generation, including the reinforcement of ideology (Breslawski and Tucker 2022; Revkin 2020), the dynamics of warfare (Revkin 2020), the projection of public authority (Hoffmann et al. 2016), and the building of legitimacy, as well as making legible both civilian populations and commercial markets (Bandula-

Irwin et al. 2022).¹² These realities suggest the need for a new approach that recognizes the distinct tax dynamics that violent conflict can introduce.

5 Conflict and taxation: an integrated approach

What does the existence of non-state taxation mean for our understanding of conflict and taxation? If we consider a model of taxation in which only the impact of conflict on state collection is considered, we see that a state that no longer maintains effective control over large portions of its juridically assigned territory and population suffers from a decrease in tax collection due either to a reduction in its capacity to collect taxes or to an increase in tax avoidance by civilians or firms. Figure 1 presents a simple illustration of such a model.

Figure 1: Impact of conflict on state tax collection

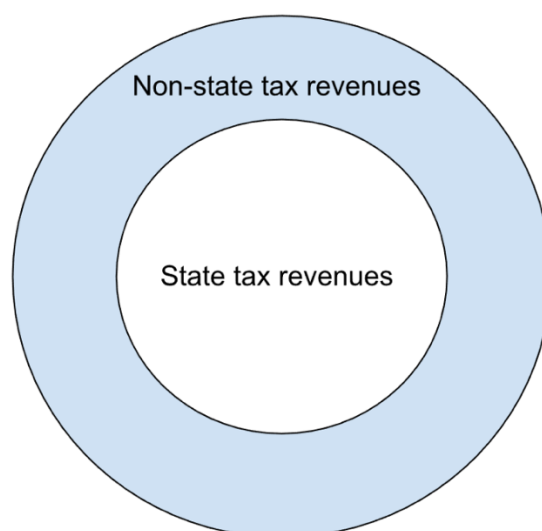


Source: authors' construction.

However, this assumption does not hold in situations of contested sovereignty, such as civil war, or of widespread criminality. Indeed, total state and non-state taxation is likely to increase in the midst of violent conflict, both in terms of total revenue raised and the types of taxes collected. In cases where the state is unable to maintain a monopoly of violence, multiple non-state actors can emerge and introduce forms of taxation, in contradiction to conventional wisdom about taxation and conflict. If these actors develop more effective tax collection practices, improve tax compliance, or introduce new forms of taxation, total tax revenue within the territory may equal or even surpass that collected by the state before the conflict, as Figure 2 illustrates.

¹² Legibility refers to the need for a governing authority to know the nature of its tax base, including the number and composition of civilian households, the total amount of economic production, and the activities of both legal and illegal firms within its area of operation.

Figure 2: State and non-state tax collection during conflict



Source: authors' construction.

When compared with states operating in the same areas, non-state actors can increase the total amount of tax collected, the variety of taxes implemented, and the compliance of civilians with regard to payment. While some of this efficacy may be attributed to their willingness to deploy violence, existing studies demonstrate that there are multiple non-coercive logics that shape both non-state taxation and the compliance of civilians. These include civilian support for the ideology of the armed group, civilian desire to influence the behaviour of the group, and civilian preference for the political and economic order implemented by the group.¹³

As described above, calculating the exact amount of taxation by non-state actors and determining whether, combined with state taxation, this represents an increase or decrease in the total amount of taxes, is challenging. But even if the exact amounts cannot be calculated, the more important point is that non-state taxes are both real and common in conflict zones. Despite scholars' and policy-makers' assumption that taxation is the sole prerogative of a sovereign power (i.e. the state) and non-state taxes are therefore predatory (i.e. not taxes at all), they meet the commonly defined criterion for what constitutes a tax. And, importantly, they are perceived as taxes by the populations that must pay them (Mampilly and Thakur 2023).

While conflict may have a depressive effect on state taxation, as we have seen, the experience of civilians may be quite different. How people view taxation and how scholars understand taxation are impacted by historical, political, and cultural factors (Bak and van den Boogaard 2023; Bandula-Irwin et al. 2022; Breslawski and Tucker 2022; Hoffman et al. 2016; Revkin 2020). Civilians might refuse to pay taxes (Menkhaus 2007), see taxes as extortion (Moncada 2021), pay out of fear of repression (Magaloni et al. 2020), or accept taxes voluntarily (Erazo and Rosero 2020)—for example, elites who are willing to pay taxes to the state to combat insurgencies (Flores-Marcias 2014). Civilians might also perceive non-state taxation as more legitimate than official state taxation (Sánchez de la Sierra 2020).

¹³ Non-state taxation may serve important functions in producing relative order and stability amidst conflict (Schouten 2022).

Incorporating non-state taxes can shift our perception of the relationship between taxation and conflict in multiple ways. Bringing in non-state taxes allows us to better understand why conflicts are likely to cause a depressive effect on state taxes during conflict. Most assume that the reduced capacity of the state, combined with the loss of sovereign control over territory, explains the depressive effects of conflict on state taxation. But there are additional dynamics related to the presence of non-state actors at work. For example, some non-state taxes may be perceived as ‘substitutes’ for state taxation, in terms of both their amount and the manner in which they are collected, providing a relatively seamless transition for civilians even as they reduce state taxation levels. In other cases, however, they could be perceived as either ‘competition’ or ‘complements’ to state taxes, generating either resentment, in the case of the former, or resigned compliance, in the latter case.

From the household and firm perspective, an increase in non-state taxation during conflict can appear similar to a massive ramping up of taxes by the state during peacetime, in both the scale and the variety of taxes implemented. If households and firms perceive non-state taxation as a competitor to state taxation, they may resent such ‘double-taxation’, reducing the capacity of both the state and non-state actors to collect taxes. If, instead, non-state taxation is perceived as a complement to state taxation—i.e. civilians view the payments to both authorities as representing desirable, if different, tax dynamics—then the overall amount of taxes collected may actually increase. While such a situation may appear rare, research on collusion between armed groups and governments demonstrates that the two may form tacit agreements that serve the interests of both (Mampilly 2009; Staniland 2012).

In the next section, we use the case of Afghanistan to illustrate how an integrated approach can help improve our understanding of the relationship between conflict, taxation, and development.

6 Case study: Afghanistan during and after war

The Afghan conflict illustrates many of the dynamics described above—specifically, the presence of a large-scale rebel organization that both provided civilian governance and collected taxes, the expansion of an illicit economy oriented around opium production, and the presence of a robust international intervention working to build the capacity of state institutions.

The evolution and scale of the Taliban’s taxation system demonstrates that in conflict zones the state may be only one of several tax collectors. During the war, Afghanistan was host to numerous other non-state groups, including its own wing of the Islamic State and groups that straddle the line between criminal and rebel organizations such as the Haqqani Network, with which the Taliban formed a durable alliance to engage in drug and weapons smuggling. When the last US troops left in August 2021, the Taliban were able to quickly implement and expand their tax systems across the country—a legacy, we argue, of the tax practices they had developed while operating as an insurgency.

6.1 The First Taliban Emirate

The Taliban originated in the early 1990s and emerged from the Afghan civil war (1978–92) as the dominant force. As an Islamist movement, its goals were to restore stability, institute *Sharia*, stop corruption, and expunge foreign influence. As a rebel group, the Taliban engaged in a variety of activities in order to secure funds. After initially banning drug production, the Taliban shifted course in 1994, permitting opium production and taxing poppy farming and related heroin labs. It taxed both licit and illicit trade, exploited the large opium drug economy, and received arms and

other material support from Pakistan and Saudi Arabia. The group provided government licences, educated opium farmers, and began taxing *zakat* at a rate of 10–20% (Peters 2009, 2012).¹⁴ This provided the funds the group needed to recruit and expand, while the drug economy flourished, providing livelihoods to many Afghans.

Zakat, or almsgiving, is one of the five pillars of Islam, required of Muslims with sufficient wealth, which in Afghanistan is traditionally derived from livestock and agricultural production (Hammad 2022). *Zakat* holds both religious and social significance and has been collected for centuries in many Muslim countries as a way to redistribute wealth and promote social cohesion. In Afghanistan, Yemen, and Somalia, rebel groups have adopted the practice of taxing *zakat* in areas under their control to fund social as well as military services (Hammad 2022).¹⁵ In other words, taxes on the opium trade provided the Taliban with the resources to expand its civilian governance capacity, at the same time as it began extending its territorial holdings.

By 1996, the Taliban had seized control of most of Afghanistan, establishing an Islamic Emirate rooted in a strict interpretation of Sunni Islam. The group developed a rudimentary system of governance, concerned more with moral and religious obligations than with state functions; when they took control of Kabul, '[t]here was no administration and no foreign policy, no public services and no economic plan', according to one observer (Brahimi 2010: 5). Over the next five years, the group focused on navigating various factions and maintaining stability.

6.2 Taliban governance as insurgents

In 2001, the US invaded Afghanistan, pushing the Taliban out of Kabul and forcing it to regroup in more rural areas. As it engaged in war against the internationally-recognized US-backed government, the Republic, the Taliban leadership developed its taxation system to generate revenues that exceeded the cost of basic military operations. The revenues nevertheless primarily funded military efforts, as the Republic government continued to fund all basic services through foreign aid even in Taliban-controlled areas (Clark 2022).¹⁶ As the US mounted various offensive strategies, the group's territorial holdings waxed and waned. However, over time, the Taliban was able to reclaim large portions of Afghan territory, where it established an elaborate system of civilian governance as well as taking control of the drug economy and other sectors of the economy.

Amiri and Jackson (2022) describe the transformation of Taliban governance as consisting of three phases: roughly 2005–08, 2009–13, and 2014–21. The first phase involved establishing a code of conduct for fighters and issuing statements as the group expanded its territorial control. During the second phase, the Taliban created internal structures and 'began to position itself as a shadow government' (Amiri and Jackson 2022: 10). However, military activities were financed in largely disconnected and decentralized ways. Funds collected stayed at the district level, though sometimes they were shared with commanding leaders. Nevertheless, 'even with this upward distribution, the

¹⁴ Some scholars (e.g. Mansfield and Smith 2021) have argued that it is unlikely that taxes were collected as a percentage of income or wealth. Rather, they were typically collected as a fixed amount per unit of land.

¹⁵ Systems of *zakat* differ in terms of centralization, their voluntary or compulsory nature, eligibility criteria, types of benefits, transparency, and accountability (Hammad 2022). Historically, *zakat* was managed by Islamic rulers or local authorities; today, it is managed by mosques, Muslim scholars, charities, or the state (e.g. the Ministry of Religious Affairs).

¹⁶ Ali (2019) also describes how the Taliban co-opted both government and NGO services in controlled territories.

money did not (yet) make it to a particular body, such as the Finance Commission, designated to collect, account for, and disperse funding centrally' (Amiri and Jackson 2022: 11).

The third phase was precipitated by the 2014 withdrawal of US troops. The Taliban began developing 'increasingly sophisticated and coherent governing systems and policies' (Amiri and Jackson 2022: 10). When Mullah Akhtar Mansour assumed the de facto leadership role around 2014, 'Taliban practices and structures started to coalesce into something more coherent', as Amiri and Jackson note. They continue:

Mansour's reforms did not focus on taxation per se, but on creating clear military command structures and an insurgent bureaucracy to handle civilian governance. The shift towards institutionalizing taxation was a by-product of this, driven by rebel governors asserting themselves through the space created by reforms [...] [T]his push for coherence increased Taliban revenue and efficiency, and more regular, realistic tax demands reduced civilian antagonism (Amiri and Jackson 2022: 12–13).

The Taliban's extensive local taxation system included taxes on agricultural produce (*ushr*), customs taxes on licit and illicit goods, and taxes on international aid. The efficacy of the system varied according to the level of conflict, civilian resistance, control over roads, and the power of local Taliban leaders. For example, collection and expenditures were more centralized in Helmand but decentralized in the south-eastern and eastern provinces. Importantly, the Taliban used their commanders' local knowledge of harvest quality, economic conditions, and civilian sympathy to decide how much to tax various populations (Amiri and Jackson 2022). Leaders were careful not to antagonize local communities, recognizing that their control in some regions was precarious. '[T]axes formed the basis of an engagement with aid actors that allowed the Taliban to exert control over projects and interventions financially and programmatically. The Taliban also used its taxation practice to control civilian behaviour and demonstrate coercive influence' (Amiri and Jackson 2022: 27).

In the initial years, the group depended on voluntary and coerced donations and extortion, justifying their behaviour with rhetorical appeals to *jihad* and building on important cultural norms like that of *kehudai-mass* ('whatever Allah bestows gives you the strength to assist') (Amiri and Jackson 2022: 8). Although the group used threats of violence, it also employed ideological justifications to build legitimacy and encourage civilians to contribute to its struggle. Over time, the leadership came to see its tax practices as distinct from extortion, even punishing Taliban commanders who kidnapped and extorted money and arguing that taxing was their right as a governing body (Amiri and Jackson 2022).

In some districts, including Dasht-e Archi in Kunduz, the Taliban were able to use existing government and non-profit service delivery structures to provide education and healthcare. They also provided judicial services that were described by survey participants as less corrupt than those of the Republic (Ali 2019). These services might have increased civilian compliance. Additionally, civilians described the Taliban tax system as being fairer than the government's when, for example, it exempted basic necessities like wheat flour (Amiri and Jackson 2022).

The ability to collect taxes was undermined by US military surges in key provinces. However, as coalition troops withdrew (beginning in 2014), the tax system became more predictable and consistent across Taliban-controlled areas. For example, the tax authority began providing evidence of payment at checkpoints so that taxes did not have to be paid multiple times. In interviews, a driver described bargaining successfully with the Taliban at checkpoints:

[...] if the Taliban want Afs30,000, [I tell them] I have problems, economic problems. [The Taliban] do not put pressure on you that you must pay them the Afs30,000 tax. If you pay Afs20,000 or Afs25,000 instead of Afs30,000, the Taliban accept that as well. If you can convince [the Taliban], they will accept any amount. They give you a paper which works across Afghanistan under the Taliban control area (Amiri and Jackson 2022: 18).

In contrast, on major government-controlled roads there were several layers of bureaucracy, multiple taxes, and a need for bribery (Amiri and Jackson 2022). Widespread corruption and other difficulties in conducting business led Afghanistan to a ranking of 173 out of 190 countries in the World Bank's Doing Business Index in 2020 (World Bank 2021) and the country's designation as one of the most corrupt in the world.¹⁷ Although the Republic also had a well developed tax system at federal and municipal levels, there was little incentive to root out corruption and inefficiencies, given aid flows (Clark 2022; World Bank 2024). There was a culture of tax evasion and corruption and civilians had few opportunities to negotiate directly with the tax authority (Isar 2020). The result was that civilians ended up paying taxes to different groups depending on where they lived, worked, and travelled.

Calculating the exact amount of tax collected by the Republican and Taliban administrations would provide an accurate national picture of the burden taxpayers carried during the war. However, for the reasons explained above, such an integrated estimate remains beyond our capacity. Still, based on published estimates, we can provide a snapshot of what an integrated approach would produce for a specific province in a given year.

In a detailed field study of Nimroz province, Mansfield and Smith (2021) use over 65 in-depth interviews¹⁸ and high-resolution satellite imagery to estimate total state and non-state taxes paid.¹⁹ Though Nimroz has little agriculture or industry, its favourable location bordering both Iran and Pakistan make it a lucrative site for customs and checkpoint taxes. Estimates suggest that goods worth up to \$2.3 billion moved across the official border crossing at Ziranj in 2020. Illicit drugs and migrants also cross the border frequently.

Mansfield and Smith (2021) estimate that traders paid over \$266 million in Nimroz in 2020 to various state and non-state actors (see Table 1). While the Republic government officially reported \$93.2 million in revenue, this represents only 53% (\$93.2m/\$176.1m) of reported taxes paid to Republic government officials in Nimroz. The authors assert that the difference stems from underreporting and undeclared goods. Of the total revenue collected by state and non-state actors, only 35% (\$93.2m/\$266.4m) make it to the Republic government. The Taliban receive about 20% (\$54.3/\$266.4) and the remaining 45% go to corrupt government actors (31% = (\$176.1m – \$93.2m)/\$266.4m) and government-affiliated actors like the Afghan National Security Forces (14% = \$36m/\$266.4m), who may themselves have colluded with the Taliban or other illicit actors. While these averages should not be applied to other provinces due to differences in the tax base, including taxes paid to non-state actors is essential to grasp the total amount of tax paid and its effect on commercial actors (and civilian households).

¹⁷ <https://www.transparency.org/en/countries/afghanistan>

¹⁸ The fieldwork is part of a long-term project with the Afghanistan Research and Evaluation Unit Organization due to include over 300 in-depth interviews in the province and region over several years.

¹⁹ The satellite imagery is used to identify key economic locations, including agricultural production, infrastructure like roads and drug production facilities, and checkpoints.

Table 1: Estimated 2020 tax revenue in Nimroz province calculated by Mansfield and Smith (2021)

	Estimated Taliban revenue	Estimated Republic revenue	Estimated gov-affiliated actors' revenue	Official Republic estimates*	Estimated total revenue collected by the Taliban, the Republic, and gov-affiliated actors
Customs duties	\$23.4m	\$132.3m	Nearly \$18.0m	\$43.2m	
Fuel taxes	\$17.5m	\$43.8m			
Direct taxes				\$50.0m	
Illicit drug chain taxes	\$5.1m		\$7.6m		
Taxes on agricultural production	\$4.3m				
Taxes on agricultural land	\$0.9m				
People smuggling	Approx \$0.5m		\$8.2m		
Development assistance taxes	Approx \$0.8m		\$1.5m		
Misc taxes**	\$1.3m				
Total revenue collected	\$54.3m	\$176.1m	\$36.0m	\$93.2m	\$266.4m

Note: not all categories are reported for each actor. * Estimate is described in Mansfield and Smith (2021: 32) but is based on the Afghan Statistical Yearbook 2019. ** For the Taliban, the sum of the various tax estimates described in Mansfield and Smith (2021) does not equal the total revenue described (p. 34); thus we add a row on miscellaneous taxes to account for the discrepancy of \$1.3m.

Source: authors' construction based on Mansfield and Smith (2021).

6.3 Return to power: the Second Emirate

In August 2021, after the US withdrew its final troops, the Taliban returned to power in a largely peaceful transition. With the re-implementation of *Sharia* law, sanctions were implemented and international aid plummeted—as did the economy, which had been reliant on those aid flows. And yet, while the economy experienced a 26% decline in real GDP from 2021 to 2023, total tax revenues increased by approximately 9% (World Bank 2024).²⁰ There are several possible explanations for the increased revenue. First, a decrease in corruption may have increased the share of revenues collected by the Emirate. Second, the Taliban's tax system had a wider reach than its predecessor, collecting both the secular taxes on individuals and businesses as well as 'Islamic taxes' (*ushr* and *zakat*) while continuing many of the tax and customs policies and procedures set up by the Republic's Ministry of Finance, such as the e-filing tax system (Clark 2022). Third, the group also imposed new tariffs and taxes (e.g. on the mineral sector), enforced taxes that had been ignored, and suspended late payment fines to encourage citizens to pay taxes. And, finally, it increased export duties on coal production from 20% to 30% in 2022 (Clark 2022).

²⁰ In 2023, the Taliban's Ministry of Finance reported various statistics on revenues, including \$2.24 billion collected in the solar year ending in March 2023 (up 37% relative to the previous solar year) but also \$1.15 billion collected in the 11 months ending in March 2023. Note that financial transparency has decreased, so there is no way to corroborate these reports. <https://kabulnow.com/2023/04/taliban-193-billion-afghanis-us2-24b-was-collected-in-revenue-last-year/>

A former local government official from Ghor province described the situation:

One week after the takeover, the Taliban started collecting tax, *ushr* and *zakat*. They collected 1,000 afghanis from the shopkeepers for their licences to trade. They also collected *ushr* on vehicles, tractors and trucks: 2,000 afghanis on cars, 5,000 afghanis on trucks and tractors, 20,000 afghanis per fuel shop and 1,000 afghanis per house. They charge 50 afghanis if someone drives his vehicle or motorcycle too fast. Since people are afraid of them, they pay whatever they ask. I paid 1,000 afghanis for my home and 2,000 afghanis for my car about 15 days ago. They told me I didn't have to pay again until next year (Clark 2022: 3).

The speed and efficacy of implementation were likely a result of the 'shadow government' infrastructure developed during the war. In a recent report based on fieldwork in Nimroz, Mansfield (2024: 3) points to 'evidence of a cadre of "technocrats" positioned in key economic roles, all with prior experience of revenue generation from the insurgency.' Clark (2022: 4) conducted interviews throughout the country with shopkeepers and residents, finding that the 'Emirate's collection of taxes, fees, customs and revenues from mining is organised, systematic and comprehensive' and that there was less corruption than under the former government. Since returning to power, the Taliban has committed to rooting out corruption²¹; however, the extent to which this has been successful is unclear.

Revenues may also have increased due to a peace dividend; during the war, collecting taxes at checkpoints, for example, had been dangerous since the Republic controlled most major roads and the Taliban would be targeted with missiles if they had attempted to do so (Amiri and Jackson 2022). The demise of its rivals and consolidation of its monopoly on violence allowed the Taliban to more credibly and selectively deploy its coercive powers to ensure tax compliance. A teacher in Nuristan noted, 'They've been collecting *ushr* for a long time, almost six years. In the past, they couldn't force people to pay, but now they can' (Clark 2022: 36).

The annual budget released in 2022 saw an increase in security and operations spending relative to development spending (e.g., health, agriculture, and other social sectors) (World Bank 2024). Much aid is still in the form of humanitarian support (World Food Program 2024), as international organizations have been alarmed by the unprecedented levels of hunger and malnutrition (World Food Program Afghanistan 2022). While international aid decreased substantially after the takeover, many services like healthcare and basic utilities continue to be provided by donors, allowing the Taliban to focus their expenditure on other areas (Clark 2022) and raising questions over whether donors should be providing such services when the Taliban likely has the resources to cover them.²²

As of July 2024, no country has recognized the Taliban as the legitimate government of Afghanistan, greatly limiting flows of aid and investment. Currently, major international donors are working solely through the United Nations and its implementation partners to aid in the humanitarian crises caused by protracted conflict, economic collapse, and the 2023 earthquake in Herat. Donors have been critical of the Taliban's decisions to impose *Sharia* law and limit girls' education, among other directives. Further, there is a tension between donor support for Afghans and donor resistance to supporting the Taliban regime (Clark 2022). Yet, despite these challenges,

²¹ <https://thediplomat.com/2021/10/economy-on-the-brink-taliban-rely-on-former-technocrats/>

²² <https://www.usip.org/publications/2022/02/taliban-are-collecting-revenue-how-are-they-spending-it>

the Taliban government does not appear headed to collapse, and, surprisingly, appears better placed to develop a viable tax base than its predecessor.

7 Conclusion and policy implications

Recognizing the role that non-state actors can play in introducing new forms of taxation and maintaining or expanding existing ones requires a reassessment of existing policy approaches both during conflict and after. Conventional approaches limit interventions to building the capacity of the state to collect tax revenues without considering the actual dynamics of taxation during conflict. This creates a lacuna that both ignores new forms of revenue generation introduced by armed groups and limits expectations of the potential amounts of revenue that can be generated in a post-conflict situation.

To be clear, we are not endorsing tax collection by armed groups. Local communities, the incumbent government, and the international community may all resent non-state taxation as little more than illegitimate extortion, more akin to criminal racketeering than to legitimate forms of revenue generation. However, we argue that a limited, state-centric approach misses important dynamics and realities of taxation on the ground in conflict environments.

One of the challenges for governments is how to devise tax policies in ways that prevent or at least do not increase the likelihood of conflict in the first place. A robust finding from the literature on civil war is that the most likely predictor of a future conflict is a recent history of violence. In fragile contexts, then, it makes sense to take seriously the role of taxation in conflict initiation and recurrence. Specifically, taxation policy may exacerbate existing divisions in a society, leading to conflict. Recognizing the relationship between taxation and conflict initiation is an important consideration when seeking to prevent conflict. For example, the recent protests in Kenya were triggered by government attempts to restructure tax policy. This is not a new phenomenon; the American and Indian Revolutions were both concerned with tax policies that were widely considered unjust.

During conflict, recognizing the role of non-state actors in taxation and development is essential for crafting effective policy solutions. A regular concern articulated by civilians, firms, and non-governmental organizations is the reality of ‘multiple taxation’, in which individuals must pay the same or similar taxes to different tax authorities. Combined with the decrease in state services, this can further undermine civilian willingness to pay taxes to a recognized government.

A key issue is the lack of transparency around how taxes are being spent and the widespread and justifiable perception that conflict increases corruption by state officials. During conflict, governments regularly initiate new measures or rescind existing good governance initiatives that emphasize transparency, while simultaneously shifting tax revenues towards opaque defence, policing, and intelligence agencies. Increasing transparency in the taxation process could improve civilian attitudes towards taxation.

Conflicts may also decrease government dependence on tax revenues as states turn towards allies to fund their offensive strategies. Yet, shifting the burden from ordinary citizens to external patrons may further alienate civilians from the state. Somewhat counterintuitively, retaining or even increasing the tax load on ordinary civilians (including the elite) during conflict may enhance the relationship between the state and the population. For example, recent work in the DRC has shown that increasing taxes in fragile contexts can lead citizens to participate more and expect increased service provision, improving accountability (Weigel 2020).

In the aftermath of violent conflicts, governments struggle to raise revenue and re-establish, let alone increase, the tax base. This strategy can create a negative cycle in which governments are unable to make necessary investments in tax collection, thereby reducing the tax base further. In addition, a lack of revenue may necessitate cuts to public services, furthering civilian estrangement from the state. Governments may also seek to collect taxes in ways that do not resonate with the civilian population or commercial actors, for example by implementing strategies devised by technocratic international advisers.

As the Taliban example demonstrates, a better understanding of the ways in which non-state actors engage in taxation during conflict can inform strategies for tax collection once fighting ends. Non-state actors may either find ways to better collect existing taxes or develop completely new forms of taxation that may never have been implemented by the state. Some of these novel tax strategies may not be transferable to the state for legal or normative reasons. But others, particularly those that are deemed more acceptable by civilians or commercial actors, such as the taxation of *zakat*, may be productively adopted in the post-conflict phase.

Understanding the impact of non-state taxation during conflict is also essential for rebuilding trust in government, critical for increased revenue generation. Current approaches to non-state taxation often treat it as a form of material support for terrorism. For example, humanitarian organizations that paid taxes at Al Shabaab checkpoints in Somalia have voiced concerns about being charged under anti-terrorism laws.²³ Individuals who paid taxes to insurgent groups in Sri Lanka and Syria have been similarly threatened, regardless of whether they supported the insurgent group or, more commonly, paid under the threat of coercion. Instead of treating non-state taxpayers as potential supporters of armed groups, a better approach would be to recognize the limited options available to them and work to bring them back into the government fold post-conflict. A similar approach could be deployed for other types of taxes paid to armed groups. For example, in Sri Lanka, individuals often paid land taxes to the Liberation Tigers of Tamil Eelam (LTTE) to ensure their property rights in areas under rebel control (Stokke 2006). Finding ways to recognize these payments and respect the property claims of payees even after the defeat of the armed group could go a long way towards rebuilding trust with marginalized communities.

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²³ <https://www.theguardian.com/global-development/2017/apr/26/anti-terrorism-laws-have-chilling-effect-on-vital-aid-deliveries-to-somalia#:~:text=7%20years%20old-,Anti%2Dterrorism%20laws%20have%20'chilling%20effect'%20on,vital%20aid%20deliveries%20to%20Somalia&text=Strict%20British%20and%20US%20counter,diseases%20in%20drought%2Dhit%20Somalia>. See also https://aularview.org/blog/construction-of-a-terrorist-under-the-material-support-statute-18-u-s-c-%C2%A7-2339b/#_ftn6

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