

Right: Artisanal gold mining in Burkina Faso. Neighbouring countries are reportedly smuggling gold through Mali to the UAE.



Mali revealed as hub for illicit gold

A new study claims that Mali's export tax laws have turned it into a conduit for the export of West African gold to the UAE. **Simon Frost** reports.

Partnership Africa Canada (PAC), a non-governmental organisation focused on improving natural resource governance, has urged international buyers and refiners of gold to exercise additional due diligence on gold exported from Mali and advised the governments of three West African nations to formalise small-scale mining, with help from the technical community.

Based on on-site observations and interviews with government officials, traders, buyers, diggers and civil society representatives, PAC's report, *West African El Dorado: Mapping the Illicit Trade of Gold in Côte d'Ivoire, Mali and Burkina Faso*, found that Mali's export taxation practices – applying tax to only the first 50kg of gold exported per month – and its porous borders have made the country a central hub for smugglers from neighbouring countries. This creates a loss of tax income to Côte d'Ivoire and Burkina Faso, as well as to Mali itself, and is reportedly funding violence and political instability in the region.

The United Arab Emirates' (UAE) imports of Malian gold have exceeded the country's entire production for four successive years. Mali declared 40 tonnes of gold production for 2013, but the UAE alone imported 49.6 tonnes from the country in the same year. In 2014, Mali declared 45.8 tonnes – the UAE imported 59.9 tonnes.

Discrepancies and opacity

Artisanal mining is widespread in Mali – the Chamber of Mines of Mali estimates that artisanal mining employs more than one million people. In December 2016, Carlos Novo, Director of Operations at Mali's largest refinery, Kankou Moussa, said he estimates that the country's artisanal mining sector produced around 36 tonnes of gold per year (significantly more than the 23.7 tonnes officially documented).

However, a lack of regulation means that child labour and dangerous practices with cyanide and mercury are common, and the money is always moving away from those who dig the gold, through a chain of middlemen. The artisanal sector is based on pre-financing – one buyer based in Bamako, Mali, told PAC that he finances between 30–40 businesses in Côte d'Ivoire, purchasing an average of 200kg of gold per month, which is then exported via Mali to the UAE, with 150kg exported tax-free. The miners, meanwhile, reportedly have only their equipment and daily subsistence bought for them by the site owner in many cases.

While Mali's considerable informal sector would account for some discrepancy between production and export figures, the fact that the majority of Mali's documented production is accounted for in exports to refiners in Switzerland and South Africa removes any doubt that much of the gold exported from Mali originates elsewhere. 'Export statistics from Mali are painting a worrying trend, and it is up to international refiners and buyers to exercise additional due diligence on gold exported from the country to ensure the gold is clean,' said PAC's Executive Director, Joanne Lebert.

Standards and solutions

Materials World spoke to Bady Balde, Regional Director Francophone Africa for the Extractive Industries Transparency Initiative (EITI), a global standard implemented by governments, companies and civil society in 51 countries, including the three highlighted by PAC. The report recommends that West African governments do more to promote the EITI to industrial actors and provide incentives for artisanal producers to operate legally – for example, by developing local cooperatives that remove the need for the current chain of buyers.

'Burkina Faso, Mali and Côte d'Ivoire are all implementing the EITI, and the EITI national commissions in those countries have agreed to cover artisanal mining as part of the EITI process, meaning that multi-stakeholder groups (MSGs) of government officials, civil society and companies will discuss governance challenges facing the artisanal mining sector,' Balde said. 'These MSGs agree to gradually extend the scope of EITI reporting to include information on regulatory frameworks, production and export data, employment figures, payments to local and central governments and other significant contributions from artisanal mining to the economy.'

The report also calls for the UAE's trade initiative, the Dubai Multi Commodities Centre, to ban hand-carried imports of gold, as gold brought into the country in carry-on hand luggage is currently exempt from customs declarations.

'The good news is that this issue is no longer ignored. In a country like Mali, artisanal miners have practised this activity for centuries, sometimes from generation to generation. The lack of formalisation of the sector and mineral smuggling are often the result of governance failures. Through the EITI and other mechanisms, stakeholders are becoming aware of harmful practices and hopefully this dialogue will contribute to raising awareness and finding practical solutions that work in the national context of these respective countries,' Balde said.

To view PAC's report, visit bit.ly/2II2Ori