

**Africa Programme
Meeting Summary**

Addressing illegal gold mining: International policy priorities

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Introduction

An estimated 20 million people worldwide are involved in the artisanal and small-scale gold mining (ASGM) sector, which now accounts for around 20 per cent of global gold output.¹

However, 85 per cent of this production occurs outside formal legal frameworks.² While many in ASGM operate within informal economies or seek pathways to formalization, a significant portion is also vulnerable to criminal exploitation involving organized crime and armed groups.

In Ethiopia, the sector's informality is tied to the nation's volatile security dynamics, with illicit gold mining proliferating as non-state actors compete for control in conflict-prone regions such as Tigray. More broadly, gold is increasingly trafficked through transnational illicit networks in the Sahel and Sudan, fuelling instability. The illicit ASGM sector is also impacting South America. For example, while Peru had initial success in formalizing the sector in 2019, these efforts have not been sustainable. The Amazon region has been particularly severely impacted resulting in deforestation, attacks on indigenous peoples and widespread activity by armed groups and criminal gangs.

ASGM growth is driven by the rising value of gold, youth unemployment, weak law enforcement and conflict. While formalization has significant economic potential, robust international cooperation and industry commitment are required to address the human toll, environmental impact and support sustainable practices.

This document summarizes discussions from a panel event held on 18 November 2024 in partnership with the World Gold Council,³ which highlighted challenges and policy priorities for addressing illegal gold mining. Speakers explored the expansion of illicit control and exploitation within ASGM, noting pathways for government and large-scale mining companies to drive meaningful change.

The Rt Hon Helen Clark, chair of the board, Extractive Industries Transparency Initiative (EITI); president of Chatham House; former prime minister of New Zealand

Data on the ASGM sector are challenging to collect, though estimates suggest that around 15–20 million people are engaged in the sector globally. The sector constitutes the second largest source of rural livelihoods in Africa.

The proliferation of gold production, in the context of increased gold prices in recent years, is an important source of income around the world and has the potential to deliver real economic benefit to communities. However, these activities have created a sector that is often associated with environmental

¹ Global Mercury Partnership (undated), *Insights from ASGM National Action Plans*, UNEP, <https://www.unep.org/globalmercurypartnership/insights-asgm-national-action-plans>.

² Ibid.

³ Raab, D. (2024), *Silence is Golden*, report, London: World Gold Council, <https://www.gold.org/esg/artisanal-and-small-scale-gold-mining>.

degradation, child labour, poor or non-existent safety controls, as well as international crime, corruption and conflict.

While regulation is needed to address the environmental and safety impacts of ASGM, international action is also essential to tackle global networks that are driving corruption, terrorism, money laundering and criminal activity in the sector. By reporting in accordance with the standards of the 2023 Extractive Industries Transparency Initiative (EITI) countries can tackle issues of limited data transparency and help provide new data from 50 countries including those with large ASGM sectors. The EITI should be used in collaboration with other international stakeholders, such as the World Gold Council, to accelerate data disclosure to inform solutions for the challenges of ASGM and ensure the protection of ASGM workers' livelihoods.

The Rt Hon Dominic Raab, head of global affairs, Appian Capital Advisory; senior counsel World Gold Council; former deputy prime minister of the United Kingdom

In 2022, gold was the world's seventh most-traded product with a total annual value of \$478 billion. However, artisanal miners often experience dangerous working conditions and, they and their families, face issues such as mercury poisoning and the risk of mine collapses. Most ASGM communities are not part of a safe and viable supply chain to sell their gold and often attract violent exploitation from criminal groups.

Despite the plethora of international agreements and treaties aimed at offering protection to ASGM communities, there is a continued inertia of law enforcement at both the international and domestic levels that has attracted predators globally. In the Central African Republic town of Koki, the Wagner Group arbitrarily executed miners to seize a gold mine. In Colombia, the Revolutionary Armed Forces of Colombia (FARC) has diversified its income away from cocaine into illegal gold mining, which it uses to launder its profits. Gold is more easily smuggled across borders, and traceability is one of the major ASGM challenges, as smuggling routes traverse regional and international hubs.

Beyond the urgent humanitarian needs of ASGM workers and their communities, thought must also be given to their countries, which are losing out on profits and tax revenues from the sector, as these are siphoned off by criminal groups. The enrichment of these groups and the spread of illicit networks presents a serious threat to international peace and security.

A credible and concerted strategic plan to tackle the illicit trade will require robust actions. Predators need to be arrested and prosecuted to promote deterrence; this will require judicial cooperation at an international level to secure such convictions. Illicit supply chains must also be more effectively

disrupted. National governments should enact both Magnitsky style sanctions⁴ and secondary sanctions against high-level individuals and companies involved in the smuggling and laundering of illicit gold. This will help to restrict their freedom of movement and suffocate their profits. Crucially, the Financial Action Task Force (FATF)⁵ should update its 2015 review into the gold sector and produce a detailed and specific framework that international hubs must satisfy to avoid being grey or black-listed. Such financial interventions will require strategic leadership from the G7 and G20 and must complement wider international efforts.

Ahmed Soliman, senior research fellow, Africa Programme, Chatham House

While statistics on gold production need to be taken with considerable caution, current estimates suggest that gold production (industrial and ASGM) in Africa sits at around 650 tonnes a year. A 2024 Swiss Aid report, *On the trail of African gold: quantifying production and trade to combat illicit flows*, noted the significance of this number, finding that in the period between 2012 and 2022, African gold production increased from 543 tonnes to 700 tonnes.⁶ Within these figures, each year, between 321 tonnes and 474 tonnes of artisanal gold are produced in Africa without being declared. This equates to a value of between \$24 billion and \$35 billion and makes up three-quarters of Africa's total artisanal gold production.⁷

Ghana and South Africa remain the biggest producers of declared gold, both of which are largely stable countries from a governance and security perspective. However, the next largest producers are Mali, Burkina Faso and Sudan, all of which have experienced coups in the last four years. It is apparent that the gold sector is thriving in unstable contexts.

On the import side, the UAE is one of the main international hubs for gold and the largest importer of trafficked gold from Africa, with statistics showing that the UAE's gold imports from Africa have more than doubled in the 2012–22 period from 240 tonnes to 609 tonnes.⁸ This corresponds to \$34 billion in 2022 alone and accounts for approximately 7 per cent of the UAE's total GDP in 2022. African gold is therefore a significant contributor to the UAE's post-carbon

⁴ Magnitsky style sanctions target those responsible for human rights violations or corruption. In 2012, the US Congress passed the Sergei Magnitsky Rule of Law Accountability act, which enabled the US to impose sanctions on individuals identified as being involved in the detention, abuse or death of Sergei Magnitsky, or in human rights violations in Russia more generally. Other countries and organizations have passed their own Magnitsky style legislation, including the European Union in 2020 and the United Kingdom in 2018: Newson, N. (2021), 'Magnitsky sanctions', <https://lordslibrary.parliament.uk/magnitsky-sanctions/>.

⁵ The FATF is the global money laundering and terrorist financing watchdog aimed at combating money laundering, terrorism and proliferation financing: FATF (undated), 'What we do', <https://www.fatf-gafi.org/en/the-fatf/what-we-do.html#:~:text=The%20Financial%20Action%20Task%20Force,countries%20are%20taking%20effective%20action.>

⁶ Ummel, M. and Schulz, Y. (2024), *On the trail of African gold: quantifying production and trade to combat illicit flows*, report, Bern: SWISSAID, p. 3, <https://www.swissaid.ch/en/articles/on-the-trail-of-african-gold/>.

⁷ Ibid.

⁸ Ibid., p. 39.

economic and security future, and this is partly why states such as Sudan increasingly form part of the UAE's regional interests.

The impact of ASGM on conflict in Sudan and Ethiopia

In Sudan, the gold sector has played a significant factor in both the 2021 *coup d'état* and the ongoing war. Gold has become Sudan's most valuable commodity and is the main financial resource for its warring parties: the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF). In consolidating their areas of territorial control, the parties are reinforcing their authority over gold producing zones. Revenue from gold has been used by both sides of the conflict to procure arms from China, Iran, Russia, Türkiye and the UAE. These gold exports mean that neighbouring countries and gold hubs, particularly the UAE, have a direct interest in the outcome of the war. Gold is therefore a crucial component within an extensive and evolving transnational war economy that perpetuates violence and political instability.

The trend of security actors using gold to fuel their military campaigns is also evident in Tigray, Ethiopia. In eastern and central parts of Tigray, many are resorting to mining as a source of income. Multiple actors are involved, including leaders of the Tigray Defense Forces (TDF), foreign nationals and local businesspeople. Control over gold is one of the contributing factors of the recent internal split within the leadership of the Tigray People's Liberation Front (TPLF), the dominant party in the region. The war has facilitated the emergence of illicit trade networks, enabling smuggling of gold across borders. Profits are captured by security actors, which exacerbates the harms to the Tigrayan people, rather than being channelled purposefully to enable the necessary reconstruction of a region that has been devastated by war.

Both cases relate to the necessity for policymakers to identify the economic interests that are at stake in a conflict to create a successful and coherent political strategy that engages all sides. In the Sudanese case, ASGM is used by both domestic and international parties to the war; a resolution to the conflict cannot be found without transparency around these interests.

Luca Maiotti, policy analyst, responsible mineral supply chains, OECD Centre for Responsible Crime

The trading and exporting phase of the illegal ASGM supply chain is key. Local buyers provide an avenue for illegally extracted gold to access international markets and financing necessary for infrastructure, chemicals and machinery. At this phase, gold sources can be aggregated or mixed into smaller bars that are, often illegally, exported into international markets. This blending process limits the physical traceability of the gold. If smuggled, the processing can happen in a different country, which then becomes the legal origin of the gold.

Traceability relies on paper trails alone. For example, companies will often state the gold origin as the UAE and Switzerland, which have no mines. It is therefore necessary to be clear on the limitations of traceability and ensure that it does not replace due diligence. Furthermore, full end-to-end traceability may not be

feasible in many ASGM contexts due to barriers in terms of costs and available technology. Interoperability between different traceability standards as well as the variability of data being supplied to traceability systems also present key challenges.

There are existing international instruments that should be invested in and expanded to tackle traceability issues. Under the FATF, dealers of precious metals and stones are obliged entities that must carry out due diligence and report suspicious transactions. However, reporting is only obligatory if a cash transaction surpasses \$15,000, presenting a significant limitation. Despite this, the FATF has a thorough review mechanism that can be better leveraged. Meanwhile, the OECD due diligence guidance and implementation process, though a non-mandatory instrument, can be considered soft law with hard consequences. Both bodies are a crucial part of the solution but need increased political support.

Marcena Hunter, director of extractives, Global Initiative against Transnational Organized Crime

ASGM is no longer small scale, as operations are becoming larger and more sophisticated. Criminality is shifting away from mining roles and towards processing and the rental of land and machinery, often manifesting in extortion and corruption that targets vulnerable communities through practices such as illegal ‘taxation’ and land grabbing. The gold sector also plays a significant role in the financing of political campaigns in multiple countries. The impacts of due diligence and traceability become limited in such contexts as the scale of criminality has become greater than the parameters of traditional responses.

The gold sector is very attractive to criminal actors. It is now more profitable and lower risk than drug markets, with many large armed groups throughout South America, including Rio de Janeiro’s Red Command and the Primeiro Comando da Capital, having mobilized within the sector. These developments make gold production’s midstream challenging in terms of traceability.

Processors, aggregators and exporters are not only engaging in and profiting from criminality, but they are also difficult to prosecute. Often, these actors are situated in countries where international bodies do not have jurisdiction or are heavily protected by local authorities, and they do not have assets in foreign countries that could be sanctioned. Furthermore, simply integrating illegal actors into formal supply chains will not deliver development gains. Legitimizing criminal behaviour only shifts the problem from the informal to the formal sector.

Development implications must be at the forefront of solutions for criminality in the ASGM sector. While measures such as traceability are an essential step, these do not necessarily deliver strong development gains to upstream actors. Often, villages where illegal mining is happening have developmental gains because of ASGM. Interventions therefore need to be holistic, balanced and focus on building resilient communities.

On the issue of both the Sudanese and South Sudanese conflicts, the role of gold cannot be understated. In South Sudan, while prominent actors were negotiating for an end to the conflict, armed groups continued to fight over gold deposits in rural locations, undermining attempts at peace and security. Furthermore, the UAE should not be seen as a passive actor in African conflicts, but an active party. Therefore, those involved in the gold trade must be recognized as exacerbators of conflict and be active stakeholders in conflict resolution.

Brad Brooks-Rubin, partner, Arktouros

The World Gold Council report, *Silence is Golden*, highlights the unique and diverse challenges facing ASGM communities. There has been a lot of work done to build frameworks and design interventions, which now require strong political will and funding to achieve implementation. Gold has been the subject of an extraordinary number of sanctions that have disrupted individuals and companies, but not fundamentally changed the sector. Continued research and adjustment of sanctions is necessary to adapt to a complex network of illicit gold supply chains. There is a current lack of resources for implementation particularly considering the global focus on critical minerals and the energy transition.

High-risk and criminally connected ASGM could not exist and be so lucrative without an end buyer. Until those involved in the midstream and downstream are more willing to share information and change their supply chains, criminality will persist. In this regard, there has been some tangible action from the UAE, for example. After the UAE was grey listed in 2022 by the FATF, the country suspended more than 30 refineries and, due to regulatory changes, has seen an increase of reports of suspicious transactions – from 200 in 2021 to more than 6,000 in 2023. Other entities, alongside auditors, must take similar steps to create accountable supply chains.

Information sharing from industry to governments, specifically concerning bad actors, is imperative to creating a more transparent supply chain. Furthermore, bodies like the UK's Joint Money Laundering Intelligence Taskforce⁹ should be replicated globally in the gold sector to make information sharing between the private sector and governments mandatory.

Improving risk-based due diligence is also crucial. Currently, risk-based due diligence applies to only the top 5–10 per cent of producers, meaning that smaller producers with significant associated risks, such as those in Ethiopia and Myanmar, are overlooked. Furthermore, encouraging the UAE to identify Sudan as a conflict-affected high-risk area would require it to enhance the due diligence of its refiners, which would lead to a significant increase in suspicious activity reporting. In addition, downstream refiners in Switzerland need to

⁹ The Joint Money Laundering Intelligence Taskforce (JMLIT) is a partnership between law enforcement and the financial sector to exchange and analyse information relating to money laundering and wider economic threats: National Crime Agency (undated), 'National Economic Crime Centre', <https://www.nationalcrimeagency.gov.uk/what-we-do/national-economic-crime-centre>.

further scrutinize gold that comes from the UAE, including recycled gold. Such actions could significantly disrupt the situation and create tangible impact.

