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Terrorism and taxation in Mozambique with special reference to Cabo Delgado Province

Júlio Machele and Teles Huo*

September 2025

Abstract: This paper seeks to understand the impact of terrorism on taxation in Cabo Delgado Province, Mozambique; its effects on state-building and consolidation; the reasons that led the terrorist group to collect taxes illegally; and finally, the role of the solidarity of the (Muslim) elite in the face of the advance of violent terrorism. We argue that in terms of taxation, violent terrorism affected the government's ability to collect taxes and fees and provide services to the population locally, especially in places constantly devastated by terrorist attacks or under terrorist control. However, at provincial level, terrorism had no negative impact on taxation performance due to the fact that Mocimboa da Praia, the epicentre of violent terrorism, contributed only marginally to the total provincial taxes. We also find that counterterrorism measures corroded the traditional financing means of terrorists, who felt forced into illegal taxation imposed in the areas under their control, especially along the main roads, as their traditional financing basis was under attack. Finally, we postulate that terrorism helps to strengthen the solidarity of the Muslim elite that dominates economic activities. This study is both qualitative and quantitative, with an emphasis on difference-in-differences analysis. The study systematically uses the comparative method to understand the behaviour of taxation according to the dynamics of terrorism and counterterrorism.

Key words: terrorism, taxation, state-building, Cabo Delgado, Mozambique

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1 Introduction

State-building in Mozambique began in 1975 with the proclamation of national independence. In these early years, characterized by euphoria, this process was more anchored in culture (Bussotti and Gundane 2019; Landgraf 2018) through music (Malauene 2021), dance, theatre and cinema (Azevedo 2010; França 2012) and sport (Manhangele 2022; Manhangele and Mubai 2021; Manhangele and Mubai 2023).

Being a low-income country (Arndt 2009), economic aspects, especially taxation, were not mobilized in these early years (Bussotti and Gundane 2019), although taxation plays a fundamental role in shaping the structure of the state, strengthening administrative processes and relations with society (Anders 2014: 11), and acting as a useful indicator for measuring state performance (John 2010: 1). The colonial legacy of the exploitation of black people through taxation must have weighed in the balance. Even when the 1980s was defined as the “decade of victory over underdevelopment” (Machel 1983), taxation was not considered as relevant in the development and strengthening of the Mozambican state.

The euphoria over independence was short lived. A year later, in 1976, the Movement of National Resistance (MNR), later known as the National Resistance of Mozambique (RENAMO), began a war of destabilization that ended with the signing of the General Peace Agreement on 4 October 1992 in Rome. Due to disagreements over the implementation of some clauses of the General Peace Agreement in 2004, RENAMO returned to the bush and began attacks on civilian and military targets. This political and military instability only came to an end with the signing of the Definitive Peace Agreement in 2019 between the President of the Republic, Filipe Jacinto Nyusi, and Ossufo Momade, RENAMO leader (Vines 2019; Machele and Carlos 2022). This whole scenario shows that the Mozambican state-building process has always taken place in a context of conflict, since there has never been a definitive and positive peace. These conflicts weakened the Mozambican state (Anders 2014).

Two years before the signing of the Definitive Peace Agreement, in 2017, the northern district of Cabo Delgado was swept by terrorist attacks carried out by individuals with no clear political agenda other than vague references to the establishment of a caliphate or an Islamic state (Bonate 2022). The massive presence of the Mozambican Defence and Security Forces in conjunction with troops from Southern Africa Community’s Mission (SAMIN) and Rwanda (Bussotti and Coimbra 2023; Cuco and Pedro 2023; Nhambirre 2021; Rusero and Maisiri 2023; Walva and Malebang 2023), combined with efforts to control monetary transactions, with an emphasis on electronic systems (Ewi et al. 2022; Oje 2024; Piñera 2021), weakened the terrorists’ ability to mobilize funds to support their *jihad*.

This study examines terrorism and taxation in the Northern Province of Cabo Delgado in order to understand its effects on the building and consolidation of the Mozambican state; the reasons that led terrorist groups to collect taxes “illegally”; and, finally, the role of the solidarity of the (Muslim) elite in the face of the advance of violent terrorism. We hypothesize that provincial government and municipalities in Cabo Delgado affected by violent terrorism are facing taxation problems, which therefore compromises state-building and the provision of services. Violent terrorism, forced displacement, destructions, deaths, etc., affect the government’s ability to collect taxes and fees and provide services (Bussotti and Torres 2020), especially in places constantly devastated by terrorist attacks or under terrorist control, a fact that brings to the fore the tension between the ability to pay

and benefit principles. Because terrorism forces the state to deviate collected taxes it also motivates the state to strengthen and expand tax administration territorially, but also to shift to indirect taxes.

We also contend that the anti-terrorist strategy adopted by the Defence and Security Forces (DSFs) in conjunction with Rwanda and SAMIN has forced the terrorists to adopt a new strategy that includes “winning minds and souls”, advancing to the neighbourhood of Pemba, the provincial capital, and to the districts to the south, threatening Nampula and Niassa provinces as well. But even more important is the informal and/or illegal taxation that terrorists impose in the areas under their control, especially along the main roads, as their traditional financing basis is under attack. Finally, we postulate that terrorism helps to strengthen the solidarity of the Muslim elite that dominates economic activities.

2 Terrorism and taxation

Terrorism and taxation has emerged as a critical field of study, particularly regarding the fiscal resilience and economic adaptability of states under conflict, like Mozambique. The disruption caused by conflict can change the fiscal landscape, impacting tax revenues, expenditure demands, and economic productivity.

Among authors who study terrorism, there is unanimity that it is bankrupting governments, insofar as it reduces their capacity to effectively raise revenue, thus limiting their ability to guarantee security, meet basic needs, or promote economic development, since taxation can play a central role in building and sustaining the economy (Bussotti and Coimbra 2023; Cevik and Ricco 2015; Chandra 2020; Gupta et al. 2004; Lucey 2021; Oje 2024; Piñera 2021; Rusero and Maisiri 2023; Santos 2020; Walva and Malebang 2023).

There are authors who point out that the difficulties in collecting taxes and providing essential services to the population in developing and low-income countries grow as terrorist attacks become more frequent and result in more fatalities (Cevik and Ricco 2015). The fact that these countries do not have a diversified economy contributes to the severity of terrorism in both the formal and informal sectors (Kohnert 2022; Sekrafi et al. 2021). These states affected by terrorism become more economically fragile as economic operations and investments are postponed. In this study we share the above position, but we highlight that these problems are more localized to the northern districts of Mocimboa da Praia and Montepuez.

There is also consensus that when counterterrorism affects a terrorist group’s traditional means of financing, it tends to adapt creatively, using the resources at its disposal to continue with the *jihād* (Alexeev et al 2003; Bussotti and Coimbra 2023; Rusero and Maisiri 2023; Walva and Malebang 2023). We engage in this debate using the example of northern Cabo Delgado to corroborate the above line of argument.

Theories based on greed have been mobilized to explain the Cabo Delgado scenario, since they predict that rebel groups will only engage in taxation and other state-building activities in areas where they have no exploitable resources (Revkin 2020). Cabo Delgado Province is rich in gas and other minerals (rubies, for example), commercially valuable timber, and marine resources, as well as being a transit point for drugs from Asia (Afghanistan) (Chingotuane et al. 2021; Hanlon 2018; Kunaka 2021; Santos 2020). Despite the validity of the greed-based theories, we postulate that the rebel group operating in Cabo Delgado is best explained by the following model: (i) ideology and (ii) the

costs of warfare (Revkin 2020). Being Muslim or not and the ability to be taxed for the costs of war also come into play in the illegal taxation activities of terrorists. Ideology refers to systematic ideas and beliefs held by members of rebel groups; these ideas and beliefs frequently become observable in the behaviour of individual groups members, in their policies and practices (Wood 2018, quoted by Revkin 2020).

3 Methodology

This study is both qualitative and quantitative. It systematically uses the comparative method to understand the behaviour of taxation and revenue collection according to the dynamics of terrorism, counterterrorism and Muslim elite solidarity.

We adopted the difference-in-differences model (DiD), a statistical method that compares changes in tax collection over time between two variables, namely the treatment group and control group. Annual data on revenue collection from the provinces of Cabo Delgado, Niassa, and Nampula were utilized, covering the period from 2010 to 2023. The province of Cabo Delgado was considered the “treatment province”, meaning the one directly affected by the armed conflict, the impacts of which began to manifest from 2017. In contrast, the provinces of Niassa and Nampula were designated as “control provinces”, serving as a comparative baseline to assess the effects of terrorism on Cabo Delgado. Accordingly, the chosen methodological approach seeks to isolate the specific impact of the conflict on revenue collection by comparing the trajectory of this province with those that did not experience the same disturbances. This study also used an Autoregressive Integrated Moving Average (ARIMA) model, which uses time series data to understand past data and predict future trends on terrorism and taxation in Cabo Delgado.

4 Terrorism and taxation in Cabo Delgado

Before the terrorist attacks in 2016, the province of Cabo Delgado had a total revenue contribution of around 2.4% and was above the provinces of Manica with 1.1%, Zambézia with 0.9%, Inhambane with 0.7%, Gaza with 0.5% and Niassa with 0.3% (Autoridade Tributária de Moçambique 2020: 22). This distribution of revenue collection partly reflects the socio-economic differentiation that characterizes the country (Casimiro and Machele 2022; Gironés et al. 2018; O’Laughlin 2020).

Table 1: Contribution of each organic unit to total revenue

Organic Units (Tax Directorate)	Contribution of Tax Directorate to internal tax (2016)	Contribution of resorts to external taxes (2016)	Contribution of the organic unit to total revenue (2016)
Total	100%	100%	100%
Tax Area Directorate of Pemba	1.8%	-----	1.4%
Pemba	0.4%	1.8%	0.9
Montepuez	0.1%	-----	0.1%
Mocimboa da Praia	0.0%	0.1%	0.1%
Cabo Delgado	2.4%	1.9%	2.4%

Source: Adapted from Autoridade Tributária de Moçambique (2020: 24).

Terrorists' attacks started in Mocimboa da Praia district in 2017. Mozambique's Defence and Security Forces (DSFs) were caught unprepared. Terrorists stormed a police station in the town of Mocimboa da Praia, killing a police officer and injuring others. Despite early signs, there was sloppiness or minimization of the danger. In fact, "Nobody bothered to look into what was happening because attacking a police station where the national flag is hoisted is not attacking a bank to steal money ... that's a message of war" (Miguel 2024), and the government continued to "consider it a small thing" (Miguel 2024). Avoiding addressing the issue seriously, the government labelled what was happening in the district of Mocimboa da Praia as "banditry" and "insurgency", thinking that the intervention of the protection police would normalize the situation.

Due to various circumstances Mocimboa da Praia became a terrorist stronghold for several months. The group took control of the local port, extremely important as it was the connection point for gas projects, the export of wood, precious stones, and other products, and various imports that made a notable contribution to the province's revenue. When they took over the town of Mocimboa da Praia, customs and other revenue collection services ceased to function and it became a place of illicit economic activity, particularly drugs, precious stones, wildlife products, etc. (see: Chandra 2020).

After assaulting and occupying army and police facilities, the terrorists began to vandalize public institutions and private property. In Mocimboa da Praia they destroyed the official residences of the administrator and the mayor, the Municipal Council building, the military residence, bank branches, the port, commercial establishments, etc. (Centro de Democracia e Desenvolvimento 26/03/2020). These terrorist attacks forced the government, private sector, and multinational companies to halt economic operations and postpone investments.

The province as a whole did not experience a decrease in revenue, as can be seen from Table 2. Previsions for revenues before and after terrorist attacks were exceeded, which was partly due to the investments associated with gas and precious stones. In fact, in the first half of 2021, Cabo Delgado Province had exceeded its revenues target by MZN100 million (€1.3 million). It was the business of rubies and other precious stones that guaranteed the largest share of these revenues, without counting the areas ravaged by violent terrorism (Notícias de Moçambique e do Mundo 06/08/2021).

Locally, revenues decreased when terrorists seized the town of Mocimboa da Praia; this had negative effects on economic activities, the tax base collection, and the links between taxation and the expansion of local capacity and administration (see Boogaard et al. 2018: 347).

These attacks have threatened, made more expensive, and retracted investment in the province, including investment in the extractive sector, which has jeopardized revenues from the exploration and production of Liquefied Natural Gas (Constantino 2020: 3, 6). The fact must be emphasized that Mocimboa da Praia previously made a marginal contribution to the whole province with its revenues.

Table 2: Tax collection trends in Cabo Delgado Province in billions MZN, 2015–2019

Description	2015	2016	2017	2018	2019
Prevision	0.82	2.2	2.8	4.13	5.1
Collection	1.52	3.21	3.4	3.75	3.5
Percentage	185%	146%	121%	91%	69%

Source: Adapted from Constantino (2020: 3)

Besides this, the conflict has forced the government to divert resources away from effective public administration. In fact, from 2018 to 2022, terrorism in Cabo Delgado has led to an increase in spending on national defence and security of up to MZN210.8 billion (€2,900 billion), a very significant burden on the national budget. So far, terrorism in Cabo Delgado has led to additional spending on national security of around MZN106.8 billion (€1,478 billion). It is important to note that the interconnection between the budgetary, social, and governance dimensions is in crisis. By 2023 terrorism had created 850,000 internally displaced people. However, Mozambique's 2023 Humanitarian Response Plan, which aims to assist internally displaced people, had only secured US\$178.7 million (€157.9 million) of its US\$512.9 million (€453.2 million) target, representing only 32.7% of total needs (Centro de Integridade Pública 07/01/2024).

Furthermore, international aid is increasingly focused on military interventions and peacebuilding¹, which has contributed to a reduction in budgets for other essential development initiatives aimed at strengthening the Mozambican state (Centro de Integridade Pública 01/07/2024). In the first half of 2021, revenue collection totalled MZN2.3 billion (€30.6 million). For this period the tax office had projected a maximum revenue of MZN2.2 billion (€29.2 million). The business of mining rubies and other precious stones guaranteed the largest share of revenue that the province of Cabo Delgado collected in the period under consideration. However, these earnings do not include the areas ravaged by terrorism in northern Cabo Delgado (Mocimboa da Praia, Montepuez and Nangade), since revenue collection was completely paralysed (Notícias de Moçambique e do Mundo 06/08/2021).

In absolute terms, despite the extreme weather events and terrorism in Cabo Delgado Province, the performance of the economy in terms of revenue collection has remained stable, with growth of 9% between 2015 and 2023 (Ernesto 2024).

Table 3: Revenue collected from January to December 2023 by operating area, in MZN

Description	Collection 2022	Meta 2023	Collection 2023	Degree of achievement	Growth Rate
Operational Area: General Tax Directorate	6 058 842,77	6 879 864,41	6 928 802,64	100,71%	14,36%
Operational Area: General Customs Directorate	844 935,32	1 208 650,24	1 233 733,13	102,08%	46,02%
Total	6 903 778,09	8 088 514,65	8 162 535,77	100,92%	18,24%

Adapted from Moz24h (2024).

In terms of figures, the situation is as follows: for the period from January to December 2023, with regard to the collection of revenue at provincial level from taxes on internal trade (Pemba Customs, Mocimboa da Praia Customs Delegation and its dependent posts) as well as its internal taxes, the Cabo Delgado provincial customs services collected just over (MZN) 1,227,178.33 thousand meticaïs (€1,698,562,070.12), against a target of 1,208,650.26 thousand meticaïs (€1,672,917.00), which corresponds to 101.53%. In the same period, the Cabo Delgado Tax Authority collected 8,162,535.77 thousand meticaïs of a planned target of 8,088,514.65 thousand meticaïs (€11,195,474.90), which corresponds to an achievement rate of 100.92% and a positive deviation of 7021.12 thousand

¹ The European Union's contributions alone, in the form of military and peacekeeping aid, totalled MZN8.5 billion (€117.6 million) (Centro de Integridade Pública, 07/01/2024).

meticaís (€9,718,072.61) (MZN74.02 million, €102,452,562.40), equivalent to 0.92%. Compared to the same period in 2022, when 6,903,778.09 thousand meticaís (€9,555,657,329.93) was collected, there was a nominal increase of around 18.23% (Moz24h 2024).

Table 4 - Revenue collected from January to December 2023 by organic unit in MZN

Description	Collection 2022	Meta 2023	Collection 2023	Achiev. (%)	Growth rate	Deviation
Large Taxpayers Unit of Pemba	4 404 344,30	4 931 260,93	5 119 239,20	103,81	16%	187 978,27
Tax Area Directorate of Pemba	1 423 662,58	1 705 675,95	1 524 738,06	89,39	7%	-180 937,89
Tax Area Directorate of Montepuez	220 725,91	203 660,12	205 518,16	100,91	-7%	1 858,04
Tax Area Directorate of Mocimboa da Praia	10 109,98	39 267,41	8 937,58	22,76	-12%	-30 329,83
Private Tax Enforcement Court			70 369,64			
Customs of Pemba	828 002,29	1 208 650,24	1 209 108,44	100,04	46%	458,20
Customs of Mocimboa da Praia	16 933,03		24 624,69		45%	24 624,69
Total	6 903 778,09	8 088 514,65	8 162 535,77	100,92	18%	74 021,12

Adapted from Moz24h (2024).

According to available data, Internal Tax revenues amounted to (MZN) 6,928,802.64 thousand meticaís, against a planned target of 6,879,864.41 thousand meticaís. This represents an achievement rate of 100.71%, with a positive deviation of 48,938.23 thousand meticaís (approximately 48.9 million MT), accounting for 84.88% of total revenue. Regarding Foreign Trade Taxes, collections reached 1,233,733.13 thousand meticaís against a target of 1,208,650.24 thousand meticaís, corresponding to an achievement rate of 102.08% and a positive deviation of 25,082.89 thousand meticaís, contributing 15.12% of the total revenue (Moz24h 2024).

The ten largest companies contributed a total of (MZN) 4,658,101.64 thousand meticaís (€6.45 billion), representing 57.06% of total revenue. Montepuez Ruby Mining was the largest contributor, accounting for 3,972,267.14 thousand meticaís (€5.50 billion). The data generally show that terrorist attacks did not significantly affect tax collection in Cabo Delgado during this period. The province maintained a positive fiscal performance, largely supported by major taxpayers such as Montepuez Ruby Mining. Moreover, before 2017, both Mocimboa da Praia and Montepuez made only minor contributions—a trend that remained unchanged even after the onset of terrorist attacks (Moz24h 2024).

4.1 Difference-in-differences analysis

The difference-in-differences (DiD) model was specified with an interaction between two main variables:

- Treatment: this variable takes the value of 1 for Cabo Delgado, representing the treated group, i.e. the province directly affected by terrorism, and a value of 0 for the control provinces, namely Nampula, not affected by the conflict.

- Post-war: this variable takes the value of 1 from 2017 onwards, marking the onset of terrorism in Cabo Delgado, and a value of 0 for the prior years, or for observations relating to the control provinces during the same periods.

The basic specification of the DiD model used was:

$$Tax = \beta_0 + \beta_1 Treatment + \beta_2 Post-war + \beta_3 (Treatment \times Post-war) + \varepsilon$$

Where:

Tax refers to province tax revenues;

Treatment is a dummy variable indicating whether province is treated (Cabo Delgado = 1, Nampula = 0);

Post-war is a dummy variable indicating the period after the significant onset of terrorism (postwar–2017 = 1, before 2017 = 0);

Terrorism×*Postwar* is the interaction term capturing the causal effect of terrorism on tax revenue;

ε indicates the error term.

The model was estimated using the *Stata* program.

Additionally, dummy variables were included in the model to capture the specific effect of each year, as well as dummies for the provinces, in order to control for fixed variations over time and between regions. This procedure allows the temporal and spatial effects to be isolated, ensuring that the impact attributed to the war is estimated more precisely, excluding other unrelated potential influences.

4.2 Difference-in-differences model results

Table 5: Main DiD model

Variable	Coefficient	P> t	Robust Std. Error	t	95% Confidence Interval
Treatment	-3953396***	0	663650.7	-5.96	-5323104 a -2583689
Postwar	2061504***	0.002	609203.2	3.38	804170 a 3318838
Interaction	962716	0.304	915855.3	1.05	-927516 a 2852949
Constant (_cons)	5140198***	0	522488.2	9.84	4061836 a 6218561
N	28				
R-squared	0.7884				

Note: *, ** and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Source: Authors.

The most relevant coefficients from this analysis are as follows:

Intercept ($\beta_0 = 5,140,198$)

This coefficient represents the average tax revenue in Nampula (the control group, Treatment = 0) during the pre-terrorism period (Postwar = 0).

Prior to the onset of terrorism, the average tax revenue in Nampula was approximately MZN5,140,198.

Treatment ($\beta_1 = -3,953,396$)

This coefficient represents the difference in tax revenue between Cabo Delgado (Treatment = 1) and Nampula (Treatment = 0) during the pre-terrorism period (Postwar = 0). Before the onset of terrorism, Cabo Delgado collected, on average, MZN3,953,396 less in tax revenue than Nampula. Statistical significance indicates that this coefficient is statistically significant ($p < 0.001$), indicating that the difference in tax revenue between the two provinces prior to terrorism is robust.

Postwar ($\beta_2 = 2,061,504$)

This coefficient represents the average difference in tax revenue between the post-terrorism period (Postwar = 1) and the pre-terrorism period (Postwar = 0) in Nampula (Treatment = 0). In Nampula, average tax revenue increased by approximately MZN2,061,504 during the post-terrorism period compared to the pre-terrorism period. The coefficient is statistically significant ($p = 0.002$), indicating that the increase in tax revenue in Nampula is consistent and robust.

Interaction ($\beta_3 = 962,716$)

This coefficient captures the differential effect of terrorism in Cabo Delgado during the post-terrorism period (Treatment = 1 and Postwar = 1), relative to Nampula in the same period. In the post-terrorism period, Cabo Delgado experienced an additional increase of approximately MZN962,716 in tax revenue compared to the increase observed in Nampula. This coefficient is not statistically significant ($p = 0.304$), indicating that there is no robust evidence that terrorism had a differential impact on tax revenue in Cabo Delgado.

However, it is important to emphasize that the revenues from megaprojects are collected at the national level and are not reflected in provincial revenues. This fact limits the ability to analyse local revenues, as the resources generated by these megaprojects are not included in the provincial accounts, preventing a full understanding of the real economic impact on the province.

Additionally, due to the unavailability of data on district-level revenues, the specific impact of the war on the most-affected localities within Cabo Delgado could not be captured accurately. District revenues could provide a more granular perspective, enabling the identification of areas most directly hit by the conflict and assessing how the conflict altered the fiscal collection capacity in these locations. Without these accurate data, the analysis remains limited, not capturing the direct impact that the war had on the communities and districts where economic activities were severely disrupted.

Thus, our analysis largely underestimates the devastating effects of the war on the local economy, as it does not incorporate megaproject revenues and lacks district-level collection data, which would be crucial for a more detailed and representative evaluation of the war's impact in Cabo Delgado.

The high adjusted R^2 value (0.7884) indicates that the model is effective in explaining the variation in revenue collection, suggesting that the estimated effects are robust and reliable. This means that the model captures the revenue dynamics of the two provinces well, both in the pre-war and post-war periods.

To validate the robustness of the DiD model, we conducted a placebo test. The objective was to assess whether the model would erroneously detect a treatment effect in periods prior to the actual onset of the intervention (i.e. terrorism in Cabo Delgado beginning in 2017). This procedure allows us to determine whether the observed effects in the original model can indeed be attributed to the treatment, or if they merely reflect pre-existing trends between the provinces.

In the placebo test, we simulated the occurrence of the "treatment" in 2017, that is, years prior to the actual onset of terrorism. To implement this, we created a new binary variable (Postwar_placebo) that takes the value 1 for years from 2017 onward and 0 for earlier years. The interaction between the treatment group (Treatment) and the placebo period (Postwar_placebo) was then included in the following model:

$$T_{taxes} = \beta_0 + \beta_1 Treatment + \beta_2 Postwar_placebo + \beta_3 (Treatment \times Postwar_placebo) + \epsilon$$

The coefficient of the interaction term (β_3) is of primary interest, as it represents the placebo effect. If the model is valid, this coefficient is expected to be statistically insignificant, indicating the absence of spurious effects prior to the actual onset of the treatment.

The results of the placebo test are presented in the table below. The coefficient of the placebo interaction term (Treatment \times Postwar_placebo) is not statistically significant ($p = 0.648$), confirming that there was no differential effect between Cabo Delgado and Nampula during the placebo period. This finding supports the validity of the DiD model by suggesting that it does not capture pre-existing trends between the provinces prior to 2017.

Table 6: Placebo DiD Model

Variable	Coefficient	P> t	Robust Std. Error	t	95% Confidence Interval
Treatment	-3728779***	0	497320.7	-7.5	[-4755198, -2702359]
Postwar	2716575***	0.002	560047.9	4.85	[1560693, 3872457]
Interaction	359436.1	0.304	777410.3	0.46	[-1245060, 1963932]
Constant (_cons)	4230540***	0	493119.2	8.58	[3212792, 5248287]
N	28				
R-squared	0.7958				

Note: *, ** and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Source: Authors.

The results of the placebo test strengthen the validity of the DiD model. The absence of a statistically significant effect during the placebo period suggests that the differences observed in the original model after 2017 can be attributed to the impact of terrorism in Cabo Delgado, rather than to pre-existing trends between the provinces.

Furthermore, the significant coefficient for Treatment reflects average differences in tax revenue levels between Cabo Delgado and Nampula prior to 2017, while the Postwar_placebo coefficient captures general time-related changes affecting both provinces after 2017.

The placebo test confirms that the DiD model is not capturing spurious effects or pre-existing trends, thereby increasing confidence in the main results. This procedure validates the key assumption that the differences between the provinces observed after 2017 are attributable to the actual treatment (terrorism) rather than to unobserved confounding factors.

5 Terrorism and solidarity

The advent of terrorism in Cabo Delgado sparked a wave of solidarity based on the Islamic religion, since the economic elite in the coastal area of the province profess this religion. This solidarity was important in creating a sense of unity against terrorism and in favour of continuing commercial activity by relocating to safer places, such as the city of Pemba, as well as mobilizing financial resources to support the resumption of commercial activities. These efforts promised to have a positive effect on taxation.

When the terrorist attacks based on Islamic fundamentalism escalated, the first thing that was noticed was solidarity among the Muslim elite² who owned the businesses in the coastal area of Cabo Delgado. In Mozambique, although the uniting element of this elite is the Islamic religion itself, they are not a homogenous bloc, a fact reflected in the existence of various associations based on the same religion that have different origins, history, interests, etc. The various Islamic associations in Mozambique include the Islamic Council (CISLAMO), the Mahomentan Community, the Muslim Community, the Islamic Humanitarian Association, etc. (see: Morier-Genoud 2002).

The first act of solidarity among the Muslim elite was to deny the association of the Islamic religion with violent terrorism by showing that the Islamic religion preaches peace, respect, tolerance, love, and brotherhood and that the terrorists were decontextualizing part of the sacred scriptures to justify their obscure interests, which had nothing to do with the doctrine of the prophet. This solidarity has been evident since the beginning of the conflict. In 2022, for example, it was reported that Islamic organizations in Mozambique distanced themselves from violence of any faith and demanded that the government take additional measures to stop the evil once and for all (Inguane 2024). In June 2024, at the Eid Al-Ad'ha celebrations, Suleiman Fonseca, a member of the Islamic Council of Mozambique, stated categorically that "those who are doing this [terrorism] have nothing to do with our religion. They are not Muslims. The Muslim is peace and they are not Muslims, they are our enemies" (RFI 17/06/2024).

² The Muslim elite and its associations are not a homogenous bloc and have always been characterized by differences, tensions, and rifts. On this subject see Morier-Genoud (2002); Bonate (2005).

So religious and political differences were put aside in the face of the advance of violent extremism because it is contrary to the religious doctrine. Elite solidarity came to the fore because violent terrorism disrupted the economic activities of the Muslim elite. These activities were crucial for the building and strengthening of the state in the processes of administration and in the relationship between the government and Mozambican society.

When it became impossible to continue doing business in Mocimboa da Praia, there was an unprecedented exploitation of social capital among the commercial and business elite. Social capital “is the set of actual or potential resources that are linked to the possession of a lasting network of more or less institutionalized relationships of mutual knowledge and recognition—or, in other words, to belonging to a group—which provides each of its members with the support of the capital held by the collective, a ‘credential’ that entitles them to credit, in the various senses of the word” (Bourdieu 1980: 2; Bourdieu 1986: 21; Häuberer 2011: 35).

Calling on or advising business colleagues to move or relocate the business to safer places, as is the case in Pemba, is an indication of the ability to exploit the social capital that is immanent in the relationships that provide useful support when needed, a network of relationships that are both necessary and elective (see Bourdieu 1986).

The mobilization of support has extended from supporting victims to actions aimed at re-establishing commercial activity, which will have implications for future revenue mobilization. In April 2024, the SIDAT Foundation and its partners provided around 6 tons of various products to the populations of Ibo Island and Quissanga, in the province of Cabo Delgado, and according to Mohamed Galibo, representative of the SIDAT Foundation, this type of support will continue (Vatican News 16/04/2024). For its part, the Council of Religions in Mozambique (COREM), through its “Together for Cabo Delgado and Mozambique” initiative, supports people affected by terrorism to rebuild their lives, through spiritual assistance and financial support. With regard to the latter, COREM aims to sensitize local partners so that people can create sustainable income-generating projects (Lusa 2024). Small entrepreneurs have also come to show solidarity by providing fishing equipment to around seven hundred fishermen from Mocimboa da Praia, Palma, and Metuge (TV Miramar 2024).

Violent terrorism in Cabo Delgado is strengthening solidarity with the state among the elite, and it motivates the state to strengthen and expand its tax administration territorially. The elites perceived the risks of war as real and decided to protect their interests with the help of the state, although the president of the Cabo Delgado Business Council, Mamudo Irache, lamented the lack of state support, saying, “We’ve heard of a lot of support, but it never reaches the entrepreneur. But it’s the same businesspeople with their investments who are there. So, the situation for the business sector is not good” (Lusa 2024). But according to Assif Osman, a long-time businessman in the same province, the defence and security forces will soon be able to overcome this situation (Lusa 2024).

Reduced revenues due to terrorist attacks triggered the need to strengthen the state through taxation, a fact reflected in the importance that the Tax Authority attached to opening collection points in Namoto, Namatil, Palma, and Ngapa, thus increasing revenue collection (Moz24h 2024).

6 Ideology and tax collection by terrorists in Cabo Delgado

As explained above, the terrorist group operating in the province of Cabo Delgado in northern Mozambique is based on a kind of Islamic fundamentalism, as evidenced by the communiqués the group issues; its supposed association with the Islamic State (IS), which at one time or another has claimed for attacks; the compulsory conversion of Christians;³ or their beheading and dismemberment. The group's pronouncement on its first act of terrorism that it wanted to establish a caliphate, its rejection of an 'infidel' and unjust government, and its refusal to pay taxes, confirm that the group draws on Islamic fundamentalism.

The Islamic religion is based on a set of pillars or principles, two of which are zakat⁴ and jizya. The latter is associated with taxation and can be understood as a kind of per capita tax paid by small religious minorities, a contribution to Islam in exchange for protection charged to those who do not profess the Islamic religion, which is very common in territories controlled by these fundamentalists, as is the case in Syria (Revkin 2020).

In the early years of the group's operations, there are no records of toll collection, but rather the practice of violent terrorism as a way of spreading fear and terror, which was also used to recruit children and young people (Chingotuane et al. 2021; Ewi et al. 2022). The scenario changes with the setting of tolls and charges on the N380 road in the Macomia district, ranging from MZN50,000 to MZN100,000 (€690 to €1,380). In a letter widely circulated on social media, the terrorists claimed that these charges were a contribution to Islam, which, in their view, could mean "contribution to jihad" (A Carta 2024).

The ideological nature of these charges⁵ becomes clear when the "terrorists themselves warn Muslim drivers to pay when they are stopped on the EN380 as a 'contribution to Islam'", which is not the case with non-Muslim drivers who "are urged not to refuse any payment under penalty of having their heads [beheaded] and their vehicles burnt" (A Carta 2024). Since some drivers have been found unaware, there have been cases where passengers themselves had to contribute to the amount required to let the vehicle pass (Voz de Cabo Delgado 2024). However, there are those who argue that "these fees should only be charged if an Islamic state had been created, if perhaps they had full control of the territory, which does not seem to be the case" (Issufo 2024).

The fact is that what is happening in Cabo Delgado Province is the ideological exploitation of religion by the terrorist group in order to raise revenue to continue the war and establish the supposed caliphate. The persecution and eviction of terrorists from their strongholds have led to the use of this form of taxation. The loss of the town of Mocimboa da Praia and its port and important bases, as well

³ In some cases, "terrorists try to conduct questionnaires and interviews to gauge passengers' knowledge of the Koran and the Muslim religion" (Voz de Cabo Delgado 2024).

⁴ This is the third of the five pillars of Islam and is compulsory and paid annually by Muslims. It is generally levied on 2.5% of each person's wealth.

⁵ Ideology is a central feature of terrorist groups. "It can be considered a closed system of thought that demands a monopoly of truth while refusing to accommodate opposing beliefs" (Ewi et al. 2022: 26).

as the killing of the group's top leaders in combat by the DSFs, assisted by foreign armies, has deprived the terrorists of an important source of revenue to fuel their war. It is important to note that these taxations are more localized at points under the control of the terrorists and that they are not fixed, but sporadic, given the reaction of the DSFs. For example, on April 12, 2025, drivers of several vehicles had already been intercepted and forced to pay a toll, including one carrying passengers, on the route between Pemba, the capital of Cabo Delgado Province, and Montepuez (RFI 13/04/2025).

6.1 Kidnappings

In addition to *jizya*, which has tax connotations and is used by terrorists as a contribution to Islam or *jihad*, the practice of kidnapping for ransom has become widespread since the terrorists' traditional sources of funding were curtailed. The clampdown on electronic financial transactions via mobile accounts, Mpesa, E-mola and M-cash has left terrorists with serious difficulties in obtaining funding for the war, including logistics and recruitment. It is worth remembering that money or promises of money have played a crucial role in recruiting young people (Lucey 2021; Piñera 2021).

The violent extremism practised by the group operating in Cabo Delgado, characterized by the dismemberment and beheading of victims, especially those who do not profess the Islamic religion, those considered to be infidels⁶, makes the payment of ransom by the victims' relatives the best way out in cases where the Mozambican state and the DSFs are unable to rescue those kidnapped or captured.

It is difficult to quantify the volume of ransom transactions because families tend to manage the matter privately. In fact, a resident of the Nangade district interviewed by VOA said that "this business [of kidnappings] continues in a clandestine way" (VOA 10/02/2023). However, some sources speak of amounts ranging from MZN200,000 to MZN2 million (€2,762 to €27,623), with the highest amounts being charged for the ransom of individuals of foreign nationality. There are, however, some exceptions. For example, in a car in which a white businessman was also travelling, the terrorists demanded that he alone pay MZN50,000. If he did not have the amount, he would have had to be detained and the others travel on (Voz de Cabo Delgado 2024).

Women and girls have been favoured victims because, in addition to being turned into wives and sexually abused, they enter international women-trafficking networks (Ewi et al. 2022: 360). Some kidnapped women and girls of foreign nationality have been released after their families paid ransoms. Those who enter international women-trafficking networks are sold for €550 (Observador 2021).

The indiscriminate use of the uniform of the Mozambican army by terrorists in kidnapping incursions makes it difficult to discern who the kidnappers are, hence the permanent presence of this spectre, summed up in the words of an anonymous person interviewed by VOA: "Here every day people are being kidnapped or abducted at night and in their homes, especially economic agents" (VOA 10/02/2023).

⁶ For example, in the district of Miudumbe more than 50 people were beheaded on a local football pitch between November 6 and 8 (Catueira 2020).

However, according to the Mozambican Bar Association, the Mozambican DSFs have also illegally charged civilians who allegedly collaborate with the terrorist group. These illegal charges are aimed at preventing the arrest of alleged collaborators with the terrorist group (Voz de Cabo Delgado 2024). It should be remembered that supporting and cooperating with terrorists offers businessmen the opportunity to construct a better-regulated black market for illicit transactions in which the terrorist group and the business community obey the rules and benefits (Santos 2020: 12).

The collection of ransoms by the terrorists is closely related to the costs of the war. Counterterrorism measures disrupted the terrorists' traditional financing means (Alexeev, Janeba and Osborne 2003; Bekoe, Burchard and Daly 2020; Bussotti and Coimbra 2023).

At the same time, there is an exercise aimed at winning souls and minds on the part of terrorists, who are moving to other outposts in the province, especially in the south. When they retook the town of Mocimboa da Praia for 24 hours in 2020, they didn't kill anyone and always said that they were fighting for the good of the population, and that they had no problem with the civilians, but rather with the military. During their 24-hour stay, they distributed food that they had looted from commercial establishments (Centro de Democracia e Desenvolvimento 2020: 3), undermining the state's revenue collection.

At the end of 2023 there was a strong circulation and presence of terrorists in the various villages in the lower part of the Macomia district, specifically Mucojo, Pangane, and Quitarejo, and they chose not to kidnap or kill civilians, but to be friendly with them so that they could enter the communities (Anacleto 2024).

The strategy of winning minds and souls may have stemmed from the realization that the extreme violence that characterized the group's actions in the first two years made it difficult, if not impossible, to mobilize the *jizya* and *zakat* at a time when the terrorists were beginning to face serious problems with logistics. It was therefore a strategy of adaptation to the course of the war.

7 Conclusion

The first two years of terrorism in the Cabo Delgado Province coincided with an increase in revenues. Collapse in commercial activity and a retraction of investment in the exploitation of Liquefied Natural Gas were localized mainly in Mocimboa da Praia and did not affect the contribution of Cabo Delgado as a whole. The positive performance that has been noticed since 2021 is linked to the contributions of large companies such as Montepuez Ruby Mining.

Terrorism stimulated solidarity between the Muslim elite who own the businesses in the coastal area of Cabo Delgado. This elite has skilfully exploited social capital—networks of relationships based on religion, kinship, friendship, etc.—not only for support, but also to advise others to redirect business to safe areas such as Pemba, which has helped the state to continue collecting revenue. Terrorist attacks triggered the need to strengthen the state through taxation, a fact reflected in the (re)opening of collection points in Namoto, Namatil, Palma, and Ngapa, thus increasing revenue collection.

The group operating in Cabo Delgado Province has used the pillars of the Islamic religion to levy taxes both on Muslims and on other minorities such as Christians and Jews. The *jizya*, a kind of tax for minorities and seen as a contribution to Islam, was imposed by the terrorist group. This tax has

worked in territories where groups like Al-Qaeda and ISIS have control, as is the case in Syria. In the Cabo Delgado Province, there was momentary control of Mocimboa da Praia, Montepuez and other points. It was in these places that the charges based on the idea of jizya were imposed. The fees charged for the circulation of vehicles and people on the N380 road are part of this logic, since Muslims were required to contribute to the religion while those who did not profess the same religion were forced to do so under penalty of being beheaded and their vehicles burned. These charges, which ranged from MZN50,000 to MZN200,000 (€690 to €2,762), were for the war effort, as the traditional forms of financing were severely curtailed.

In addition to the jizya, the province began to witness unusual kidnappings with ransom demands. Nationals and foreigners were victims of kidnappings, which were employed to raise funds for the recruitment of more children and young people since, in the early years, money or the promise of money was widely used to lure children and young people into the ranks of the terrorists. The ransom amounts tend to be higher, ranging from MZN50,000 to MZN2 million (€690 to €27,623). The terrorist group tends to charge high amounts to foreigners, especially Whites.

The results indicate that although terrorism affected the province, the overall taxation revenues of the province were not affected by the terrorism. This is because those districts that have been heavily affected are not the districts with the higher contributions to the overall province taxes.

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