PARTNERSHIP AFRICA CANADA

THE WEST AFRICAN EL DORADO:

MAPPING THE ILLICIT TRADE OF GOLD IN CÔTE D'IVOIRE, MALI AND BURKINA FASO

The West African El Dorado: Mapping the Illicit Trade of Gold in Côte d'Ivoire, Mali and Burkina Faso

Authored by Alan Martin and Hélène Helbig de Balzac

Managing Editor: Zuzia Danielski
Copy Editor: Ashley Armstrong
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Cover photo: An artisanal miner uses mercury for the process of amalgamation and cyanidation of gold at a mine near Gaoua, Burkina Faso.
Photos by Hélène Helbig de Balzac/Partnership Africa Canada

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WEST AFRICA

Before the war, we worked in the fields, we did not know gold.

—Artisanal gold miner in Doropo, Côte d’Ivoire

INTRODUCTION

This report maps the enforcement and governance challenges, as well as vulnerabilities posed by the illicit trade of gold in West Africa and its impact on regional peace and stability.

The scope of this report focuses on the artisanal gold sector in Côte d'Ivoire, Mali and Burkina Faso. However, many of its findings are applicable to other countries in the West African region, most notably Sierra Leone and Guinea, who also report losing significant gold production to Mali.

While each of these countries face unique challenges, they share a common theme: the light footprint of government in the artisanal gold sector. The consequences of this are far reaching, as the lack of government presence, institutional structure and policy coherence undermine the ability of these countries to plan, capture and reap the sector's full economic benefits. The artisanal gold sector employs an estimated three million artisanal miners in these countries and their production—and therefore full contribution to national economies—remains unknown. The report also notes that while smuggling and tax leakage deprive state coffers, they also contribute to political instability, lawlessness and criminality, much of it transnational in nature.

Gold has always proven an easy pull for those looking to make a living, however uncertain and exploitative it may be. For governments and militia groups alike, lucrative and easily smuggled minerals are often the lifeblood of long and protracted civil wars, a magnet for instability, human exploitation, corruption, and above all, lost economic opportunity. Post-colonial history has shown that the West African region is no stranger to civil war, and in very recent times, has become an increased target of jihadist terrorist activity and attacks.

This report also highlights some of the common pitfalls that governments face following the end of hostilities or as they seek to expand government control over the unregulated artisanal mining sector. Gold often remains a source of instability and lost revenue for governments as informal networks prove more durable than attempts to establish legal supply chains. This is the case in all the countries featured in this report, where the artisanal sector continues to be informal and largely beyond the control of central planners. More often than not, countries with weak resource governance, especially in post-conflict situations, attempt to reassert control by enacting ill-thought out laws and policies on the backs of artisanal miners. When these laws and policies are ignored, they are backed up by draconian enforcement measures that exacerbate the situation, alienating miners and pushing them further into illicit trade or resulting in avoidable violence.

The case of West Africa is not different.

KEY FINDINGS

This report makes several key findings. The first is that the artisanal gold sector in Côte d'Ivoire, Mali and Burkina Faso suffers from a lack of policy cohesion and firm government presence in artisanal mining areas. The consequence of this poses a significant loss of public revenue, undermines government oversight and, if left unchecked, could have implications for national and regional stability.

The research further finds that there is no reliable production and export data for artisanal gold from any of the studied countries. As the artisanal gold trade is based on a pre-financing system, all transactions in this largely unregulated and cash-based industry are based on trust, networks and price competition. This renders a huge obstacle for governments in their efforts to formalize the sector, including licensing the various actors, creating traceability over production and levying appropriate taxes.

The supply chains in the three countries are tightly interconnected. Extremely porous borders allow for a high degree of labour mobility in the mines and exacerbate smuggling. While Côte d'Ivoire is the principal source destination for mobile labour[1] due to the legacy of civil war and higher grade gold yields, Burkina Faso and especially Mali are the main export hubs of artisanal gold.

The report finds that there is significant illicit trade between Mali and refiners in the United Arab Emirates (UAE). This is evidenced most clearly by import trade data from the UAE that in successive years, exceeds the entire gold production of Mali.[2] As much of Mali's industrial production is spoken for by Swiss and South African refiners, this figure is even more inexplicable for UAE-based refiners and customs officials in both countries.

The research finds that the link between precious metals and minerals and terrorist networks remains largely anecdotal. During the course of this research, Partnership Africa Canada did not find any conclusive evidence that artisanal gold finances terrorist groups. However, enforcement officials[3] repeatedly raise their concerns that high value commodities like gold and diamonds serve as alternative currencies in money-laundering schemes and that they share traits with other often-smuggled goods like drugs and cigarettes known to finance terror organizations in West Africa.[4]

1 Official estimates place the number of artisanal gold miners in Côte d'Ivoire at 500,000, many of them from neighbouring countries. Senior official in Ivorian Ministry of Industry and Mines. Private discussion with PAC. Kinshasa, Democratic Republic of Congo, November 3, 2014.

2 UN Comtrade International Statistics Database, accessed September 15, 2015, https://comtrade.un.org/.

3 Members of the Transnational Organized Crime Unit. Interview with PAC. Freetown, Sierra Leone, April 9, 2015.

4 See for example "Mali a "wake-up call" for drug trafficking, says think tank", *IRIN News*, February 5, 2013, http://www.irinnews.org/report/97412/mali-%E2%80%9Cwake-call%E2%80%9D-drug-trafficking-says-think-tank; Dr. Freedom C. Onuoha and Dr. Gerald E. Ezirim, "'Terrorism' and Transnational Organized Crime in West Africa", *Al Jazeera Centre for Studies*, June 23, 2013, http://studies.aljazeera.net/en/reports/2013/06/2013624102946689517.html.

This report also examines various drivers that undermine legality and traceability in the artisanal and small-scale mining (ASM) gold sector. These drivers are linked to both systemic and overtly criminal variables. For example, new mining codes in Côte d'Ivoire,[5] Mali,[6] and Burkina Faso[7] favour industrial exploitation while failing to recognize the full economic potential of the ASM sector or the need to invest resources and plan to formalize the sector.

Taxation is widely accepted as one of the biggest drivers of smuggling in many extractive industries in Africa, including ASM gold. The research finds that despite a harmonized 3% export tax between the countries, many traders exploit loopholes in Mali's tax regime or continue to rely on illicit and predatory networks developed by former combatants in Côte d'Ivoire.

The legacy of Côte d'Ivoire's civil war continues to overshadow the governance of its gold sector. This is particularly the case with several former zone commanders from the rebellion *Forces Nouvelles* who profit from smuggling and level illegal taxes on middlemen in the artisanal gold sector.[8] These former combatants work in close collaboration with major buyers from Burkina Faso who are in turn supported by associates of Blaise Compaoré, the country's long-serving and autocratic president until populist uprisings forced him into exile in Côte d'Ivoire in October 2014. Both parties operate with impunity due to their close political connections to Ivorian President Ouattara, or as a result of efforts to placate former combatants not entirely satisfied with demobilization and reintegration efforts. Partnership Africa Canada notes with concern that left unchecked, the parallel control of the ASM sector by these elements fosters criminality and threatens social stability in Côte d'Ivoire and the surrounding region.

The lack of government-led practical and sustainable ASM policies and practices presents other challenges. Beyond the scope of this report there is a significant presence of child labour in mine sites. There is also widespread use of mercury and cyanide by miners, which results in serious environmental and health impacts.

5 "Portant Code Minier", Côte d'Ivoire, March 24, 2014, http://www.gouv.ci/doc/accords/1449057553code-minier-2014.pdf.

6 "Portant Code Minier", Mali, February 27, 2012, http://www.droit-afrique.com/upload/doc/mali/Mali-Code-2012-minier.pdf.

7 "Portant Code Minier", Burkina Faso, October 29, 2015, http://faolex.fao.org/docs/pdf/bkf154955.pdf.

8 This view is echoed by the United Nations Group of Experts on Côte d'Ivoire. See "Final report of the Group of Experts on Côte d'Ivoire pursuant to paragraph 27 of Security Council resolution 2219 (2015)", United Nations Security Council, March 17, 2016, p. 23, paragraph 84, http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2016_254.pdf.

RECOMMENDATIONS

TO THE GOVERNMENT OF MALI:

Mali is clearly the regional exit point for both legal and illicit gold shipments going to the United Arab Emirates. With exports far exceeding Mali's production it is plausible that much of the gold comes not just from neighbouring Burkina Faso and Côte d'Ivoire, but also further afield.

Malian enforcement agencies should take immediate steps to investigate those behind the illicit gold trade. This should include engaging relevant authorities in the UAE, most notably the Dubai Multi-Commodities Centre (DMCC), to address the trade discrepancies and customs practices that facilitate this illegality.

Mali, along with its immediate neighbours, must ban hand-carry exports of gold, which allows exporters to sell directly into the gold markets in the UAE, thereby bypassing export controls that currently govern industrial consignments of gold sent via air cargo.

The Ministries of Finance and Mines should undertake a comprehensive review of the current 3% export tax on gold to address loopholes that make Mali a magnet for gold produced in other countries.

TO THE GOVERNMENTS OF CÔTE D'IVOIRE, MALI AND BURKINA FASO:

Convene a ministerial level summit, under the leadership of Economic Community of West African States (ECOWAS), with a specific aim to create a regional approach that can address the criminal, economic and political challenges in the gold sector. Illicit trade undermines African economies. Better harmonization of policies and practices through a regional approach could offer mutual rewards such as greater economic dividends, improved management of the ASM sector and more durable peace and security.

Convene a high-level ministerial meeting with each other and relevant technical experts to consider what policies and practices could support and incentivize the formalization of small-scale miners, promote country of origin sourcing and encourage buyers and exporters to work within the legal chain.

Invite Mano River Union countries to a special natural resource summit to share their experiences developing a Regional Approach on diamond governance and strategize together on ways the West African region more broadly can address similar and shared vulnerabilities in the artisanal gold sector.

Participate in the Organisation for Economic Co-operation and Development (OECD)'s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas process as a way to mitigate and remedy vulnerabilities listed in this report.

Undertake a comparative look at due diligence systems in place in the Great Lakes Region including the International Conference on the Great Lakes Region (ICGLR) and consider whether a similar mechanism could be adapted to the West African context.

To monitor and regulate the exploitation and trade of natural resources, the Members States of the ICGLR have adopted six tools. Some of them could be relevant for a Regional Approach to manage the gold trade in West Africa. They include:

- Harmonization of legislation. Variances in export taxes from one country to the next can create incentives for smuggling minerals and gold in the Great Lakes Region. In West Africa exports are ostensibly harmonized but their implementation is not. Moreover, governments should analyze the entire tax spectrum—including payments made made to customary figures, former combatants, as well as state officials—with the aim to develop a practical, equitable and universally applied system across the West African region.
- Development of a regional database on gold production and trade (including data on the quality of gold). This could allow buyers to know where they want to buy, support traceability and make it difficult for traders to smuggle gold to other jurisdictions.
- Promotion of the Extractive Industries Transparency Initiative (EITI) for industrial actors, including its standards on governance and transparency.
- Formalization of the gold sector, recognizing it as a legitimate livelihood, providing incentives for producers to operate legally. Promoting the development of cooperatives at a local level could replace minor and major buyers. While the artisanal exploitation of gold is facing many challenges including the lack of traceability, an important aspect can be the promotion of a clean supply chain that involves fewer actors.
- Establish and enforce a regional system of controls and transparency over the gold supply chain. This includes a chain of custody and traceability system, or the identification of upstream actors in the supply chain.

TO THE UNITED ARAB EMIRATES:

Gold importers sourcing from Mali and Burkina Faso must carry out greater due diligence on their supply chains, with specific emphasis on how illicit artisanal sources could be compromising their supply. This includes inspecting the entire supply chain all the way back to the mining sites to better understand and mitigate risks that extend beyond exports from capital cities.

The DMCC should take immediate action to phase out the practice of imports of hand carried gold. Regulatory controls should be further tightened to require additional information from importers of ASM gold, including verification of the cosignee, the authentication of the certificates of origin or export permits and custom clearance documents (including tax receipts in the country of export).[9]

9 See for example "DMCC Rules for Risk Based Due Diligence in the Gold and Precious Metals Supply Chain", Dubai Multi Commodities Centre (DMCC), May 2016, https://www.dmcc.ae/gold-responsible-sourcing-precious-metals.

METHODOLOGY

This report is based on the findings of a field visit by Partnership Africa Canada to Bouaké, Bouna, Doropa, Sakassou and Kodo, Côte d'Ivoire, Gaoua, Galgoui, Doudou, Ouagadougou, and Bobo-Dioulasso, Burkina Faso and Bamako, Mali to investigate the illicit trade of gold in West Africa. The report relies on evidence gained from interviews and on-site observations. Researchers interviewed individuals involved in the gold industry in Côte d'Ivoire, Burkina Faso and Mali, including government officials, civil society representatives, diggers, traders and buyers.

This report builds on previous and similar research Partnership Africa Canada has done on the diamond sector in the Mano River region of West Africa (Côte d'Ivoire, Guinea, Liberia, Sierra Leone), and the gold sector in the Great Lakes region, which concludes that governments should consider greater regional harmonization of policies and practices in their natural resource sector, most especially with respect to taxation.

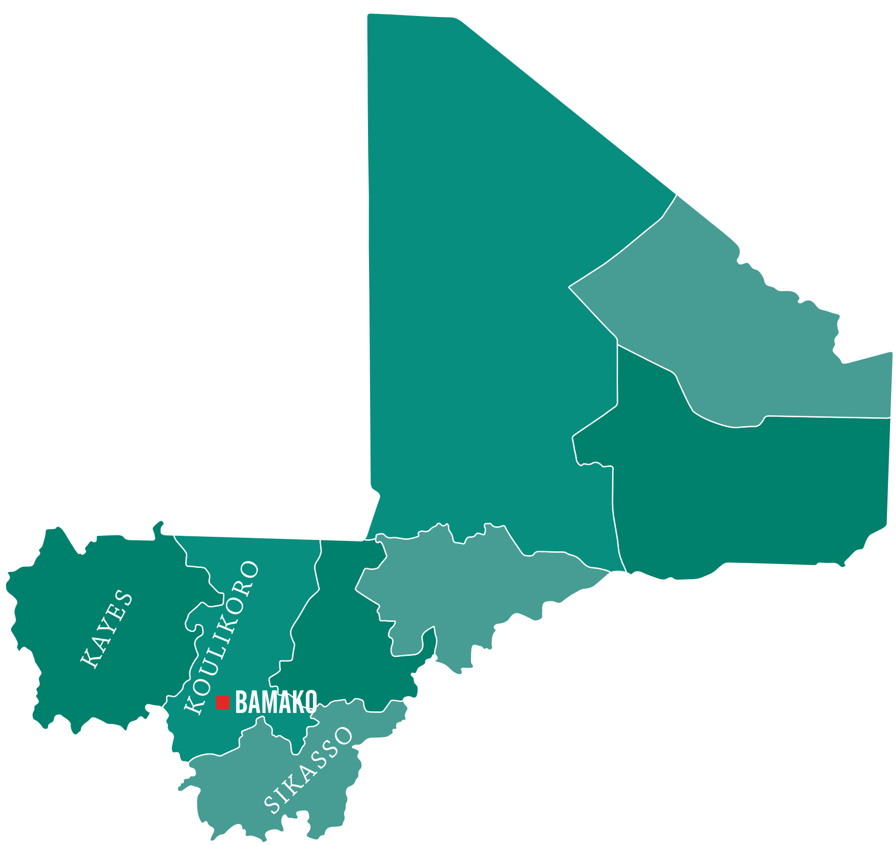
This report is divided into three main sections. The first provides an overview of the mining sector in each country and some of the similarities and differences in each of their experiences. The second section covers enforcement vulnerabilities specific to the West African gold sector. The final section offers recommendations for governments to better realize stability and dividends from the ASM gold sector.

SECTION I

UNDERSTANDING ARTISANAL GOLD MINING IN WEST AFRICA

For centuries West Africa has been one of the most famed gold producing areas in the world. So great were the riches of Mansa Musa, the fourteenth century emperor of Mali, that he infamously ruined the Middle Eastern and North African gold market for a decade after charitably giving away gold during his overland pilgrimage to Mecca in 1324. Today the region remains an important source, with Ghana among the top 10 industrial producers in the world[10] and the three countries covered in this report—Côte d'Ivoire, Mali, and Burkina Faso—among the top 15 African producers.[11]

MALI



10 Mineral Commodity Summaries 2016. Virginia: U.S. Geological Survey, 2016, p. 73. http://minerals.usgs.gov/minerals/pubs/mcs/2016/mcs2016.pdf.

11 "West Africa: A Look at Gold Mining in Ghana, Mali and Burkina Faso", *Gold Investing News*, October 4, 2015, http://investingnews.com/daily/resource-investing/precious-metals-investing/gold-investing/africa-ghana-mali-burkina-faso-iamgold-roxgold-true-gold-randgold-perseus-askano/.

Artisanal smelter in Bamako, Mali.

Mali has by far the most established industrial gold mining sector with government statistics reporting exports of 67.4 tonnes in 2013,[12] accounting for 72% of its exports in 2015.[13] The exploitation of ASM gold has intensified since the 1990s, and exponentially between 2010 and 2015.[14] The mining areas are mainly concentrated in the south and west of the country, specifically in the regions of Sikasso, Kayes and Koulikoro. The Chamber of Mines estimates the number of artisanal miners at over one million.[15]

Due to the informal nature of the artisanal gold mining sector in Mali it is difficult to obtain reliable data on gold production and trade. The official data indicates production of four tonnes per year,[16] although government statistics reported a remarkable high of 20.4 tonnes in 2013[17]—the majority of which was smuggled out of Mali.[18] The government levies a 3% export tax on gold—as do Burkina Faso and Côte d'Ivoire—but differences in Mali's implementation of the law result in the country being the biggest conduit of illicit exports in the region.

Mali amended its Mining Code in February 2012.[19] However, despite some improvements in the recognition of the ASM gold sector, the code has been critiqued for a lack of specificity about the roles of, or controls over, the different actors involved in the management of the sector. As a result, the majority of mine sites are exploited without authorization, with no traceability and fostering a sense of impunity for smugglers.[20]

12 Tiemoko Diallo, "Artisanal mining drives Mali gold exports up to 67.4 T in 2013", *Reuters*, May 27, 2014, http://www.reuters.com/article/mali-gold-idUSL3N0OD2YU20140527.

13 "Mali Exports 2001-2016", Trading Economics, accessed November 8, 2016, http://www.tradingeconomics.com/mali/exports.

14 Extractive Industries Transparency Initiative (EITI). Interview with PAC. Mali, March 6, 2015.

15 "L'orpaillage au Mali", Chambre des Mines du Mali, accessed November 8, 2016, http://www.chambredesminesdumali.org/orpaillage.php.

16 Ibid.

17 "Mali's gold exports down 21 pct in 2014 on drop in artisanal mining", *Reuters*, April 8, 2015, http://www.reuters.com/article/mali-gold-exports-idUSL5N0X53FU20150408.

18 Extractive Industries Transparency Initiative (EITI). Interview with PAC. Mali, March 6, 2015.

19 "Portant Code Minier", Mali, February 27, 2012, http://www.droit-afrique.com/upload/doc/mali/Mali-Code-2012-minier.pdf.

20 Extractive Industries Transparency Initiative (EITI). Interview with PAC. Mali, March 6, 2015.

CÔTE D'IVOIRE

Côte d'Ivoire has seen growth in its gold sector in recent years. Industrial exports increased from 4.2 tonnes in 2008 to 10.4 tonnes in 2013.[21] Furthermore, a series of investor-friendly policies caught the eye of established gold miners like Randgold[22]—whose CEO believes the country could be the new frontier for gold, eventually surpassing even Ghana's output.[23]

However, the past still looms large in Côte d'Ivoire's artisanal gold sector and explains much of the dynamics at play today—both internally and on a regional level. Gold mining only really began in earnest during the civil war that broke out in 2003. During the almost decade long crisis that followed, the northern half of the country was outside of the control of the central government in Abidjan, leaving gold exploitation and trade entirely in the illicit sphere and in the hands of the *Forces Nouvelles*, the main rebel group. Since the cessation of hostilities, artisanal production has intensified sharply. While the Ministry of Industry and Mines has no reliable estimates for artisanal production,[24] ASM gold currently exceeds outputs from the fishing and agriculture sectors and has caused a massive influx of miners and traders from Mali and Burkina Faso.

21 2012 Minerals Yearbook: Côte d'Ivoire [Advance Release]. U.S. Geological Survey, 2012. http://minerals.usgs.gov/minerals/pubs/country/2012/myb3-2012-iv.pdf.

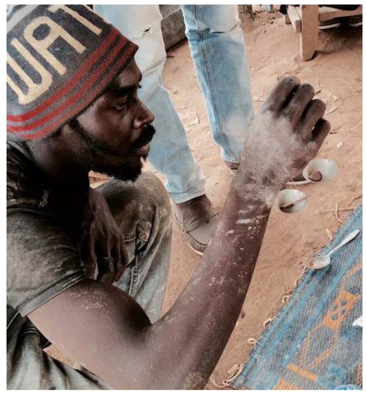
22 Cecilia Jamasmie, "Randgold hoping for major discovery in Ivory Coast", *Mining.com*, July 3, 2014. http://www.mining.com/randgold-hoping-for-major-discovery-in-ivory-coast-27539/.

23 Tamasin Ford, "Ivory Coast joins the African gold rush – but it's no quick fix for the economy", *The Guardian*, February 10, 2014, http://www.theguardian.com/global-development/poverty-matters/2014/feb/10/ivory-coast-joins-africa-gold-rush-economy.

24 Ministry of Industry and Mines. Interview with PAC. Bouaké, Côte d'Ivoire, February 10, 2015.

Gold is artisanally mined in 24 out of the 31 regions in Côte d'Ivoire.[25] The majority of activity is found around the vicinity of Bouaké and Katiola, where the Ministry of Industry and Mines has identified 28 gold mining areas.[26] The government estimates there are at least 500,000 artisanal gold miners.[27]

An artisanal gold miner uses mercury for the process of amalgamation and cyanidation of gold near Doropo, Côte d'Ivoire.



Artisanal gold trading near Doropo, Côte d'Ivoire.

An artisanal gold miner uses a breaker in Bondoukou, Côte d'Ivoire.

BURKINA FASO

25 Ibid.

26 Ibid.

27 Ministère de l'Industrie et des Mines, accessed September 15, 2015, http://www.industrie.gouv.ci.

Burkina Faso has exploited both artisanal and industrial gold since the 1960s. Production was low, never exceeding two tonnes per year between 1985 and 2007,[28] until 2008 when gold production greatly intensified. Since 2009, gold has been the primary export product of Burkina Faso.[28] In 2013, production reached 38.3 tonnes, of which 465 kg reportedly came from artisanal mines.[30]

An artisanal miner uses mercury for the process of amalgamation and cyanidation of gold at a mine near Gaoua, Burkina Faso.

The contribution of ASM gold to the Burkinabe economy is sizeable. One study estimates that the artisanal gold sector has generated nearly 82 billion CFA (over $139,460,440 million USD) a year in direct and indirect revenues since 2008, equal to a nominal country's GDP of 2.3%.[31] Government estimates of the number of miners are imprecise, varying from about 200,000 in 2003 to about 2 million in 2014.[32] Despite this, ASM gold is far from being a formal and consistently regulated sector, with officials estimating approximately 600 mining sites, of which only 261 had artisanal mining permits.[33]

The official data of production and exportation are far lower than the reality. Government officials readily admit they have minimal oversight or control of the sector, with the majority of production leaving the country through illicit means. This assessment was corroborated by a study carried out by the *Bureau de Recherches Géologiques et Minières* (BRGM), the French geological survey, which concluded that 90% of the production of artisanal gold is not officially reported.[34] Quantifying the losses is difficult. In 2014, the artisanal gold production registered by the Ministry of Mines, Quarries and Energy amounted to 208 kg, although officials place real exports between three and 10 tonnes per year.[35]

* * *

From this overview, several shared realities are apparent: governments do not have a firm presence nor an accurate understanding of production, the numbers of artisanal miners, or how to formalize the artisanal gold sector. There is no traceability at all of ASM gold, although Mali's official statistics of 20.4 tonnes in 2013—unconvincingly equal to half the country's entire gold production—demonstrate that it is the regional magnet for gold originating from other countries. The size of the sector, while smaller than the industrial production, is still significant in terms of employment and in lost government revenues. Despite all three countries sharing a similar export tax (3%), ASM gold buyers and exporters in the region still have ways to circumvent official controls.

28 Expansion du secteur minier et développement durable au Burkina Faso: cas de l'exploitation aurifère. Ouagadougou: Conseil économique et social, 2012, p. 4; Rapport provisoire. Ouagadougou: Direction Générale des Mines et de la Géologie, 2014.

29 Stratégie de communication du Ministère des Mines et de l'Energie: volet mines. Ouagadougou: Ministère de l'Energie, des Mines et des Carrières, 2014, p.9.

30 Ibid.

31 Analyse économique du secteur des mines liens pauvreté et environnement. Consortium sba-Ecosys-CEDRES, Ministère de l'Environnement et du Cadre de Vie (MECV), Projet Initiative Pauvreté Environnement (IPE), 2011, p. 48. http://www.unpei.org/sites/default/files/dmdocuments/Burkina%20Faso%20-%20Evaluation%20economique%20-%20Mining%20sector.pdf.

32 Ministry of Mines, Quarries and Energy. Interview with PAC. Ouagadougou, Burkina Faso, February 17, 2015.

33 Ibid.

34 Eric Jaques, Blaise Zida, Mario Billa, Catherine Greffié and J.F. Thomassin, *Artisanal and small-Scale mines in Burkina Faso: Today and Tomorrow* (2006). Working paper of Bureau de Recherches Geologiques et Minières.

35 Ministry of Mines, Quarries and Energy. Interview with PAC. Ouagadougou, Burkina Faso, February 17, 2015.

SECTION II

UNDERSTANDING WHY ILLICIT TRADE FLOURISHES

This section explores some of the drivers behind the illicit trade of ASM gold, particularly of gold produced in Côte d'Ivoire, and its routes through its immediate neighbours.

The supply chains in Côte d'Ivoire, Mali and Burkina Faso are tightly interconnected and based on high labour mobility—both among miners and those who buy and smuggle artisanal gold. The miners in West Africa are typically young, mobile and attracted to artisanal gold mining out of economic desperation. Their mobility and the smuggling of gold is made easier by the region's extremely porous borders.

In the aftermath of the civil war, the preferred destination for these miners has been Côte d'Ivoire, which is commonly referred to as the "West African El Dorado". These migrant workers are commonly called the *Clando* and come primarily from Mali, Guinea, Ghana and Burkina Faso—the latter of which are mostly comprised of Mossie, the majority ethnic group with experience in the mining sector and a reputation as wealth creators in Burkina Faso.[36] Another important variable in explaining the migration to Côte d'Ivoire lies in miners from neighbouring countries having a higher level of expertise in the industry. During the rebellion in Côte d'Ivoire, many Burkinabe and, to a lesser extent, Malians began working in the pits and never left. The latter play an equally significant role in Côte d'Ivoire's diamond trade.

Diggers are attracted to Côte d'Ivoire because the work is less demanding than in the other countries (the rock is more brittle and the gold deposits shallower), but also because the quality of the gold is higher. For example, a bag of gravel in Côte d'Ivoire has the potential to yield approximately 13 grams of gold; while in Burkina Faso, the average yield would be closer to 0.25 grams.[37]

For middlemen who buy directly from miners, Côte d'Ivoire offers an additional advantage over its neighbours: bigger profit margins. The difference between the price paid to diggers in Côte d'Ivoire and the resell price to major buyers in Mali and Burkina Faso can be over five times the initial purchase price.[38] The reason lies partly in the quality of the gold which has higher purity, but it also suggests that predatory actors prevalent during wartime continue to operate despite the end of hostilities.

A gold trader based in Bamako, Mali admits to buying extensively from a former *Forces Nouvelles* commander, Hervé Touré, during the Ivorian civil war. He estimates that as much as 50% of his current purchases come from Côte d'Ivoire.[39] In addition to the purity of the gold, he cites the established network of miners and smaller buyers he has developed over the years as the reason he continues to source from Côte d'Ivoire.

36 Civil society representative. Interview with PAC. Ouagadougou, Burkina Faso, February 18, 2015.

37 Gold diggers. Interview with PAC. Sakassou, Côte d'Ivoire, February, 2015.

38 Guinean gold buyer. Interview with PAC. Bouaké, Côte d'Ivoire, February 9, 2015.

39 Gold trader. Interview with PAC. Bamako, Mali, February 22, 2015.

The networks established by combatants and gold traders during the Ivorian civil war have tentacles that have yet to disappear. Former zone commanders continue to profit from smuggling and the parallel tax system related to the artisanal gold sector. However, now they work through middlemen, according to a military source in Bouaké, Côte d'Ivoire.[40]

During the civil war, Ivorian gold was smuggled to Mali and Ghana, but Burkina Faso was the easiest and safest route for the *Forces Nouvelles*, as the combatants were protected by Burkina Faso's President Compaoré. By some accounts it was a very lucrative business. One former combatant told Partnership Africa Canada that around 5 kg of gold was produced every week in their area of Katiola, Côte d'Ivoire and then smuggled to either Mali or Burkina Faso[41]—a not insignificant amount worth over $200,000 USD at today's gold prices.

Despite demobilization efforts and the democratic transition championed by Côte d'Ivoire President Alassane Ouattara, two former zone commanders in the *Forces Nouvelles*—Ouattara Issiaka (better known by his alias "Wattao") and Morou Ouattara, neither related to the President—continue to be involved in the gold trade through middlemen that they pre-finance. Wattao is also known to maintain a private 500 person militia in the gold and diamond rich area between Daloa, Seguela and Bouna, Côte d'Ivoire. According to the UN Group of Experts on Côte d'Ivoire, "Such military strength has allowed Wattao to secure undisputed control over illegal gold and diamond operations in at least three areas of the country…, thus jeopardizing the implementation of long-due formalization efforts and reforms of the Ivorian artisanal gold-mining sector and also depriving Côte d'Ivoire of a significant source of revenue."[42]

Even at lower levels, established networks continue to be involved in the illicit trade. During the course of this research Partnership Africa Canada met several traders and site owners in northern Côte d'Ivoire who prefer to sell gold in Burkina Faso as they did during the civil war. As one said, "The circle of gold is closed, you need to know people. To sell, you have to know people, and having a network is essential."[43]

Taxes factor into the illicit trade as well. As mentioned earlier, all three governments charge a 3% export tax, as do other neighbouring countries like Sierra Leone and Guinea. In theory this is a best practice as there is no incentive for exporters to ship their gold to the most tax advantageous jurisdiction.

However, Mali's application of the tax comes with a big loophole. One Guinean official explained, "If you can ship 200 kg in the same month the 3% tax is applied only on the first 50 kgs, giving you 150 kgs tax free."[44] The Mining Code offers no explanation for this discrepancy.[45]

40 Army Colonel. Interview with PAC. Bouaké, Côte d'Ivoire, February 10, 2015.

41 Former combatant. Interview with PAC. Bouaké, Côte d'Ivoire, February 10, 2015.

42 "Final report of the Group of Experts on Côte d'Ivoire pursuant to paragraph 27 of Security Council resolution 2219 (2015)", United Nations Security Council, March 17, 2016, p. 39, http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2016_254.pdf.

43 Guinean buyer. Interview with PAC. Bouaké, Côte d'Ivoire, February 9, 2015.

44 Official, Ministry of Mines and Geology. Correspondence with PAC. Conakry, Guinea, April 19, 2016.

45 "Portant Code Minier", Mali, February 27, 2012, http://www.droit-afrique.com/upload/doc/mali/Mali-Code-2012-minier.pdf.

Guinea was so concerned about the extent of its lost gold exports to Mali that in February 2016, it took the extreme step of eliminating its tax altogether. This move was not welcomed by Sierra Leone, who suspects large quantities of its gold already move through Guinea to Mali.[46]

In addition to the 3% export tax there are several informal taxes that all actors involved in the supply chain have to pay. While there are slight variations between countries, these taxes are customary and generally illegal. They are usually linked to access and authorization to work on a gold site, pay for security arranged by the chief or as a production based "royalty" for exploiting a particular mine site. Site owners will often secure their sites to ensure diggers do not leave the site and sell their gold elsewhere. Many mine sites in northern Côte d'Ivoire are secured by former *Forces Nouvelles* soldiers, who have yet to be integrated into the national army and have few other job prospects.[47] These taxes are rarely fixed and the amount depends on negotiations between the site owner and the different actors involved—such as the mayor, the head of the village (the *chefferie*), the owner of the land (if it is a different person from the head of the village), the prefect, or the diggers.

These taxes are not perceived to have much direct impact on smuggling, as there is little option but to pay them. However, they do contribute to some actors feeling a sense of being over-burdened with taxes, which can encourage them to seek out the illicit trade to recoup some of their tax outlays.

Geography is another factor that contributes to the illicit trade of gold to Mali. There is invariably an easier geographical connection between major production centres in Côte d'Ivoire and to major trading hubs in Mali and Burkina Faso. The distance from Siguiri, one of Guinea's biggest gold producing areas, to Mali, for example, is approximately 200 km on a good road. By contrast, the distance to Conakry, the capital city of Guinea, is almost 800 km with a quarter of the road in bad condition.[48] This is also the case in Côte d'Ivoire, where Doropo and Bouna are both within close promity to Burkina Faso.

A similar situation exists with Ivorian production. Gold is smuggled mainly through Mali and Burkina Faso through aforementioned networks that traders have established in their respective countries.[49] The main route to Bamako, Mali runs through the Malian town of Sikasso, while illicit shipments to Ouagadougou, Burkina Faso leave Bouna, Côte d'Ivoire and Doropo, Côte d'Ivoire via Gaoua, the trading centre of Bobo-Dioulasso or Batié, Burkina Faso.[50] From there shipments are smuggled directly or laundered into legal exports destined for refiners in Dubai.

46 Mining officials, Guinea and Sierra Leone. Private discussion with PAC. Freetown, Sierra Leone, April 1, 2016.

47 Former *Forces Nouvelles* rebel working as a security agent in a mine near Kodo, outside of Doropo, Côte d'Ivoire. Interview with PAC. Kodo, Côte d'Ivoire, February 13, 2015.

48 Official, Ministry of Mines and Geology. Correspondence with PAC. Conakry, Guinea, April 19, 2016.

49 Ministry of Industry and Mines. Interview with PAC. Bouaké, Côte d'Ivoire, February 10, 2015.

50 "Final report of the Group of Experts on Côte d'Ivoire pursuant to paragraph 19 of Security Council resolution 2101 (2013)", United Nations Security Council, April 14, 2014, p. 19, http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2014_266.pdf.

KEY TRADE ROUTES

BREAKING DOWN THE PARALLEL TAXATION SYSTEM:

AN IVORIAN CASE STUDY

For the last four years Samara has owned a gold site close to Sakassou, in the centre of Côte d'Ivoire. Originally from Mali he had to first make a deal with the village chief and the landowner before starting to exploit the site. Their approvals cost him 500,000 CFA each (approximately $860 USD each).

He then had to negotiate with the prefect, who levied a further production based commission: 500 CFA ($0.85 USD) for every gram produced at his site is allotted to the village chief and a further 1500 CFA ($2.55 USD) goes to the landowner.

Around 300 diggers work in Samara's gold site. For the most part they are migrants who have come from Guinea, Mali and Burkina Faso. The diggers have to sell him all their production. However, often Samara does not have enough liquidity to buy all of the production and the diggers can be tempted to sell somewhere else where they may get a better price.

In addition to the 2000 CFA ($3.40 USD) per gram in customary taxes, Samara spends 1000 CFA ($1.70 USD) per gram on mercury required to process the gold. In the end, each gram costs him about 18,000 CFA ($30.60 USD), of which 15,000 CFA ($25.50 USD) goes to pay the diggers. He resells the gram at 2000 Franc CFA ($3.36 USD). For the moment, he can buy 1 kg of gold per week but if he had more money, he could easily buy 1.5 kg per week. He explains that during the rebellion, there was plenty of money and he would buy at least 2.5 kg per week.

Samara receives cash advances from Malians who he has established relationships with. They purchase the gold in Bouaké and smelt it in Bamako.

To keep the diggers from leaving with their production, Samara pays three former combatants from the *Forces Nouvelles* to secure the site. This costs him 150,000 CFA ($255 USD) per month.

Samara initially came to Côte d'Ivoire to work in the diamond sector but the embargo on diamonds made the work harder and less secure, prompting him to refocus his work on the gold trade. He does not regret his choice as it is much easier to find pre-financing in gold than in the diamond trade.

Another consideration in understanding the illicit trade is the question of pre-financing.

In general, there are two to three middlemen in the chain between the miners and the exporters. The typical supply chain in the three countries can be described as such: miners work for a pit owner, who sells their production to small buyers who operate close to the mining sites. The small buyers are usually pre-financed by more important gold traders in the big cities such as Ouagadougou and Bamako. They in turn are usually pre-financed by buyers downstream, including in refining centres like UAE.

The artisanal gold trade all over Africa is based on a pre-financing system. The money that finances gold moves in the opposite direction from the gold. The system makes it difficult for miners to operate within the legal system, even if they wanted to. Money from somewhere else pays for their equipment and daily subsistence, and in return their production is already pre-paid and its export route pre-determined by the traders in the capital cities who pre-finance the cost of operations.

The need for a high degree of liquidity in the sector means that a gold buyer or exporter never stores the goods because he has no fixed capital to keep the gold. His role is to play the middleman during the transaction and make a margin between the smaller buyers and the foreign buyers.[51] The buyers and exporters based in bigger cities almost always work with a team of smaller buyers and pre-finance the purchases they make at the mining sites.
In Mali, the majority of gold traders in Bamako, as well as the sites owners, are Malians; in Burkina Faso, they are Burkinabe; while in Côte d'Ivoire they come from Mali or Burkina Faso.

It is usually at this level that the smuggling first occurs. Burkinabe buyers operate everywhere in Côte d'Ivoire—particularly in key mining areas like Bouaké, Katiola, Korhogo and Doropo.[52] As a result, the production in some mining areas like Bouna, in northern Côte d'Ivoire, is sold almost in its entirety to traders in Ouagadougou.[53]

Meanwhile buyers in Bouaké, in central Côte d'Ivoire, prefer to sell their gold to minor buyers from Mali.[54] These buyers are not necessarily linked to a particular site and purchase according to the production and their financial capacity, on behalf of a bigger patron in the capital cities. One of them, known as "the Saudi" in Bamako, told Partnership Africa Canada that he pre-finances between 30 and 40 businessmen, averaging purchases of 200 kg a month which is later exported to Dubai. In addition to gold, he also illegally purchases diamonds from Guinea and Côte d'Ivoire.[55] His monthly exports—worth over $8,000,000 USD at current prices—demonstrate the size of the illicit trade in the three countries.

51 President of SEMIKO. Interview with PAC. Bobo-Dioulasso, Burkina Faso, February 17, 2015.

52 Site owner. Interview with PAC. Ouagadougou, Burkina Faso, February 19, 2015.

53 Gold trader. Interview with PAC. Bouna, Côte d'Ivoire, February 13, 2015.

54 Gold buyer. Interview with PAC. Bouaké, Côte d'Ivoire, February 9, 2015.

55 Gold trader. Interview with PAC. Bamako, Mali, February 23, 2015.

The lack of traceability of ASM gold poses a very serious threat to the legitimate gold trade. The vulnerability is particularly acute at the level of the gold traders in the capital cities, the final step in the chain before export abroad. This was demonstrated by one veteran trader who admitted he had no idea where his buyers find the gold that he exports abroad.[56] In the case of Burkina Faso, this poses a big risk for foreign refiners. While Swiss refiners like Metalor—who took receipt of almost 80% of the country's exports in 2012[57]—have put rigorous internal due diligence and OECD compliant practices into practice, not all have.

Previous investigations by Partnership Africa Canada in the Democratic Republic of Congo uncovered a major flaw in the import controls of the UAE, which exempt customs declarations on gold brought into the country in carry-on hand luggage.[58] Once in the country, gold traders then sell the gold to buyers in Dubai's gold souk, easily bypassing the due diligence systems created by the Dubai Multi-Commodities Centre (DMCC), the quasi government enterprise charged with promoting and regulating the trade of precious minerals. Despite being made aware of this vulnerability in 2014, the UAE has not taken any steps to fix the problem, and it is reasonable to assume that West African traders and exporters would exploit the same loophole as their Congolese colleagues.

	REPORTED GOLD PRODUCTION IN MALI (tonnes)	REPORTED IMPORTS OF MALIAN GOLD BY UAE (tonnes)
2011	35.7	9.6
2012	40.1	29.1
2013	40	49.6
2014	45.8	59.9

Statistics paint a worrying trend in UAE's role in the illicit trade of gold through Mali. By triangulating four years of figures reported by the Malian Ministry of Mines and Energy, the United States Geological Services (USGS) and Comtrade, the UN repository of official trade statistics, UAE imports successively exceeded Mali's entire gold production. For example, the USGS reported that between 2011 and 2013, Mali produced 35.7 tonnes, 40.1 tonnes and 40 tonnes, respectively.[59] The Malian government reported production of 45.8 tonnes in 2014.[60] However, data UAE reported to Comtrade during the same years listed imports of Malian gold at 9.6 tonnes, 29.1 tonnes; 49.6 tonnes and 59.9 tonnes, respectively.[61]

As the majority of industrial gold from Mali is exported to refiners in Switzerland and South Africa, these figures raise questions about both the origin of this gold, as well as the integrity of import procedures and practices by UAE-based buyers and the DMCC.

56 President of SEMIKO. Interview with PAC. Bobo-Dioulasso, Burkina Faso, February 17, 2015.

57 Rapport de Conciliation des Paiements des Sociétés Minières a l'Etat et des Recettes Perçues par l'Etat des Dites Sociétés pour l'Exercice 2012 / 2012 Burkina Faso EITI Report. Burkina Faso Extractive Industries Transparency Initiative, 2014, p. 64, https://eiti.org/files/2012%20Burkina%20Faso%20EITI%20Report%20Final.pdf.

58 All that Glitters is Not Gold: Dubai, Congo and the Trade of Conflict Minerals. Ottawa: Partnership Africa Canada, May 2014, http://www.pacweb.org/images/PUBLICATIONS/All%20That%20Glitters.pdf.

59 2013 Minerals Yearbook. U.S. Geological Survey, 2013, Table 8, p. 31.17.

60 Tiemoko Diallo, "Gold companies mine 45.8 tonnes of gold in Mali in 2014", *Reuters*, January 13, 2015, http://www.reuters.com/article/us-gold-mali-idUSKBN0KM1L220150113.

61 UN Comtrade International Statistics Database, accessed September 15, 2015, https://comtrade.un.org/.

SECTION III

IMPLICATIONS FOR THE REGION

Over the last decade a lot of time, financial resources and creative thinking have been expended by governments, the private sector, civil society groups, UN agencies and regional bodies like the African Union to determine how Africa can better manage its natural resources in ways that support peace and stability, financial transparency and meaningful and sustainable economic development.

There is good reason for this and many of the obstacles are well known.

Illicit financial outflows cost sub-Saharan Africa an annual average of $52.9 billion USD—roughly 5.5% of GDP—between 2003-2012,[62] taking an enormous toll on African economies. Much of the theft came from the natural resource sector.

Despite its mineral and oil wealth, the West African region remains one of the poorest in the world. Côte d'Ivoire, Mali and Burkina Faso rank near the very bottom of the UNDP's Development Index.[63]

The region is also no stranger to civil war and political violence. Since Independence there have been five large-scale civil wars, and coup d'états have been commonplace[64]—with Burkina Faso having the unenviable record of the most coup d'états on the African continent.[65] Civil wars in Côte d'Ivoire, Liberia and Sierra Leone were all sustained on the illicit trade of diamonds and other natural resources—the brutality of the former resulting in the creation of the UN-backed Kimberley Process Certification Scheme.

In recent years, most of the West African region has had to fend off growing threats and attacks from Islamic fundamentalists—as witnessed most recently in Côte d'Ivoire, Nigeria, Mali, Burkina Faso, Chad and Niger.

These sobering facts underscore that poor resource governance in West Africa is not a hypothetical issue, but is a very real threat to development, peace and security.

While we make no claim that the current state of affairs in the gold sector in the countries covered in this report is proof that the region faces an imminent security threat, we do argue that without serious and sustained political will to address the vulnerabilities listed here, that at the very least economic and social stability will continue to elude these countries.

62 Dev Kar and Joseph Spanjers, *Illicit Financial Flows from Developing Countries: 2003-2012* (Washington D.C.: Global Financial Integrity, December 2014), http://www.gfintegrity.org/wp-content/uploads/2014/12/Illicit-Financial-Flows-from-Developing-Countries-2003-2012.pdf.

63 Of 187 countries studied, Côte d'Ivoire, Mali and Burkina Faso placed 172, 179 and 183, respectively. See "Key to HDI countries and ranks, 2014", Human Development Reports, United Nations Development Programme, http://hdr.undp.org/sites/default/files/ranking.pdf.

64 For example see Jonathan M. Powell, "Coups in the World, 1950-Present", *JonathanMPowell.com*, accessed November 8, 2016, http://www.jonathanmpowell.com/coup-detat-dataset.html.

65 "Why Burkina Faso has so many coups", *The Economist*, October 12, 2015, http://www.economist.com/blogs/economist-explains/2015/10/economist-explains-8.

The boom in the extractive sector requires policy and decision makers—both working within governments and in donor agencies—to urgently prioritize ways to mitigate conflict risks, corruption and the negative impacts borne from a lack of formalization in the artisanal mining sector.

Lack of government presence and control over the sector is leading to other social risks, particularly with respect to child labour in mine sites and rampant use of mercury and cyanide in gold processing. Although beyond the scope of this report, the environmental impacts of these toxic products, coupled with the haphazard and uncontrolled digging of artisanal pits, is taking an environment toll.

The gold supply chains in Côte d'Ivoire and Burkina Faso are deeply interconnected in the combined legacies of civil war and in the personal and political relationships between Presidents Ouattara and Compaoré. Trading networks controlled by close associates and former combatants continue to operate outside the legal chain and operate with impunity and disregard to the State. High-level political will must be demonstrated by governments to dismantle the illicit networks that threaten public order and the government's ability to regulate and tax the artisanal sector.

The challenges facing Côte d'Ivoire, Mali and Burkina Faso require their governments to think bigger than focusing exclusively on developing investor friendly policies and laws, while ignoring the artisanal sector. Similarly, governments need to see formalization and incentives, rather than the heavy hand of enforcement, as the best way to bring those operating in the illicit shadows into the legal supply chain. It also requires governments to undertake a full review of their fiscal regimes—individually and collectively with neighbours—to harmonize not only the tax rates and their implementation, but all policies that may encourage or enable contraband trade or illegal behaviour. This is especially the case in Mali where exporters are taking advantage of loopholes in the fiscal regime.

Currently Côte d'Ivoire, Guinea, Liberia and Sierra Leone are implementing a Regional Approach in their diamond sector to harmonize policies and practices to improve their compliance with Kimberley Process minimum requirements, reap higher revenues and tackle common enforcement vulnerabilities. Partnership Africa Canada serves as a member of the technical team supporting these countries in this effort. A common refrain in this process has been the need for the regional approach to be expanded to cover gold and other key countries such as Ghana, Mali and Burkina Faso. Such an approach is rooted in the core goals of the African Mining Vision, agreed to by all African Heads of State in 2009, that "puts the continent's long term and broad development objectives at the heart of all policy making concerned with mineral extraction."[66]

66 "About AMV", African Mining Vision, accessed November 8, 2016, http://www.africaminingvision.org/.

CONCLUSION

The importance of the extractive sector to African economies requires governments to go beyond platitudes and rhetoric about harnessing their resources. Governments need to dedicate the reasonable and necessary budgetary, policy evaluation and human resources to put into practice the objectives and outcomes envisioned by initiatives such as the African Mining Vision and the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. While these initiatives are designed to improve transparency and better sourcing practices in the resource sector, at their core is the larger objective of seeing African governments reap bigger dividends from their resource wealth, and that those revenues be invested wisely on behalf of the public good.

It is in that spirit that the findings and recommendations of this report are presented for consideration by both decision makers and development practitioners.

Partnership Africa Canada (PAC) is a global leader in developing innovative approaches to strengthen natural resource governance in conflict and high-risk areas. For 30 years, PAC has collaborated with partners to promote policy dialogue and solutions for sustainable development.

» We investigate and report on the lack of accountability, poor governance, and human rights violations associated with conflict minerals.

» We develop and implement solutions in collaboration with local partners to improve natural resource governance, including the certification of conflict minerals and clean supply chains.

» We provide capacity-building and technical assistance to support transparency in the mining sector, including the development of industry guidelines.

» We promote policies and programs that support gender equality and women's entrepreneurship in artisanal mining.

PARTNERSHIP AFRICA CANADA

331 Cooper St., Suite 600
Ottawa ON K2P 0G5 Canada
www.pacweb.org

t +1-613-237-6768
Partnership Africa Canada
PACMinerals