Conflict Sensitivity in Domestic Resource Mobilisation

A REFLECTION NOTE

People Change the World Diakonia

Sweden Sverige

SAFERWORLD
PREVENTING VIOLENT CONFLICT. BUILDING SAFER LIVES

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Disclaimer

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Introduction

Domestic resource mobilisation (DRM) is a priority for many countries whose development is hampered by a narrow tax base and for aid donor governments who are looking for responsible exit strategies. Some of these countries are affected by conflict. However, there is little guidance for practitioners on how to carry out DRM initiatives in a conflict sensitive way. This reflection note offers ideas on conflict sensitive DRM based on a short workshop with a network of organisations implementing a Sida-funded DRM programme in Africa, coordinated by Diakonia; and the peacebuilding NGO Saferworld, that may help practitioners think about 'conflict sensitive DRM'.[1]

How are conflict and DRM linked?

Tax is at the heart of the social contract between state and citizens: people and organisations pay tax to finance public life and for services like health, education, security, and more. But the social contract is broken or non-existent in many conflict situations. The interests of citizens and the state may be in conflict; opposition movements may challenge the legitimacy of the state, up to the point of total rejection of abusive states; citizen-state relationships may be mediated in complex ways by informal/customary leaders and civil society. Conflict situations can arise from, or create, situations where many lack citizenship status and have an unclear relation to state taxes (refugees, or excluded minority groups). A transformative role for DRM is badly needed, but deeply challenging to imagine for conflict contexts.[2]

Taxes have caused wars and wars have changed taxes: The American Revolution was sparked by protests against tax – 'no taxation without representation'.[3] In African history, unfair colonial taxes sparked armed resistance, like the Hut Tax war in Sierra Leone.[4] On the other hand, income tax and purchase tax both originated as temporary wartime taxes that are now widespread.[5] Armed groups may also tax people and economic activity in areas they control, using the revenue for many reasons, including financing their war efforts.[6]

Links between contemporary conflict and tax are not intuitive: Contemporary conflicts (post-Cold War) have upturned previous ideas about conflict and tax. Tax revenues don't rise in advance of war as once assumed: contemporary conflicts show steady or declining tax revenues before conflict,[7] possibly a reflection of the state losing legitimacy in the run-up to conflict, or that revenues from corruption pay war costs instead of taxes. Military, intelligence, police, and justice services may be either under-resourced, corrupted, and contested in conflicts; or hugely

overfunded at the expense of other basic services, with resources often used for violent, patriarchal, 'hard security' approaches that do little for citizen safety.[8]

Gender and tax: Gender is a major determinant of who pays tax, and how, and who benefits. Women are more likely to be working in the informal economy in conflict-affected countries, which is vulnerable to unofficial taxes.[9] Conflicts have different effects on the 'private' sphere to which many women are linked by domestic responsibilities,[10] and on the 'public' sphere – gendered public/private divisions are disrupted in conflict situations with unpredictable long-term results. In some cases the disruption leads to a greater role in public life for women[11] and in others it provokes a (violent) reassertion of gender divisions and male dominance.[12] The onward effects of this on tax policy aren't well-studied, but a greater public role typically means more influence over taxes, and ability to pay and benefit from them.

Corruption, crime, and the threat of violence: from Zimbabwean female market traders being physically threatened to pay informal taxes,[13] to powerful public bureaucrats who can withdraw essential services if corrupt payments aren't made, the threat of violence is often implicit in the corruption that plagues DRM. Widespread corruption can be a trigger for violent protest and resistance, or a propaganda tool for armed opposition groups.[14] Conflict actors can develop deep connections with organised crime,[15] and conflicts can enable massive illicit financial flows.[16] Conflict can make it riskier (life-threatening) for civil society to hold the corrupt to account.

Natural resources, climate, conflict, and tax: Natural resource conflicts recur more easily than other types of conflict and are particularly difficult to resolve.[17] With climate change, high-consumption countries are attempting to transition to more efficient energy sources, raising demand for certain minerals (cobalt, chromium, and others), making them potentially significant tax revenue sources in developing countries. However, a *majority* of such mineral reserves are located in conflict-affected countries, with many in acute conflict areas.[18] Most current extractions are happening in or near the territory of indigenous peoples, who have histories of exclusion, exploitation, and conflict with their respective states.[19]

DRM and Peace

The role of tax in supporting peace comes as part of creating a credible social contract following a peace agreement.[20] A fair tax regime can address grievances and finance reconstruction; and over the long-term, can enable major social changes – many European conflict parties In World War I 'taxed the rich' to pay for the war and reconstruction, a factor in falling class and gender inequality in post-war Europe.[21] In situations of non-violent or latent conflict, a process of dialogue and accountability on tax can bring positive change.[22] In Ghana in 1995, the introduction of VAT triggered protests that, rooted in long-running dissatisfaction with governance, ended up toppling the government even after the VAT proposal was shelved. A newly elected government was able to redesign the VAT proposal and reintroduce it later in a way more satisfactory to citizens.[23]

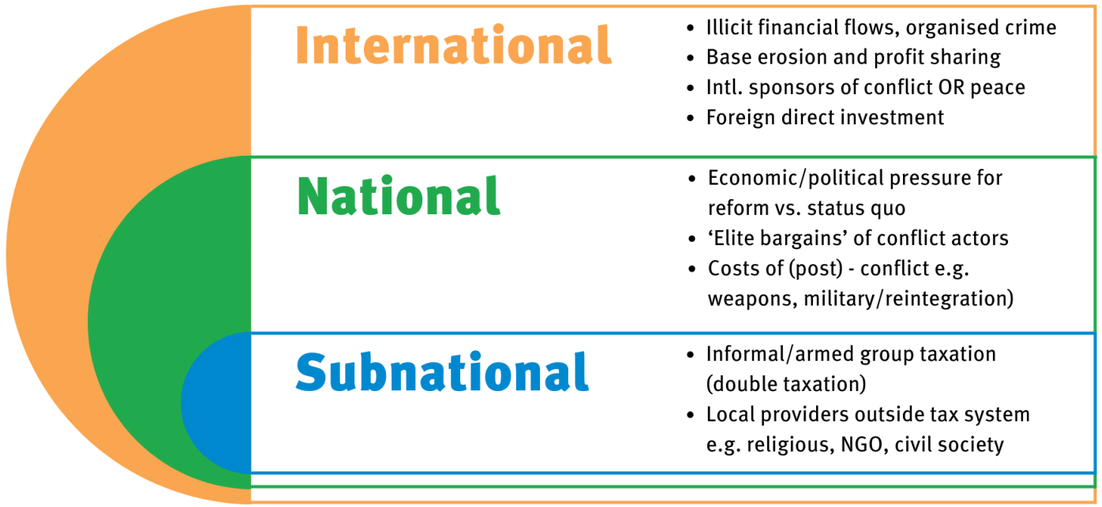
What does this mean for DRM practitioners?

The links between conflict and DRM have various implications for how exactly a conflict sensitive approach applies to DRM. Conflict sensitivity is a systematic practice to maintain an **understanding** of a conflict context, identify the two-way **interactions** between our own presence and the conflict context, and **take action** to minimise any possible negative effect on conflict dynamics and instead maximise positive effects, or make 'peace supportive' improvements to our work . There is some guidance below on what this may look like in the project cycle, but some important major issues are:

- With taxation so linked to the social contract, **conflict analysis** for DRM that looks closely at the **political economy** of resource governance, at state and opposition legitimacy, and at the role of international financial flows both licit and illicit is of particular importance.
- Conflict/peace and DRM issues may exist at any level, from elite corruption to local informal taxation (by armed or civilian customary groups). A detailed understanding is needed of **how certain DRM policies will look at all conflict levels**, in different but interconnected conflict systems and tax and economic regimes at subnational, national, and international levels.
- **DRM practitioners must consider how they themselves are perceived** by different conflict actors – advocating for regular taxation implies supporting state structures, but if the state has low legitimacy, might this be perceived as supporting one 'side' in a conflict?

- The **long-term interconnections of DRM with peace and changing social norms** require vision and imagination to explore, and past examples of where DRM/taxation has played a role in post-conflict reconstruction or healing may be needed to inspire a **'peace supportive' approach to DRM programmes.** (see Further reading to explore some examples)

Figure 1: Examples of conflict, peace, and DRM issues at many levels



Conflict sensitivity in the DRM programme cycle

1. Analysis: Conflict sensitive programmes typically start with a conflict analysis. For DRM, a gender-sensitive political economy approach looking at multiple levels is particularly essential.

Questions for the analysis stage: *Whose interests will be served by DRM reform, and whose will be damaged (conflict groups, gender, age groups)?; does a 'war economy' exist that diverts resources from legitimate use and taxation? What legitimacy do formal and informal leaders have?; What are the relations between politics and business (close? mistrustful? do public officials have many business interests?); Are natural resources or minerals a conflict issue?; Who is paying 'double' tax? How do armed actors fund their activities? Is there potential for open violence?*

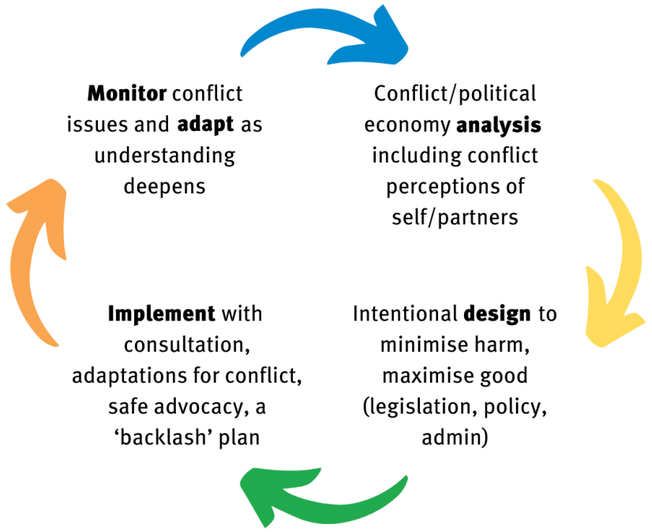
2. Design: DRM programmes in conflict affected places will inevitably interact with conflict issues, intentionally or unintentionally, for better or worse. In order to shift to an *intentional* and *better* interaction, DRM practitioners could consider the questions below. Table 1 on the next page also gives different factors that can be considered for DRM work focused on legislation, on policy, and on administration.

Questions for the design stage: *Is more resource mobilisation always good – is there a chance that it legitimises illegitimate conflict actors, at any level?; How is DRM actually done, and could a programme create parallel structures that, while more 'formal', may provoke a rejection from different groups across a conflict?; Could the tax administration give collectors power over vulnerable people or groups, or reinforce/worsen gender inequality, and what checks would prevent any misuse of power? What role could communication and consultation play in achieving a tailored design for the conflict or for certain conflict groups or areas?*

3. Implementation: Based on the analysis and design considerations, concrete actions can be taken that reduce the chances of doing unintentional harm, and could even include a purposeful 'peace supportive' approach, including gender transformative approaches .

Sample actions for implementation are: *consider the age, gender and other identities of those administering and communicating about the DRM programme and how this may affect the way they are perceived ; consult or even work through existing legitimate channels, whether state or informal; advocate either exemptions or special measures for conflict-affected groups and areas vulnerable to double taxation, misuse of revenue, or misuse of power by tax administrators; understand and advocate for the removal of corrupt conflict-supportive practices (with additional safety measures if needed); have a 'backlash plan' in case a successful DRM programme sparks negative reactions.*

Figure 2: Conflict sensitivity in DRM programme cycle



4. Monitoring and adaptation. A conflict sensitive DRM programme should include monitoring of conflict issues, whether that's for differential effects on the different genders, monitoring the media for violent language or hate speech, or working with conflict monitoring groups to keep track of unofficial conflict taxes or violent incidents. However, even more important would be to maintain the ability to adapt design and implementation, as the understanding of conflict issues deepens (or the conflict itself changes).

Some important considerations for monitoring are: *monitor public discourse on DRM issues including beyond official media (social media is powerful in some contexts, but in others, proactive engagement with religious actors, commercial networks, social self-help groups or similar may be necessary); monitor the use of tax revenues in 'hard to reach' conflict locations or groups, including by gender, and not only in safe areas (additional safety measures may be needed); use an adaptive monitoring system where political economy changes are observed, rather than only focusing on technical outputs or targets; include how DRM may contribute to higher-level outcomes such as level of violence, access to justice, inclusion, and good governance (all under SDG16).*

Table 1: Conflict and DRM interventions in legislation, policy, and administration

	DRM Angle:	Conflict Angle:	Examples:
Legislation	**Existing Legislative** frameworks identified as not being fair/ reasonable/ unfair advantages; or over burdensome on taxpayers and their obligations. **New legislation** looking to be passed – As above, but also being blocked by lawmakers, or sponsored due to personal political/ business interests. **Lack of transparency or engagement** with society, business communities and their representatives, community leaders or CSOs to discuss legislative changes being proposed/ thought about and potential impacts.	Feeds conflict/ political/ personal agendas. Limits services including security that can be provided by government. Puts Businesses, individuals or particular groups (i.e. ethnic, religious, gender) at an economic disadvantage, creating potential grievance. Impacts or reduces levels of wellbeing and/ or disproportionately affects poorer, or more conflict-vulnerable levels of society. Impacts, harms or fails to protect the environment or those that depend on it.	Tax holidays/ exemptions or reliefs provided to politically connected businesses. Taxes which burden the poor or increase costs of staple foods. Tax Allowances only given to head of family which has gender impacts. Taxes introduced/ changed to fund political/ conflict agendas. No existing licencing or environmentally focused taxes levied to certain sectors to reduce damage or impacts/ or compensate local communities. No dialogue, accountability or transparency on existing or proposed legislation or tax policy.
Tax Policy	**Existing Tax Policy** identified as not being fair/ reasonable/ unfair advantages; or being over burdensome on taxpayers and their obligations. **New Tax Policy** looking to be introduced – As above, but also being blocked or even sponsored due to personal, political/ business interests. **Lack of transparency or engagement** with society, business communities and their representatives, community leaders or CSOs to discuss tax policy changes being proposed/ thought about and potential impacts.		
Tax Administration	**Taxpayers Obligations** are over complex and time consuming. **Services provided** do not assist or serve taxpayer needs. **Compliance Regimes** do not treat taxpayers fairly. **Corrupt Officials** inhibit fair service and reduces tax compliance.	Impact is greater on poorer/ female members of society. Illegal activities negatively impact society. Corruption impacts the social contract between the government and its population.	Illiterate/ Informal sector taxpayers unable to complete tax returns. Focus towards online services which may not be readily available to all. Illicit trades and shadow economy activities are not addressed. Corruption reduces tax collections and ultimately limits funds available to government to supply services and infrastructure.

Further reading

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