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POLICY BRIEF

Constitutional Patchworks, Fragility and Public Finance: Myanmar Country Brief

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Executive Summary

Myanmar's post-2021 conflict has produced a fragmented fiscal and constitutional landscape. The military junta, National Unity Government (NUG), ethnic armed organisations (EAOs), and other resistance actors use taxation, monetary policy, financial institutions, resource revenues, and service provision both to sustain themselves and assert political authority. Repeated over time, these practices create institutions and structure relations between authorities and citizens, shaping the political order that any future settlement will have to accommodate.

Fiscal federalism sits at the centre of this emerging order. Alternative administrations are already collecting revenue, regulating economic activity, and providing services. For many EAOs, control over taxation, natural resources and expenditure provides the material basis for self-determination, while for the NUG and its allies fiscal governance is bound up with claims to national political and constitutional legitimacy. Any future federal bargain will have to reconcile meaningful fiscal autonomy for constituent units with sufficient Union-level resources for national public goods and redistribution. 'Constitutional unsettlement' offers one way of understanding this process: fiscal arrangements may develop through continuing and overlapping bargains rather than a single comprehensive settlement.

Fiscal and monetary power also bears directly on the conflict. The State Administration Council (SAC) has used its control over the formal banking and monetary system, central-bank financing, compulsory purchases of SAC bonds, and foreign-exchange controls to support the war effort, contributing to inflation, exchange-rate instability, and declining confidence in the kyat. Resistance actors have developed alternative financial infrastructures, including NUG bonds and crowdfunding, the Spring Development Bank, Digital Myanmar Kyat, and NUGPay. These mechanisms finance resistance while asserting an alternative claim to governmental and monetary authority.

EAO fiscal systems vary considerably. Some link taxation to service delivery and community welfare, reinforcing claims to state-like authority and ethnic self-determination; others rely more heavily on natural resources and other extractive revenues. Dependence on local taxation and donations can create stronger pressures for reciprocity, transparency and accountability, while access to resource revenues may weaken them. For citizens, meanwhile, fragmented authority can mean duplicated taxes and checkpoint charges, arbitrary demands, and uncertainty over which rules apply. Interviews suggest that attitudes towards taxation depend not simply on how much is collected, but on whether rules are applied consistently and fairly and whether extraction is matched by security or public services.

For external actors, this makes a state-centred approach to fiscal reform, public financial management, federalism, or peacebuilding increasingly difficult to sustain. Engagement may need to start with institutions emerging on the ground, including non-state systems of revenue collection and service provision, while attending to their accountability, reciprocity and legitimacy. Political economy and constitutional analysis can help identify the rents, responsibilities, and relationships underpinning these arrangements and the risks of disrupting them. This reflects the broader point that fiscal federalism is more than a technical adjunct to a future constitutional settlement. It is one test of whether that settlement produces a meaningful redistribution of authority and resources, and whether constitutional design and fiscal and monetary governance reinforce a more resilient and inclusive political order.

Key Findings

- Fiscal governance is both functional and constitutive: taxation, spending, monetary practices, and resource management finance armed and governing actors, but over time they also create institutions and political relationships that shape Myanmar's emerging constitutional order.

- Multiple and overlapping forms of fiscal authority already operate across Myanmar. The SAC, NUG-linked institutions, EAOs, and other resistance actors raise revenues, regulate economic activity, and provide services in contested jurisdictions. Any future settlement will have to reckon with institutions that have already developed in practice.

- Fiscal federalism is central to the future political bargain. Constituent units require a viable revenue base if autonomy is to be meaningful, while a future Union will need resources for national public goods and redistribution between territories with very different economic capacities.

- The SAC's control of the central bank, formal banking system, and foreign exchange is part of its capacity to wage war. The same practices have contributed to inflation, currency instability, and declining confidence in the kyat.

- NUG bonds and crowdfunding, the Spring Development Bank, Digital Myanmar Kyat, and NUGPay are not only mechanisms for financing resistance. They also represent attempts to build financial institutions outside SAC control and to assert an alternative source of governmental and monetary authority.

- EAO fiscal systems reflect different political projects and revenue bases. Some connect taxation to service provision, community welfare, and ethnic self-determination; others rely more heavily on natural resources or extractive revenues. These differences can shape incentives for accountability and reciprocity.

- Interview evidence points to reciprocity, transparency, and consistency as important elements of fiscal legitimacy. Citizens' responses depend on whether revenues are used for public benefit, whether rules are predictable, and whether authorities account for what they collect and spend.

- Fiscal fragmentation carries direct costs for citizens, including duplicated taxes and checkpoint fees, arbitrary demands, and uncertainty. Roadblocks are especially significant because they combine revenue extraction with assertions of territorial and political authority.

- ‘Constitutional unsettlement’ offers one way of understanding the likely path ahead. Rather than resolving every contested fiscal question in a single bargain, local institutions, fiscal arrangements, and federal rules may continue to develop alongside political negotiation.

- External engagement will need to take this emerging fiscal landscape seriously rather than assume a state-centred blueprint. That may involve working with non-state institutions, analysing the rents and relationships that underpin authority, and using reciprocity, accountability and legitimacy as important considerations in deciding where and how to engage.

Introduction

Fiscal governance in Myanmar includes a wide range of policies and activities on the part of different groups, ranging from highly formalised institutions within state-like systems, to more experimental and *ad hoc* resistance economies. The term 'fiscal governance' is used in this brief to refer to the formal and informal institutions (rules and norms) that structure how public money is raised and spent. The term 'constitutional' is used, following Bell (2017), to refer not just to the 'formal' agreements and institutions in constitutional documents and the resulting constitutional order, but also the ongoing power dynamics that are bound up with constitution-making itself.

This brief underscores the theoretical and practical importance of understanding these forms of fiscal governance in Myanmar through a *constitutional* lens, in the sense of foregrounding their role in producing institutions (of greater and less resilience, legitimacy, etc) that help structure public life and political order. The brief also considers broader conclusions about the relationship between the politics of fiscal and monetary policymaking, power dynamics, and conflict, that can be drawn from the Myanmar experience.

This brief argues that understanding the fiscal strategies of governance actors is key for grasping the dynamics of contemporary conflict and the prospects for post-conflict constitution-building. Myanmar is a particularly interesting illustrative case as the country is operating under at least two competing constitutional realities: a stage-managed 'democratic reset' by the military junta, on the one hand, and a rejection of the 2008 framework by the parallel opposition, on the other. At the same time, a number of ethnic armed organisations (EAOS) are securing control over their territories in the borderlands, and expanding their administrative structures. This brief explores the different economic, fiscal, and political pressures faced by the main conflict and governance actors in Myanmar, and analyses how they overlap in conceptually and politically important ways with their efforts to forge a new constitutional future.

Methods and Approach

This research was undertaken as part of a broader project under the PeaceRep programme based at the University of Edinburgh exploring the role of fiscal and economic activity in shaping power and authority in fragile and conflict-affected settings (FCAS). This research draws on 80 semi-structured interviews, undertaken by local research partners with members of armed groups and civilians in Chin, Karenni, Kachin, Yangon, and Sagaing, conducted between September 2024 and March 2025.

The core findings and themes in these interviews were then discussed in more detail with policy researchers, activists, and analysts from Myanmar based in Chiang Mai, Thailand, between August 2025 and March 2026.

Brief Structure

Section 1 provides background information on the current conflict in Myanmar. Section 2 outlines, in general terms, the relevance of fiscal governance to the conflict and the ongoing constitutional process. Section 3 looks in detail at the fiscal and monetary agenda of the military junta, explaining how its control and manipulation of the formal banking and monetary system is central to its military campaign and rule. Section 4 looks at how anti-junta forces are using innovative digital forms of fiscal governance to try to circumvent the SAC's capture of the formal system. Section 5 looks beyond the anti-junta movement to consider the relationship between fiscal governance and self-determination amongst EAOs. Whilst EAOs understand fiscal governance and economic self-sufficiency as central to their autonomy and self-rule, section 6 looks at how the NUG and its allies see fiscal governance as an important marker of constitutional and political legitimacy. Finally, section 7 draws out some of the implications of this fragmented fiscal and political landscape for citizens, using, as an illustrative example, different forms of revenue generation at roadblocks.

Background and Context

In February 2021, the democratically elected members of Myanmar's ruling party, the National League for Democracy, were deposed by the Tatmadaw, Myanmar's military, which then vested power in a military junta (the State Administration Council, or SAC). Following the SAC's violent suppression of non-violent protests against the coup, a National Unity Government (NUG) was formed, comprising ousted parliamentarians, civil society representatives, and activists. Shortly after, the NUG established an armed wing, the People's Defense Force (PDF), and declared a 'people's defensive war' against the military junta.

The NUG claims to be the “only and legitimate Government of the Republic of the Union of Myanmar” - an authority it purports to derive from democratic elections in 2020. Since the coup, hundreds of armed resistance groups or militias have also emerged throughout the country, operating at the township level and below. Most of these groups are allied with the broad military and political goals of the NUG, which has played a role in coordinating, legitimising, and financing many of them (McCartan 2025, Naw et al. 2026).

In parallel with the conflict over control at the national level, there are ongoing (and, in a number of cases, long-standing) struggles in Myanmar’s borderlands for self-determination amongst a number of ethnic armed organisations (EAOs). At the time of writing, the junta still holds power at the centre, but it has been driven out of much of Myanmar’s border regions by EAOs. There are approximately 25 well-established EAOs of varying sizes, institutional strength, and governance capacity, each controlling different sizes of territory and delivering varied degrees of services (Naw et al. 2026). Many of these groups are now strengthening their control over their ethnic territories and expanding their administrative structures. Several EAOs have been fighting the military for decades, while also building governance systems to manage the areas they control. These systems include revenue generation, service delivery, and market regulation (Roberts et al. 2025). While some groups share the resistance forces’ goal of overthrowing the junta, the primary focus of the larger, more well-established organisations is consolidating secure, autonomous governance within their own territories.

Fiscal Federalism and the Constitutional Future

Across Myanmar, the process of establishing the terms of a new political settlement and a stable constitutional regime is ongoing. The NUG and its allies are working towards a new federal constitution through a National Unity Consultative Council (NUCC). Their aim is to establish a decentralised, inclusive federal democracy, and to replace the military-dominated 2008 Constitution with a new, citizen-led process (Hein 2024). Lacking international support or recognition, the NUG has resorted to self-funding through a variety of innovative methods, such as cryptocurrencies, real estate auctions, bond sales, lotteries, tariffs on natural resources, and different forms of crowdfunding (Abuza 2023). Taxes are collected from businesses, transportation, natural resources, and certain goods.[1] Roadblock taxation[2], where revenues are collected at checkpoints, is particularly prevalent amongst various groups in Myanmar, including the NUG, and is discussed in more detail in sections 5 and 7.

Fiscal federalism is emerging as one of the most important and politically challenging elements of the debate over Myanmar's future federal constitution, as it concerns fundamental aspects of the nascent political settlement. Specifically, whether constituent states will have the resources to exercise meaningful political and administrative authority, and whether the post-coup settlement will genuinely shift power away from the centre, whilst delivering security and peace. Under the previous constitutional order, the centre retained substantial control over taxation, public expenditure and natural resources. In the contemporary constitutional debate, there is a growing recognition among resistance actors that giving federal states legislative or administrative powers without giving them a viable fiscal base would produce decentralisation in name only.

As noted above, some local authorities are collecting revenue, providing education or health services, and regulating economic activity. Previous PeaceRep work on Myanmar has highlighted the existence of multiple and overlapping systems of governance and the importance of recognising forms of 'federal practice' that have emerged outside the formal state. For example, South (2022) argues that effective forms of sub-state governance already exist and that a future federal settlement should build from these practices, rather than follow a top-down constitutional blueprint. In a more recent brief for International IDEA, Sumlut and Zulueta-Fülscher (2026) similarly describe decentralisation in Myanmar as something that is already emerging through changing patterns of territorial control and governance. This means that some citizens are already experiencing federalism (or elements of it) in practice, before a 'formal' and formally agreed federal constitution exists.

Fiscal arrangements are an important part of this picture. Who can tax, who controls natural resources, and who can finance public services are practical expressions of political authority, and therefore help determine which actors are able to exercise meaningful governance. To help address these questions, the NUG published a Federal Democracy Charter (FDC) in April 2021. In the proposed federal constitution, ethnic states would be given significant autonomy, including over fiscal governance and resource management. The FDC holds that the sub-national constituent units will have their own revenue collection mechanisms, and that land and natural resources will be owned by the people in the relevant states, and managed by the states accordingly. Beyond the broad commitments in the FDC, there is space for further adjustment and clarification. The Charter acknowledges that the exact details of revenue and resource management in a federalist future, including the tax and revenue collection schedule between the central, Union-level government, and constituent State-level governments, will be defined in more detail through legislation, rather than enshrined in the federal constitution (International IDEA 2024; FDC 2021, p5).

An advisor to the constitutional process, interviewed for this brief, emphasised that agreement over the details of revenue collection, land ownership and resource management are critical to the stability of the future constitutional settlement. But it was also stressed that these are amongst the most politically contentious issues amongst the anti-junta coalition, given the importance of revenue and fiscal governance for self-determination and the ongoing debate over how that right will be articulated for different communities across Myanmar at the national and sub-national level.

During this interview, the debate over resources and ethnic self-determination was described as inseparable from Myanmar's history of conflict. Myanmar's states have very different economic bases, levels of infrastructure and human development. Earlier ceasefire arrangements allowed some EAOs to acquire or consolidate control over resource-rich territories and revenue streams, contributing to concentrations of wealth and inequality.

States and other constituent units need sufficient control over their own revenues to exercise genuine self-government, while the Union needs adequate resources to finance national public goods and redistribute between territories with very different economic capacities. As such, fiscal governance sits at the centre of a constitutional tension amongst resistance forces and ethnic organisations. It requires a structure in which different centres of authority have both sufficient resources, but also incentives to cooperate.

The fiscal bargain has to convince historically marginalised communities that some degree of participation in the Union will leave them with greater political and economic security than full separation. The obstacles to this stem partly from the fact that, as mentioned above, taxation and public administration are being consolidated in areas where the military has lost effective control. The new constitutional framework will have to accommodate these institutions and practices. If actors can agree credible rules for revenue sharing, natural-resource management, transfers and accountability, they can begin to create predictable, and predictably cooperative, relationships between different centres of authority. If they cannot, fiscal competition may become another source of conflict.

Fiscal federalism is therefore a critical element of the political bargain on the constitutional future of Myanmar. However, interviewees also said the decision to defer agreement on these issues to the legislative level is an effort to ensure that the broader constitutional process does not get derailed through debate over its fiscal elements, and in particular over the division of revenues between the central state and constituent units. The idea of 'constitutional unsettlement', developed by Bell and Pospisil (2017) provides a useful conceptual bridge between the constitutional analysis of fiscal practices and processes outlined in this brief, and broader questions of how to support peace processes in fragmented settings.

For Bell and Pospisil, constitutional processes can become arenas in which continuing disagreement over power, territory and inclusion are managed. This is described as 'formalised political unsettlement': the disagreement at the heart of a conflict is carried into political and legal institutions rather than fully resolved, creating continuing spaces for negotiation. The concept captures an important aspect of the constitutional processes underway in Myanmar while also providing some normative momentum. It suggests that the ongoing constitutional settlement may need to be built (and continually re-built) through a series of overlapping and continuing bargains.

Local administrations, ethnic authorities, NUG-linked institutions and other actors are developing practices of governance, taxation, and service provision while the wider question of the Union remains unresolved. These emerging forms of governance can be understood as part of the 'constitutional unsettlement' through which Myanmar's political order is being perpetually (re)-negotiated. Some of these practices may eventually be incorporated into a formal federal constitution, while others may need to be transformed or displaced. Their significance is that they are already shaping the distribution of authority that a future constitution will have to address.

Fiscal Governance, the SAC, and the Trajectory of the Conflict

Whilst the military junta has lost large portions of its territory in the years since the coup, it maintains control of the state, the formal banking system, and other financial institutions (Abuza 2023).

This control is crucial for the junta's ability to sustain its war efforts (International Crisis Group 2022). Since the coup, the junta has followed a highly extractive economic strategy to fund its military campaign. Although the exact scale remains unclear, it is widely acknowledged that the junta has relied heavily on borrowing from the Central Bank of Myanmar (CBM), effectively printing money to support its war. Beyond directly funding the SAC, the CBM also manages Myanmar's financial sector in a way that supports the military. Since 2021, the country's private banks have been compelled by the CBM, under threat of financial penalties, to purchase over 10 trillion kyat worth of SAC bonds (Turnell 2024). Additionally, the CBM has been the key institution through which Myanmar's military secures the foreign currency needed to purchase advanced weaponry abroad, such as aircraft and bombs, which provide the SAC with a significant advantage over the resistance. The regime has also restructured the country's banking and financial systems to expropriate foreign exchange, targeting both domestic businesses and overseas workers sending remittances. These payments are funnelled through a select group of Myanmar's banks, which exchange the foreign currency for kyat at rates favourable to the junta (Turnell 2025). Citizens, meanwhile, are required to surrender all foreign exchange to the authorities.

This extractive fiscal and monetary agenda has led to predictably dire consequences for monetary stability in Myanmar, in the form of chronic inflation and a depreciating exchange rate (Turnell 2025). But the consequences are not just economic - they are also constitutional, in the sense that they speak to the stability of institutions that help structure public life and political order. One of the classical core functions of the state is to provide a monopoly on the unit of value[3]. Ensuring that the value of the national currency is relatively stable is key to that monopoly, as otherwise citizens will find alternative units of account that hold value in less volatile ways (through using foreign currencies, for example).

This exact dynamic is already visible in Myanmar. Citizens, for example, are turning away from Myanmar kyat and using Thai baht, Indian rupees, or Chinese yuan, where possible. For example, a civilian interviewee, based in Kachin State, explained that due to the instability in the value of kyat: “Chinese currency is being used and accumulated by business owners as a reserve currency”. This interviewee said that taxation, in and of itself, was not a “major source of hardship”. Rather, “the main financial burden on the people” stems from currency instability: “Since both Chinese yuan and Myanmar kyat are used here, fluctuations in their value impact commodity prices drastically. If the yuan depreciates while the kyat strengthens, or vice versa, the cost of goods skyrockets … The situation has worsened due to the closure of border gates on the Chinese side, adding to economic strain”. Another civilian interviewee in Kachin agreed that “The main challenge remains inflation. For instance, a Chinese yuan that used to be worth 250-300 kyats now goes up to 600-700 kyats within the past two to three years. In the last few months, the value of the yuan has increased to over a thousand kyats. The value of the currency has tripled or quadrupled”. If legitimate constitutional statehood encompasses the responsibility to safeguard monetary and financial stability and to sustain confidence in the national currency, then the junta’s conduct indicates that it is unable or unwilling to perform a core constitutional function.[4]

Digital Fiscal Governance

Innovative digital forms of fiscal governance have become important nodes in the conflict and constitutional process. For example, to circumvent the SAC's control of the domestic banking system, and in response to challenges using international banks, the NUG has looked to digital financial technologies. This includes the establishment of an online bank in 2023, the Spring Development Bank (SDB). The bank is blockchain-based and tokenises physical assets belonging to the NUG (Fishbein and Hein 2022). The SDB was established with an initial investment of US$500,000 provided by the NUG itself (Naing 2023). Attempts have been made by the NUG to use, as collateral for the Bank, the $1.3 billion in foreign reserves that have been frozen by the US government since the military seized power. To date, these appeals have not been granted by the US authorities.

Following the founding of the SDB, in June 2022 the NUG launched a pilot version of a new digital currency: Digital Myanmar kyat (DMMK). In line with its broader constitutional ambitions, the NUG describes DMMK as the country's "official digital currency" and a "legal currency" issued by Myanmar's "only legitimate government"[5]. The NUG presents the digital currency's functions as analogous to those of a central bank digital currency (CBDC). The DMMK runs on the open-source Stellar network and is accessed through its proprietary mobile wallet, NUGPay. Its value is pegged to the kyat as set by Myanmar's central bank. To reconvert holdings into fiat currency, users must once again go through pay agents, who sell the DMMK back to the NUG (Fishbein and Hein 2022). To date, DMMK has been used primarily for donations to the anti-coup movement and for transferring funds within resistance networks.

By the end of 2022, the NUG had raised $100 million, 45 percent of which came from the sale of bonds, primarily aimed at the diaspora. These are zero-interest bonds, which means they are purchased largely out of commitment to the pro-democracy movement, rather than for financial return (Abuza 2023). Key informants explained that the NUG is unable to develop conventional credit lines due to its exclusion from the formal domestic and international banking system. Instead, its credit system is fundamentally based on faith, amongst its political supporters, that the revolution will succeed and the NUG will eventually honour these assets.

These financing arrangements also reflect the wider constitutional struggle taking place in Myanmar. Since the coup, the NUG and other resistance actors have sought not only to remove the military from power, but to establish an alternative basis for legitimate government and, ultimately, a new federal democratic constitutional order. The NUG's ability to issue debt is significant in this respect: purchasers are accepting obligations created by an interim government in the expectation that they will be recognised by a future government. The bonds therefore depend on more than confidence in the success of the revolution. They also depend on confidence that the institutions emerging from it will have the authority to assume and honour obligations incurred during the conflict. In this way, the financing of the resistance is closely connected to the broader question of what kind of state will emerge from the conflict, and which institutions will have the authority to act on its behalf.

Fiscal Governance and Ethnic Self-determination

EAOs vary widely in their approaches to fiscal governance, reflecting their political objectives and constitutional ambitions. At one end of the spectrum are authorities primarily focused on extracting rents and resources, with limited concern for livelihoods or inclusive growth. At the other are groups that actively seek legitimacy and to manage their economic affairs in ways intended to benefit communities and promote development. For these actors, economic instruments serve as tools of governance and control, both to demonstrate authority and articulate alternative political futures, and to sustain their day-to-day combat operations (Roberts et al. 2025).

Some EAOs have well-established administrative and service delivery mechanisms in the areas they control. By linking their taxation to essential civilian services within a defined territory and within the borders of an ethnic homeland, they bolster their claims to state-like legitimacy (Roberts et al. 2025). Groups administering institutionalised tax systems, such as the Karen National Union (KNU) and Kachin Independence Organisation (KIO/A), tend to frame economic self-sufficiency as the material foundation of ethnic self-determination (Roberts et al. 2025; South 2011; Sadan 2016). For example, a civilian living in Kachin State, interviewed for this brief, said: “Here, the ethnic people understand each other. There's a belief that when I am able to work, I can contribute to taxes, and then I will be able to help fellow indigenous people in return. Most people have a sense that with the taxes they have paid through their work, the government is making improvements to their region. Because of this, there hasn't been much public dissatisfaction”.

Moreover, some EAOs deliberately use fiscal governance to try to engineer a particular kind of community, in line with a particular conception of ethnic self-determination and associated values. For example, an interviewee from Kachin who belongs to an armed group in that state, said: “We are actively expanding and delivering public welfare projects to the best of our ability. At the same time, we are also working to combat and restrict activities that are harmful to the public, such as drug abuse and gambling. Restrictions on gambling are managed through taxation and economic department”. Another armed actor from Karenni State spoke in similar terms about the fiscal methods by which his organisation responds to local needs: “When funding is needed for health, education, transportation, or security, the executive board collects donations from local people. During this revolutionary period, all initiatives are community-driven”.

The role of fiscal governance in shaping ethnic self-determination is also evident when considering the approach of different EAOs towards checkpoints and other revenue-raising practices. For example, the KIO/A in Kachin State, mindful of the need to cultivate and sustain local legitimacy, generally avoids taxing opium production and instead portrays itself as opposing the illicit trade (Bandula-Irwin et al. 2022; Weigand 2020). This restraint reflects both the illegality of opium and its widespread perception among local communities as a social and moral harm. Heroin addiction is a significant problem in Kachin areas and is broadly viewed as detrimental to community wellbeing (Weigand 2020). Instead, the KIO/A focuses its revenue extraction at roadblocks on commodities and activities that are less legally or ethically contentious, such as the export of timber and livestock to China. By contrast, groups such as the former New Democratic Army–Kachin (NDA-K), whose political viability depends more on support from the central Myanmar state and military than on local constituencies, operate under fewer normative constraints. As a result, they show a greater willingness to derive revenue from opium and other illicit economies (Bandula-Irwin et al. 2022).

At the same time, forms of fiscal reciprocity are evident in the provision of services in exchange for taxation at roadblocks. Because the KIO/A does not rely on opium as a revenue source, it depends more heavily on local taxation to finance its activities. This, in turn, heightens the need to meet public expectations in order to justify such taxation (Weigand 2020). The KIO/A administers parts of Kachin State and allocates a portion of its tax revenues to services such as healthcare and education (Brenner 2015; 2018). Available evidence suggests that these practices are not merely ad hoc policy choices, but reflect broader, widely shared norms within the KIO/A rejecting involvement in the drug trade (see, for example, Weigand 2020).

Fiscal Governance and Political Legitimacy

The constitutional significance of fiscal governance in Myanmar can also be observed through the way it structures political relationships between authorities and those they govern, and generates institutions that form the backdrop for citizenship and representation.

Whilst EAOs understand fiscal governance as central to ethnic self-determination and autonomy, the NUG and its allies see fiscal governance as an important marker of constitutional and political legitimacy. More specifically, the *institutional forms* through which the NUG exercises fiscal governance are critical to its self-understanding as the constitutionally legitimate driver of the democracy movement.

Legality, centralised discipline, and transparency all appear to be key. The NUG follows a tax system in accordance with the law of the Republic of the Union of Myanmar and considers fundraising for its PDFs legal as long as practices follow national law and the rules and regulations of the MOD. It has tried to instil fiscal discipline amongst allied forces: for example, enforcing a Code of Conduct to prevent extortion and corruption, and banning PDFs from collecting local taxes, including at checkpoints (McCartan 2025). Transparency in taxation and fundraising is recognised as crucial to maintaining public trust and financial support. As such, the NUG publicises its spending on governance, military aid, and humanitarian relief, and presents its taxation, bonds, and donations as investments in a future democratic Myanmar (McCartan op cit.). For example, one interviewee belonging to a resistance force in Karenni State, allied to the NUG, said: “Our battalion is transparent about how funds are collected and spent. We hold meetings to explain expenditures and maintain detailed records. If any misconduct occurs, it’s addressed transparently and with accountability. This revolution is not for personal gain, it involves sacrifice. We usually issue donation certificates, but documentation still has some weaknesses. We encourage all our members to act responsibly and to avoid doing anything that would harm the battalion or public trust”.

A similar institutional dynamic is evident in the structure of tax relationships between different EAOs and their constituencies. Groups such as the KNU, which have fewer local resources at their disposal, depend more heavily on local taxation and donations. To sustain consent for this, they try to be accountable to the local population and to manage economic affairs in ways that benefit the broader community. In turn, the imperative to raise and account for local revenues in support of their armed struggle has encouraged the development of more centralised institutions. An extensive bureaucracy and a hierarchical chain of authority enable greater internal discipline and control. For example, a member of an armed group in Karenni State, interviewed for this report, explained the formal institutions for fiscal governance, introduced by his organisation: "All collected taxes or funds, regardless of their source, must be reported to the finance committee with detailed records. The central authority then redistributes these funds. This means that all revenue, no matter where it comes from, must be reported to the committee. At the district and township administrative levels, the military allocates resources for public services and other needs, dividing and distributing funds accordingly".

However, levels of fiscal discipline and transparency are uneven across ethnic groups. Fundraising capacities vary considerably and, in contexts of acute revenue pressure and weak oversight, may extend to criminal activities (McCartan et al. 2025). Groups with access to natural resources, such as the KIO, The United Wa State Army (UWSA), and the National Democratic Alliance Army (NDAA), tend to exhibit less institutionalised oversight, transparency, and fiscal reciprocity, as their primary revenues depend less on support from the local population (Bandula-Irwin et al. 2021; Ong 2021). A civilian informant from Kachin State, for example, explained that the KIO "claim to collect taxes based on their own criteria and rates. The distribution and management of these taxes are handled by the KIO's administrative wing, but there is no transparency regarding how much is collected from which businesses or sectors. Additionally, there are no official announcements about tax collection dates; it is often done secretly, in an underground manner".

Fiscal Fragmentation and Reciprocity

Against a backdrop of ongoing conflict and contested statebuilding, citizens in many areas experience a patchwork of often overlapping administrations and tax regimes. A civilian interviewee in Kachin spoke about an area in Tania township where both the SAC and an EAO, the KIO/A, have a presence: “the local population living under these dual authorities often finds themselves caught between the two. When the military junta arrives, they follow the rules and regulations set by Min Aung Hlaing’s regime, and when the KIA arrives, they adhere to the KIA’s rules and regulations. This creates a situation where the people are forced to navigate and comply with two different sets of rules, depending on which group is present at any given time”.

In some instances, this fragmentation is leading to overlapping tax regimes, and duplication of fees at multiple checkpoints. In an interview for this brief, a member of an armed group in Chin State described this duplication, and its impact on the local population: “In some areas, two groups set up gates not far from each other and collect different amounts, which causes dissatisfaction among the people. They feel that taxes [fees] are being collected arbitrarily. For example, in Kanpetlet town, there is a checkpoint between Kyindwe and Laungshay, authorised by the township, where taxes are collected. When we collect taxes there, people pay once. Laungshay is only about three miles away, and there is a PDF checkpoint there where taxes are also collected. Then, at the Kanpetlet gate, taxes are collected again. Additionally, there is a checkpoint between Mindat, Kanpetlet, and Matupi where people have to pay taxes again”.

In addition, a common complaint by civilians from a range of states and townships concerned the inconsistent and arbitrary application of fiscal institutions. As one civilian in Kachin explained: “Tax amounts, which used to be around 10,000 kyats annually, have now increased to 80,000 to 100,000 kyats. On top of that, they even demand extra payments, calling them “fuel costs.” Unconventional practices like these have become common. People are forced to work and operate based on whatever arbitrary rules are imposed, leading to widespread frustration”. It is, however, important to note there is inter- and intra-regional variation in our data on this issue. Another civilian, from a neighbouring township in Kachin State, for example, said: “So far, I haven’t encountered any conflicts related to excessive taxation. There haven’t been any noticeable cases where tax hikes have caused significant hardship for the people”. Another civilian interviewee, based in Karenni State, said inconsistency in the application of fiscal rules, rather than excessive taxation, was the principal challenge: “Although the IEC (the Interim Executive Council of Karenni State) is trying its best, its rules are not consistently applied across all areas. For example, in some areas, taxes are collected on beer, rice, and cooking oil, but in others, they are not”.

Reciprocity seems to be a key relational dynamic that shapes how civilians respond to this fiscal fragmentation and uncertainty on the part of resistance forces. As one interviewee explained, people tend to support efforts to raise funds by groups opposed to the SAC if they believe their safety and security is being protected. Conversely, some civilians in areas under EAO control complained that higher taxation is not matched by improvements in services or contributions to public goods: "During this interim period, there are instances where (the KIO) are collecting more taxes in various forms compared to before. However, while they've increased tax collection in various ways, there hasn't been any noticeable improvement in what they spend on public services. Things have only deteriorated further. We only see them using these collected resources not for public benefit, but rather increasingly for maintaining their sovereign power". Similarly, a civilian interviewee based in Kachin State said: "Although there is no emotional attachment to paying taxes, people do have strong feelings about whether the taxes they pay are effectively utilised or not".

As noted above, roadblocks are an important site where fiscal governance shapes relationships between subjects and members of governing authorities. The use of roadblocks as a means of revenue generation by various governing authorities has expanded significantly since the coup. Roadblocks raise revenue, but they also mark territorial control and assert political authority. As is well documented in the rebel governance literature (Schouten et al. 2024), the treatment of citizens at roadblocks, whether by de facto or de jure authorities, can shape perceptions of legitimacy and the desirability of a group's rule. Such assessments are likely to depend, in part, on whether fiscal extraction at roadblocks is balanced by reciprocal provision of goods and services, as well as on the perceived fairness and consistency in the application of rules.

However, these fiscal practices may also generate more far-reaching institutional consequences. Recent qualitative evidence from Myanmar's Sagaing Region illustrates this dynamic. At SAC checkpoints, civilians are frequently subjected to harassment and arbitrary taxation. As one interviewee explained: "If someone refuses to pay taxes, they can't continue their journey. As a consequence, they might get arrested. Even if they arrest and make someone disappear, nobody would know. People can't even ask questions, let alone complain or dispute it".

With the rise of digital wallets and currencies, mobile phones are now routinely searched, and digital forms of extortion have emerged alongside cash payments. In response, civilians often leave their phones at home when travelling and carry only the minimum amount of cash they need to ensure passage. On one level, this is a relatively mundane example of how people adapt everyday practices in response to extractive political institutions and constraints on mobility. From a sociological and institutionalist perspective, however, these adaptations may also have a constitutive dimension. In this light, the practice of leaving mobile phones at home when passing through SAC-administered roadblocks can be read as evidence of the structural significance of digital infrastructures for money and exchange.

More specifically, roadblocks have become sites of political and institutional contestation over competing forms of monetary authority: between cash (its value, guarantees, and underwriters as a store of value) and digital currencies (which is subject to different forms of surveillance and extraction). These contests carry broader constitutional implications. In this case, cash offers a comparatively stronger shield of privacy from scrutiny at checkpoints. If such practices become sufficiently routine, widespread, and institutionalised, they may gradually reshape prevailing understandings of the boundaries between public and private spheres, as well as the actors capable of guaranteeing them. Any attempt to understand or engage with the social contract in FCAS (whether in governance or economic recovery work, for example) therefore needs to take seriously these institutionalised relationships, and the patterned fiscal interactions and routines through which they are reproduced over time.

Ordinary currency practices, including how people are paid, make purchases, transfer money, withdraw cash, or carry funds across a checkpoint, are therefore part of the way political authority is exercised in everyday life. This is particularly important in FCAS, where control over money and revenue is often divided between the state, armed groups and other authorities. Decisions about which currencies and payment systems can be used, where they can be used, and who can monitor or tax transactions shape the relationship between governing authorities and the populations they seek to control. Revenue-raising is part of the same process. Taxes, fees, and payments at checkpoints provide resources, but they also establish who has the power to make demands, over whom, and within what territory.

This connects to the wider literature on rebel governance. Florea and Malejacq (2024) argue that civil wars are contests over authority as well as military control, and identify resource extraction and regularised taxation as important features of rebel rule. Repeated demands for payment can therefore do more than finance an armed organisation. They can establish and reproduce a relationship between an authority and the population it claims the right to govern. The form of payment matters too. Digital payment systems can make transactions and economic relationships more visible and potentially easier to monitor, restrict and tax. Cash can limit that visibility, although it remains vulnerable to more direct forms of extraction, including checkpoint taxation. Currency and revenue practices in FCAS help constitute political order rather than simply reflect it. They are part of the everyday processes through which political authority and territorial control are established, encountered and contested, and through which the boundaries of the polity itself take shape.

Conclusion

Fiscal governance in Myanmar demonstrates that fiscal practices not only help to sustain war, consolidate political authority, and satisfy other functional imperatives. When sufficiently routine and patterned over time, they also help to generate institutional forms and to shape political relationships between authorities and their subjects in ways that are constitutionally significant.

The Myanmar case therefore shows why the fiscal strategies of governance actors matter for understanding both the dynamics of contemporary conflict, as well as the possibilities and constraints of post-conflict constitution-building. To understand the political economy of fiscal governance in similarly contested settings, analysis should include how different groups define their economic objectives and how this relates to their political and constitutional ambitions; what forms of institutionalised rule they construct to manage fiscal affairs; and how these practices and institutions affect the lives of their constituents, as well as the broader constitutional landscape.

This brief has reflected, from a constitutional perspective, on the fact that, in areas where the Myanmar military's authority has weakened or collapsed, alternative administrations are already raising revenue, providing services and exercising forms of public authority. These arrangements are becoming part of the political landscape within which a future constitutional settlement will have to be negotiated. Political economy and constitutional analysis can help map the rents, responsibilities and relationships underpinning the emerging settlement.

Working 'with the grain' of the economic foundations of authority is key to post-conflict constitutional stability. As such, peacebuilders and mediators should pay attention to the fiscal and monetary basis of control and authority on the part of different groups, as well as how their normative and political ambitions are articulated through fiscal governance (e.g. through selective taxation on particular goods or activities). Political economy and constitutional analysis can help map the rents, responsibilities and relationships underpinning the emerging settlement. Policy actors should be cautious about the risk to stability of disrupting these patterns through proposed constitutional, legislative or regulatory measures. As demonstrated by the nascent federal democracy charter (FDC) in Myanmar, it may be necessary, during peace or constitution-building processes in highly fragmented governance settings, to defer resolution on specific fiscal matters to the legislative level, to allow for incremental progress to continue at the constitutional level.

However, the longer the conflict in Myanmar remains territorially fragmented, the less credible it is to imagine that the future political order will be designed at the centre and subsequently implemented across the country. The more plausible route may be an unsettled, iterative process in which constitutional arrangements, fiscal bargains and forms of local governance continue to develop alongside and eventually become part of a wider political settlement. To help expand the political space for this ongoing negotiation, external actors will need to work with the grain of emerging institutions while helping to create connections between them: supporting more accountable local revenue systems, encouraging coordination between administrations, developing common standards for financial management, and creating spaces in which disputes over resources and authority can be contested peacefully.

Finally, the fiscal debate in Myanmar demonstrates that a durable settlement requires citizens to see the constitutional bargain reflected in who controls resources, who provides services and who is accountable for public money. In that sense, fiscal federalism is a test of whether a post-conflict constitution represents a genuine redistribution of power, or instead seeks to entrench predatory forms of fiscal rule. Myanmar therefore offers a broader lesson for governance amidst conflict and fragmentation: constitutional design and fiscal governance should be treated as mutually reinforcing parts of the same processes that underpin a resilient and inclusive political settlement - or fail to do so.

Endnotes

[1] In regions under its control, the NUG has implemented a taxation system through a governance structure known as Pa Thone Lone (Three Pa's): the Pa Ah Pha (People's Administration Teams), Pa La Pha (People's Security Teams), and Pa Ka Pha (People's Defence Organisation).

[2] This brief follows Schouten et al. (2024: 6) in adopting a broad definition of roadblocks as physical interventions, at "strategic points of passage", that represent "spatial nodes of power". For Schouten et al. (2024: pp5-7), roadblocks in FCAS (which also tend to be referred to interchangeably as 'checkpoints') share at least three defining features, which account for their political salience: they intersect or obstruct a route along which people or goods move; they exist within or on the borders of a given political jurisdiction but challenge the prevailing legal order; and they involve some element of revenue extraction.

[3] A monopoly on the unit of value refers to a market structure or economic system where a single entity (e.g. a government or central bank) has exclusive control over the issuance, regulation, and valuation of the currency used for transactions and as stores of value.

[4] Here, I follow Desan's (2017) analysis of the constitutional role of currency creation and management. Desan (2014) argues that money is an institution engineered by political communities and argues that changes in who creates money and on what terms transform the distribution of authority and resources; in her formulation, money is ultimately a mode of governance with a constitutional dimension.

[5] https://nugpay.app/about/

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