

# Understanding Hybrid Governance in Post-Coup Myanmar (Part 2):

## Insights on Economic Life and Regulation in New and Evolving Areas of Resistance

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## Contents

Executive Summary.....	1
Introduction .....	3
Section 1. Evolving Livelihoods and Emergent Coping Mechanisms Livelihood disruptions since the coup.....	5
The decline of cash cropping and shifting labour practices.....	8
Section 2. Reciprocity and Local Resource Mobilisation.....	10
Informal contributions to social welfare groups.....	11
Supporting displaced populations.....	13
Section 3. Local Economic Regulation, Revenue Collection and Resistance Forces.....	15
Rakhine State.....	16
Sagaing Region.....	19
Chin State.....	22
Section 4. Implications and Conclusion.....	24

## Executive Summary

- The shift to hybrid governance in Myanmar has co-occurred with a major alteration in the livelihoods of millions of people especially in rural areas of the country. This is especially true in Sagaing and Chin State, but also in Rakhine State where SAC attempts to reassert itself in 2022.
- Since mid-2021 SAC security personnel have begun to run armed checkpoints where all goods are taxed on major roads in and out of towns it controls. SAC forces have also intensified burning and shelling of villages, houses, markets and other civilian structures with the aim of undermining popular support for resistance forces.
- In response to dire food and human insecurity, structural shifts have occurred towards a subsistence-based barter economy rather than market-based cash-cropping. Seasonal labour practices have also changed; landless and land-poor households are now less mobile within their home townships due to village-level suspicion of outsiders. This has driven some to seek riskier work further afield, including in artisanal jade mines in Kachin State.
- Village and neighbourhood welfare teams have expanded from their pre-coup roles in ambulance and funeral services, as well as other social functions to help pool resources and address food and water insecurity, support schools and deliver aid to displaced people.
- Practices of local reciprocity, especially via welfare teams at a village level, are crucial to sustaining insurgent social systems amid the struggle against SAC personnel. Village groups are regularly coordinating across townships with the support of resistance forces, including by identifying crops appropriate to the local landscape and trading seeds – sometimes across different states/regions – to help plan for food security.
- External support to local social actors is limited, with most relying on remittances from the diaspora in cities or abroad in addition to locally-pooled resources.
- Forms of revenue collection by parallel governance actors vary across contexts but largely focus on high-value assets and businesses. This includes levies on or confiscation of logged timber, licensing of fisheries and brewing, and fines for infringements. However, with the exception of a (voluntary) ULA Patriotic Fund in Rakhine State, no resistance forces encountered are seeking to tax ordinary households directly.
- Revenue sharing models have emerged in some contexts, with local resistance forces levying taxes or fines and splitting revenue with the NUG and local social systems. In some urban areas of Rakhine State ULA administrators have struck a deal with SAC municipal officers to split revenue raised from municipal taxes between the two entities.
- Taxing agents are largely balancing the need to raise revenue with the reality of

communities being increasingly resource poor. Attempts by the NUG to raise revenue to fund more centralised mechanisms of governance must be sensitive to the reality of locally-financed insurgent social order.

- Domestic and international engagement with local social actors must be expanded both in the form of resourcing and training, potentially delivered via existing partnerships with ethnic social service providers (see Brief One).
- The logics and practices entrenched in areas examined since the coup highlights the deepening of sub-nationally varying approaches to governance and administration, which are unlikely to fade in any imagined future. These raise implications for the nature of federalism that are likely to be viable in a post-junta future, especially the degree to which models of governance can integrate the organic patterns of local social order that have emerged post-coup.

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## Introduction

This paper examines rural life and political order in new and evolving areas of resistance in post-coup Myanmar. It focuses on the mobilisation of resources and provision of social aid in the context of conflict. In examining post-coup dynamics in Sagaing Region, Chin and Rakhine States, the paper draws on literature and concepts from two areas of research.

The first focuses on how norms and practices of obligation and reciprocity at a village or neighbourhood level enable the pooling of resources between households to manage scarcity and insecurity. Research on rural Myanmar has highlighted that material and moral reciprocity between households and within villages has helped ensure rural resilience amid precarity for decades. During the colonial and post-independence periods, for instance, norms of mutual obligation between landowners/creditors and peasants helped reduce the chance of indebted farmers losing their land when crops failed. Meanwhile bonds between villagers ensured a degree of food security as those with surplus in one season were obliged to feed others, under the presumption of reciprocity if they experienced similar shortage in the future.<sup>1</sup> During the most recent decade of partial civilian rule, these practices of mutuality were often formalised into village welfare groups, partly funded by remittances from diaspora in cities or abroad. These groups proliferated in rural and urban areas to help manage the inequities generated by market reform and state social austerity in the 1990s and 2000s.<sup>2</sup> As will be shown, many of these practices and networks of resource pooling and redistribution are proving central to sustaining the resistance in areas where SAC social services and governance have been replaced by an insurgent social order opposed to junta rule.

The second related set of literature concerns the social ties, material aid and moral norms that are sustaining widespread guerilla resistance against the SAC. Prior to the coup, researchers in Myanmar analysed how the macro-level viability and trajectory of armed struggle is rooted in the reciprocal relationship between ethnic armed organisations (EAOs) and the communities in which they are embedded. The way precarity is experienced, governed and ideologically justified at the “insurgent grassroots” – the households and villages whose support is crucial to sustaining armed guerilla resistance – provides the basis on which armed groups are viably challenging the far better resourced forces of Myanmar’s state army.<sup>3</sup>

Informed by these concepts of reciprocity and grassroots insurgency, this paper expands the focus in Part One on post-coup resistance and hybrid administration. That paper focused on the variety of non-state governance actors, often aligned with resistance actors, which are fulfilling administration and service delivery functions including justice and dispute resolution along with education and health service delivery. This second paper focuses on two related dynamics. Section One examines

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1 See Scott, J. ‘Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia’. Yale University Press, New Haven.

2 For more recent analysis of reciprocity practices and welfare organisations as they evolved during the decade of partial civilian rule see Griffiths, M. 2019. ‘Community Welfare Organisations in Rural Myanmar: Precarity and Parahita’. Routledge and McCarthy, G. 2023. ‘Outsourcing the Polity: Non-State Welfare, Inequality and Resistance in Myanmar’. Cornell University Press.

3 See Brenner, D. 2020. ‘Rebel Politics: A Political Sociology of Armed Struggle in Myanmar’s Borderlands’. Cornell University Press, Ithaca.

how the coup and its fall-out has impacted livelihoods and coping mechanisms at a village level in new and evolving areas of contestation in Myanmar. Section Two then examines the respective role of village social actors in ensuring the delivery of critical social services and accommodation of displaced populations. Section Three focuses on how resistance forces and affiliated administrators are mobilising resources, including imposing taxes, to support local wartime social order and sustain the struggle at a township-level and below. Section Four concludes with some discussions of implications for engagement by domestic and international actors.

Grounded in and expanding the organisational analysis of resistance and administration in Sagaing, Rakhine and Chin State outlined in Paper One, this paper is informed by more than 40 additional interviews with a range of non-SAC stakeholders focusing especially on livelihoods, resource and revenue mobilisation, and the provision of social order in new and evolving areas of resistance.

## **Section 1.**

**Evolving Livelihoods and Emergent Coping**

**Mechanisms Livelihood disruptions since the coup**



Post-coup socio-economic volatility coupled with SAC military operations against resistance forces has upheaved the livelihoods of millions of people across Myanmar. At a national level the unpredictable economic policy-making of the SAC has compounded broader global and regional inflationary trends, resulting in spiking prices for basic food stuffs and production inputs crucial to agricultural and other businesses.

As discussed in Part One, in large parts of the country these dynamics have been worsened by the Myanmar military's 'Four Cuts' scorched-earth tactics aimed at countering intensifying resistance. The SAC's military operations and governance measures have attempted to wrest control of resistance-administered areas of Sagaing Region and Chin State through a combination of economic warfare and physical violence. For ordinary respondents these strategies have taken the form of restrictions on inter-township trade and Tatmadaw extortion and violence, including recurrent indiscriminate shelling of civilian areas. Since mid-2021 in particular SAC security personnel have begun to run armed checkpoints on major roads in and out of towns it controls. They have also intensified burning and shelling of villages, houses, markets and other civilian structures with the aim of undermining popular support for resistance forces, both in Sagaing Region and Chin State and, since mid-2022, also increasingly in Rakhine State.

The human insecurity created by these strategies has been especially severe in rural areas of Sagaing Region and Chin State where many households rely on agriculture-related income. The movement of goods to and from rural areas has been especially impacted by SAC checkpoints and military campaigns, upheaving household livelihoods and further spiking the price of basic supplies. Respondents described SAC personnel attempting to control the movement via check-points of a wide range of items and goods which local military commanders deemed beneficial to anti-junta resistance. These measures have resulted in increased price of basic goods beyond the already high rate of inflation as local traders and bus drivers must pay extra charges to pass through SAC controlled checkpoints set up on the urban fringe of townships that remain under their administrative control.

The financial costs and physical risks incurred by truck and bus drivers have led to a substantial decline in the volume of traffic on these routes. Many operators have chosen to reduce or cease their services due to the insecurity they face, driving a further spike in the price of transportation and thus in basic food stuffs and goods. In some contexts, new transport routes have been created along remote, jungle roads to provide an alternative to the risks and costs associated with passing through SAC checkpoints. As men are often suspected by SAC personnel of being members of resistance groups, new social roles have also been taken up by women - some of whom have begun to shop in urban markets on behalf of village shopkeepers and households and then attempting to ferry the goods back to rural areas in exchange for a small fee. Case study one explores the experience of one female vendor in Sagaing Region navigating her livelihood in the post-coup context.

### Case Study 1: A fish vendor becomes a local purchaser

Prior to the coup a woman from a village in northern Sagaing Region worked as a local vendor selling fresh and dried fish. Before February 2021 she would purchase her goods from the township market most days and then re-sell it in villages door-to-door. Normally, she would sell one iced box every day or two. In the current post-coup context, local PDFs started to restrict entry of non-residential vendors into villages under their control. As a result, she can only sell on the main road in nearby villages. Sale volume has declined significantly both due to the reduced convenience of door-to-door sales and the drop in household disposable income for purchasing fish since the coup. Her income has been further impacted by having to frequently flee aerial bombardments of her home and relocate to adjacent villages.

When not displaced, since the coup she has adapted her business by travelling into the town once or twice a week to purchase basic groceries on bulk for customers in resistance controlled villages. Initially, she purchased only a few limited items for her customers but has gradually expanded into a range of commodities including medicines. Demand is strong for her service as many people – especially men from resistance control villages – fear going to the township market as they must pass a series of SAC checkpoints run by Tatmadaw soldiers where they are often harassed and arbitrarily taxed. There is one main SAC checkpoint at the fringe of the town, but there are also three smaller checkpoints along the way also run by Tatmadaw soldiers. At each stop all goods are taxed at 1,000 MMK per large bag or box. Given the spike in the price of basic commodities and fuel, especially in 2022, these excises add additional transaction costs and time to procuring basic goods for rural households. As a result, she and other vendors often seek to take alternative routes that avoid SAC checkpoints where possible but may be prone to landmines. No payments need to be made at local PDF checkpoints on the way to the village, though she or other commuters would usually buy snacks for the fighters manning the gate.

In addition to supply-chain disruptions, frequent attacks by SAC troops on villages suspected to be harbouring resistance forces has further weakened the agri-business sector. In Sagaing Region, seasonal cultivation and harvesting of rice, peanuts and other cash-crops has been delayed and disrupted as many households have been forced to flee their homes and farms for all or part of the season due to frequent military attacks. In Chin State, demand has dried up for pre-coup cash crops such as yams, apples and coffee that provided a major source of income for both rural and urban households, resulting in unstable market prices and volatile household livelihoods. Across both regions the movement of migrant labour to help with seasonal cultivation and harvesting has been restricted due to checkpoints and insecurity, further increasing the costs associated with larger-scale cash-crops. Moreover, produce that is harvested is often unable to be exported for trading to other parts of the region and country without considerable transportation and brokerage cost and risk.

Local brokers must bear the risk of navigating checkpoints and paying informal taxes to SAC security forces for safe passage. In turn, the prices offered to smallholders who do manage to harvest agricultural products is substantially lower than prior to the coup - often up to 30% less than the township sale price. Despite these lower prices, the financial desperation faced by many households and

the constant risk that future conflict could cease all trade makes selling produce immediately after harvesting markedly below market-rate a more appealing option than storing goods for a few months until prices increase. In a context of regular displacement and loss of assets, including houses and crops due to SAC arson, many households are thus increasingly financially depleted relative to the pre-coup situation and thus are far less able to invest in potentially fruitful livelihood opportunities.

There is some variation between regions in market access which impacts the rural socio-economic situation. Due to the mountainous nature of the region SAC troops in Chin State predominantly conduct their military operations in urban areas and villages nearby towns. As a result, urban communities are at far higher risk of physical violence and extortion from military personnel than those in more remote rural communities. The result is that networks of brokerage and trade from villages to urban areas have been severely affected, almost completely restricting the ability of rural households to sell their goods via brokers or to purchase necessary goods from vendors. In Sagaing Region local PDFs are not permitting vendors of daily produce to enter the villages due to concerns about them acting as informants (*dalan*) for the SAC. Consequentially, villagers are only allowed to purchase from vendors on main roads, increasing the time and cost involved with sales. As one vendor explained, "It's more difficult than before (the coup). Some of us have had to close our village shops, so it's very different than before".

In Rakhine State, since mid-2022 rural working schedules have changed considerably due to the intensifying conflict between Arakan Army (AA) and the Tatmadaw. For instance, prior to the coup and through 2021 and early 2022 workers in the fishery sector normally worked both day and night shifts to maximise their haul and income. However, due to intensifying tensions between SAC forces and the AA in 2022, fishery workers interviewed for this study reported working restricted hours - often less than 50% than in 2021 - due to the possibility of military attacks during night hours. Moreover, Rakhine fishery boats staffed largely by men are regularly searched by the SAC Navy with workers regularly facing harassment and violence. These factors have together driven sharp declines in catch and wage income for many households in riverine and coastal regions of Rakhine State.

### **The decline of cash cropping and shifting labour practices**

The upheaval of livelihoods has prompted significant shifts towards a more subsistence agricultural economy and less cash-crop oriented rural livelihoods. Following the liberalization of agricultural markets in the 1990s and 2000s, the livelihoods of many rural households in Sagaing Region, Chin and Rakhine State shifted to mono-crop plantation with a focus on market sale. Given this specialisation, other essential food products such as rice, oil and other vegetables were brought from other regions and purchased via local shopkeepers or brokers.

Since the coup respondents especially in Sagaing Region and Chin State reported returning to cultivation for subsistence and village barter rather than cultivating cash-crops for sale via brokers in town markets. Many have altered their agricultural practices by using animal manures rather than more expensive chemical fertilisers, shifting to lower grade forms of produce that grow quicker and can be harvested

in a shorter period while also reducing the scale of land under cultivation. These changes all aim to reduce costly inputs and minimise potential losses in the context of insecurity and displacement and could result in a reduction in overall production which would exacerbate food insecurity in the coming months and years.

In response to heightened precarity and increased demands on households some economic and cultural practices have also evolved since the coup. The reciprocal provision of labour by farmers in the transplanting of paddy, a common practice at a village-level prior to the coup especially in Upper Myanmar, has declined markedly in Sagaing Region as farmers report hurriedly planting and working their own farms between periods of displacement by SAC attacks. Instead of assisting neighbours on a loose reciprocal basis, often in exchange for a pile of paddy for cultivation, if neighbours provide labour to other villages, it is now expected to be compensated immediately with cash or in-kind payment such as rice and cooking oil. As a landowner in northern Sagaing Region summarised:

“Before [the coup], the labour price for pulling out of seedling and transplanting of paddy was half a basket of paddy. For current situation, the wage is settled in cash, rice or cooking oil, depending on the availability.”

In a related shift, landless labourers who previously migrated between townships and regions for work during planting and harvesting seasons have become less mobile. SAC checkpoints and the intense fear of informants roaming between communities have both meant that landless labourers can only find work helping their neighbours and in nearby villages due to security challenges and distrust from host communities. Rather than move between several villages or township for work within the space of month or two, economic and mobility difficulties have driven many landless families in Sagaing Region in particular to migrate further afield. Kachin State in particular has become a popular destination, with landless households relocating for work in artisanal gold mines, in jade waste picking and on plantations.

In the broader context of resistance against the SAC dictatorship, livelihood changes have co-occurred with shifts in patterns of reciprocity within and between households and villages. Often under the leadership of resistance-affiliated administrators, communities report pooling resources and funds to support volunteers, striking civil servants providing healthcare and education services, along with resistance forces assisting with local defence and security functions.

## **Section 2.**

### **Reciprocity and Local Resource Mobilisation**

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In the context of growing scarcity and shifts towards subsistence agriculture, the mobilisation and governance of social affairs at sub-township level has proven crucial to the sustenance of anti-SAC resistance in areas under examination. Two separate but inter-related systems of resource mobilisation with varying degrees of involvement and leadership by resistance forces are observable in the study context.

The first source is the web of social and charitable groups at a village level that are collecting and managing informal contributions of cash and in-kind resources in order to sustain critical social services in the wake of the coup. The management of these contributions, largely given voluntarily at a village level by members of the local community, are playing a crucial role in sustaining wartime insurgent social order. The second source, discussed in Section Three, derives from emergent systems of taxation by resistance administrators and armed forces. Though these are still developing they are likely to play a more important role as the struggle against dictatorship continues in the months and years ahead.

### Informal contributions to social welfare groups

The bulk of social services provided at village level encountered in the study contexts are delivered by village social groups supported from cash and in-kind contributions collected and managed at a village and sub-township level. Since the coup most of these networks and groups operate in coordination of some kind with local resistance forces, and thus these practices and contributions are a crucial dimension of the broader anti-SAC struggle.

The most obvious social actors below a township-level across Sagaing Region, Chin and Rakhine States are village welfare teams (*luu-muu-ye athin/parahita athin*). Many of these teams existed in some loose form prior to the coup, coordinating ambulances, funeral services, support to the elderly, youth tuition and other social services often in collaboration with local religious authorities. However since the intensification of SAC attacks on villages in mid-2021 these charitable groups have begun to play a more formalised role in social governance and resource-pooling in ways that are crucial to sustaining social order amid broader resistance efforts.

In Sagaing Region and Chin State, village welfare teams work closely with the relevant resistance forces and administrators in the local context (see Part One Understanding Hybrid Governance in Post-Coup Myanmar), assisting in the pooling of communal resources, coordinating essential services and responding to displacement crises. Formal *parahita* groups now exist in every village in Sagaing Region examined, with similar church-linked groups working in coordination with PAB authorities in most rural contexts of Chin State (see case study 2 and 3). Similar dynamics of collaboration between welfare groups and resistance forces to deliver essential services is evident in water security (see case study 3). In Rakhine State, where SAC education, health and welfare services are still largely functioning (see Part One), charitable groups are operating in a narrower range of roles and are not as central to local social governance.

## Case Study 2: Community Resilience and Water Security in Chin

Prior to the coup township municipal authorities in Chin State had a crucial role in water distribution. This was especially true in remote townships such as Matupi where freshwater is limited and difficult to access for residents. In these contexts, in order to ensure water access for religious buildings, a separate channel of access was created alongside that servicing households and businesses. Since February 2021, when municipal department staff in most townships went on strike as part of the CDM movement, access to freshwater for households and businesses has been disrupted. In this context, a community in Mutupi was inspired to expand the existing water distribution system for religious buildings. As a result, residents formed a water committee consisting of around 10 religious leaders and community leaders to distribute freshwater to local communities. The committee organized a meeting following a Sunday church service consult with the public to arrange an irrigation system from a rural forested area to every household in urban wards of the township using a pipeline system managed by technicians from the water committee. Access to freshwater is timed, with households able to access flow for between 45 minutes and 1 hour each day. To establish the system, households contributed one hundred thousand kyat (around 60 USD) for the collective project fund and were also required to buy pipes to connect their house to the water mains. This is a marked shift from the supply available before the coup, in which the municipal authority provided only one water tap for ten households. The initiative highlights how post-coup social governance innovations have been able to help to address essential problems.

In Sagaing Region and Chin State parents and households provide support to volunteers and striking civil servants in exchange for their role in delivering critical social services. For instance, in several areas examined, village school committees collect monthly fees from parents, which vary from 500 MMK to 4000 MMK per student (though exemptions are given on the basis of need). These funds are then used to provide a stipend to volunteer teachers. In some villagers encountered, members of the school committee, PAB, and the school principals themselves will supplement pooled funds with financial support out of their pockets to ensure continued aid to teachers. Communities also coordinate the donation of rice, cooking oil, seeds and other essential items to those volunteering in medical clinics and schools. They also offer them labour in the form of assistance with planting, cultivation and harvesting of farmland, ensuring their subsistence and food security. These dynamics of micro-level reciprocity highlight how grassroots insurgent social order is being maintained via the expansion and intensification of mutuality and barter practices which had been features of local social life prior to the coup.

Some coordination is beginning to emerge between resistance forces and PAB administrators at a sub-township level to address food insecurity. Seed banks are being created at a village level with the involvement of PAB authorities and welfare groups to reduce reliance on supplies from agri-business brokers. Seed types are then traded between villages in response to shortages often communicated via resistance-affiliated administrators. As discussed in case study 3, decisions at a village level about crop cultivation in different areas of townships are being taken in Chin State with the explicit plan of bartering or trading produce with villages and townships in other conflict theatres. The pooling and redistribution of resources such as seeds via PAB networks helps to strengthen coordination between insurgent

sympathizers including the exchange of ideas that ensure resilience in the medium-term.

### Case Study 3: Local Food security Mechanism and Sustaining the Resistance

In the midst of resistance, Chin state has been under the SAC's Pyat Lay Pyat (4 cuts), including travel restrictions and extreme limits on trading and transporting food. In response many rural households have started to farm for survival and self-sufficiency and less so for market trade. However, the availability of seed varieties has become a big challenge for the local community since the agriculture pattern in the last decade was largely shifted to mono-crop plantations focusing on cash crop like Elephant Yam. In response to the survival need, in a township in southern Chin State the local People's Administrative Body formed a "Food, Livelihood and Agriculture Committee". The committee led by CDMers from the Agriculture Department has begun to play a critical role in collecting and exchanging seeds across villages in the township over the past year. The committee leaders maintain data on the types of suitable seed varieties for different places in Chin State. The team then collects extra seeds from farmers and exchanges these in different places within and beyond the township to assist with short-term cultivation and support long-term food security planning. The committee is in regular contact with seed collectors and farmers from different parts of the country, such as Pyin Oo Lwin, southern Shan, Kachin and Bago, with seeds from these areas being traded to Chin State and vice versa. The team encourages farmers to plant a variety of crops suited to different conditions in the township and facilitates the development of the barter system between villages within the township. In this way, township-level PABs in Chin State are helping to manage food security, livelihood and agriculture in their control areas, thereby sustaining resistance efforts.

### Supporting displaced populations

Beyond helping to sustain education, health and social systems within a specific village context (see Part One), local welfare groups coordinate refugee relief and reconstruction support for nearby villages destroyed by SAC arson and shelling. As discussed in case study 4, in several villages examined short-term supplies of food have been stockpiled to support displaced populations fleeing Tatmadaw arson attacks and shelling for up to a week. A small supply of freshly felled wood has also been set aside to assist with erecting make-shift encampments.

These mechanisms of reciprocity have been legitimised with reference to pre-existing idioms of hospitality common in Sagaing Region. In particular the idea of providing hospitality for guests was frequently mentioned by parahita volunteers who were coordinating IDP relief efforts within their village. These norms and systems, which have been used as shock-absorbers for decades, are now proving central to sustaining social order in the context of intense conflict, displacement and ongoing resistance to the SAC. There is a strong logic of inter-village and, in some sectors, inter-township reciprocity and coordination since the coup, highlighting the emergent organisation within the resistance which is delivering a form of social order critical to sustaining the struggle against the SAC.



#### Case Study 4: Unique IDP Management Strategy in Chin state

Frequent military attacks in villages and urban areas force many people in Chin State to flee to adjacent villages and townships for safety along with seeking refuge in India. In one village in northern Chin State community members have accommodated around 800-1000 IDPs who are mostly from the urban area of the township and another nearby town. Village leaders, committee members and religious leaders have formed a “Resettlement Committee” to handle IDPs and coordinate village expansion. The committee began by hosting a dialogue with all community members to discuss what support was required immediately. From this the committee organised to provide temporary shelter to displaced families in school buildings. Within a few weeks, these IDPs were gradually relocated into different schemes based on their needs. For IDPs whose houses in the urban area of the township were burnt down by SAC forces and thus planned to stay permanently in the village, the committee coordinated the allocation of land to them on the fringe of the village. This land use permission was given with a contractual agreement in which selling or transferring of land ownership to others was prohibited. For IDPs who decided to stay temporarily, the committee coordinated temporary shelter and land for their livelihood during their stay in the community. By coordinating the management of communal resources so as to respond to the different needs of displaced populations, local social and welfare actors have helped to reduce the dependency of IDPs and strengthen their self-sufficiency.

Beyond resistance-affiliated networks, few village welfare teams grappling with food insecurity and displacement crises reported receiving any kind of external support from domestic and international NGOs. Instead, reflecting pre-coup practices of remittances the largest source of external funding and support for these groups came from family members working in cities or abroad. Many now send money back to their village on a weekly or monthly basis with the explicit intention of supporting those displaced by conflict and in supporting those continuing the struggle against the SAC dictatorship. One respondent from a village welfare group in Sagaing Region described the approach of shared responsibility to accommodating guests, often with financial support from the diaspora abroad:

“We fed war refugees from December 2021 to 2022 March. Those refugees were accommodated in the school and pagoda compound. During this time if we had no time to cook ourselves, we requested someone in the village to cook a pot of rice since it is abundant in our village... People from our village who migrated to other places and prospered sent money to help support the refugees”

The efforts of local welfare groups in supporting displaced populations have in some contexts been supplemented with support from NUG to villages and households impacted by the arson attacks of SAC forces. These efforts highlight the broader shift towards mobilisation and governance of resources by resistance forces since the coup.

## **Section 3.**

### **Local Economic Regulation, Revenue Collection and Resistance Forces**

Largely determined by the extent of territorial control, resistance forces in Sagaing Region, Chin and Rakhine States are at different stages of taxing economic activity in their respective areas to generate funds for local social problems and to sustain resistance efforts. These variations include differences in the nature of taxation (business, asset-based or household focused) and the extent of formality (explicit framing of contributions as taxation or preference for voluntary ‘donations’).

## Rakhine State

In Rakhine State the ULA is attempting to generate revenue to finance resistance both through its own direct taxation of businesses and by splitting the revenue from municipal taxes collected by SAC officials from local business and property owners in the urban core of SAC-controlled townships.

In large parts of Rakhine State, with the exception of some townships in the south, ordinary civilians are expected and encouraged to make monthly donations to the ULA Patriotic Fund which is used to sustain the insurgent efforts of the Arakan Army. Through this mechanism every household is encouraged to contribute on a monthly basis at a fixed rate of 3000 MMK. Contributions are not coerced, and currently it is left up to households to determine if they are able to contribute to the monthly collection. These contributions are framed in a discourse of donations rather than tax with the intent to develop a direct relationship between grassroots people and the ULA/AA political and military struggle. The core members of the ULA village administration, “Amarkan”, play critical roles in collecting the patriotic fund and sending it to ULA Zone administrators. One of the Amarkan explained the strategy of encouraging rather than requiring contributions to the Patriotic Fund:

“The patriotic fund is a contribution of the community. We do not collect it by force, and it depends on their willingness to pay. For example, some low-income families want to contribute, but they can’t afford to pay this month due to their livelihood hardship. Then, we do not collect from them and request them to try to contribute in the future.”

The sustainability of the centralised Patriotic Fund as a source of revenue for the ULA is unclear. Some respondents noted that there is misconduct among lower-ranked officials in the Amarkan and village administration committees in the Patriotic Fund collection, such as under-reporting of contributions by local officials who then pocket the difference. These incidents are impacting community willingness to contribute to the Patriotic Fund. Other respondents observed that people who lost in the ULA courts developed across Rakhine State since the December 2020 ceasefire between the AA and Tatmadaw (see Part One), increasingly refuse to make contributions to the Patriotic Fund, likely because of discontent with the court decisions.

Some interviewees also noted that perceptions of nepotism and corruption among grassroots ULA staff in the collection and use of the Patriotic Fund is eroding some people’s willingness to make contributions to it. Coupled with post-coup economic hardship these trust factors were cited by one ULA zone tax officer as driving a 20 to 30 percent reduction in Patriotic Fund revenue between 2021 and 2022.

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Building on planning beginning in 2019, since early 2022 the ULA has also started to levy taxes more directly on businesses and key economic sectors, predominantly in northern Rakhine State, as part of larger ambitions to establish a taxation regime. As a result, outside of the urban core of townships that remain SAC controlled, households in most rural areas – especially in northern Rakhine State – pay little or no tax to the SAC. ULA taxes in these areas have been focused on passenger buses, ferry boats, shrimp farms, trading, beverages along with gold shops in urban areas and gas stations in northern Rakhine State. Taxes vary across sectors and between the ULAs seven command zones. Most taxes are collected on a monthly basis with some variation by business size and profit. In townships examined, local bars/teashops were charged 15,000 MMK per month depending on the size of the business; brick factories were charged 2 percent of their overall output (around 100 MMK per brick), while ferry boats were charged around 1 million MMK (around US\$480 per year) split into monthly payments.

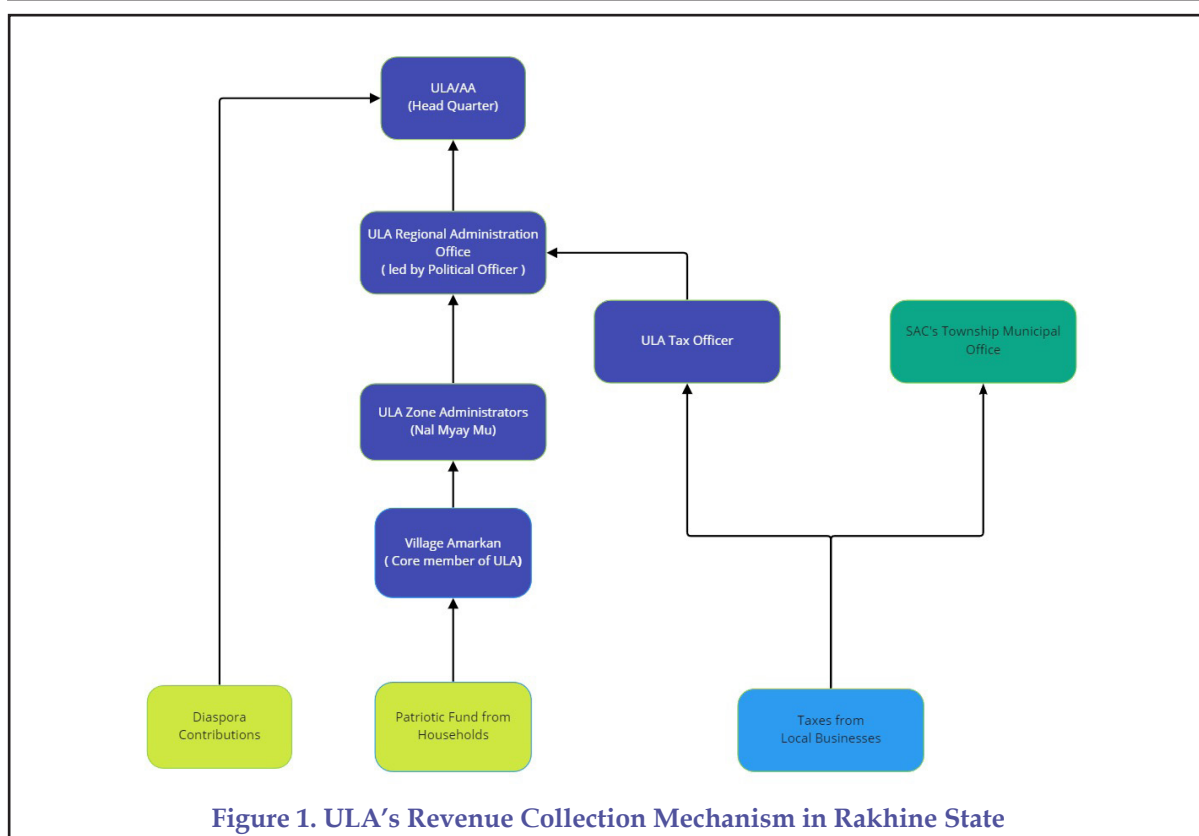
Respondents noted that ULA levy taxes on processing real-estate transactions in some command zones; however, this varies across zones. In some cases, ULA-representatives provide a signatory on purchase contracts but do not yet levy taxes on the real-estate sector. ULA is also taxing high-value transactions such as timber trades and issuing receipts to payees. In the legally ambiguous post-coup context, some businesspeople are keen to pay these taxes to the ULA as a form of insurance. As a ULA zone tax officer in Rakhine State explained: “Some people are willing to pay taxes as they want proper recognition of their business. It also deepens their relationship with the ULA”.

ULA has also been collecting taxes from ferry boats, brick-making businesses and butchery businesses in southern Rakhine State, though on a more limited basis. The ULA plans to expand its taxation on businesses over the coming months to include rice mills, construction companies and big stores/shops in areas where it has strong village presence and control. ULA administrators claim to have completed a survey of businesses in cities and urban areas in northern Rakhine State as a preparation for full scale taxation. Residents and businesspeople have been informed of ULAs intention to expand its taxation regime via its network of core supporters (Amarkan), and many apparently are open to paying these taxes as a means of supporting the ‘Way of Rakita’.

In urban areas throughout Rakhine State, which remain under SAC military control, municipal authorities are continuing to levy taxes. As discussed in case study 5, in some cases ULA authorities in the north are negotiating directly with municipal officers to equally split the revenue raised by the SAC’s municipal department.

### Case Study 5: SAC-ULA municipal tax sharing in Rakhine State

One unique element of taxation dynamics in Rakhine State is that the ULA has negotiated with SAC staff for municipal taxes collected by township municipal department officers in the urban core to be split 50-50. With the ULA’s endorsement, SAC continues to collect taxes in the urban core of townships throughout Rakhine State in the form of taxes on ferry/passenger boats from villages to towns, taxes for selling grocery and items in the market, and butchers’ licenses (for pork and beef). SAC officers keep a record of how much tax is levied on certain businesses with 50 percent of this revenue being given to ULA zone administrators calculated based on these records. Payers continue to receive receipts from SAC officers, reducing the chance that payers will be burdened with double taxation by lower-level ULA officers.



As outlined in figure 1, the zone tax officer under the ULA political officer/ commissar directly handles ULA revenue collection. Funds are then sent directly to the administration office of ULA military command regions (see Part One). Since the ULA is trying to set up its administrative system it is attempting some form of separation between the judiciary, administration, political/policy body and military command. To reflect this the ULA has been trying to appoint administrators at the military command region level. As a result, tax officers in some regions have been transferred under the management of regional administrators, while other officers remain under the directives of political officers/commissars. Due to the ongoing functioning of SAC services throughout much of Rakhine State, with the exception of the ULA court system (see Part One), revenue from ULA taxation is currently largely directed towards sustaining and developing AA military capacity. However according to a ULA zone administrator there are plans to use this revenue to fund a

wider range of services in the future.

### Sagaing Region

Donation, charity, self-finance and in-kind distribution are central to the economy of communities controlled by PDFs in Sagaing Region. Resistance forces and administrators in the region have largely agreed not to collect fees from villagers as most civilians have been severely impacted by SAC destruction of their properties, houses and belongings as it is. As a result, non-SAC social actors at a local level have minimal revenue to finance basic social services. Indeed, many PAB administrators, PDF members and volunteer teachers are financing themselves by taking loans – from relatives, friends, and local shopkeepers or traders – creating complex debt relationships that will carry-through in the years to come.

As discussed in section two, the critical needs of frequently displaced local peoples, members of resistance forces, and social service volunteers - including CDMers – are thus addressed mainly through mutual supports and in-kind donations within the village or neighbourhood. A major exception are village brewers who are being taxed by village PAB officers and local committees in several contexts examined. Revenue from this alcohol-focused sin tax is then given directly to local schools to support the livelihood of teachers. Some PDFs have also strictly disallowed use and sale of products related to SAC or military businesses, even where these are crucial inputs to agriculture. Those found using or selling these products are fined, and the fines are used for financing social services and volunteer teachers.

Above the village level, over the past year resistance groups in Sagaing Region have begun to collect revenue on higher-value goods both at the point of extraction/production and as they pass between townships. Revenue is collected both in the form of fines and taxes, especially on extractive industries such as logging and gold mining. The relationship of township level taxation to local village revenue and resource mobilisation and social service delivery is outlined in figure 2.

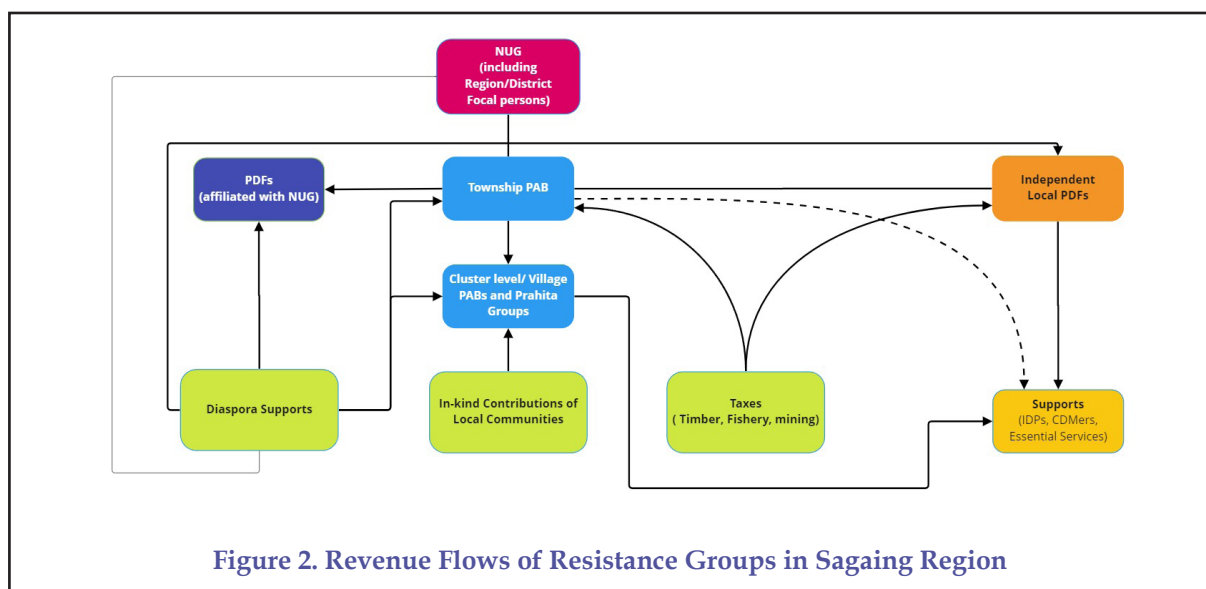


Figure 2. Revenue Flows of Resistance Groups in Sagaing Region

In some cases, there is confusion and inconsistency of approach across townships

due to variations between local forces and affiliated administrators regarding the treatment of different kinds of assets and resources. For instance, most local resistance forces do not recognise the legitimacy of logging licences issued by the SAC. As a result, some PABs are taxing logs felled prior to the coup and issuing receipts when they pass through PDF checkpoints in areas under their control, apparently following guidelines from the NUG around the movement of logs. However, as resource mobilisation is highly localised there have been several cases where PDFs in other territorial areas have refused to recognise the tax receipts issued by these other resistance forces, even where NUG policy has been followed. As a result, logs already taxed by administrators in an area under the control of one PDF have then been confiscated by another in an adjacent township with timber then used to help construct dwellings and schools for displaced persons. As discussed in case-study 6, there are also local PDFs who rely on income generated via logging to sustain resistance despite this being in contravention of NUG guidelines.

#### **Case Study 6: Resistance coordination and controversial economic regulations**

The People Defence Forces (PDF) and Public Administration Bodies under NUG are becoming more administratively proactive in Sagaing Region, with some beginning to implement natural resources and extractive industry policies in areas under their control. The NUG and most of the resistance groups in Sagaing have a mutual agreement on prohibiting commercial logging and timber extraction and only allowing timber production for local use within their district. The natural resources committee under PAB is mainly responsible for managing resources production, taxation and taking action on illegal activities. For many decades illegal logging and the trading of valuable timber products, such as teak, have been the main livelihood for local communities in rural northern Sagaing Region. Attempts by the NUG's resource committee to issue directives around resource production and trade have created tensions between township NUG officers and local PABs and PDFs, especially at the village level. During an inspection of a village by a NUG resource committee member some sawmills were being assembled to get ready for logs felled nearby. When representatives of the resource committee subsequently seized their equipment, village PAB and PDF members opposed the action of the NUG-led PAB township committee and criticised the NUG's natural resource committee on the basis that the local community depended on timber production for their income. The incident led to a more extensive conversation between local and township level PAB representatives. The township PAB's inspection team returned the seized equipment but then, at a later date, used their control of the roads to prohibit the transportation of such timber out of the village. A member of the township PAB said that the action was necessary to control illicit timber production in their district, as an exemption would encourage other villages to pursue the practice. From the perspective of local resistance forces and administrators, imposing rules affecting local livelihood without proper consultation runs the risk of undermining long term local support for the NUG as a leader in the struggle against the SAC.

The limited resourcing provided to local resistance and social actors, and the lack of transparency about where taxes levied at the township level are spent, risks negatively impacting perceptions of these authorities. Case study 7, focusing on taxation of fisheries in Sagaing Region, explores these issues.

### Case Study 7: Fishery taxation in southern Sagaing Region

Resistance groups in Sagaing collect taxes from a few business activities, such as logging and gold mining, local brewery and fishery licenses. In a township in Southern Sagaing, the township PAB implemented fishery taxation, following guidance from the NUG. Out of 52 lease fisheries in the township, the PAB managed to levy taxes on 30 lease fishery grounds and earned 40 million MMK (around US\$20,000; about two thirds of their total revenue collected in 2022). Revenue was subsequently split between local PDFs and PABs and township-level NUG representatives.

Prior to the coup, fishery revenues were collected through a business license fee on a fixed number of licenses, with businesses bidding for each license. The township PAB planned to implement the auction process, however, local communities and fishery businesses opposed the competitive bidding of fishery licenses in these conditions of uncertainty. So instead, a pragmatic solution was found and the license fee was set at 50% of the value of the pre-coup fishery license fee.<sup>4</sup> Some of the village PDFs did not agree that local businesspeople should have to pay fishery license fees to the township PAB, partly due to concerns about revenue sharing. The rest of the fishery licenses, around 20 lease fisheries, were subsequently sold through a local arrangement led by local PDFs at prices equal to 50% of pre-coup fees-- far lower than those set by the township level PAB based.

In some cases, local businesspeople have refused to pay the fees set by township level PABs. A member of local PDF said that local communities have been contributing to the resistance since the beginning, and they see no point in levying taxes if the community is unwilling to pay them. In a village where the local PDF agreed to the township PAB tax collection mechanism, one of the largest fishing businessmen, who had renewed his lease fishery license for 15 years, refused to take a fishery license from the township PAB and instead gave up his business. He said:

“we’ve been contributing to resistance since the beginning, and it is not fair to levy the taxes from us [fishery lessors]. I wasn’t sure how they would use the revenue at the beginning. Recently, I heard PAB is allocating for health and education, so it is not bad.”

The tensions between village and township-level authorities, and the occasional examples of undercutting by village and township-level PDFs of NUG-approved licensing arrangements, highlights the need for clearer structures of revenue sharing and coordination between different levels of the resistance. The example of fishery licensing fees also shows the difference between user and licensing fees (which can technically be opted out of but directly impact business and livelihoods) along with the broader need to support social groups in ways that fulfil moral norms to the community associated with wealth and social obligation.

One area where resistance forces including NUG township representatives are playing a role is in providing compensation for displaced people whose homes and possessions have been destroyed by SAC arson, often involving the redistribution of funds raised from taxation and licensing arrangements. One respondent from a village in Sagaing Region described the functioning of this scheme which is funded partly from revenue collected at a township level by PAB/PDF representatives from logging and fisheries industries:

“NUG supported 7500 MMK to the households [whose villages are] being scorched. We received 85,000 MMK per household supported by our villagers who have



migrated elsewhere. (Supported) amount of money was identified in 3 categories according to the level of loss of house. 89 houses in the most damaged [areas] were supported with 85000 MMK each, lesser damage houses were supported with 40000-50000 MMK and the least damaged houses received 15000-20000 MMK. We do not have internet access. One from our village who has the internet access lives in a city. This guy and people who have internet access from other village raised funds from donation and sent the donation to our village.”

## Chin State

In Chin State, dynamics are distinct from Sagaing and Rakhine State as there is stronger reliance on diaspora financing and a broader shift towards a barter economy. Coupled with minimal natural resource endowments in Chin State, these factors have meant few CDFs and administrators have sought to tax high-value assets at checkpoints in Chin State as resistance forces and administrators are doing in Sagaing Region and Rakhine State. In lieu of taxation on businesses (as is evolving in Rakhine State) or on assets (such as timber and fisheries licences in Sagaing Region), Chin resistance forces, administrators and community members are taking initiatives collectively to mitigate local economic difficulties and to resource local armed groups as outlined in table three.

Firstly, to provide for subsistence of local defence forces, resistance authorities coordinated each village with specific crops to grow and/or to supply specific materials or goods depending on the villages’ conditions and pre-existing specialisation (see case-study one). Additionally, local farmers are being set a quota by local PAB or a collective community commitment of in-kind contributions they should make to resistance groups. For example, based on allocated quota, potato farmers will designate a certain portion of their potato fields for resistance groups. In addition to this individual quota, respondents reported that communities in Chin State have farms fully dedicated for local defence forces. In a village in Southern Chin state, the local community cultivates twenty acres of potatoes plantation for local defence forces in keeping with the technical guidance of the “Food, Livelihood and Agriculture Committee” (See Case study 1). Similar in-kind local contribution patterns and community arrangements are also observed for supporting service providers such as education, health professionals, and IDPs in most local communities in Chin State.

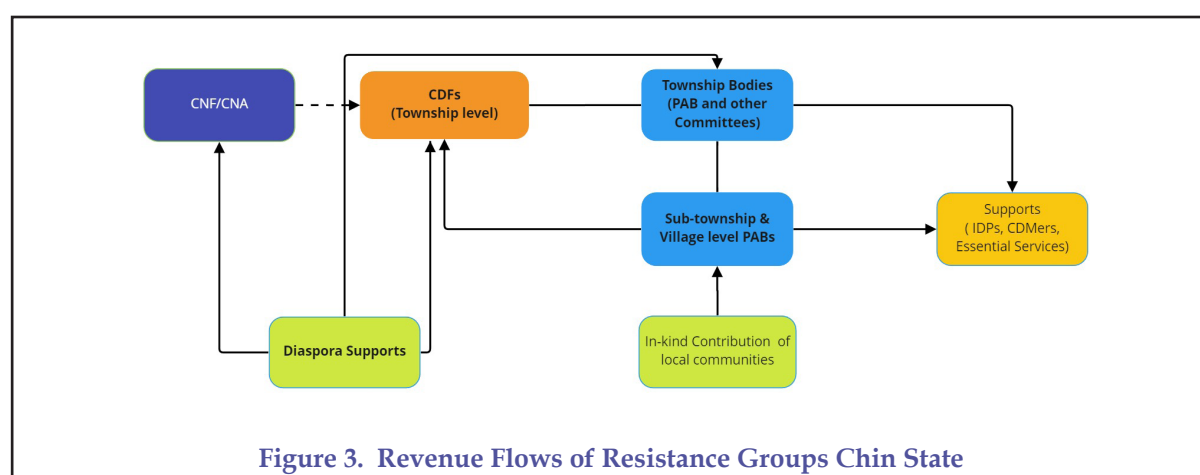


Figure 3. Revenue Flows of Resistance Groups Chin State

Secondly, being predominantly Christian, Chin communities have now transferred the tithing they gave to church communities to instead supply local defence groups. For example, many households now reserve a handful amount of rice before cooking any meal has been designated as part of food reservation for local defence forces. In addition, churches have also encouraged their members to offer tithes to local defence forces, such as CDF. Coupled with communal resource pooling to support schools and basic social services, practices such as tithing and expanding agricultural cultivation to provide for local resistance forces reflect the shift towards medium-term means of sustaining guerrilla warfare against the dictatorship.

Hitherto, the diaspora supports were spread among different sub-groups of the CDF, PAB and CNA. In recent months, the diaspora networks are demanding more robust coordination and collaboration between local defence forces and that of state-level mechanisms toward efficient resource allocation. It would have a substantial influence on building institutional mechanisms and changes in governance moving forward.

## **Section 4.**

### **Implications and conclusions**

The coup and its aftermath have upheaved the livelihoods of millions of people across Myanmar. It has also prompted the intensification and creation of largely neighbourhood-based reciprocity practices and mechanisms, often with some degree of tacit or direct support by resistance forces and their administrators. What emerges are forms of insurgent social order that are helping to manage food insecurity, deliver schooling and provide aid to displaced populations amid the ongoing struggle against dictatorship.

Across the three contexts of Sagaing Region, Chin and Rakhine State it is clear SAC attempts to suppress resistance through the Four Cuts strategy of collectively punishing communities for insurgency is having the opposite from desired effect. Households certainly are facing dire food insecurity and recurrent displacement due to spiking commodity prices, arbitrary SAC check-point taxation, aerial bombardment, and ground assaults. Yet in the local contexts examined in this paper, the blunt and brutal consequence of these measures have only deepened the creativity and resolve of communities and resistance forces to restructure community life in ways that are ensuring a resilient form of social order geared towards sustaining the larger fight for a more democratic future.

Resistance forces and administrations across contexts are seeking ways to raise resources and funds to sustain their armed struggles and support the social functions played by diverse non-state actors at the insurgent grassroots. These taxes are distinct from the SACs blunt checkpoint taxation of all vehicles and consumer goods which is driving up the price of basic inputs and markedly disrupting market trade, especially in agricultural goods. Instead, resistance forces are focusing largely on revenue generation from high-value assets while relying on ostensibly voluntary contributions from households to armed efforts and social governance initiatives. In Sagaing Region, for instance, PDFs are taxing logging and fisheries, often according to frameworks that existed prior to the coup or guidelines provided by township-level administrators of the NUG. In Chin State village resistance forces are encouraging practices of tithing whereby households contribute 10% of their resources – either cash or produce – to support local resistance and social governance efforts. In Rakhine State ULA administrators are striking alliances of convenience with ULA-aligned SAC officers to split SAC revenue from municipal taxes in the short-term. Meanwhile, the ULA is developing their own regime of taxes on businesses, assets and goods to complement household contributions to local Patriotic Funds that directly fund the Arakan Arm.

These taxes and payments, formal and informal, all run parallel to contributions made to local mechanisms of reciprocity, risk-pooling to address food insecurity and displacement along with community infrastructure such as water and irrigation systems and schools. Taxing authorities so far appear to be balancing the need to raise revenue with the reality of communities being increasingly resource poor.

In this context future attempts by the NUG to raise revenue to fund more centralised mechanisms of governance must be sensitive to localised realities, including the scarcity most households now face. The right of local forces, administrators and communities to use neighbourhood resources for local purposes should be recognised and encouraged given its centrality to sustaining social order amid wartime. Attempts by NUG representatives to engage in township-level taxation

and below should thus be managed extremely carefully. Where a decision is taken to levy taxes or fees for licenses this should be negotiated with local armed and civilian authorities and revenues split with the social actors at the forefront of responding to the dire social and humanitarian crisis created by the coup and the SAC's Four Cuts strategy at a village and sub-township level.

The limited extent to which many of these local mechanisms and actors currently receive support from domestic or international actors raises key questions for the NUG. It also highlights clear opportunities for engagement to deliver much-needed social services. As discussed in Paper 1, the NUG must seek to carefully define the role it plays in the hybrid governance landscape of post-coup Myanmar. Cases of tension between township-level NUG administrators and local PDFs and administrators over the taxation of logging and fisheries and the sharing of revenue thereof have bruised local trust in the NUG and, writ large, run the risk of fragmenting relationships crucial to maintaining cohesive resistance at both the local and national level.

As the NUG's National Unity Consultative Council (NUCC) works to formulate a framework for a democratic federal future for Myanmar, the grassroots reality of hybridity in large parts of the country presents an immediate opportunity to begin to formulate and enact principles and approaches to sub-national autonomy. Rather than a highly hierarchical political structure in which rigid governance directives are issued downwards from higher -levels of authority to local actors, a more realistic vision of a democratic social contract must acknowledge and seek to support the horizontal solidarities and social systems that are sustaining the grassroots struggle. A 'system stewardship' model in which higher authorities envisage themselves as enabling local or sectorally- specialised actors to produce outcomes of shared interest, may prove helpful for the NUG as it seeks to determine how best to provide support, oversight and strategic vision to local and national resistance actors.<sup>5</sup>

One potentially impactful role for the NUG is to help secure stronger resourcing for local actors who are currently responding to dire humanitarian needs at a sub-township level with minimal external aid. International partners in particular should be encouraged to expand existing funding relationships with ethnic civil society actors and Myanmar grant-making bodies to support capacity-building and resourcing of schools, clinics and food security mechanisms.

It is crucial that both Myanmar and international partners seek creative ways to resource and raise the capacity of social actors in ways that match the local context and do not attempt to push the NUG into a more directive or controlling role than is necessary. Support could be delivered via existing partnerships with ethnic social service providers (see Paper One) and assurances put in place to ensure that resources are used exclusively to support target populations such as displaced persons. Given the role played by some ethnic armed organisations such as the KIA in commanding NUG-affiliated PDFs and coordinating with administrators, there may be pre-existing funding and organisational ties with ethnic civil society groups that can be expanded to support schools in areas of new resistance, especially in the Dry Zone.

More broadly, the intensification of reciprocity and barter practices at a community

level to sustain grassroots insurgent social order has only served to deepen pre-existing skepticism of the central state and a disposition towards self-reliance. The NUG must acknowledge these realities, and consciously seek to cultivate a social contract with partners that reflects its symbolic role in the democratic resistance while providing support to local actors responding to social challenges and leading armed efforts in the near to medium-term. Developing mechanisms that help to coordinate actors, share expertise and resources while building trust across communities and townships will be crucial in the months and years ahead, potentially forming the basis of future institution-building. Regardless, current attempts to define a federal future for Myanmar will need to take seriously the structures and ideas of local governance and social order entrenched since the coup, especially their variations among and within states and regions.

